**Atlas Estates Limited ("Atlas" or the "Company" or the "Group")**

**UNAUDITED QUARTERLY RESULTS FOR THE NINE AND THREE MONTHS TO 30 SEPTEMBER 2009**

## 16 November 2009

Atlas Estates Limited, the Central and Eastern European ("CEE") property investment and development company, today reports interim results for the nine and three months ended 30 September 2009.

**Financial summary**

- Revenue increased to €33.6 million (9 months to 30 September 2008: €30.0 million)
- Loss from operations of €23.6 million (9 months to 30 September 2008: loss from operations of €7.0 million)
- Profit from operations excluding the movement in value of investment properties and provisions against inventories and assets held for sale of €3.4 million (30 September 2008: loss €0.6 million)
- Unrealised foreign exchange loss of €2.3 million (2008: gain €3.5 million) in the income statement and €4.1 million (2008: gain of €5.9 million) in reserves for the nine months ended 30 September 2009 as a result of continued depreciation of currencies in the CEE region.
- Net Asset Value per share at 30 September 2009 of €2.71 (31 December 2008: €3.68)
- Bank loans at 30 September 2009 of €263.2 million (30 September 2008: €249.9 million)
- Post balance sheet event - disposal of Slovakian interests yielding €8m of cash and reducing group debt by €20.5million

**Operational summary**

- Completion of the construction of the Platinum Towers residential development in Warsaw – apartment handovers commencing in late 2009 and continuing 2010
- Construction activity on Capital Art Apartments stage 2 has been on time and in line with budgets and expected completion in 2009
- The above two constructions will bring 696 apartments to market in 2009 and 2010 with pre-sales to date of 521 apartments (pre-sales 424 by end of 2008)
- Capital Art Apartments stage 1 sales completions of 205 out of 219 with revenue of €11.2 million recognised in first nine months of 2009 (€13.0 million recognised in the prior year to December 2008)
- Hilton performing ahead of the market in adverse trading conditions from reduced business travel
- Poland forecasting GDP growth in 2009 - the only economy in Europe to achieve growth in 2009. Other Atlas markets forecasting GDP decline between 4% and 6%
- Strategic focus on Poland – 75% of the portfolio post Slovakian disposal

**Commenting, Quentin Spicer, Chairman of Atlas, said:**

"In this quarter the Company has achieved a significant milestone with the completion of the construction of its Platinum Towers residential development in Warsaw. The twin towers are over 22 floors and are situated alongside the Hilton Hotel which was completed by the Company in 2007, as part of a unique development in the city. The development has 396 quality apartments including 16 penthouses, and a piazza with commercial area to be let. Our next development, Capital Art Apartments stage 2, is on track for completion prior to the end of the year.

Economic and lending conditions remain difficult following the banking crisis. The Polish economy remains the only European economy forecasting growth in 2009, and likely to be one of the strongest performing economies in the coming years as a result of EU funding to support infrastructure developments. Poland remains our major market and therefore the Company is well positioned to benefit from the strength of this economy and any future recovery in demand in the region".

For further information contact:

**Atlas Management Company Limited** **Tel: +44 (0)20 7245 8666**
Nahman Tsabar – Chief Executive Officer
Michael Williamson – Chief Financial Officer

**Fairfax I.S. PLC, London** **Tel: +44 (0)20 7598 5368**
David Floyd
Rachel Rees

# ATLAS ESTATES LIMITED
# CONDENSED CONSOLIDATED QUARTERLY REPORT
# THIRD QUARTER 2009

Atlas Estates Limited
BNP Paribas House
1 St Julians Avenue
St Peter Port
Guernsey GY1 1WA
Company number: 44284

**Contents**

**Page**

## Financial Highlights

| Selected Consolidated Financial Items | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| Revenues | 33,556 | 8,906 | 30,027 | 8,930 |
| Gross profit | 11,176 | 2,528 | 12,054 | 2,670 |
| (Decrease) in value of investment properties | (16,247) | (104) | (2,448) | (305) |
| Impairment of asset held for sale | (5,831) | (5,831) | (3,996) | - |
| Loss from operations | (23,589) | (5,732) | (7,010) | (1,548) |
| (Loss) / profit before tax | (33,558) | 878 | (10,866) | (6,618) |
| (Loss) for the period | (33,013) | (226) | (9,666) | (5,768) |
| (Loss) attributable to equity shareholders | (32,472) | (226) | (9,659) | (5,758) |
| | | | | |
| Net cash (outflow) / inflow from operating activities | (20,089) | (15,379) | (30,060) | (11,434) |
| Cash flow from investing activities | (398) | (167) | (1,799) | (367) |
| Cash flow from financing activities | 14,533 | 8,571 | 14,607 | 15,911 |
| Net (decrease) / increase in cash | (5,384) | (1,812) | (12,322) | 2,347 |
| | | | | |
| Non-current assets | 295,536 | 295,536 | 276,994 | 276,994 |
| Current assets | 154,998 | 154,998 | 204,902 | 204,902 |
| Assets classified as held for sale | 27,433 | 27,433 | 97,590 | 97,590 |
| Total assets | 477,967 | 477,967 | 579,486 | 579,486 |
| Current liabilities | (194,198) | (194,198) | (101,675) | (101,675) |
| Liabilities directly associated with assets classified as held for sale | (19,433) | (19,433) | (70,408) | (70,408) |
| Non-current liabilities | (136,470) | (136,470) | (190,066) | (190,066) |
| Total liabilities | (350,101) | (350,101) | (362,149) | (362,149) |
| Net assets | 127,866 | 127,866 | 217,337 | 217,337 |
| Shareholders' equity attributable to equity holders of the Company | 127,134 | 127,134 | 216,250 | 216,250 |
| | | | | |
| Number of shares outstanding | 46,852,014 | 46,852,014 | 46,852,014 | 46,852,014 |
| (Loss) per share basic (eurocents) | (69.31) | (0.48) | (21.23) | (12.37) |
| Basic net asset value per share (€) | 2.71 | 2.71 | 4.62 | 4.62 |

## Chairman's Statement

I am pleased to report 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 2009.

The Company, in its interim results as reported on 14 August 2009, highlighted the very tough market conditions seen in the CEE region for the first half of 2009. The CEE markets have seen improvements in the third quarter of 2009. However we are cautious about prospects for a full scale recovery and continue to monitor the markets closely and to put in place the appropriate measures to ensure the stability of the Group. This includes continuing to reduce costs without damaging operational effectiveness and ensuring our major development projects are completed on time and within budget. In this quarter we completed the construction of the Platinum Towers residential development in Warsaw and received the permit to hand over apartments to our clients.

The effect on lending capabilities of the banks following the credit crunch remains a key issue for the CEE region and a lack of access to capital is a continuing risk to business. Management works closely with the banks on its facilities. In addition to the completion of the Platinum Towers, the Group is expected to complete its second major project for 2009, the Capital Art Apartments stage 2 developments, by the end of 2009. These constructions have been dependent upon access to finance and the support of two major banks has been vital.

The progression of the business has been adversely affected by falling property valuations and the instability in the economies in the CEE region. In response the banks that previously financed growth in the CEE region are seeking to reduce their exposure and the funding for new business projects or construction is virtually non existent. In this environment the Company's objectives have been to retain cash for investment, to realise value from disposals and to apply strong cost control throughout and ensuring projects are completed on time and within budgets.

### Quarter 3 Reported Results

The third quarter results continue to reflect many of the factors reported on in the interim results, including the fall in asset valuations and the effect of depreciating CEE currencies relative to the Euro.

The continuing depreciation of CEE currencies into 2009 reflected the weak economic environment in the region. However, in the third quarter there has been stabilisation and appreciation, but exchange rates still remain substantially weaker than in 2008. The fall in value of the functional currencies has resulted in foreign exchange losses of €3.0 million in the income statement (2008: gain of €5.2 million) and €4.1 million (2008: gain of €5.9 million) in reserves for the nine months ended 30 September 2009. Of the loss in the income statement, €2.3 million (2008: gain €3.5 million) is unrealised. It has arisen on monetary assets and liabilities denominated in foreign currencies, for example bank loans, which are translated at the rates prevailing on the balance sheet date.

### Financing, Liquidity and Forecasts

The Group, as previously reported, has been in discussions with its banks and has refinanced loans attributable to several of its properties. Negotiations have been difficult, due to the issues being faced by international banks and falling asset values. The Group has been successful in obtaining a waiver for one banking covenant breach in 2008 and continues to negotiate with lenders (who have not withdrawn their facilities) in respect of others. It has also refinanced or extended many of its loans, as detailed below in the notes to the financial information. The Company has simultaneously engaged in negotiations with other lenders.

The Group has reported a loss before taxation for the nine months ended 30 September 2009 and a change in net asset value as at 30 September 2009. The Directors consider that although prospects are generally improving, the outlook presents significant challenges in terms of the markets in which the Group operates, with the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group adding to the instability. The sale of the group's interests in Slovakia, described in more detail below, will significantly improve the Group's overall cash position and reduce its borrowings after the period end.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and mitigating factors. These forecasts take into account reasonably possible changes in trading performance, potential sales of properties and the future financing 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 will 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 quarterly financial information for the nine and three months ended 30 September 2009, as set out in note 1 to the condensed consolidated quarterly financial information.

**Investing Policy**

The Company actively invests in a portfolio of real estate assets across a range of property types throughout Central and Eastern Europe (CEE).

The Company targets countries within the CEE which possess attractive investment fundamentals including political and economic stability, strong GDP growth and low inflation. The Company may also make investments in countries which attract increasing foreign direct investment from being part of, or from being expected to join, the EU. The Company shall not invest in states of the former USSR.

The Company makes investments both on its own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects. There are no set restrictions on either sector or geographical spread of investments within the Company's stated investment region.

The Company may employ leverage to enhance returns on equity although the extent of such leverage will vary on a property by property basis. 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 per cent of the total value of its interest in income-generating properties within its property portfolio.

The Company seeks to provide Shareholders with an attractive overall return through a combination of income and long term appreciation of the Company's assets.

The Board recognises that the current state of the credit markets and general downturn in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio, causing a decline in the Company's net asset value per share. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy for 2009 and 2010 is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

**Disposal of interests in Slovakia**

Atlas announced on 3 November 2009 that it had signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising 3 sites: 1 in Bratislava and 2 in Kosice, which were held in a joint venture in which Atlas had a 50 per cent interest. The Group realised €8 million in net proceeds from the sale of the Slovakia Portfolio. The combined impact of ceasing to consolidate its share of debt in the joint venture and the receipt of the cash consideration has reduced the Group's overall debt by some €20.5 million pending any reinvestment of the cash proceeds. The Board intends to utilise the net proceeds to fund the development of the Group's remaining assets, with particular focus on the assets located in Warsaw, Poland, where the Group has a strong presence and is likely to realise value from development activity within the next two to three years. This contrasts with the projects in Slovakia, which would have required the investment of large amounts of capital with returns arising in the long term.

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

In the nine months to 30 September 2009, NAV per share, as reported in the condensed consolidated quarterly financial information that has been prepared in accordance with International Financial Reporting Standards ("IFRS"), has decreased by 26.4% to €2.71 per share from €3.68 at 31 December 2008.

An independent valuation of the entire property portfolio is carried out on a semi-annual basis by Cushman & Wakefield and Colliers International acting as independent experts. This assessed the total value added during the financial year and is included in the basis for the Property Manager's performance assessment and fee calculations.

The change in value of the development land holdings over their book cost reflects the latent value within the project, which is over and above the book cost. Profit is taken upon completion of the project and when the risks and rewards of ownership of an apartment or property are transferred to the client.

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, but not recognised at fair value in the balance sheet, has not been included. The Directors consider that it is more prudent and appropriate to wait until the independent valuation is undertaken at 31 December 2009, as since the last independent valuation at 30 June 2009 there has continued to be significant expenditure on the development properties and significant changes in the markets for development properties.

**Central and Eastern Europe**

In many of the markets throughout the CEE region, gross domestic product ("GDP") levels are in decline, with an overall regional decline of 4% forecast for 2009.

Poland remains one of the most resilient economies in Europe and is forecasting growth of between 0% and 1% in GDP. Romania, which required €20 billion of IMF financial support, is forecasting a fall in GDP of between 6% and 8% this year. Hungary has also received €15 billion of IMF financial support this year and is forecasting a fall in GDP of 6% in 2009. The Slovakian economy is forecast to decline by between 4% and 6% in terms of GDP in 2009. These weak economic conditions have arisen alongside the slump in foreign investment and bank finance to the region. Credit has become very restricted and there is no liquidity in the market. As a result, investment and development activity in the real estate market is in decline. The Company has continued to adopt a prudent approach to investments and seeks to reduce the risks associated with its portfolio.

In the longer term the Company remains committed to its strategy of investment in this region, as we believe that the markets will continue to offer growth rates ahead of those to be offered in the more developed markets in Western Europe. The Company has benefited in prior years from the growth in these markets. It is now experiencing a reversal in these markets, but, as in any cyclical business, it is important investors and management are able to take a longer term view. This will allow the Company to benefit from the next positive stage in the property and economic cycle.

