

## Atlas Estates Limited (“Atlas” or the “Company” or the “Group”)

### UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS TO 31 MARCH 2009

15 May 2009

Atlas Estates Limited, the Central and Eastern European (“CEE”) property investment and development company, today reports growth in revenue in its quarterly results for the three months ended 31 March 2009.

#### Financial summary

- Revenue increased to €14.3 million (31 March 2008: €9.7 million)
- Profit from operations of €1.6 million (31 March 2008: €0.3 million)
- Net Asset Value of €138.6 million (31 December 2008: €173.8 million) with decline caused primarily by exposure to weakening currencies in CEE which resulted in unrealised foreign exchange losses of €37.2 million. No formal asset valuation was undertaken in the quarter
- Net Asset Value per share of €2.94 (31 December 2008: €3.68)
- Bank loans at 31 March 2009 of €249.5 million (31 December 2008: €247.7 million).

#### Operational summary

- Stage 1 of the Capital Art Apartments residential development in Warsaw completed on time and to budget – 168 apartments handed over to new owners by 31 March 2009 and a further 41 handovers of apartments are expected to complete in May and June
- Revenue shortfall at the Hilton Hotel in Warsaw resulting from the effect of the global economic crisis on business travel and conferencing mitigated by cost reductions and increased controls and efficiencies
- Reduced demand for office, retail and industrial assets, resulting in loss of tenants at Ikarus Business Park in Budapest
- The residential element of the Platinum Towers development topped out on time in February 2009
- The key projects in construction in Warsaw, Stage 2 of the Capital Art Apartments and the Platinum Towers residential developments, continue to be constructed in line with budgets
- Refinancing issues being addressed in a very difficult credit environment, possibly leading to asset sales and other measures.

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

“Along with all real estate operators in our markets, the Company has continued to experience difficult trading conditions, which have been compounded by a further weakening in the underlying currencies. Whilst these foreign exchange losses are unrealised, they have caused an additional fall in net asset value. Since the quarter end, we have seen a rise in exchange rates in the region, which we hope will result in the partial reversal of these unrealised losses in the future. This demonstrates the volatility in the markets in which we operate.

Despite these circumstances, the Group continues to complete and sell new apartments in Warsaw and has delivered an operating profit from these operations. The progress at the key developments of Capital Art Apartments and Platinum Towers is encouraging and we look forward to the completion of these projects, which are currently in the development stage, later this year and in 2010.”

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ATLAS ESTATES LIMITED  
CONDENSED CONSOLIDATED QUARTERLY REPORT  
FIRST QUARTER 2009

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## **Contents**

### **Page**

3	Financial Highlights
4	Chairman's Statement
6	Property Manager's Report
13	Property Portfolio Information
14	Interim Condensed Consolidated Financial Information
19	Selected Notes to the Interim Condensed Consolidated Financial Information

## Financial Highlights

<b>Selected Consolidated Financial Items</b>	<b>3 months ended 31 March 2009 €000</b>	<b>3 months ended 31 March 2008 €000</b>
Revenues	14,288	9,736
Gross profit	4,300	4,275
Profit from operations	1,608	301
Loss before tax	(20,342)	(1,311)
Loss for the period	(17,434)	(1,660)
Loss attributable to equity shareholders	(16,893)	(1,640)
Net cash inflow / (outflow) from operating activities	2,396	(2,311)
Cash flow from investing activities	(152)	(1,039)
Cash flow from financing activities	5,164	(586)
Net decrease in cash	(2,619)	(3,140)
Non-current assets	305,183	266,337
Current assets	164,265	175,853
Assets classified as held for sale	-	101,018
Total assets	469,448	543,208
Current liabilities	(140,177)	(95,040)
Liabilities directly associated with assets classified as held for sale	-	(70,424)
Non-current liabilities	(190,636)	(154,836)
Total liabilities	(330,813)	(320,300)
Net assets	138,635	222,908
Shareholders' equity attributable to equity holders of the Company	137,903	222,189
Number of shares outstanding	46,852,014	44,978,081
Loss per share (eurocents)	(36.06)	(3.65)
Basic net asset value per share (€)	2.94	4.94

## **Chairman's Statement**

I am pleased to present the unaudited condensed consolidated quarterly report of Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings (together "the Group") for the quarter ended 31 March 2009. The Central and Eastern Europe ("CEE") region remains a very challenging market due to the impact of ongoing difficult global economic conditions. However, against this background, the Company has been able to achieve certain key objectives.

As the Group stated in its full year 2008 results announcement, the long term development of the Group and its assets is dependent upon access to capital. The difficult financial markets and the global liquidity crisis, which are affecting all businesses operating in the CEE region, may potentially lead to delays in the Group's ability to progress projects as planned. The risk-averse attitude of lenders and the difficulties in realising value from disposals as experienced in 2008 has continued in 2009. These factors mean that the successful development of the business is dependent upon cash retention.