**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 2009 are summarised in the Property Manager's Report on pages 13 and 14 below.

**Prospects**

As Atlas has previously reported during the current year, the global economic crisis has had a very significant impact on the economies and prospects in the CEE region. Many economies in the region are experiencing a decline in GDP, as access to funding has become restricted and any investment has been put on hold. For 2009 it is unlikely that the economies in the CEE region will recover and the Group has positioned itself for this situation.

There have been improvements in sales demand in recent months in Warsaw, as Poland confirms its position as the most resilient market in Europe. For 2010 and beyond there have been forecasts of stabilisation and recovery for certain markets in the CEE region, in particular for Poland. However it is difficult to forecast the timing of the recovery without more certainty on how the financial crisis in the global markets resolves itself. Therefore the directors and management of Atlas continue to adopt a prudent and measured approach to investment.

Atlas has achieved significant progress with its two key developments in Warsaw since the announcement of the half year results to 30 June 2009 and is benefitting from cash in-flows as apartments are sold. When combined with the cash proceeds due from the recent sale of its Slovakian interests, the Group's current and projected cash flows are expected to provide the Group with the cash resources to unlock the value of selected further projects in Poland.

I would like to take the opportunity to thank my fellow board members, the directors and staff of the Property Manager and our team of advisors for their loyal support and effective management, particularly under the current difficult conditions.

**Quentin Spicer**
**CHAIRMAN**
**16 November 2009**

## Property Manager's Report

In this report we present the operating results for the nine and three months ended 30 September 2009. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and development of its portfolio and advise on new investment opportunities. As at 30 September 2009, the Company held a portfolio of 23 properties comprising 12 investment properties of which eight are income yielding properties and four are held for capital appreciation, two hotels and nine development properties.

**Disposal of interests in Slovakia**

As highlighted in the Chairman's Statement on page 5 on 3 November 2009 Atlas signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising 1 site in Bratislava and 2 sites in Kosice. This will reduce the portfolio of assets by three properties going forward and ends the Company's current interests in Slovakia.

**Portfolio valuation and valuation methods**

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 30 June 2009 by two independent real estate advisors, Cushman and Wakefield and Colliers International. Management has used the 30 June 2009 valuations in the financial statements at 30 September 2009. These valuations are applied to property, plant and equipment and investment property.

**Markets and Key Properties**

**Poland**

This is the major market of operation for the Group, with 75% of its portfolio located in Poland, excluding the recently disposed of assets in Slovakia. The Polish economy is outperforming the rest of the region with positive GDP growth forecast for 2009. The currency has weakened in 2009 and there are forecasts of a recovery in the economy in 2010 and 2011. Property valuations in 2009 have fallen by 10% to 15%, as a result of restricted credit. This has impacted the Group's asset valuations in 2009.

**Hilton Hotel, Warsaw**

The Hilton Hotel in the Wola district of Warsaw is a prestigious asset. The CEE region and the hotel market across Europe have been adversely impacted by the global economic downturn. The third quarter is the weakest quarter for occupancy rates, but we have seen rates in line with third quarter 2008. For the Hilton Hotel, occupancy rates for the first nine months of 2009 were at 62% compared to 69% in the first nine months of 2008. Management have undertaken measures to mitigate the effect of lower occupancy rates, through cost controls and operating margins have been maintained in the hotel operation at 29% to 30% in the nine months to 30 September 2009.

**Platinum Towers**

The Platinum Towers development, located adjacent to the Hilton was completed in the third quarter in line with budget and according to schedule. A permit to commence the hand over of apartments was obtained and this process has started. There will be sales recognition in quarter 4 2009, but the majority of sales will be recognised in 2010. This is a significant milestone for the Group and the twin tower development provides 396 apartments and a retail and piazza area on the ground and first floors. This residential development alongside the Hilton Hotel will provide a unique development in the city. It is planned to build an office tower in the future, which will enhance the attractiveness of this site.

Pre-sales of 30 apartments were concluded in the first nine months of 2009. In total, pre-completion apartment sales are at 359 (apartments sold subject to completion). This development has been successfully completed with the support of the bank Raiffeisen and close cooperation between AMC management, the general contractor and architects.

**Capital Art Apartments**

The Capital Art Apartments development in Warsaw is a significant development in the Wola district of Warsaw close to the city centre. It is a three stage development which will release 739 apartments in the city with parking and amenities, including retail facilities. This project is being developed in three stages. The first stage was completed in the fourth quarter of 2008. The second stage is in the process of completion and is forecast for completion at the end of 2009. It is currently on track in terms of timelines and cost.

Sales of 99 apartments were recognised as income for the first time in 2008. In the first nine months of 2009, a further 106 apartment sales have been recognised as income. Revenue recognised in the first nine months of 2009 was €11.2 million and for the fourth quarter of 2008 was €13.0 million. The Company has sold to date 205 out of 219 apartments in stage 1, with a further 12 apartments in stage 1 to complete and 167 apartments out of 300 apartments in stage 2 having been pre-sold.

**Other properties in Poland**

The Group's portfolio also contains valuable land assets in Warsaw, for which it is acquiring zoning and permits for further development. There are two properties in Warsaw known as Zielono and Cybernetyki, which the Company would like to develop, subject to access to appropriate finance. The land on the Wola site alongside the Hilton and the Platinum Towers office development has received approvals to extend the proposed office building to 32 floors. This is a significant milestone in the development options for this site.

The Group also owns two investment properties in Poland. The Millennium Plaza, Warsaw is a major tower property in the city. It has had difficult trading conditions with a declining retail and office market in 2009. It has unoccupied space and has seen rental prices decline. The Sadowa office building, in Gdansk has had no significant changes in occupancy.

**Hungary**

In Hungary, the Group portfolio comprises seven properties, all of which are located in Budapest. Five are income producing assets, including the Ikarus Business Park. It is anticipated that some of these properties may be redeveloped in the future. GDP forecasts for the Hungarian economy indicate a decline of 6% in 2009 and it has suffered adversely from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and, on its income yielding assets, has experienced client losses and pricing pressures.

The weak economy has adversely affected rentals at the Ikarus Business Park with a loss of clients and downward pressure on rental levels. These clients have included suppliers to the automotive industry. The Group continues to actively market the vacant space in its properties in difficult market conditions. Cost control measures have been undertaken. The Atrium Homes development property is a two-stage development. The construction of stage 1 has been delayed due to current economic conditions.

**Romania**

The Group's portfolio contains three properties in Romania, including the Golden Tulip Hotel and two significant land banks. The Romanian economy is forecast to decline this year in the range 6% to 8%. This contrasts with the high levels of GDP growth seen in recent years. IMF funding has been provided to support the economy. Forecasts are uncertain as presidential elections are taking place in late 2009 and there is uncertainty if IMF financing conditions will be met. As a result, property values have taken a dramatic fall in 2009. In difficult trading conditions, occupancy rates at the Golden Tulip for the nine months have fallen to 57% in 2009 compared to 64% in 2008. The Group has also undertaken cost control measures to mitigate the current loss of business at the hotel operation.

**Bulgaria**

The Group holds one rental property in Sofia. This office building has had no significant changes in tenancies during the period. GDP is forecast to decline by 6% in 2009 and expectations are that the downturn will continue and that IMF funding support will be required.

## Financial Review

With the credit crunch and economic downturn, financial control and tight control of costs and spending have become vital and of even greater importance to the business. As a result corporate governance and financial reporting systems are operated to the highest standards.

The continual monitoring of the territories, analysing the economics of the region and the key measures of the sectors in which the Group operates are vital to ensure that 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.

**Loans**

As at 30 September 2009, the Company's share of bank debt associated with the portfolio of the Group was €263 million (30 June 2009: €252 million; 31 December 2008: €248 million; 30 September 2008: €250 million). The increase in debt has arisen principally from the utilisation of construction loans in the development of the Platinum Towers and Capital Art Apartments properties in Warsaw. Total facilities were €290 million (30 June 2009: €285 million; 31 December 2008: €290 million; 30 September 2008: €290 million). Loans and valuations for those periods in which valuations were undertaken may be analysed as follows based on the 30 June 2009 and 31 December 2008 valuations and foreign exchange prevailing on 30 September 2009 and 31 December 2008:

| | **30 September 2009** | | | **31 December 2008** | | |
|---|---|---|---|---|---|---|
| | **Loans** | **Valuation** | **Loan to Value Ratio** | **Loans** | **Valuation** | **Loan to Value Ratio** |
| | **€'000** | **€'000** | | **€'000** | **€'000** | |
| Investment property | 113,762 | 167,495 | 67.9% | 116,325 | 196,745 | 59.1% |
| Hotels | 67,420 | 95,870 | 70.3% | 67,648 | 116,580 | 58.0% |
| Development property in construction | 49,079 | 124,211 | 39.5% | 30,969 | 109,614 | 28.3% |
| Other development property | 20,449 | 56,834 | 36.0% | 32,743 | 92,390 | 35.4% |
| | **250,710** | **444,410** | **56.4%** | **247,685** | **515,329** | **48.1%** |
| Assets disclosed as held for sale | 12,463 | 28,088 | 44.4% | | | |
| **Total** | **263,173** | **472,498** | **55.7%** | | | |

The valuations in the table above differ from the values included in the consolidated balance sheet as at 30 September 2009 and 31 December 2008 due to the treatment under IFRS of land held under operating leases and development property.

Loans maturing within one year have decreased to €146.4 million at 30 September 2009 (excluding those classified as held for sale) from €150.5 million at 30 June 2009; €95.7 million at 31 December 2008 and €31.5 million at 30 September 2008. The change has arisen from the natural ageing of debts and from the reclassification of four loans with breaches at 30 September 2009. Two of these loans, totalling €67.1 million, were in breach at 31 December 2008 and were also classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The Group received a written covenant waiver from its lender during the three months ended 31 March 2009 for the 2008 breach on its debt service coverage ratio on the Millennium and the lender will continue to extend the €63.1 million facility. The other two breaches at 30 September 2009 relate to the non payment of interest on loans, for loans totalling €25.0 million. The banks have been made aware of all these breaches and have not asked for repayment of the loans.

Cash at bank and in hand was €9.9 million at 30 September 2009 (30 June 2009: €11.7 million; 31 December 2008: €15.3 million; 30 September 2008: €21.8 million). The gearing ratio is 199%, based upon net debt as a percentage of equity attributable to shareholders and is 67% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders).

## Review of the Nine and Three Months Ended 30 September 2009 and Valuation of Assets

**Review of the nine and three months ended 30 September 2009**

| | Property Rental €'000 | Residential Sales €'000 | Hotel Operations €'000 | Other €'000 | Nine months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 |
|---|---|---|---|---|---|---|
| Revenue | 10,060 | 11,545 | 11,899 | 52 | 33,556 | 30,027 |
| Cost of operations | (3,838) | (11,428) | (7,108) | (6) | (22,380) | (17,973) |
| **Gross profit** | **6,222** | **117** | **4,791** | **46** | **11,176** | **12,054** |
| Administrative expenses | (542) | (1,237) | (2,176) | (4,114) | (8,069) | (11,822) |
| **Gross profit / (loss) less administrative expenses** | **5,680** | **(1,120)** | **2,615** | **(4,068)** | **3,107** | **232** |
| Gross profit % | 61.8% | 1.0% | 40.3% | n/a | 33.3% | 40.1% |
| Gross profit less administrative expenses % | 56.5% | n/a | 22.0% | n/a | 9.3% | 0.8% |

| | Property Rental €'000 | Residential Sales €'000 | Hotel Operations €'000 | Other €'000 | Three months ended 30 September 2009 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|---|---|
| Revenue | 3,219 | 2,269 | 3,390 | 28 | 8,906 | 8,930 |
| Cost of operations | (1,234) | (3,725) | (1,416) | (3) | (6,378) | (6,260) |
| **Gross profit** | **1,985** | **(1,456)** | **1,974** | **25** | **2,528** | **2,670** |
| Administrative expenses | (274) | (366) | (742) | (851) | (2,233) | (4,026) |
| **Gross profit less administrative expenses** | **1,711** | **(1,822)** | **1,232** | **(826)** | **295** | **(1,356)** |
| Gross profit % | 61.7% | n/a | 58.2% | n/a | 28.4% | 29.9% |
| Gross profit less administrative expenses % | 53.2% | n/a | 36.3% | n/a | 3.3% | n/a |

**Revenues**

Total revenues for the nine months ended 30 September 2009 were €33.6 million compared to €30.0 million for the nine months ended 30 September 2008. The Group's principal revenue streams are property rental income, sales from its hotel operations, 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. The available portfolio of assets for lease, the systematic execution and sale of residential projects and the geographical reach of the Group's portfolio has, to a significant extent, resulted in stable levels of income being earned.

Total revenues include €11.2 million relating to residential sales on Capital Art Apartments stage 1, where pre sold apartments have been handed over to clients. Total revenues are €22.0 million for income yielding assets including hotels compared to €29.7 million for the nine months ended 30 September 2008. This decline represents €5.7 million due to the effect of depreciating currencies in the region and €2.0 million from weaker trading as a result of the economic decline in the CEE region.