The results for the first quarter of 2009 have been adversely impacted by the ongoing effects of the depreciating currencies in the CEE markets. For the Company's investments in Poland, its major market, the Polish Zloty has depreciated by 13% from 31 December 2008 rate to 31 March 2009. The fall in value of the functional currencies has resulted in foreign exchange losses of €18.7 million in the income statement (2008: gain of €1.2 million) and €18.5 million (2008: gain of €0.4 million) in reserves for the quarter ended 31 March 2009. Of the loss in the income statement, €18.8 million (2008: gain €1.2 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.

Recently, the Group has had to refinance the loans attributable to several of its properties with its banks. Although negotiations have been difficult, reflecting the pressures being faced by international banks, the Group has been successful in refinancing or extending many of its loans, as detailed below in the notes to the condensed consolidated financial information. 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.

As described in this statement and the Property Manager's Report below the current economic environment remains challenging and the Group has reported a loss before taxation for the quarter ended 31 March 2009 and a significant fall in net asset value as at 31 March 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.

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 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 three months ended 31 March 2009, as set out in note 1 to the interim condensed consolidated financial information.

## **Strategy**

The Group's strategy is to invest in the developing markets of CEE excluding the former Soviet Union. Since IPO the Company has developed a significant portfolio of assets. The economies of Poland, Hungary, Slovakia, Romania and Bulgaria, in which the Group operates, continue to be impacted by the adverse effects of the global economic crisis. Poland, where 63% of the Group's assets are located, appears the most resilient economy in the region. Despite the challenging environment, the projects that the Group is currently developing are well placed to meet the ongoing demand for quality residential, office and retail properties.

The Company has invested funds in acquiring assets that have the potential for growth. Over the next three to five years, taking account of more uncertain market conditions, the Company will be seeking to realise value through property disposals and the completion of its ongoing development projects.

In the current financial market conditions, gaining access to capital has become extremely difficult and, as previously highlighted, enhancing liquidity and the retention of cash remains a key priority for the Group. This is vital for the Group and its operations as it will enable the Group to complete projects currently under development and to support future growth.

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

The Company has used NAV per share and Adjusted NAV per share as key performance measures since its IPO. In the three months to 31 March 2009, NAV per share, as reported in the interim condensed consolidated financial information, which has been prepared in accordance with International Financial Reporting Standards (“IFRS”), has decreased by 20.1% to €2.94 per share from 31 December 2008.

An independent valuation on the entire property portfolio is carried out on a semi-annual basis. This measures the valuation gains and losses during the financial period and is included in the basis for the Property Manager’s performance assessment and fee calculations. The latest independent valuation was performed on 31 December 2008 and has been used in the financial statements at 31 March 2009. Land holdings are valued on either a residual value or a comparative basis. No profit is taken to reflect the stage of development of each site.

The Adjusted NAV per share, which includes valuation gains net of deferred tax on development properties held in inventory and land held under operating lease, has not been included. The Directors consider that it is more prudent and appropriate to wait until the independent valuation is undertaken at 30 June 2009, as since the last independent valuation at 31 December 2008, there has continued to be significant expenditure on the development properties and significant changes in the markets for development properties.

## **Central and Eastern Europe**

Our chosen area of investment continues to be CEE. GDP growth throughout this region has outperformed that of Western Europe in recent years. As stated above, the difficult market conditions have spread from Western Europe to CEE in 2008 and 2009. GDP growth rates have slowed as the availability of credit has become very restricted. As a result, investment and development activity in the real estate market has significantly reduced. The Company has prudently managed its current investments in the region and continually monitors risks associated with its portfolio so that it is appropriately positioned in the context of the ongoing economic conditions.

## **Corporate Governance**

Atlas is committed to ensuring that the Group applies a robust corporate governance structure. In the current economic conditions, this aspect matters even more than ever before. This is important as there is a clear link between high quality corporate governance and shareholder value creation. The Group’s annual financial statements for the year ended 31 December 2008 set out how Atlas applies the highest standards of corporate governance.

## **Prospects**

During 2008 and continuing into the first quarter of 2009, the global economic crisis has had a very significant impact on the economies and prospects in the CEE region. Economic growth has slowed as access to funding has become increasingly restricted and the ongoing economic uncertainty has affected investment.

It is not certain how the evolving financial crisis in the global markets will affect the economies in which the Company is active in 2009 and beyond. Management is reviewing the economic conditions in each of its markets, in order to identify and analyse the measures required to mitigate the effects of potential risks to its activities. However the economic fundamentals in the region remain strong, particularly with regard to the demand for the quality office, residential and retail space that Atlas is currently developing and for which it has zoning and permissions in place for its land bank. It is these important market fundamentals that underpin our ongoing strategy and continued investment.