Development Properties

As of 30 September 2009, the Group had contracted to construct 521 apartments with a total value of €68.9 million at its Platinum Towers and Capital Art Apartments projects in Warsaw. By 30 September 2009, 205 apartments had also been completed and sold at the Capital Art Apartments project. The Atrium Homes project in Budapest has been delayed, due to the lack of access to finance. Many of the preliminary contracts on the Atrium Homes developments are from foreign investors and they have expressed an interest in transferring their contracts to the Group's developments in Warsaw, which will be completed this year, while some of the preliminary contracts have been cancelled and deposits returned.

Following the completion of construction works on stage 1 at Capital Art Apartments in the fourth quarter of 2008, the Group is continuing to recognise revenue on its development properties. These buildings include 219 apartments, of which 217 have been pre-sold to date. As mentioned above, by 30 September 2009, 205 of these apartments had been handed over to purchasers, with the full price of the apartment received by the Group. As a result, in accordance with the Group's accounting policy, the revenue and associated costs of these apartment sales are recognised in the income statement. Revenue of €11.2 million and gross profit of €0.6 million have been recognised on the sales of the 106 apartments delivered for stage 1 of Capital Art Apartments during the nine months ended 30 September 2009.

Income Producing Assets

Revenue from income producing assets has decreased to €10.0 million for the nine months ended 30 September 2009, from €13.5 million for the same period of 2008. The decrease includes the effect of depreciating currencies in the region of €2.4 million. The operational variance in the nine months of 2009 is a decrease of €1.1 million.

Hotels

Revenue from the Group's two hotels (the Warsaw Hilton and the Golden Tulip, Bucharest) decreased to €11.9 million for the nine months ended 30 September 2009 from €16.2 million for the corresponding period of 2008. The decrease includes the effect of depreciating currencies in the region of €3.4 million. The operational variance in the quarter is a decrease of €0.9 million. This decrease highlights the effect of the global economic crisis on business travel and conferencing. However, the revenue shortfall has been mitigated to some extent by cost reduction and improved controls.

The Hilton in Warsaw has seen occupancy rates lower than for the equivalent period in 2008, with occupancy levels at 62% in 2009 compared to 69% in the first nine months of 2008. The hotel's revenues are enhanced by income from the conferencing and banqueting facilities, together with the high quality Holmes Place fitness centre and the casino. The hotel is regarded as an ideal venue for corporate events in Central and Eastern Europe, with competitive room rates being offered in comparison to other countries in the region. For example, on 25 February 2009, the hotel hosted the Financial Times' Central & Eastern European Property Conference, which attracted more than 1,000 delegates.

Occupancy rates at the Golden Tulip Hotel in Bucharest, Romania for the nine months have fallen to 57% in 2009 compared to 64% in 2008 in difficult trading conditions.

**Cost of operations**

Cost of operations was €22.4 million in the nine months ended 30 September 2009, of which €10.6 million relates to the cost of construction of the apartments sold at Capital Art Apartments during the period. Cost of operations for the first nine months of 2008 was €17.9 million, in which there were no costs relating to apartment sales. The resultant decline of €6.1 million in costs not relating to apartment sales between 2008 and 2009 includes the effect of depreciating currencies in the region of €3.6 million. The underlying cost of operations has decreased by €2.5 million, reflecting cost savings implemented by management.

**Administrative expenses**

A key focus has been overhead costs. A number of cost reduction measures have been undertaken, including the change of auditors, benchmarking of costs, reducing headcount and negotiating new supplier contracts. As a result we can report that administrative expenses were €8.1 million compared to €11.8 million in the first nine months of 2008. This decline of €3.7 million includes the effect of depreciating currencies in the region of €0.9 million. The underlying administrative expenses have decreased by €2.8 million, reflecting extensive cost savings implemented by management and the effect of reduced management fees.

**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; penalty interest income and expenses; and other such items. Provisions totalling €4.9 million have been included, reflecting impairment on the carrying value of assets versus independent valuations. In addition the Group has made a provision for the loss expected to be made on the assets held for sale (the Slovakia Portfolio) in the amount of €5.8 million.

**Finance income and costs**

The income statement includes finance costs of €7.5 million for the nine months ended 30 September 2009, compared with €10.2 million in 2008. The decrease in external debt finance resulted from the reduction in EURIBOR and other inter-bank lending rates..

**Foreign exchange**

The results for the first nine months of 2009 have been adversely impacted by the ongoing effects of the depreciating currencies in the Central and Eastern European markets. For the Company's investments in Poland, its major market, the Polish Zloty has depreciated by 1.2% from the 31 December 2008 rate of exchange to 30 September 2009 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €3.0 million in the income statement (2008: gain of €5.2 million) and €4.1 million (2008: gain of €5.9 million) in reserves for the nine months ended 30 September 2009. A summary of exchange rates by country for average and closing rates against the presentational currency as applied in the financial statements are set out below.

| | Polish Zloty | Hungarian Forint | Romanian Lei | Slovakian Crown | Bulgarian Lev |
|---|---|---|---|---|---|
| | | | | **Euro entry** | |
| **Current rate** | | | | | |
| 13 November 2009 | 4.1135 | 269.06 | 4.2967 | n/a | 1.95583 |
| **Closing rates** | | | | | |
| 30 September 2009 | 4.2226 | 270.36 | 4.1981 | n/a | 1.95583 |
| 31 December 2008 | 4.1724 | 264.78 | 3.9852 | 30.1260 | 1.95583 |
| % Change | 1.2% | 2.1% | 5.3% | n/a | 0% |
| 30 September 2008 | 3.4083 | 243.17 | 3.7336 | 30.2970 | 1.95583 |
| **Average rates** | | | | | |
| Nine months 2009 | 4.3777 | 283.82 | 4.2278 | n/a | 1.95583 |
| Year 2008 | 3.5166 | 251.25 | 3.6827 | 31.2910 | 1.95583 |
| % Change | 24.5% | 13.0% | 14.8% | n/a | 0% |
| Nine months 2008 | 3.4298 | 247.69 | 3.6396 | 31.6000 | 1.95583 |

The above demonstrates the continuing weakening in the underlying currencies during the first nine months of 2009, as the effects of the global financial crisis spread further into the CEE region. Slovakia entered the Euro zone in January 2009.

The large foreign exchange losses in the income statement represent exchange losses on bank loans denominated in Euros, which are recorded in the local functional currencies of the individual group companies and then translated into Euros for consolidated financial reporting presentational purposes only.

Other than as detailed above, there were no factors or events that significantly impacted the nine months ended 30 September 2009.

**<u>Net Asset Value</u>**

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

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (PPE) – revaluation movements are taken direct to reserves, net of notional 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.

**AMC fee**

The Property Manager's basic and performance fees are determined by the Adjusted NAV. For the nine and three months to 30 September 2009 the basic fee payable to AMC was €3.2 million and €1.1 million respectively (€4.29 million and €1.43 million, respectively, to 30 September 2008). No accrual has been made for the performance fee because no reliable estimate can be made. This is because the performance measures are determined at year end and are subject to material changes resulting from the external valuations.

**Ongoing activities**

During the first nine months of 2009, 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.

The management team continuously monitors the territories in which the Company is invested, analysing the economics of the region and the key measures of the sectors in which it operates to ensure that it does not become over-exposed to, or reliant on, any one particular area. At the same time, it evaluates the risks and rewards associated with a particular country, or sector, in order to maximise return on investment and therefore the return to shareholders.

A key management objective is controlling and reducing construction costs and schedules at its development projects, particularly in the light of global variations in commodity prices and the increase of labour costs in the region. 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**

The Company has completed three years as a quoted company and is now a dual-listed entity in Warsaw and London. As a result, it is continually improving and developing its financial management and operational infrastructure and capability in order to meet the requirements of a dual listing. Finance reporting and controlling teams have been established in each territory of operation and are supervised by an experienced company finance department. Experienced operational teams are in place in each country and a central operational team and investment committee monitor and control investments and major operational matters. As part of the structural review and in the light of the global economic environment these operating structures are under continuous assessment to provide the most optimal operating structures given the current environment.

We continue to enhance our internal control and reporting procedures and IT systems in order to generate appropriate, timely management information for the ongoing assessment of the Company's performance. For this quarter's results we have continued to use the Group's financial reporting system. This was implemented 12 months previously and has been successfully utilised in five successive quarters group reporting. It has provided the Company with more robust reporting systems and improved financial management and control. It is intended to extend this system into other business areas including management reporting, business planning and forecasting. As a result the Company will have a fully integrated financial reporting and management reporting system.

**Global Economic Conditions**

The Board and AMC closely monitor the effect on the business of the current global economic conditions and take steps to mitigate any adverse impact on the business. The main financial risks that have affected the Company in 2009 have been the effect of the global liquidity crisis on the Company's ability to access capital and to realise value from property disposals and the weakening in the economies in the CEE region. This has been demonstrated in the rapidly weakening exchange rates of countries in the region. The markets have experienced reduction in demand for new apartments in Poland and Hungary, where we have projects under construction and transactions are taking longer to reach completion. We have been advising the Board on a regular basis with respect to financial performance and the effect of external factors on the business.

The Board, through AMC, also regularly review construction costs and the effect on development project profits, particularly given the global variations in commodity prices and the increase of labour costs in the CEE region. The Company is constantly seeking ways to control costs and minimise increases.

**Financing and liquidity**

Management is experiencing a change in the approach and requirements of lenders for financing in the CEE region, due to the global banking crisis and weaknesses in the economies in the CEE region. This has resulted in increasing pressure on covenants and the lenders seeking increasing margins, and an increase in levels of required pre-sales on development projects. Negotiation and completion of financing is also taking longer than previously experienced. Although there has been negative news with respect to the willingness of banks in the CEE region to finance projects, AMC's management team, through its strong relationship management and connections, has been able to secure financing opportunities in the region. However, the management team see this as a major 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.

Despite the difficult conditions in the financial markets the Company has been able to refinance part of its portfolio and secured loans for the construction phase of its development projects. 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, by the executive team, the central finance and operational teams, by the investment committee of AMC and, finally, by the Board of the Company. This approach provides the Company with a strong risk management framework. Where possible, the Company will use debt facilities to finance the various projects. These facilities will be secured at appropriate times, depending on the nature of the asset – yielding or development.

As at 30 September 2009 the Company's share of bank debt associated with the portfolio stood at €263.2 million, with cash at bank and in hand of €9.9 million. The gearing ratio is 199%, based upon net debt as a percentage of equity attributable to shareholders and is 67% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). We are refinancing properties where valuations have increased, thereby releasing equity for further investment.

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

**Conclusions**

AMC's key strategic objective is the maximisation of value for the Company's shareholders, which it continues to work towards, despite a more challenging economic backdrop. Its teams located across its network of regional offices are very experienced in the active management of investment and development property and provide the Company with a great deal of valuable local market knowledge and expertise.

Excellent progress has been made on our two key development projects in Warsaw, Platinum Towers and Capital Art Apartments. The new debt facilities secured during 2008 and extended into 2009 have provided the additional funding required to progress developments through to completion. The successful completion of the Platinum Towers development in Warsaw on time and to budget is a proud milestone for the Company.

The Company's key objectives in the current economic climate remain the minimisation of financial risks, optimising cash retention and operational effectiveness and enhancing the Group's liquidity, which will enable it to continue its portfolio of developments. The Company has a portfolio of strong underlying assets and a development pipeline which offers the potential to deliver shareholder value, the combination of which allows us to look forward with confidence.

**Nahman Tsabar**
**Chief Executive Officer**
Atlas Management Company Limited
16 November 2009

**Michael Williamson**
**Chief Financial Officer**

**Property portfolio information**

| Location/Property | Description | Company's ownership |
|---|---|---|
| **Poland** | | |
| Hilton Hotel | First Hilton Hotel in Poland – a 5 star hotel with 314 luxury rooms, large conferencing facilities, Holmes Place fitness facilities and casino and retail outlets. Location close to the central business district in Wola area of Warsaw. | 100% |
| Platinum Towers | 396 apartments in two towers and a third tower with 22,500 square metres of office space. The residential development has been completed in quarter 3 2009 with two residential towers, a piazza and commercial area on the ground and fist floors. Location close to the central business district in Wola area of Warsaw. | 100% |
| Capital Art Apartments | 739 apartment three stage development with Stage 1 completed in 4$^{th}$ quarter 2008 with 217 out of 219 apartments pre sold. Stage 2 with 300 apartments in the process of construction and due for completion in 2009. Stage 3 construction will follow. Location close to the central business district in Wola area of Warsaw. | 100% |
| Zielono | Land with zoning for 265 apartments received. Construction will commence with appropriate financing. Location in a residential area of Warsaw. | 76% |
| Millennium Tower | 32,700 square metres of office and retail space in the central business district of Warsaw | 100% |
| Cybernetyki project | 3,100 square metre plot of land zoned for 11,000 square metres of residential development. Construction will commence with appropriate financing. Location in Mokotow district close to the central business district of Warsaw. | 50% |
| Sadowa project | 6,550 square metre office building with 99% occupancy close to the city centre of Gdansk. | 100% |
| Kokoszki, Gdansk | 430,000 square metre plot in Gdansk with zoning for construction of 130,000 square metres of mixed use development, situated on the outskirts of Gdansk. | 100% |
| **Hungary** | | |
| Ikarus Business Park | 283,000 square metre plot with 110,000 square metres of built business space and 70,000 of currently lettable, located in a suburban area of Budapest | 100% |
| Metropol Office Centre | 7,600 square metre office building, 100% occupied in a central district of Budapest. | 100% |
| Atrium Homes | 235 apartments with building permits (development on hold due to economic circumstances), located in a central district of Budapest. | 100% |
| Ligetvaros Centre | 6,300 square metres of office/retail space, 87% occupied and rights to build extra 6,400 square metres, located in a central district in Budapest. | 100% |
| Varosliget Centre | 12,000 square metre plot in Central Budapest, with zoning for residential development of 31,000 gross square metres, located in a central district of Budapest. | 100% |
| Moszkva Square | 1,000 square metres of office and retail space in the Buda district of the city. | 100% |
| Volan Project | 20,640 square metre plot, zoning for 89,000 square metre mixed use scheme in a central district of Budapest. | 50% |

**Romania**

| | | |
|---|---|---|
| Voluntari | 99,116 square metres 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 metres 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 metres of lettable area spread over eight floors. | 100% |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED INCOME STATEMENT**
**For the nine and three months ended 30 September 2009**

| | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 | Note |
|---|---|---|---|---|---|
| **Revenues** | **33,556** | **8,906** | **30,027** | **8,930** | 3 |
| Cost of operations | (22,380) | (6,378) | (17,973) | (6,260) | 4.1 |
| **Gross profit** | **11,176** | **2,528** | **12,054** | **2,670** | |
| Administrative expenses | (8,069) | (2,233) | (11,822) | (4,026) | 4.2 |
| Other operating income | 484 | 35 | 413 | 134 | |
| Other operating expenses | (5,102) | (127) | (1,332) | (142) | 5 |
| (Decrease) in value of investment properties | (16,247) | (104) | (2,448) | (305) | 10 |
| Impairment of asset held for sale | (5,831) | (5,831) | (3,996) | - | 15 |
| Negative goodwill realised on acquisitions | - | - | 121 | 121 | |
| **Loss from operations** | **(23,589)** | **(5,732)** | **(7,010)** | **(1,548)** | |
| Finance income | 475 | 154 | 1,121 | 259 | |
| Finance costs | (7,470) | (753) | (10,217) | (3,815) | |
| Finance costs – other gains and (losses) – foreign exchange | (2,974) | 7,209 | 5,240 | (1,514) | |
| **(Loss) / profit before taxation** | **(33,558)** | **878** | **(10,866)** | **(6,618)** | |
| Tax credit / (expense) | 545 | (1,104) | 1,200 | 850 | 6 |
| **(Loss) for the period** | **(33,013)** | **(226)** | **(9,666)** | **(5,768)** | |
| **Attributable to:** | | | | | |
| Equity shareholders | (32,472) | (226) | (9,659) | (5,758) | |
| Minority interests | (541) | - | (7) | (10) | |
| | **(33,013)** | **(226)** | **(9,666)** | **(5,768)** | |
| (Loss) per €0.01 ordinary share – basic (eurocents) | (69.31) | (0.48) | (21.23) | (12.37) | 8 |
| (Loss) per €0.01 ordinary share – diluted (eurocents) | (69.31) | (0.48) | (21.23) | (12.37) | 8 |

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the nine and three months ended 30 September 2009**

| | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| **LOSS FOR THE PERIOD** | **(33,013)** | **(226)** | **(9,666)** | **(5,768)** |
| **Other comprehensive income:** | | | | |
| Revaluation of buildings | (11,107) | (554) | (1,886) | - |
| Deferred tax on revaluation of buildings | 2,074 | 104 | 414 | - |
| Exchange adjustments | (4,103) | 5,705 | 5,933 | (4,013) |
| Deferred tax on exchange adjustments | 151 | 244 | (287) | 223 |
| **Other comprehensive income for the period (net of tax)** | **(12,985)** | **5,499** | **4,174** | **(3,790)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **(45,998)** | **5,273** | **(5,492)** | **(9,558)** |
| **Total comprehensive income attributable to:** | | | | |
| Equity shareholders of the parent Company | (45,457) | 5,273 | (5,485) | (9,548) |
| Non-controlling interests | (541) | - | (7) | (10) |
| | **(45,998)** | **5,273** | **(5,492)** | **(9,558)** |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED BALANCE SHEET**
**As at 30 September 2009**

| | 30 September 2009 (unaudited) €'000 | 30 June 2009 (unaudited) €'000 | 31 December 2008 €'000 | 30 September 2008 (unaudited) €'000 | Note |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 563 | 533 | 610 | 334 | |
| Land under operating lease | 16,111 | 15,264 | 16,445 | 20,186 | |
| Property, plant and equipment | 93,484 | 89,091 | 108,035 | 115,283 | 9 |
| Investment property | 175,850 | 171,942 | 198,677 | 130,400 | 10 |
| Other loans receivable | 3,332 | 8,070 | 7,928 | 5,898 | |
| Deferred tax asset | 6,196 | 5,492 | 5,358 | 4,893 | |
| | **295,536** | **290,392** | **337,053** | **276,994** | |
| **Current assets** | | | | | |
| Inventories | 139,948 | 155,937 | 155,855 | 173,428 | 11 |
| Trade and other receivables | 5,162 | 6,290 | 7,838 | 9,696 | |
| Cash and cash equivalents | 9,888 | 11,716 | 15,288 | 21,778 | 12 |
| | **154,998** | **173,943** | **178,981** | **204,902** | |
| Assets classified as held for sale | 27,433 | - | - | 97,590 | 15 |
| **TOTAL ASSETS** | **477,967** | **464,335** | **516,034** | **579,486** | |
| **Current liabilities** | | | | | |
| Trade and other payables | (47,366) | (51,524) | (53,402) | (70,140) | |
| Bank loans | (146,376) | (150,544) | (95,702) | (31,535) | 14 |
| Derivative financial instruments | (456) | (650) | (456) | - | |
| | **(194,198)** | **(202,718)** | **(149,560)** | **(101,675)** | |
| Liabilities directly associated with assets classified as held for sale | (19,433) | - | - | (70,408) | 15 |
| **Non-current liabilities** | | | | | |
| Other payables | (5,605) | (11,202) | (10,104) | (8,285) | |
| Bank loans | (104,334) | (101,150) | (151,983) | (155,342) | 14 |
| Derivative financial instruments | (1,406) | (2,474) | (1,427) | - | |
| Deferred tax liabilities | (25,125) | (24,205) | (29,121) | (26,439) | |
| | **(136,470)** | **(139,031)** | **(192,635)** | **(190,066)** | |
| **TOTAL LIABILITIES** | **(350,101)** | **(341,749)** | **(342,195)** | **(362,149)** | |
| **NET ASSETS** | **127,866** | **122,586** | **173,839** | **217,337** | |
| **EQUITY** | | | | | |
| Share capital account | 6,268 | 6,268 | 6,268 | 6,268 | |
| Revaluation reserve | 6,545 | 6,992 | 15,575 | 6,792 | 16 |
| Other distributable reserve | 194,817 | 194,817 | 194,817 | 194,817 | 16 |
| Other reserves | (8,637) | (14,583) | (4,682) | 11,280 | 16 |
| Amounts recognised directly in equity relating to assets held for sale | - | - | - | 6,248 | |
| Accumulated (loss) | (71,859) | (71,640) | (39,412) | (9,155) | |
| **Equity attributable to equity holders of the Company** | **127,134** | **121,854** | **172,566** | **216,250** | |
| **Minority Interests** | **732** | **732** | **1,273** | **1,087** | |
| **TOTAL EQUITY** | **127,866** | **122,586** | **173,839** | **217,337** | |
| Basic net asset value per share | €2.71 | €2.60 | €3.68 | €4.62 | |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**As at 30 September 2009**

| Nine Months Ended 30 September 2009 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Minority interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2009** | **6,268** | **205,710** | **(39,412)** | **172,566** | **1,273** | **173,839** |
| Total comprehensive income for the period | - | (12,985) | (32,472) | **(45,457)** | (541) | **(45,998)** |
| Share based payments | - | - | 25 | **25** | - | **25** |
| **As at 30 September 2009** | **6,268** | **192,725** | **(71,859)** | **127,134** | **732** | **127,866** |

| Three Months Ended 30 September 2009 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Minority interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **As at 1 July 2009** | **6,268** | **187,226** | **(71,640)** | **121,854** | **732** | **122,586** |
| Total comprehensive income for the period | - | 5,499 | (226) | **5,273** | - | **5,273** |
| Share based payments | - | - | 7 | **7** | - | **7** |
| **As at 30 September 2009** | **6,268** | **192,725** | **(71,859)** | **127,134** | **732** | **127,866** |

| Nine Months Ended 30 September 2008 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Minority interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2008** | **484** | **224,524** | **(1,631)** | **223,377** | **739** | **224,116** |
| Total comprehensive income for the period | - | 4,174 | (9,659) | **(5,485)** | (7) | **(5,492)** |
| Realisation of exchange differences | - | (2,059) | 2,059 | **-** | - | **-** |
| Minority interest acquired in the period | - | - | - | **-** | 355 | **355** |
| Shares issued in the period(note 15) | 5,784 | - | - | **5,784** | - | **5,784** |
| Share based payments | - | - | 76 | **76** | - | **76** |
| Dividends declared | - | (7,502) | - | **(7,502)** | **-** | **(7,502)** |
| **As at 30 September 2008** | **6,268** | **219,137** | **(9,155)** | **216,250** | **1,087** | **217,337** |

| Year ended 31 December 2008 | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 | Minority interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2008** | **484** | **224,524** | **(1,631)** | **223,377** | **739** | **224,116** |
| Total comprehensive income for the year | - | (11,311) | (37,872) | **(49,183)** | (3) | **(49,186)** |
| Minority interest acquired in the year | - | - | - | **-** | 537 | **537** |
| Shares issued in the year | 5,784 | - | - | **5,784** | - | **5,784** |
| Share based payments | - | - | 91 | **91** | - | **91** |
| Dividends paid | - | (7,503) | - | **(7,503)** | - | **(7,503)** |
| **As at 31 December 2008** | **6,268** | **205,710** | **(39,412)** | **172,566** | **1,273** | **173,839** |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED CASH FLOW STATEMENT**
**For the nine and three months ended 30 September 2009**

| | Note | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|---|
| **Cash (outflow) generated from operations** | **13** | **(11,437)** | **(11,882)** | **(20,571)** | **(7,760)** |
| Interest received | | 101 | 28 | 497 | 102 |
| Interest paid | | (8,209) | (3,211) | (9,576) | (3,642) |
| Tax paid | | (544) | (314) | (410) | (134) |
| **Net cash (outflow) from operating activities** | | **(20,089)** | **(15,379)** | **(30,060)** | **(11,434)** |
| **Investing activities** | | | | | |
| Acquisition of subsidiaries – net of cash acquired | | - | - | (58) | (58) |
| Purchase of investment property | | (235) | (106) | (783) | (216) |
| Purchase of property, plant and equipment | | (177) | (60) | (1,419) | (216) |
| Proceeds from disposal of property, plant and equipment | | 35 | 17 | 471 | 123 |
| Purchase of intangible assets – software | | (21) | (18) | (10) | - |
| **Net cash used in investing activities** | | **(398)** | **(167)** | **(1,799)** | **(367)** |
| **Financing activities** | | | | | |
| Dividends paid | | - | - | (6,256) | (6,256) |
| New bank loans raised | | 21,595 | 12,784 | 37,780 | 37,780 |
| Repayments of bank loans | | (8,007) | (4,181) | (17,239) | (15,770) |
| New loans granted to JV partners | | (431) | (51) | - | - |
| New loans received from minority investors | | 1,376 | 19 | 322 | 157 |
| **Net cash from financing activities** | | **14,533** | **8,571** | **14,607** | **15,911** |
| **Net (decrease) / increase in cash and cash equivalents in the period as a result of cashflows** | | **(5,954)** | **(6,975)** | **(17,252)** | **4,110** |
| Effect of foreign exchange rates on cash balances | | 570 | 5,163 | 4,930 | (1,763) |
| **Net (decrease) / increase in cash and cash equivalents in the period** | | **(5,384)** | **(1,812)** | **(12,322)** | **2,347** |

# ATLAS ESTATES LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**
**CONSOLIDATED CASH FLOW STATEMENT - CONTINUED**
**For the nine and three months ended 30 September 2009**

| | Note | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|---|
| **Cash and cash equivalents at the beginning of the period** | | **15,288** | **11,716** | **34,861** | **20,192** |
| **Cash and cash equivalents at the end of the period** | | **9,904** | **9,904** | **22,539** | **22,539** |
| **Cash and cash equivalents** | | | | | |
| Cash at bank and in hand | | 9,888 | 9,888 | 21,778 | 21,778 |
| Cash assets classified as held for sale (note 15) | | 16 | 16 | 761 | 761 |
| Bank overdrafts | | - | | - | - |
| | | **9,904** | **9,904** | **22,539** | **22,539** |

# ATLAS ESTATES LIMITED

# SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2009**

**1. Basis of preparation**

This condensed interim financial information for the nine and three months ended 30 September 2009 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 amortised cost. Interim financial statements do not contain all information and notes included in annual financial statements; they should therefore be read in conjunction with the audited consolidated financial statements, prepared under IFRS, and notes thereto for the year ended 31 December 2008. The nine month financial results are not necessarily indicative of the full year results.