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 continued enterprise and skill in maintaining our operating base and moving the Company forward, particularly under the current difficult conditions.

**Quentin Spicer**  
**CHAIRMAN**  
**15 May 2009**

## Property Manager's Report

In this report we present the financial and operating results for the three months ended 31 March 2009. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio, to provide advice on new investment opportunities and to implement the Company's strategy.

### Financial Review

The management team continually 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. AMC evaluates the risks and rewards associated with a particular country, sector or asset class, in order to optimise the Company's return on investment and therefore the return that the Company is able to deliver to shareholders over the longer term.

### **Portfolio valuation and valuation methods**

An independent valuation of the entire property portfolio is carried out on a semi-annual basis (June and December) by independent valuation experts. Independent valuations may also be performed when a new property is acquired. The most recent valuation was performed at 31 December 2008 by two independent real estate advisors, Cushman and Wakefield and Colliers International. Management has used the 31 December 2008 valuations in the financial statements at 31 March 2009. These valuations are applied to property, plant and equipment and investment property.

As at 31 March 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.

### **Loans**

As at 31 March 2009, the Company's share of bank debt associated with the portfolio of the Group was €250 million (31 December 2008: €248 million; 31 March 2008 €219 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, and from the refinancing of the Hilton loan in July 2008. Total facilities were €282 million (31 December 2008: €290 million; 31 March 2008: €245 million). Loans and valuations may be analysed as follows based on the 31 December 2008 and 2007 valuations and the foreign exchange rates prevailing on 31 March 2009 and 2008:

	<b>Loans 2009 €000</b>	<b>Valuation 2009 €000</b>	<b>Loan to Value Ratio 2009</b>	<b>Loans 2008 €000</b>	<b>Valuation 2008 €000</b>	<b>Loan to Value Ratio 2008</b>
Investment property	114,853	175,583	65.4%	116,016	214,390	54.1%
Hotels	68,218	104,112	65.5%	47,898	126,357	37.9%
Development property in construction	34,272	97,282	35.2%	23,368	70,811	33.0%
Other development property	32,163	85,820	37.5%	32,061	99,036	32.4%
	<b>249,506</b>	<b>462,797</b>	<b>53.9%</b>	<b>219,343</b>	<b>510,594</b>	<b>43.0%</b>

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

Loans maturing within one year have increased to €97.0 million at 31 March 2009 from €95.7 million at 31 December 2008 and €34.5 million at 31 March 2008. The increase has arisen from the natural ageing of debts and from the reclassification of two loans with covenant breaches at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. In relation to the most material loan, the Group received a written covenant waiver from its lender during the three months ended 31 March 2009 and the lender will continue to extend the €63.1 million facility. One of the breaches arose from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio.

Cash at bank and in hand was €12.7 million at 31 March 2009 (31 December 2008: €15.3 million; 31 March 2008: €31.2 million). The gearing ratio is 172%, based upon net debt as a percentage of equity attributable to shareholders and is 63% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders).

## Review of the Quarter Ended 31 March 2009

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

	Property Rental €000	Residential Sales €000	Hotel Operations €000	Other €000	Three months ended 31 March 2009 €000
Revenues	3,458	6,755	4,009	66	14,288
Cost of operations	(1,386)	(5,720)	(2,879)	(3)	(9,988)
<b>Gross profit</b>	<b>2,072</b>	<b>1,035</b>	<b>1,130</b>	<b>63</b>	<b>4,300</b>
Administrative expenses	(98)	(583)	(676)	(1,530)	(2,887)
<b>Gross profit less administrative expenses</b>	<b>1,974</b>	<b>452</b>	<b>454</b>	<b>(1,467)</b>	<b>1,413</b>
Gross profit %	59.9%	15.3%	28.2%	95.5%	30.1%
Gross profit less administrative expenses %	57.1%	6.7%	11.3%	n/a	9.9%

  

	Property Rental €000	Residential Sales €000	Hotel Operations €000	Other €000	Three months ended 31 March 2008 €000
Revenues	4,108	17	5,511	100	9,736
Cost of operations	(1,637)	(129)	(3,695)	-	(5,461)
<b>Gross profit / (loss)</b>	<b>2,471</b>	<b>(112)</b>	<b>1,816</b>	<b>100</b>	<b>4,275</b>
Administrative expenses	(440)	(706)	(934)	(1,889)	(3,969)
<b>Gross profit / (loss) less administrative expenses</b>	<b>2,031</b>	<b>(818)</b>	<b>882</b>	<b>(1,789)</b>	<b>306</b>
Gross profit %	60.2%	n/a	33.0%	100%	43.9%
Gross profit less administrative expenses %	49.4%	n/a	16.0%	n/a	3.1%

## Revenues

Total revenues for the quarter ended 31 March 2009 were €14.3 million compared to €9.7 million for the quarter ended 31 March 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 cyclicity 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 €6.8 million relating to residential sales on Capital Art Apartments stage 1, where pre sold apartments have been handed over to clients. Total revenues are €7.5 million for income yielding assets including hotels compared to €9.6 million for the quarter ended 31 March 2008. This decline represents €1.7 million due to the effect of depreciating currencies in the region and €0.4 million from weaker trading.



## Development Properties

As of 31 March 2009, the Group had contracted to construct 715 apartments with a total value of €87 million at its Platinum Towers and Capital Art Apartments projects in Warsaw and its Atrium Homes project in Budapest. By 31 March 2009, 168 had been completed and sold. 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.

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 214 have been pre-sold to date. As mentioned above, by 31 March 2009, 168 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 €6.8 million and gross profit of €1.2 million have been recognised on the sales of the 69 apartments delivered for stage 1 of Capital Art Apartments during the quarter ended 31 March 2009.

## Income Producing Assets

Revenue from income producing assets has decreased to €3.5 million for the quarter ended 31 March 2009, from €4.1 million for 2008. The decrease includes the effect of depreciating currencies in the region of €0.7 million. The operational variance in the quarter is an increase of €0.1 million.

## Hotels

Revenue from the Group's two hotels (the Warsaw Hilton and the Golden Tulip, Bucharest) decreased to €4.0 million for the quarter ended 31 March 2009 from €5.5 million for the corresponding quarter of 2008. The decrease includes the effect of depreciating currencies in the region of €1.0 million. The operational variance in the quarter is a decrease of €0.5 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 52% in 2009 compared to 64% in the first quarter 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 were comparable to the equivalent period in 2008, at 58% in 2009 and 60% in 2008. This reflects the improved performance that has been seen at this hotel since managerial changes were made in the second quarter of 2008.

## **Cost of operations**

Cost of operations was €10.0 million in the three months ended 31 March 2009, of which €5.6 million relates to the cost of construction of the apartments sold at Capital Art Apartments during the quarter. Cost of operations for the first quarter of 2008 was €5.5 million, in which there were no costs relating to apartment sales. The resultant decline of €1.1 million in costs not relating to apartment sales between 2008 and 2009 includes the effect of depreciating currencies in the region of €1.0 million. The underlying cost of operations has decreased by €0.1 million, reflecting cost savings implemented by management.

## **Administrative expenses**

Administrative expenses were €2.9 million compared to €4.0 million in the first quarter 2008. This decline of €1.1 million includes the effect of depreciating currencies in the region of €0.4 million. The underlying administrative expenses have decreased by €0.7 million, reflecting 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.

## Finance income and costs

The income statement includes finance costs of €3.4 million for the quarter ended 31 March 2009, compared with €3.2 million in 2008, reflecting the effect of the increased external debt finance used to acquire new investment properties.

## Foreign exchange

The results for the first quarter 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 13% from the 31 December 2008 rate of exchange to 31 March 2009 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €18.7 million in the income statement (2008: gain of €1.2 million) and €18.5 million (2008: gain of €0.4 million) in reserves for the quarter ended 31 March 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				
<b>Current rate</b>					
13 May 2009	4.3943	279.36	4.1574	n/a	1.95583
<b>Closing rates</b>					
31 March 2009	4.7013	309.22	4.2348	n/a	1.95583
31 December 2008	4.1724	264.78	3.9852	30.126	1.95583
% Change	12.7%	16.8%	6.3%	n/a	0%
31 March 2008	3.5258	259.36	3.7276	32.611	1.95583
<b>Average rates</b>					
Quarter 1 2009	4.4903	294.57	4.2662	n/a	1.95583
Year 2008	3.5166	251.25	3.6827	31.291	1.95583
% Change	27.7%	17.2%	15.8%	n/a	0%
Quarter 1 2008	3.5759	258.60	3.6892	33.085	1.95583

The above demonstrates the continuing weakening in the underlying currencies during the first quarter of 2009, as the effects of the global financial crisis spread further into the CEE region. Slovakia entered the Eurozone 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 quarter ended 31 March 2009.

## Net Asset Value

The Property Manager's basic and performance fees are determined by the Adjusted NAV. For the three months to 31 March 2009 the basic fee payable to AMC was €1.03 million (€1.43 million to 31 March 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.

The Group's property assets are categorised into three classes, when accounted for in accordance with IFRS. The recognition of increases 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 at cost as inventory with no increase in value recognised in the financial statements.