As described in the Chairman's Statement and the Property Manager's Report, the current economic environment remains challenging and the Group has reported a loss before taxation for the nine months ended 30 September 2009 and a significant fall in net asset value as at 30 September 2009. The directors consider that the outlook presents significant challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 30 September 2009 the Group held land and building assets with a market value of €444 million, compared to external debt of €251 million (both assets and external debt exclude the value of assets held for sale and liabilities associated with them). Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value" ratio gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. All land and building assets and associated debts are currently ring-fenced in unique, specific, corporate vehicles. In all cases the market values of the assets held exceed the external debt. This being the case, any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

In the preparation of this condensed interim financial information for the three and nine months ended 30 September 2009, the directors have reclassified four loans totaling €92.1 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. Two of these loans, totalling €67.7 million, were in breach at 31 December 2008 and were classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The defaults on the other two loans result from non payment of interest. Loans maturing within one year total €146.4 million at 30 September 2009 compared to €150.5 million as at 30 June 2009; €95.7 million at 31 December 2008 and €31.5 million at 30 September 2008. €25.0 million of the €63.1 million increase from 31 December 2008 relates to the two defaults discussed above. The remaining increase of €38.1 million has resulted from the natural ageing of the Group's debt. Discussions are currently in progress with the banks in relation to repayment of certain of these loans.

In assessing the going concern basis of preparation of the consolidated interim financial information for the nine and three months ended 30 September 2009, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 14 as part of the bank loans note. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies. These payments have reduced unrestricted cash resources and may result in the Company and the Group having a shortage of cash resources during the current year. Accordingly, the Company is simultaneously engaged in negotiations with other lenders, pursuing certain asset sales and considering possible financial support from shareholders.

The Directors have also taken into account the completion of the disposal of the Group's interests in Slovakia as announced on 3 November 2009. This is discussed in note 15 as part of the assets held for sale. The combined impact of ceasing to consolidate its share of debt in the joint venture and the receipt of the cash consideration has reduced the Group's overall debt by some €20.5 million pending any reinvestment of the cash proceeds.

The Group's forecasts 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

**1. Basis of preparation - continued**

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 interim condensed consolidated financial information for the nine and three months ended 30 September 2009.

**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 2008, as described in the annual financial statements for the year ended 31 December 2008.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”), are effective for the first time in the current financial year and have been adopted by the Company with no significant impact on its results or financial position. Unless otherwise stated they are applicable from 1 January 2009 and have been endorsed by the European Union:

- IAS 1 (Amendment) – Presentation of Financial Statements: A revised Presentation;
- IAS 23 (Amendment) – Borrowing costs;
- IFRS 1 and IAS 27 (Amendment) – Cost of an Investment in a subsidiary, jointly-controlled entity or associate;
- IFRS 2 (Amendment) – Vesting conditions and cancellations;
- IFRS 8 – Operating segments - contains requirements for the disclosure of information about an entity’s operating segments and also about the entity’s products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosure and replaces IAS 14 – Segment reporting;
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation;
- IFRS1 (revised) – First time adoption of IFRS. IFRS1 (revised) has not yet been endorsed for use in the EU;
- IFRIC15 – Agreements for the Construction of Real Estate
- Amendments to IFRS7 – Improving Disclosures about Financial Instruments. These amendments have not yet been endorsed for the use in the EU.

**2. Accounting policies - continued**

The following standards and interpretations, issued by the IASB or IFRIC, have not been adopted by the Company as these are not effective for the year 2009. The Company is currently assessing the impact these standards and interpretations will have on the presentation of its results in future periods:

- IFRS 3 (Revised) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS 3 (Revised) has been endorsed for use in the EU;

- IFRIC17 – Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC17 has not yet been endorsed for use in the EU;

- IFRIC 18 – Transfer of Assets from Customers (effective for transfers of assets beginning on or after 1 July 2009). IFRIC18 has not yet been endorsed for use in the EU;

- IAS39 (amended) – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009). IAS39 (amended) has not yet been endorsed for use in the EU;

- IAS39 (amended) and IFRIC 9 (amended) – Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009).;

- IAS27 Consolidated and Separate Financial Statements (amended) (effective for accounting periods beginning on or after 1 July 2009.
- Amendments to IFRS2 – Group Cash-settled Share-based Payment Transactions (effective fro accounting periods beginning on or after 1 January 2010). These amendments have not yet been endorsed for use in the EU.
- Amendment to IAS32 – Classification of Rights Issues (effective for accounting periods beginning on or after 1 February 2010). This amendments has not yet been endorsed for use in the EU.
- IAS24 (revised) – Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011). IAS24 has not yet been endorsed for use in the EU.

# SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2009**

**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 primary segment information.

Segment information about these businesses for the nine months ended 30 September 2009 and 2008 is presented below:

| Nine months ended 30 September 2009 | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2009 €'000 |
|---|---|---|---|---|---|
| Revenues | 10,060 | 11,545 | 11,899 | 52 | **33,556** |
| Cost of operations | (3,838) | (11,428) | (7,108) | (6) | **(22,380)** |
| **Gross profit** | **6,222** | **117** | **4,791** | **46** | **11,176** |
| Administrative expenses | (542) | (1,237) | (2,176) | (4,114) | **(8,069)** |
| Other operating income | 167 | 85 | 159 | 73 | **484** |
| Other operating expenses | (63) | (4,959) | (68) | (12) | **(5,102)** |
| Impairment of assets held for sale | - | (5,831) | - | - | **(5,831)** |
| Decrease in value of investment properties | (4,553) | (11,694) | - | - | **(16,247)** |
| **(Loss) / profit from operations** | **1,231** | **(23,519)** | **2,706** | **(4,007)** | **(23,589)** |
| Finance income | 58 | 206 | 10 | 201 | **475** |
| Finance cost | (3,681) | (1,673) | (2,106) | (10) | **(7,470)** |
| Finance costs - other gains and (losses) – foreign exchange | (1,273) | (832) | (808) | (61) | **(2,974)** |
| **Segment result before tax** | **(3,665)** | **(25,818)** | **(198)** | **(3,877)** | **(33,558)** |
| Tax credit | | | | | **545** |
| **Loss for the period** | | | | | **(33,013)** |
| Attributable to non-controlling interests | | | | | **541** |
| **Net loss attributable to equity shareholders** | | | | | **(32,472)** |
| **Segment assets** | **156,849** | **201,508** | **108,741** | **-** | **467,098** |
| Unallocated assets | | | | | **10,869** |
| **Total assets** | | | | | **477,967** |
| **Segment liabilities** | **(108,417)** | **(158,345)** | **(79,521)** | **-** | **(346,283)** |
| Unallocated liabilities | | | | | **(3,818)** |
| **Total liabilities** | | | | | **(350,101)** |
| **Other segment items** | | | | | |
| Capital expenditure | 161 | 214 | 39 | | |
| Depreciation | 44 | 138 | 1,994 | | |
| Amortisation | 24 | 1 | 26 | | |

3. **Business segments – continued**

| **Nine months ended 30 September 2008** | **Property rental €'000** | **Residential sales €'000** | **Hotel operations €'000** | **Other €'000** | **2008 €'000** |
|---|---|---|---|---|---|
| Revenues | 13,531 | - | 16,192 | 304 | **30,027** |
| Cost of operations | (5,191) | (1,307) | (11,097) | (378) | **(17,973)** |
| **Gross profit** | **8,340** | **(1,307)** | **5,095** | **(74)** | **12,054** |
| Administrative expenses | (1,036) | (1,639) | (1,653) | (7,494) | **(11,822)** |
| Other operating income | 149 | 101 | 118 | 45 | **413** |
| Other operating expenses | (115) | (96) | (626) | (495) | **(1,332)** |
| Impairment of assets held for sale | (3,996) | - | - | - | **(3,996)** |
| Decrease in value of investment properties | (4,766) | 2,318 | - | - | **(2,448)** |
| Negative goodwill | - | - | - | 121 | **121** |
| **(Loss) / profit from operations** | **(1,424)** | **(623)** | **2,934** | **(7,897)** | **(7,010)** |
| Finance income | 73 | 690 | 24 | 334 | **1,121** |
| Finance cost | (4,589) | (2,609) | (2,904) | (115) | **(10,217)** |
| Finance costs - other gains and (losses) – foreign exchange | 1,168 | 1,848 | 1,705 | 519 | **5,240** |
| **Segment result before tax** | **(4,772)** | **(694)** | **1,759** | **(7,159)** | **(10,866)** |
| Tax credit | | | | | **1,200** |
| **Loss for the period** | | | | | **(9,666)** |
| Attributable to non-controlling interests | | | | | **7** |
| **Net loss attributable to equity shareholders** | | | | | **(9,659)** |
| **Segment assets** | **179,804** | **243,438** | **135,203** | | **558,445** |
| Unallocated assets | | | | | **21,041** |
| **Total assets** | | | | | **579,486** |
| **Segment liabilities** | **(113,227)** | **(161,692)** | **(83,571)** | | **(358,490)** |
| Unallocated liabilities | | | | | **(3,659)** |
| **Total liabilities** | | | | | **(362,149)** |
| **Other segment items** | | | | | |
| Capital expenditure | 930 | 204 | 609 | | |
| Depreciation | 45 | 371 | 1,300 | | |
| Amortisation | 24 | 4 | 33 | | |

**3. Business segments – continued**

Segment information about these businesses for the three months ended 30 September 2009 and 2008 is presented below:

| Three months ended 30 September 2009 | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2009 €'000 |
|---|---|---|---|---|---|
| Revenues | 3,219 | 2,269 | 3,390 | 28 | **8,906** |
| Cost of operations | (1,234) | (3,725) | (1,416) | (3) | **(6,378)** |
| **Gross profit** | **1,985** | **(1,456)** | **1,974** | **25** | **2,528** |
| Administrative expenses | (274) | (366) | (742) | (851) | **(2,233)** |
| Other operating income | 29 | (34) | 4 | 36 | **35** |
| Other operating expenses | (3) | (77) | (37) | (10) | **(127)** |
| Impairment of assets held for sale | - | (5,831) | - | - | **(5,831)** |
| Decrease in value of investment properties | (89) | (15) | - | - | **(104)** |
| **(Loss) / profit from operations** | **1,648** | **(7,779)** | **1,199** | **(800)** | **(5,732)** |
| Finance income | 18 | 65 | 3 | 68 | **154** |
| Finance cost | 120 | (277) | (594) | (2) | **(753)** |
| Finance costs - other gains and (losses) – foreign exchange | 3,948 | (241) | 3,485 | 17 | **7,209** |
| **Segment result before tax** | **5,734** | **(8,232)** | **4,093** | **(717)** | **878** |
| Tax expense | | | | | **(1,104)** |
| **Loss for the period** | | | | | **(226)** |
| Attributable to non-controlling interests | | | | | **-** |
| **Net loss attributable to equity shareholders** | | | | | **(226)** |
| **Segment assets** | **156,849** | **201,508** | **108,741** | | **467,098** |
| Unallocated assets | | | | | **10,869** |
| **Total assets** | | | | | **477,967** |
| **Segment liabilities** | **(108,417)** | **(158,345)** | **(79,521)** | | **(346,283)** |
| Unallocated liabilities | | | | | **(3,818)** |
| **Total liabilities** | | | | | **(350,101)** |
| **Other segment items** | | | | | |
| Capital expenditure | 80 | 84 | 17 | | |
| Depreciation | 14 | 46 | 660 | | |
| Amortisation | 11 | - | 9 | | |

**3. Business segments – continued**

| Three months ended 30 September 2008 | Property rental €'000 | Residential sales €'000 | Hotel operations €'000 | Other €'000 | 2008 €'000 |
|---|---|---|---|---|---|
| Revenues | 4,242 | - | 4,624 | 64 | **8,930** |
| Cost of operations | (2,028) | (320) | (3,534) | (378) | **(6,260)** |
| **Gross profit** | **2,214** | **(320)** | **1,090** | **(314)** | **2,670** |
| Administrative expenses | (345) | (565) | (697) | (2,419) | **(4,026)** |
| Other operating income | 63 | (32) | 88 | 15 | **134** |
| Other operating expenses | (90) | (60) | (54) | 62 | **(142)** |
| Decrease in value of investment properties | (697) | 392 | - | - | **(305)** |
| Negative goodwill | - | - | - | 121 | **121** |
| **(Loss) / profit from operations** | **1,145** | **(585)** | **427** | **(2,535)** | **(1,548)** |
| Finance income | 24 | 381 | 13 | (159) | **259** |
| Finance cost | (1,567) | (993) | (1,155) | (100) | **(3,815)** |
| Finance costs - other gains and (losses) – foreign exchange | (330) | (246) | (1,163) | 225 | **(1,514)** |
| **Segment result before tax** | **(728)** | **(1,443)** | **(1,878)** | **(2,569)** | **(6,618)** |
| Tax credit | | | | | **850** |
| **Loss for the period** | | | | | **(5,768)** |
| Attributable to non-controlling interests | | | | | **(10)** |
| **Net loss attributable to equity shareholders** | | | | | **(5,758)** |
| **Segment assets** | **179,804** | **243,438** | **135,203** | | **558,445** |
| Unallocated assets | | | | | **21,041** |
| **Total assets** | | | | | **579,486** |
| **Segment liabilities** | **(113,227)** | **(161,692)** | **(83,571)** | | **(358,490)** |
| Unallocated liabilities | | | | | **(3,659)** |
| **Total liabilities** | | | | | **(362,149)** |
| **Other segment items** | | | | | |
| Capital expenditure | 309 | 95 | 83 | | |
| Depreciation | 17 | 106 | 757 | | |
| Amortisation | 8 | 1 | 11 | | |

There are immaterial sales between the operating segments. Unallocated assets represent cash balances and other receivables held by the Company and those of selected sub-holding companies, including related tax balances. Unallocated liabilities include accrued costs within the Company and selected sub-holding companies, including related tax balances.