## **Operational Highlights**

- The proceeds from the AIM IPO combined with bank debt has resulted in gross assets of €463 million being attributable to the Company, based upon the latest independent valuation.
- The Company's first completed development was the Hilton Hotel in the Wola district of Warsaw. In 2009 the hotel has been impacted by the global economic factors. This is reflected in reduced occupancy rates for the first quarter of 2009 at 52% compared to 64% in the first quarter of 2008. The effect of this lower occupancy rate has been partially offset by cost control measures.
- The residential units in construction at the Platinum Towers development, located adjacent to the Hilton, continue to attract significant demand. Pre-completion apartment sales are at 335 apartments sold subject to completion. The development will be completed in phases during the fourth quarter of 2009 and the first quarter of 2010, when revenue from sales will be recognised. In February 2009, the Company topped out the two towers that comprise the residential element of the development, on time and to budget. The construction continues to meet its timelines and plans.
- At the Capital Art Apartments development in Warsaw, the Company has commenced construction of the first and second stages with sold and pre-sold apartments to date of 214 out of 219 in stage 1 and 119 apartments out of 300 apartments in stage 2. This project is being developed in three stages. The first stage was completed in the fourth quarter of 2008. Sales of 99 apartments were recognised as income for the first time in 2008. In the first quarter of 2009 a further 69 apartment sales have been recognised as income. Revenue recognised in quarter 1 2009 was €6.8 million and for quarter 4 2008 was €13.0 million. The Group also holds valuable land assets in Warsaw, for which it is acquiring zoning and permits for further development.
- In Hungary the Group has 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. The Atrium Homes development property is a two-stage development. The construction of stage 1 has been delayed due to current economic conditions. The Ikarus Business Park has also been affected adversely by the global financial crisis and has seen the loss of a number of key tenants and is currently marketing the available space.
- In Slovakia the Group owns three development sites, one in Bratislava and two in Kosice. In Bratislava, the Group is awaiting approvals for rezoning of the land and is pleased with the progress being made on discussions with the local authorities. In Kosice, design works for a residential and office development are currently underway.
- The Group has three properties in Romania, including the Golden Tulip Hotel and two significant land banks that are now planned for redevelopment.

## **Ongoing activities**

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

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 strategy that it continues to progress 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 a dual-listed entity in Warsaw and London. In continuing to fulfil its obligations to its shareholders and to the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Finance teams are operating in each of its major territories, with support across all countries provided by an experienced group finance team. 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 such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

Atlas continues to enhance its internal control and reporting procedures and IT systems in order to generate appropriate, timely management information for the ongoing assessment of the Group's performance. In 2008 we successfully implemented a new financial reporting system, which provides the Group with the required reporting systems, financial management and internal control. It is intended that this system is extended in 2009 from financial reporting into management reporting, business planning and forecasting. As a result, the Group will have a fully integrated financial reporting and management reporting system. This is seen as a key aspect in ensuring the highest standards of corporate governance and risk management.

### **Global economic conditions**

The Board and AMC closely monitor the effects that the current global economic conditions have on the business and they will continue to take steps to mitigate, as far as possible, any adverse impact that may result for the business. The main financial risks that have affected the Company in the first quarter of 2009 are the continuing effect of the global liquidity crisis on the Group's ability to access capital and to realise value from property disposals amid weakening in the economies in the CEE region.

Among the demonstrations of the weakening conditions are the rapidly weakening exchange rates of countries in the region, together with a reduction in demand for new apartments in Poland and Hungary, where we have projects under construction and transactions are taking longer to reach completion. AMC has 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 Group 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, which has been reflected in the covenants that are applied to facilities such as a reduction of loan to value ratio, increasing margins and an increase in levels of required pre-sales on development projects. Negotiation and completion of financing agreements is also taking longer than previously experienced. Although recent news regarding the willingness of banks in the CEE region to finance projects has been negative, AMC's management team, through its strong relationships, has been able to secure financing opportunities in the region. However, the management team see the ability to secure financing opportunities as a potential risk to the ongoing development of the Group 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 Group 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, the executive team, the central finance and operational teams, by the investment committee of AMC and, finally, by Atlas' Board. This approach provides the Company with a rigorous risk management framework. Where possible, the Company will use debt facilities to finance its projects, which the Company will look to secure at appropriate times and when available, depending on the nature of the asset – yielding or development.

As at 31 March 2009, the Company's share of bank debt associated with the portfolio was €250 million, with cash at bank and in hand of €12.7 million. The gearing ratio is 172%, based upon net debt as a percentage of equity attributable to shareholders and is 63% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). Where possible, the Group refinances 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 Group'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 Group looks to match the currency of the flow of income and outgoings. Some expenses are still incurred in local currency and these are planned for in advance. Development of residential projects has created receipts largely denominated in local currencies and funding facilities are arranged accordingly. "Free cash" available for distribution within the Group is identified and appropriate translation mechanisms put in place.

The results for the first quarter 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 13% from the 31 December 2008 rate of exchange to 31 March 2009 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €18.7 million in the income statement (2008: gain of €1.2 million) and €18.5 million (2008: gain of €0.4 million) in reserves for the quarter ended 31 March 2009.

## **Conclusions**

AMC's key strategic objective is the maximisation of value for the Company's shareholders, which it continues to work towards despite the very challenging economic backdrop. Good progress continues to be made with the construction of the Group's two key development projects in Warsaw, Platinum Towers and Capital Art Apartments, and pre-sales activity has been very successful, underpinning our confidence in the medium and long term market prospects. However, the effect of the global economic crisis has had a continuing negative impact on market conditions and trading results in the first quarter 2009. This is expected to continue in the short term due to uncertainties over the strength of the underlying occupier markets, which, as mentioned above, has already resulted in the loss of a number of key tenants at our Ikarus industrial estate in Hungary. We have also seen some minor tenant losses in other parts of the portfolio and will continue to monitor this situation and work hard to address any issues as they may arise.

As a result the Group'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 progress its portfolio of developments. The Company has a strong portfolio of underlying assets and a development pipeline that we believe will enable us, once the markets begin to stabilise, to continue to meet the ongoing demand for the quality and specification of the space that Atlas delivers.

**Nahman Tsabar**  
**Chief Executive Officer**  
Atlas Management Company Limited  
15 May 2009

**Michael Williamson**  
**Chief Financial Officer**  
Atlas Management Company Limited

## Property Portfolio Information

Location/Property	Description	Company's ownership
<b>Poland</b>		
Hilton Hotel	First Hilton Hotel in Poland, 314 rooms and conference facilities	100%
Platinum Towers	387 apartments in two towers and a third tower with 22,500 square metres of office space. The two residential towers are with building permits and pre-sales	100%
Capital Art Apartments	760 apartments with building permits and pre-sales. Three stage development with Stage 1 completed in 4 <sup>th</sup> quarter 2008 with 214 out of 219 apartments pre sold	100%
Zielono	Land with zoning for 265 apartments	76%
Millennium Plaza	32,700 square metres of office and retail space	100%
Cybernetyki project	3,100 square metre plot of land zoned for 11,000 square metres of residential development	50%
Sadowa project	6,550 square metre office building with 99% occupancy	100%
Kokoszki, Gdansk	430,000 square metre plot in Gdansk with zoning for construction of 130,000 square metres of mixed use development	100%
<b>Hungary</b>		
Ikarus Business Park	283,000 square metre plot with 110,000 square metres of lettable business space	100%
Metropol Office Centre	7,600 square metre office building, 100% occupied	100%
Atrium Homes	456 apartments with building permits, marketing commenced and pre-sales	100%
Ligetvaros Centre	6,300 square metres of office/retail space, 99% occupied, rights to build extra 6,400 square metres	100%
Varosliget Centre	12,000 square metre plot in Central Budapest, with zoning for residential development of 31,000 gross square metres	100%
Moszkva Square	1,000 square metres of office space	100%
Volan Project	20,640 square metre plot, zoning for 89,000 square metre mixed use scheme	50%
<b>Slovakia</b>		
Nove Vajnory	879,000 square metres of land acquired from municipality, under re-zoning for mixed use development	50%
Basta Project	7,202 square metres of land for residential and commercial use development in centre of Kosice, second city of Slovakia, with zoning	50%
Bastion Project	2,806 square metres of land for office and commercial use development in centre of Kosice, second city of Slovakia, with zoning	50%
<b>Romania</b>		
Voluntari	99,116 square metres of land in three adjacent plots	100%
Solaris Project	32,000 square metres plot for re-zoning to mixed-use development	100%
Golden Tulip Hotel	4 star 83 room hotel in central Bucharest	100%
<b>Bulgaria</b>		
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 three months ended 31 March 2009

	Three months ended 31 March 2009 (unaudited) €000	Three months ended 31 March 2008 (unaudited) €000	Note
<b>Revenues</b>	<b>14,288</b>	<b>9,736</b>	3
Cost of operations	(9,988)	(5,461)	4.1
<b>Gross profit</b>	<b>4,300</b>	<b>4,275</b>	
Administrative expenses	(2,887)	(3,969)	4.2
Other operating income	374	355	
Other operating expenses	(179)	(360)	
<b>Profit from operations</b>	<b>1,608</b>	<b>301</b>	
Finance income	115	351	
Finance costs	(3,410)	(3,202)	
Other gains and (losses) – foreign exchange	(18,655)	1,239	
<b>Loss before taxation</b>	<b>(20,342)</b>	<b>(1,311)</b>	
Tax credit / (expense)	2,908	(349)	5
<b>Loss for the period</b>	<b>(17,434)</b>	<b>(1,660)</b>	
<b>Attributable to:</b>			
Equity shareholders of the Company	(16,893)	(1,640)	
Minority interests	(541)	(20)	
	<b>(17,434)</b>	<b>(1,660)</b>	
Loss per €0.01 ordinary share – basic (eurocents)	(36.06)	(3.65)	7
Loss per €0.01 ordinary share – diluted (eurocents)	(36.06)	(3.65)	7

All amounts relate to continuing operations.