## 4. Analysis of expenditure

### 4.1 Cost of operations

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Cost of sale of residential property | 10,684 | 3,478 | - | - |
| Utilities, services rendered and other costs | 5,816 | 1,116 | 9,181 | 3,209 |
| Legal and professional expenses | 727 | 195 | 938 | 428 |
| Staff costs | 3,628 | 1,133 | 4,903 | 1,453 |
| Sales and direct advertising costs | 838 | 215 | 1,976 | 782 |
| Depreciation and amortisation | 687 | 241 | 975 | 388 |
| **Cost of operations** | **22,380** | **6,378** | **17,973** | **6,260** |

### 4.2 Administrative expenses

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Audit, accountancy and tax services | 524 | 170 | 457 | 203 |
| Incentive and management fee | 3,162 | 1,094 | 4,290 | 1,430 |
| Other professional fees | 994 | 208 | 3,057 | 843 |
| Utilities, services rendered and other costs | 948 | 336 | 1,194 | 350 |
| Share based payments | 25 | 7 | 76 | 14 |
| Staff costs | 1,015 | 316 | 1,182 | 384 |
| Depreciation and amortisation | 1,235 | - | 1,124 | 674 |
| Other administrative expenses | 166 | 102 | 442 | 128 |
| **Administrative expenses** | **8,069** | **2,233** | **11,822** | **4,026** |

## 5. Other operating expenses

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Impairment of inventory assets | 4,864 | 47 | - | - |
| Penalty charges, interest and fees | 107 | 42 | 26 | 6 |
| Other operating expenses | 131 | 38 | 1,306 | 136 |
| **Other operating expenses** | **5,102** | **127** | **1,332** | **142** |

**6. Tax on (loss) / profit on ordinary activities**

| Continuing operations | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Current tax | (630) | (503) | (800) | (481) |
| Deferred tax | 1,175 | (601) | 2,000 | 1,331 |
| **Tax credit / (charge) for the period** | **545** | **(1,104)** | **1,200** | **850** |

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

**7. Dividends**

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Interim paid – nil | - | - | - | - |
| Second interim declared – interim dividend for year ended 31 December 2007 of 16.68 eurocents per ordinary share (2008: nil) | - | - | 7,502 | - |

On 3 March 2008, the Board announced that it had resolved to pay to shareholders a second dividend of 16.68 eurocents per share ("2007 Dividend") for the year ended 31 December 2007. As approved by shareholders at the AGM on 27 June 2008, the Board offered to shareholders the choice of receiving the whole or part of the 2007 Dividend in new fully paid ordinary shares in the Company instead of cash (the "Scrip Dividend Offer"). The Board received acceptances of the Scrip Dividend Offer from holders of 7,478,694 ordinary shares in the Company, which resulted in the issue of 442,979 new ordinary shares (representing 0.945 per cent of the current issued share capital of the Company, excluding shares held in treasury). These shares have been admitted to trading on AIM and WSE.

There were no dividends declared or paid in the three and nine months ended 30 September 2009.

**8. (Loss) / Earnings per share**

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

The weighted average number of shares at 30 September 2009 was 46,852,014 (30 September 2008: 45,511,409). The total number of potential dilutive shares at 30 September 2009 and 2008 was 5,488,118.

The outstanding share warrants exercise price exceeds current market value; therefore the warrants are not dilutive. As a result, diluted earnings per share equals basic earnings per share.

### 9. Property, plant and equipment

| | Buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2008 | 113,985 | 3,036 | 257 | 117,278 |
| Transfers between categories | (6,900) | 6,881 | 19 | - |
| Additions at cost | 590 | 751 | 119 | 1,460 |
| Exchange adjustments | (15,442) | (418) | (19) | (15,879) |
| Disposals | (79) | (12) | (73) | (164) |
| Revaluation | 10,906 | - | - | 10,906 |
| **At 31 December 2008** | **103,060** | **10,238** | **303** | **113,601** |
| Transfers between categories | 5 | 196 | 17 | 218 |
| Additions at cost | 35 | 119 | 24 | 178 |
| Exchange adjustments | (1,691) | (127) | (4) | (1,822) |
| Disposals | - | (17) | (81) | (98) |
| Revaluation | (11,105) | - | - | (11,105) |
| **At 30 September 2009** | **90,304** | **10,409** | **259** | **100,972** |
| **Accumulated depreciation** | | | | |
| At 1 January 2008 | (2,967) | (795) | (47) | (3,809) |
| Charge for the year | (1,571) | (971) | (84) | (2,626) |
| Exchange adjustments | 589 | 249 | 11 | 849 |
| Disposals | - | - | 20 | 20 |
| **At 31 December 2008** | **(3,949)** | **(1,517)** | **(100)** | **(5,566)** |
| Transfers between categories | 3 | (203) | (17) | (217) |
| Charge for the period | (1,086) | (590) | (54) | (1,730) |
| Exchange adjustments | 9 | 3 | - | 12 |
| Disposals | - | 8 | 48 | 56 |
| **At 30 September 2009** | **(5,023)** | **(2,299)** | **(123)** | **(7,445)** |
| **At 30 September 2009** | **85,281** | **8,110** | **136** | **93,527** |
| **Less: classified as held for sale and shown in current assets (note 15)** | **-** | **(24)** | **(19)** | **(43)** |
| **At 30 September 2009** | **85,281** | **8,086** | **117** | **93,484** |
| **Net book value at 31 December 2008** | **99,111** | **8,721** | **203** | **108,035** |

**9. Property, plant and equipment - continued**

| | Buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2009 | 103,060 | 10,238 | 303 | 113,601 |
| Transfers between categories | 5 | 196 | 17 | 218 |
| Additions at cost | 2 | 101 | 14 | 117 |
| Exchange adjustments | (6,601) | (645) | (14) | (7,260) |
| Disposals | - | 5 | (46) | (51) |
| Revaluation | (10,554) | - | - | (10,554) |
| **At 30 June 2009** | **85,912** | **9,885** | **274** | **96,071** |
| **Accumulated depreciation** | | | | |
| At 1 January 2009 | (3,949) | (1,517) | (100) | (5,566) |
| Transfers between categories | 3 | (203) | (18) | (218) |
| Charge for the period | (1,128) | (388) | (38) | (1,554) |
| Exchange adjustments | 234 | 99 | 5 | 338 |
| Disposals | - | 4 | 16 | 20 |
| **At 30 June 2009** | **(4,840)** | **(2,005)** | **(135)** | **(6,980)** |
| **Net book value at 30 June 2009** | **81,072** | **7,880** | **139** | **89,091** |

| | Buildings €'000 | Plant and equipment €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2008 | 113,985 | 3,036 | 257 | 117,278 |
| Additions at cost | 595 | 710 | 114 | 1,419 |
| Exchange adjustments | 4,588 | 148 | 12 | 4,748 |
| Disposals | (275) | (23) | (44) | (342) |
| Revaluation | (1,995) | - | - | (1,995) |
| **At 30 September 2008** | 116,898 | 3,871 | 339 | 121,108 |
| **Accumulated depreciation** | | | | |
| At 1 January 2008 | (2,967) | (795) | (47) | (3,809) |
| Charge for the period | (944) | (732) | (61) | (1,737) |
| Exchange adjustments | (130) | (60) | (6) | (196) |
| Disposals | - | - | 12 | 12 |
| **At 30 September 2008** | **(4,041)** | **(1,587)** | **(102)** | **(5,730)** |
| **At 30 September 2008** | **112,857** | **2,284** | **237** | **115,278** |
| **Less: classified as held for sale and shown in current assets** | **-** | **(78)** | **(17)** | **(95)** |
| **At 30 September 2008** | **112,857** | **2,206** | **220** | **115,283** |

Buildings were valued as at 30 June 2009 by qualified professional valuers working for the company of Cushman & Wakefield, Chartered Surveyors, acting in the capacity of External Valuers. 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. For all properties, valuations were based on current prices in an active market. No valuation has been performed at 30 September 2009, as the Group undertakes valuations on a semi-annual basis.

## 10. Investment property

| | 30 September 2009 €'000 | 30 June 2009 €'000 | 31 December 2008 €'000 | 30 September 2008 €'000 |
|---|---|---|---|---|
| At beginning of the period | 198,677 | 198,677 | 217,040 | 217,040 |
| Acquisitions through business combinations | - | - | 9,540 | 9,540 |
| Capitalised subsequent expenditure | 235 | 129 | 835 | 783 |
| Exchange movements | (4,080) | (10,721) | (24,243) | 2,024 |
| Fair value (losses) | (16,247) | (16,143) | (4,495) | (2,448) |
| **Total** | **178,585** | **171,942** | **198,677** | **226,939** |
| **Less: classified as held for sale and shown in current assets (note 15)** | **(2,735)** | **-** | **-** | **(96,539)** |
| **At end of period** | **175,850** | **171,942** | **198,677** | **130,400** |

The fair value of the Group's investment property at 30 June 2009 has been arrived at on the basis of valuations carried out at that date by Cushman & Wakefield and Colliers International. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties. No valuation has been performed at 30 September 2009, as the Group undertakes valuations on a semi-annual basis.

The Group has pledged investment property of €161.0 million (30 June 2009: €154.6 million; 31 December 2008: €176.9 million; 30 September 2008: €200.2 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €113.8 million (30 June 2009: €114.5 million; 31 December 2008: €116.3 million; 30 September 2008: €118.6 million) are secured on these investment properties (note 14).

## 11. Inventories

| | 30 September 2009 €'000 | 30 June 2009 €'000 | 31 December 2008 €'000 | 30 September 2008 €'000 |
|---|---|---|---|---|
| Land held for development | 78,315 | 78,196 | 81,469 | 92,781 |
| Construction expenditures | 79,607 | 74,659 | 63,559 | 80,647 |
| Completed properties | 1,548 | 3,082 | 10,827 | - |
| **Freehold and leasehold properties held for resale** | **159,470** | **155,937** | **155,855** | **173,428** |
| **Less assets classified as held for sale and shown in current assets (note 15)** | **(19,522)** | **-** | **-** | **-** |
| **At the end of period** | **139,948** | **155,937** | **155,855** | **173,428** |

€10.6 million (30 June 2009: €7.2 million; 31 December 2008: €10.1 million; 30 September 2008: €nil) of inventories was released to cost of operations in the income statement during the period. €4.9 million (30 June 2009: €4.8 million; 31 December 2008: €0.8 million; 30 September 2008: €nil) was recognised in other operating expenses during the period in relation to write-down of inventories. €5.8 million (30 June 2009, 31 December 2008, 30 September 2008: €nil) was recognised as a provision for the value of the development land held in Slovakia. All inventories are held at cost with the exception of €50.0 million which are held at net realisable value (30 June 2009: €55.4 million, 31 December 2008: €2.7 million; 30 September 2008: all inventories held at cost).

Bank borrowings are secured on land for the value of €82.0 million (30 June 2009: €69.7 million; 31 December 2008: €75.5 million; 30 September 2008: €86.2 million) (note 14).

## 12. Cash and cash equivalents

| | 30 September 2009 €'000 | 30 June 2009 €'000 | 31 December 2008 €'000 | 30 September 2008 €'000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash at bank and in hand | 8,564 | 10,055 | 13,711 | 20,343 |
| Short term bank deposits | 1,324 | 1,661 | 1,577 | 1,435 |
| | **9,888** | **11,716** | **15,288** | **21,778** |

Included in cash and cash equivalents is €6.9 million (30 June 2009: €6.6 million; 31 December 2008: €7.5 million; 30 September 2008: €7.0 million) restricted cash relating to restricted proceeds, security and customer deposits.

## 13. Cash generated from operations

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| **(Loss) for the period** | **(33,013)** | **(226)** | **(9,666)** | **(5,768)** |
| **Adjustments for:** | | | | |
| Effects of foreign currency | 2,349 | (7,413) | (5,240) | 1,514 |
| Finance costs | 7,470 | 753 | 10,217 | 3,815 |
| Finance income | (475) | (154) | (1,121) | (259) |
| Tax (income) / expense | (545) | 1,104 | (1,200) | (850) |
| Bad debt write off | 108 | 100 | 174 | 51 |
| Depreciation of property, plant and equipment | 1,861 | 220 | 1,985 | 974 |
| Amortisation charges | 55 | 18 | 114 | 38 |
| (Gain)/ loss on sale of property plant and equipment | 6 | (9) | (19) | (13) |
| Net goodwill arising on acquisitions charged to the income statement | - | - | (121) | (121) |
| Decrease in the value of investment property | 16,247 | 104 | 2,448 | 305 |
| Impairment of assets held for sale | 5,831 | 5,831 | 3,996 | - |
| Inventories write down | 4,863 | 46 | - | - |
| Charge relating to share based payments | 25 | 7 | 76 | 14 |
| | **4,782** | **381** | **1,643** | **(300)** |
| **Changes in working capital** | | | | |
| (Increase) in inventory | (12,341) | (8,783) | (48,520) | (18,517) |
| (Increase) / decrease in trade and other receivables | 2,591 | 739 | (1,291) | 1,765 |
| (Decrease)/ increase in trade and other payables | (6,469) | (4,219) | 27,597 | 9,292 |
| | **(16,219)** | **(12,263)** | **(22,214)** | **(7,460)** |
| **Cash (outflow) generated from operations** | **(11,437)** | **(11,882)** | **(20,571)** | **(7,760)** |

**14. Bank loans**

| | 30 September 2009 €'000 | 30 June 2009 €'000 | 31 December 2008 €'000 | 30 September 2008 €'000 |
|---|---|---|---|---|
| **Current** | | | | |
| *Bank loans and overdrafts due within one year or on demand* | | | | |
| Secured | (146,376) | (150,544) | (95,702) | (31,535) |
| **Non-current** | | | | |
| *Repayable within two years* | | | | |
| Secured | (20,725) | (16,281) | (52,624) | (51,458) |
| *Repayable within three to five years* | | | | |
| Secured | (9,083) | (10,626) | (22,920) | (22,476) |
| *Repayable after five years* | | | | |
| Secured | (74,526) | (74,243) | (76,439) | (81,408) |
| | (104,334) | (101,150) | (151,983) | (155,342) |
| **Total** | **(250,710)** | **(251,694)** | **(247,685)** | **(186,877)** |
| Bank loans directly associated with assets classified as held for sale (note 15) | (12,463) | - | - | (63,038) |
| **Total bank loans** | **(263,173)** | **(251,694)** | **(247,685)** | **(249,915)** |

The bank loans are secured on various properties of the Group by way of fixed or floating charges. All land and building assets and associated debts are currently ring-fenced in unique, specific, corporate vehicles.

As of 30 September 2009, four loans totaling €92.1 million (at 30 June 2009, four loans totaling €92.4 million; 31 December 2008, two loans totaling €68.7 million; 30 September 2008: €nil) have been reclassified from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand. This resulted from covenant breaches and defaults on these loans that existed and for which the bank had not given a waiver on the breach of covenant at 30 September 2009 and at 31 December 2008. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. Two of these loans, totalling €67.1 million, were in breach at 31 December 2008 and were classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The defaults on the other two loans, totalling €25.0 million, result from non payment of interest.

Loans maturing within one year total €146.4 million at 30 September 2009 (excluding those classified as held for sale) compared to €150.5 million as at 30 June 2009; €95.7 million at 31 December 2008 and €31.5 million at 30 September 2008. €25.0 million of the €63.1 million increase from 31 December 2008 relates to the two defaults discussed above. The remaining increase of €38.1 million has resulted from the natural ageing of the Group's debt. Discussions are currently in progress with the banks in relation to repayment of certain of these loans.

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

The Group has successfully negotiated an extension to its €24.9 million loan held within the Slovakian joint venture Circle Slovakia s.r.o. The bank has agreed to extend the loan to March 2010. Financial covenants under the revised loan agreement remain unchanged, but under the new terms three months prepayment of interest is required, calculated and paid quarterly thereafter.

**14. Bank loans - continued**

The Polish subsidiary Zielono Sp. z o.o. had a land loan due to expire on 31 March 2009 of €2.9 million. The lender has agreed to extend the facility to 31 December 2009. Financial covenants under the revised loan agreement remain unchanged, but under the new terms approximately six months prepayment of interest is required. Management are in negotiation with a second bank to provide a construction loan.

The Polish subsidiary Atlas Estates (Kokoszki) Sp. z o.o. is still in negotiation concerning terms for the extension of its €8.4 million facility. In the current discussions and negotiations the bank has offered to extend the loan to 30 September 2011.

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:

| | Other €'000 | Euro €'000 | Zloty €'000 | Total €'000 |
|---|---|---|---|---|
| Bank loans and overdrafts – 30 September 2009 | 17 | 188,467 | 62,226 | 250,710 |
| Bank loans and overdrafts – 30 June 2009 | 19 | 201,617 | 50,058 | 251,694 |
| Bank loans and overdrafts – 31 December 2008 | 26 | 203,440 | 44,219 | 247,685 |
| Bank loans and overdrafts – 30 September 2008 | 24 | 139,873 | 46,980 | 186,877 |

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

On 3 November 2009 Atlas signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising 1 sites in Bratislava and 2 sites in Kosice. The Group realised €8 million in net proceeds from the sale of the Slovakia Portfolio. It is anticipated that the net proceeds will be utilised to fund the development of the Group's remaining assets, with particular focus on the assets located in Warsaw, Poland, where the Group has a strong presence and is likely to realise value from development activity within the next two to three years. This contrasts with the projects in Slovakia, which would have required the investment of large amounts of capital with returns arising in the long term

The assets and liabilities directly associated with this sale were separately classified as of 30 September 2009. €5.8 million (30 June 2009, 31 December 2008, 30 September 2008: €nil) was recognised as a provision for the value of the development land held in Slovakia. The major classes of assets and liabilities held for sale were as follows:

| **Assets:** | **30 September 2009 €'000** |
|---|---|
| Intangible assets | 1 |
| Property, plant and equipment | 43 |
| Investment property | 2,735 |
| Deferred tax asset | 201 |
| Inventories | 19,522 |
| Trade and other receivables | 4,915 |
| Cash and cash equivalents | 16 |
| **Total assets classified as held for sale** | **27,433** |

| **Liabilities:** | **30 September 2009 €'000** |
|---|---|
| Trade and other payables | 5,880 |
| Bank loans | 12,463 |
| Deferred tax liabilities | 1,090 |
| **Total liabilities directly associated with assets classified as held for sale** | **19,433** |

Comparatives in the balance sheet relate to Millennium Plaza in Warsaw, Poland.

### 16. Other Reserves

The Other Reserves column included in the Consolidated Statement of Changes in Equity includes the Group's Revaluation Reserve, Other Distributable Reserve and Other Reserves. The Revaluation Reserve includes amounts relating to revaluation of properties and the related deferred tax. The Other Distributable Reserve includes amounts relating to cancellation of share premium, shares bought back and cancelled or held in Treasury, and dividends paid. The Other Reserves includes exchange adjustments and the related deferred tax. The Group's Revaluation Reserve and Other Reserves represent unrealised gains and losses and therefore are not distributable.

### 17. Related party transactions

(a) The RP Explorer Master Fund and RP Partners Fund are funds that are managed by RP Capital Group. The RP Capital Group is also the holder of 51% of the share capital of AMC. As a result of a qualifying shareholding of 5,560,576 shares in the Company, RP Capital Group was the holder of 11.87% of the share capital of Atlas Estates Limited at 13 November 2009.

(b) RI Limited and RI Holdings Limited together are the holders of 49% of the share capital of AMC. These entities have the same beneficial owner as Atlas International Holdings Limited, who has a qualifying shareholding of 6,461,425 shares in the Company or 13.79% of the share capital of Atlas Estates Limited at 13 November 2009.

(c) Key management compensation

| | Nine months ended 30 September 2009 €'000 | Three months ended 30 September 2009 €'000 | Nine months ended 30 September 2008 €'000 | Three months ended 30 September 2008 €'000 |
|---|---|---|---|---|
| Fees for non-executive directors | 142 | 37 | 232 | 59 |

The Company has appointed AMC to manage its property portfolio. At 30 September 2009 AMC was owned by the RP Capital Group and RI Limited and RI Holdings Limited. In consideration of the services provided, AMC received a management fee of €3.16 million and €1.09 for the nine and three months ended 30 September 2009 respectively (€4.29 million and €1.43 million for the nine and three months ended 30 September 2008 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 2009. No performance fee has been accrued for the nine and three months ended 30 September 2009 (€nil for the nine and three months ended 30 September 2008) because no reliable estimate can be made.

AMC also received €0.18 million and €0.08 million for nine and three months ended 30 September 2009 respectively (€0.3 million and €0.1 million for the nine and three months ended 30 September 2008 respectively) in relation to lease agreements for office space in Poland and Hungary. As of 30 September 2009, €2.4 million included in current trade and other payables was due to AMC (30 June 2009: €2.2 million; 31 December 2008: €1.8 million; 30 September 2008: €0.4 million).

(d) Under the loan agreement of 29 September 2005, Kendalside Limited, which is also a shareholder in Circle Slovakia s.r.o., has extended a loan facility of €6,042,106 to Circle Slovakia for the acquisition of a property. This facility was extended by €3,000,000 on 1 December 2008. The loan facility is to be repaid by 31 August 2013, and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As of 30 June 2009 Circle Slovakia has drawn the loan facility plus associated interest in the amount of €10,170,169 (31 December 2008: €8,042,229; 30 September 2008: €7,121,570).

(e) Under the loan agreement of 30 October 2006 and Assignment Agreement dated 6 May 2009, Kendalside Limited has extended a loan facility of SKK 340,000,000 (€11,285,932) to Eastfield Atlas a.s. (previously Slovak Investment and Development a.s.) for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid before 31 December 2015, and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As at 30 September 2009 the borrower has drawn the loan facility plus associated interest in the

**17. Related party transactions – continued**

(e) amount of €1,065,298 (31 December 2008: SKK 25,681,409 (€852,467); 30 September 2008: SKK 25,240,794 (€833,112)).

(f) Under the loan agreement of 18 May 2007, EdR Real Estate (Eastern Europe) Finance S.a.r.l, which is also a shareholder in Atlas Estates (Cybernetyki) Sp. z o.o., has extended a loan facility of €3,954,050 to Atlas Estates (Cybernetyki) Sp. z o.o. for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid by 31 December 2020 and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As of 30 Septmber 2009 Atlas Estates (Cybernetyki) Sp. z o.o. has drawn the loan facility plus associated interest in the amount of €2,814,900 (31 December 2008: €2,214,841; 30 September 2008: €2,179,092).

(g) Under the loan agreement of 1 August 2005 and annex dated 10 August 2005, Dellwood Company Limited, which is also a shareholder in Zielono Sp. z o.o., has extended a loan facility of PLN 2,850,000 (€637,641) to Zielono Sp. z o.o. for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid within 60 days from the receipt of a demand of payment and bears interest at a variable rate equal to the sum of WIBOR and the lender's margin. As of 30 September 2009 Zielono Sp z o.o. has drawn the loan facility plus associated interest in the amount of PLN1,781,297 (€421,848) (31 December 2008: PLN 1,706,088 (€408,898); 30 September 2008: PLN 1,674,276 (€491,235)).

(h) Nagar Kaduri & Zmira Ltd and Shasha Transport Ltd, which are also shareholders in Atlas and Shasha Zrt (previously: Atlas Estates Kaduri Shasha Zrt), have extended loan facilities to Atlas and Shasha Zrt for the purpose of covering ongoing investment and business expenses. The loan facility has no repayment date and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As of 30 September 2009 Atlas and Shasha Zrt has drawn the loan facilities plus associated interest in the amount of €1,775,548 (31 December 2008: €1,700,271; 30 September 2008: €1,652,602).

**18. Post balance sheet events**

The market conditions in which the Company is operating and is seeking the renewal of banking facilities remain difficult and the Company has continued to support its subsidiaries within its limited resources. With the exception of the disposal of investments in Slovakia (see note 15), no specific events have occurred which would require any adjustment to the period end balance sheet.

**19. Other items**

**19.1 Information about court proceedings**

As of 13 November 2009, the Company was 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 equity capital.

**19.2 Information about Granted Sureties**

During the nine months ended 30 September 2009, the Company has not granted any sureties (for loans or credit facilities) or guarantees.

**19.3 Financial Forecasts**

No financial forecasts have been published by the Company in relation to the year ended 31 December 2009.