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	31 March 2009 (unaudited) €000	31 December 2008 €000	31 March 2008 (unaudited) €000	Notes
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	520	610	479	
Land under operating lease – prepayments	14,554	16,445	19,626	
Property, plant and equipment	95,983	108,035	114,661	8
Investment property	177,284	198,677	118,733	9
Other loans receivable	8,055	7,928	8,784	
Deferred tax asset	8,787	5,358	4,054	
	<b>305,183</b>	<b>337,053</b>	<b>266,337</b>	
<b>Current assets</b>				
Inventories	144,667	155,855	135,746	10
Trade and other receivables	6,929	7,838	8,874	
Cash and cash equivalents	12,669	15,288	31,233	11
	<b>164,265</b>	<b>178,981</b>	<b>175,853</b>	
Assets classified as held for sale	-	-	101,018	14
<b>TOTAL ASSETS</b>	<b>469,448</b>	<b>516,034</b>	<b>543,208</b>	
<b>Current liabilities</b>				
Trade and other payables	(42,699)	(53,402)	(60,528)	
Bank loans	(96,956)	(95,702)	(34,512)	13
Derivative financial instruments	(522)	(456)	-	
	<b>(140,177)</b>	<b>(149,560)</b>	<b>(95,040)</b>	
Liabilities directly associated with assets classified as held for sale	-	-	(70,424)	14
<b>Non-current liabilities</b>				
Other payables	(10,057)	(10,104)	(7,668)	
Bank loans	(152,550)	(151,983)	(121,357)	13
Derivative financial instruments	(1,531)	(1,427)	-	
Deferred tax liabilities	(26,498)	(29,121)	(25,811)	
	<b>(190,636)</b>	<b>(192,635)</b>	<b>(154,836)</b>	
<b>TOTAL LIABILITIES</b>	<b>(330,813)</b>	<b>(342,195)</b>	<b>(320,300)</b>	
<b>NET ASSETS</b>	<b>138,635</b>	<b>173,839</b>	<b>222,908</b>	
<b>EQUITY</b>				
Share capital account	6,268	6,268	484	
Revaluation reserve	15,575	15,575	8,144	
Other distributable reserve	194,817	194,817	202,320	
Translation reserve	(22,465)	(4,682)	6,936	
Amounts recognised directly in equity relating to assets held for sale	-	-	7,528	14
Accumulated loss	(56,292)	(39,412)	(3,223)	
<b>Equity attributable to equity holders of the Company</b>	<b>137,903</b>	<b>172,566</b>	<b>222,189</b>	
<b>Minority Interests</b>	<b>732</b>	<b>1,273</b>	<b>719</b>	
<b>TOTAL EQUITY</b>	<b>138,635</b>	<b>173,839</b>	<b>222,908</b>	
Basic net asset value per share	€2.94	€3.68	€4.94	



# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2009

	Three months ended 31 March 2009 (unaudited) €000	Three months ended 31 March 2008 (unaudited) €000
<b>LOSS FOR THE PERIOD</b>	<b>(17,434)</b>	<b>(1,660)</b>
<b>Other comprehensive income:</b>		
Exchange adjustments	(18,502)	435
Deferred tax on exchange adjustments	719	(31)
<b>Other comprehensive income for the period (net of tax)</b>	<b>(17,783)</b>	<b>404</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(35,217)</b>	<b>(1,256)</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	(34,676)	(1,236)
Minority interests	(541)	(20)
	<b>(35,217)</b>	<b>(1,256)</b>

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2009

Three Months Ended 31 March 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	-	(17,783)	(16,893)	(34,676)	(541)	(35,217)
Share based payments	-	-	13	13	-	13
<b>As at 31 March 2009</b>	<b>6,268</b>	<b>187,927</b>	<b>(56,292)</b>	<b>137,903</b>	<b>732</b>	<b>138,635</b>

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)
<b>As at 31 December 2008</b>	<b>6,268</b>	<b>205,710</b>	<b>(39,412)</b>	<b>172,566</b>	<b>1,273</b>	<b>173,839</b>

Three Months Ended 31 March 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	-	404	(1,640)	(1,236)	(20)	(1,256)
Share based payments	-	-	48	48	-	48
<b>As at 31 March 2008</b>	<b>484</b>	<b>224,928</b>	<b>(3,223)</b>	<b>222,189</b>	<b>719</b>	<b>222,908</b>

# ATLAS ESTATES LIMITED

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION CONSOLIDATED CASH FLOW STATEMENT