**20. Other Items - shareholdings**

**20.1 Substantial shareholdings**

As of 13 November 2009, the Company's share register indicates that the following shareholders had a direct or indirect interest in 5% or more of its ordinary share capital:

| Registered Shareholder | Shares held as of 12 August 2009 (% of share capital) | Increase / (Decrease) Number of Shares | Shares held as of 13 November 2009 (% of share capital) |
|---|---|---|---|
| BBHISL Nominees Limited (1) | 6,594,509 (14.08) | - | 6,594,509 (14.08) |
| Chetwynd Nominees Limited (2) | 5,560,576 (11.87) | - | 5,560,576 (11.87) |
| Forest Nominees Limited (3) | 6,536,925 (13.95) | - | 6,536,925 (13.95) |
| Lynchwood Nominees Limited | 9,996,725 (21.34) | - | 9,996,725 (21.34) |
| Vidacos Nominees Limited | 10,828,132 (23.11) | | 10,828,132 (23.11) |

The Company is aware of the following underlying interests in respect of the above:

(1) Brown Brothers Harriman & Co;
(2) RP Capital Group;
(3) Mr. Ron Izaki is the ultimate beneficial owner of 6,461,425 of the 6,536,925 shares, representing 13.79% of the issued share capital of the Company;

As at 13 November 2009, the Company had been notified of the following interests in 5% or more of its ordinary share capital; however, to date, the Company has been unable to tie these to its share register. The Company will continue its efforts to identify these shareholders.

| Name of Interested Party | Number of Shares as of 13 November 2009 (% of share capital) |
|---|---|
| Livermore Investments Limited | 9,939,345 (21.21%) |
| Lockerfield Limited | 6,730,623 (14.37%) |
| Capital Venture Worldwide Group Limited | 6,425,545 (13.71%) |
| Finiman Limited | 4,097,509 (8.75%) |
| CIBC World Markets Corporation | 3,857,649 (8.23%) |

**20.2 Directors' share interests**

There have been no changes to the Directors' share interests during the nine months ended 30 September 2009. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the nine and three months ended 30 September 2009. One Director (Mr Spicer) acquired a beneficial interest in 14,785 shares in the Company in 2007.

**20. Other Items – shareholdings - continued**

**20.3 Other share interests**

No changes have occurred in the nine and three months ended 30 September 2009 in the number of warrants issued to managing and/or supervisory persons.

**21. 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 investments were made in any additional joint ventures during the period ended 30 September 2009. Two new entities were established, one in Hungary and one in Slovakia. On 26 January 2009 the merger of Atlas Estates (Totleben) EOOD and Immobul EOOD, the Group's two Bulgarian subsidiaries, was successfully completed; the resulting entity is Immobul EOOD. On each of 15 January 2009 and 9 February 2009, the Group acquired an additional 5% of the share capital of its Kokoszki subsidiary, Atlas Estates (Kokoszki) 1 Sp. z o.o., for a total cash consideration of PLN 300,000 (€71,046). At 30 September 2009, the Group's holding in Atlas Estates (Kokoszki) Sp. z o.o. was 100%. The percentage holdings are consistent across all periods presented except for Atlas Estates (Kokoszki) Sp. z o.o., which was 100% at 30 September 2009, 100% at June 2009; 90% at 31 December 2008 and 75% at 30 September 2008.

| Country of incorporation | Name of subsidiary/joint venture entity | Status | Percentage of nominal value of issued shares and voting rights held by the Company |
|---|---|---|---|
| Holland | Atlas Estates Cooperatief U.A. | Holding | 100% |
| Holland | Atlas Estates Investment B.V. | Holding | 100% |
| Holland | Trilby B.V. | Holding | 100% |
| Cyprus | Darenisto Limited | Holding | 100% |
| Cyprus | Kalipi Holdings Limited | Holding | 100% |
| Poland | Atlas Estates (Poland) Sp. z o.o. | Management | 100% |
| Poland | Platinum Towers Sp. z o.o. | Development | 100% |
| Poland | Zielono Sp. z o.o. | Development | 76% |
| 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 Sp. z o.o. | Development | 100% |
| Poland | Grzybowska Centrum Re Projects BV SK | Holding | 100% |
| Poland | HGC S.A. | Hotel operation | 100% |
| Poland | HPO Sp. z o.o. | Development | 100% |
| Poland | Atlas Estates (Cybernetyki) Sp. z o.o. | Development | 50% |
| Poland | Atlas Estates (Kokoszki) Sp. z o.o. | Development | 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 | Development | 100% |
| Hungary | Atlas Estates (Moszkva) Kft. | Holding | 100% |
| Hungary | Atlas Estates (Dekan) Kft. | Investment | 100% |
| Hungary | Atlas Estates (Vagany) Kft. | Holding | 100% |
| Hungary | Atlas and Shasha Zrt | Development | 50% |

**21. Principal subsidiary companies and joint ventures - continued**

| Country of incorporation | Name of subsidiary/joint venture entity | Status | Percentage of nominal value of issued shares and voting rights held by the Company |
|---|---|---|---|
| Hungary | Atlas Estates Kaduri Shasha Kft | Development | 50% |
| Slovakia | Circle Slovakia, s.r.o. | Development | 50% |
| Slovakia | Eastfield Atlas a.s. | Holding | 50% |
| Slovakia | Slovak Trade Company, s.r.o | Development | 50% |
| Slovakia | WBS, a.s. | Development | 50% |
| Slovakia | Smokovec Trade Company, s.r.o. | Development | 50% |
| Slovakia | Nitra Trade Company, s.r.o. | Development | 50% |
| Slovakia | Bastion Office Centre, s.r.o. | Development | 50% |
| Slovakia | IKZ a.s. | Development | 50% |
| Romania | World Real Estate SRL | Development | 100% |
| Romania | Atlas Solaris SRL | Development | 100% |
| Romania | DNB Victoria Towers SRL | Hotel operation | 100% |
| Romania | DNB Victoria Tower Hotel Management SRL | Management | 100% |
| Bulgaria | Immobul EOOD | Investment | 100% |

## 22. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

### NON-CONSOLIDATED INCOME STATEMENT
**For the nine and three months ended 30 September 2009**

| | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| **Revenues** | - | - | - | **-** |
| Cost of operations | - | - | - | - |
| **Gross profit** | - | - | - | **-** |
| Administrative expenses | (3,209) | (972) | (5,093) | (1,274) |
| Other operating income | 505 | - | - | - |
| Other operating expenses | - | - | (1,049) | - |
| Provision against loans receivable from subsidiaries | (43,964) | (195) | - | - |
| **Operating loss** | **(46,668)** | **(1,167)** | **(6,142)** | **(1,274)** |
| Finance income | 4,439 | 1,178 | 8,273 | 2,779 |
| Finance costs | (3) | (1) | (5) | (1) |
| Other gains and (losses) – foreign exchange | (46) | (11) | 60 | (11) |
| **Profit / (loss) on ordinary activities before taxation** | **(42,278)** | **(1)** | **2,186** | **1,493** |
| Tax expense | - | - | - | - |
| **Profit / (loss) for the period** | **(42,278)** | **(1)** | **2,186** | **1,493** |

**22. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION - CONTINUED**

**NON-CONSOLIDATED BALANCE SHEET**
**As at 30 September 2009**

| | 30 September 2009 (unaudited) €'000 | 30 June 2009 (unaudited) €'000 | 31 December 2008 2007 €'000 | 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investment in subsidiaries | 21,220 | 21,220 | 21,220 | 21,220 |
| Loans receivable from subsidiaries | 137,040 | 136,054 | 176,062 | 173,105 |
| | **158,260** | **157,274** | **197,282** | **194,325** |
| **Current assets** | | | | |
| Trade and other receivables | 165 | 176 | 176 | 188 |
| Cash and cash equivalents | 1,457 | 2,309 | 4,351 | 684 |
| | **1,622** | **2,485** | **4,527** | **872** |
| **TOTAL ASSETS** | **159,882** | **159,759** | **201,809** | **195,197** |
| **Current liabilities** | | | | |
| Trade and other payables | (2,758) | (2,641) | (2,432) | (1,564) |
| | **(2,758)** | **(2,641)** | **(2,432)** | **(1,564)** |
| **TOTAL LIABILITIES** | **(2,758)** | **(2,641)** | **(2,432)** | **(1,564)** |
| **NET ASSETS** | **157,124** | **157,118** | **199,377** | **193,633** |
| **EQUITY** | | | | |
| Share capital account | 6,268 | 6,268 | 6,268 | 6,268 |
| Other distributable reserve | 194,817 | 194,817 | 194,817 | 194,818 |
| Accumulated loss | (43,961) | (43,967) | (1,708) | (7,453) |
| **TOTAL EQUITY** | **157,124** | **157,118** | **199,377** | **193,633** |
| Basic net asset value per share | n/a | n/a | n/a | n/a |

# SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**For the nine and three months ended 30 September 2009**

**22. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION - CONTINUED**

**NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**As at 30 September 2009**

| Nine Months Ended 30 September 2009 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 |
|---|---|---|---|---|
| **As at 1 January 2009** | **6,268** | **194,817** | **(1,708)** | **199,377** |
| Total comprehensive income for the period | - | - | (42,278) | **(42,278)** |
| Share based payments | - | - | 25 | **25** |
| **As at 30 September 2009** | **6,268** | **194,817** | **(43,961)** | **157,124** |

| Three Months Ended 30 September 2009 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 |
|---|---|---|---|---|
| **As at 1 July 2009** | **6,268** | **194,817** | **(43,967)** | **157,118** |
| Total comprehensive income for the period | - | - | (1) | **(1)** |
| Share based payments | - | - | 7 | **7** |
| **As at 30 September 2009** | **6,268** | **194,817** | **(43,961)** | **157,124** |

| Year Ended 31 December 2008 | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 |
|---|---|---|---|---|
| **As at 1 January 2008** | **484** | **202,320** | **(9,716)** | **193,088** |
| Total comprehensive income for the year | - | - | 7,917 | **7,917** |
| Shares issued in the year | 5,784 | - | - | **5,784** |
| Share based payments | - | - | 91 | **91** |
| Dividends paid | - | (7,503) | - | **(7,503)** |
| **As at 31 December 2008** | **6,268** | **194,817** | **(1,708)** | **199,377** |

| Nine Months Ended 30 September 2008 (unaudited) | Share capital account €'000 | Other reserves €'000 | Accumulated loss €'000 | Total €'000 |
|---|---|---|---|---|
| **As at 1 January 2008** | **484** | **202,320** | **(9,716)** | **193,088** |
| Total comprehensive income for the period | | - | 2,186 | **2,186** |
| Shares issued in the year | 5,784 | - | - | **5,784** |
| Share based payments | - | - | 77 | **77** |
| Dividends paid | - | (7,502) | - | **(7,502)** |
| **As at 30 September 2008** | **6,268** | **194,818** | **(7,453)** | **193,633** |

**22. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION - CONTINUED**

**NON-CONSOLIDATED CASH FLOW STATEMENT**
**For the nine and three months ended 30 September 2009**

| | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| **Profit / (loss) for the period** | **(42,278)** | **(1)** | **2,186** | **1,493** |
| **Adjustments for:** | | | | |
| Finance costs | 3 | 1 | 5 | 1 |
| Finance income | (4,439) | (1,178) | (8,273) | (2,779) |
| Effects of foreign currency | 48 | 11 | (60) | 11 |
| Assigned loans | (505) | - | - | - |
| Provision against loans receivable from subsidiaries | 43,964 | 195 | - | - |
| Charge relating to share based payments | 25 | 7 | 76 | 14 |
| | **(3,182)** | **(965)** | **(6,066)** | **(1,260)** |
| **Changes in working capital** | | | | |
| Decrease in trade and other receivables | 11 | 11 | 216 | 1,037 |
| (Decrease) / increase in trade and other payables | 326 | 117 | (3,632) | (670) |
| **Net cash outflow from operating activities** | **(2,845)** | **(837)** | **(9,482)** | **(893)** |
| **Investing activities** | | | | |
| Repayment of loans from subsidiary undertakings | - | - | 13,087 | 237 |
| **Net cash from investing activities** | **-** | **-** | **13,087** | **237** |
| **Financing activities** | | | | |
| Interest received | 5 | - | 46 | 16 |
| Interest paid | - | - | - | - |
| Dividends paid | - | - | (6,256) | (6,256) |
| **Net cash from / (used in) financing activities** | **5** | **-** | **(6,256)** | **(6,256)** |
| **Net decrease in cash and cash equivalents in the period as a result of cashflows** | **(2,840)** | **(837)** | **(2,605)** | **(6,896)** |
| Effect of foreign exchange rates on cash balances | (54) | (15) | 57 | (16) |
| **Net decrease in cash and cash equivalents in the period** | **(2,894)** | **(852)** | **(2,548)** | **(6,912)** |

### 22. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION - CONTINUED

**NON-CONSOLIDATED CASH FLOW STATEMENT - CONTINUED**
**For the nine and three months ended 30 September 2009**

| | Nine months ended 30 September 2009 (unaudited) €'000 | Three months ended 30 September 2009 (unaudited) €'000 | Nine months ended 30 September 2008 (unaudited) €'000 | Three months ended 30 September 2008 (unaudited) €'000 |
|---|---|---|---|---|
| **Cash and cash equivalents at the beginning of the period** | **4,351** | **2,309** | **3,232** | **7,596** |
| **Cash and cash equivalent at the end of the period** | **1,457** | **1,457** | **684** | **684** |
| **Cash and cash equivalents** | | | | |
| Cash at bank and in hand | 1,457 | 1,457 | 684 | 684 |
| Bank overdrafts | - | - | - | - |
| | **1,457** | **1,457** | **684** | **684** |