Three months ended 31 March 2009

	Note	3 months ended 31 March 2009 (unaudited) €000	3 months ended 31 March 2008 (unaudited) €000
<b>Cash inflow generated from operations</b>	<b>12</b>	<b>4,592</b>	<b>107</b>
Interest received		39	222
Interest paid		(2,072)	(2,611)
Tax paid		(163)	(29)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>2,396</b>	<b>(2,311)</b>
<b>Investing activities</b>			
Purchase of investment property		(84)	(227)
Purchase of property, plant and equipment		(84)	(924)
Proceeds from disposal of property, plant and equipment		17	117
Purchase of intangible assets – software		(1)	(5)
<b>Net cash used in investing activities</b>		<b>(152)</b>	<b>(1,039)</b>
<b>Financing activities</b>			
New bank loans raised		6,245	-
Repayments of bank loans		(1,056)	(586)
New loans granted to JV partners		(355)	-
New loans received from minority investors		330	-
<b>Net cash from / (used in) financing activities</b>		<b>5,164</b>	<b>(586)</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>		<b>7,408</b>	<b>(3,936)</b>
Effect of foreign exchange rates		(10,027)	796
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(2,619)</b>	<b>(3,140)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>15,288</b>	<b>34,861</b>
<b>Cash and cash equivalent at the end of the period</b>		<b>12,669</b>	<b>31,721</b>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	<b>11</b>	12,669	31,233
Cash assets classified as held for sale		-	488
Bank overdrafts		-	-
		<b>12,669</b>	<b>31,721</b>

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 1. Basis of preparation

This condensed interim financial information for the three months ended 31 March 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. The consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of comprehensive income and consolidated statement of changes in equity are unaudited. This unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2008. The quarterly 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 quarter ended 31 March 2009 and a significant fall in net asset value as at 31 March 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 31 March 2009 the Group held land and building assets with a market value of €463 million, compared to external debt of €250 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value" ratio gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. All land and building assets and associated debts are 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 months ended 31 March 2009, the directors continue to reclassify an additional two loans, totaling €67.6 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 on these loans existed. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio. Loans maturing within one year total €97 million at 31 March 2009 compared to €96 million at 31 December 2008 and €35 million at 31 March 2008.

The principal loan reclassified from non current to current liabilities relates to the loan on Atlas Estates (Millennium) Sp. z o.o.. In February 2009 the Group received a written covenant waiver from its lender in relation to the 2008 financial year covenant breach at Atlas Estates (Millennium) Sp. z o.o.. The lender will continue to extend the €63.1 million facility to the company and the 2009 business plan brings the asset back within the ratio limit. The group continues to hold this loan as a current liability pending the successful completion of its 2009 business plan, which if achieved will avoid the need for a waiver extension for 2010.

In assessing the going concern basis of preparation of the consolidated interim financial information for the three months ended 31 March 2009, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 13 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 Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and the mitigating factors referred to above. These forecasts take into account reasonably possible changes in trading performance, potential sales of properties and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Three months ended 31 March 2009

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 three months ended 31 March 2009.

### *Changes in relation to previously published consolidated financial statements*

The comparative information for the three months ended 31 March 2008 has been restated as follows:

- (i) Cost of operations of €0.2 million have been reclassified to administrative expenses to aid comparison.

As a result of these changes there has been no change to the net result or net assets of the Group as previously reported.

### **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.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 and which the entity has not early adopted. None of these standards are expected to have a significant impact on recognition or measurement of the Group's assets or liabilities.

- IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The amendment removes the option of immediately recognising as an expense borrowing costs that relate to qualifying assets.
- IFRS 2, Share-based Payment: Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009), addresses share-based payment arrangements.
- IAS 1, Presentation of Financial Statements: A Revised Presentation (effective for annual periods beginning on or after 1 January 2009). The amendment affects the presentation of owner changes in equity and of comprehensive income.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). This standard requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments.
- IAS 27, Consolidated and Separate Financial Statements (effective for annual periods on or after 1 July 2009; not yet adopted by the EU). The amendment relates, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary.
- IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009).
- IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009).
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU).
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7) (effective for annual periods beginning on or after 1 January 2009). This amendment requires the analysis of each class of financial asset and financial liability into a three level fair value measurement hierarchy.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

- Revised IFRS 3, Business Combinations (effective for annual periods beginning on or after 1 July 2009; not yet endorsed by the EU). The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes. The revised standard does not require the restatement of previous business combinations.
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008; not yet adopted by the EU). No such arrangement exists within the Group.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; not yet endorsed by the EU).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; not yet endorsed by the EU).
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; not yet endorsed by the EU).
- IFRIC 18, Transfer of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009; not yet endorsed by the EU).
- Improvements to IFRS (2008) (effective 1 January 2009). This project approved improvements to 20 IFRSs. The adoption of all, except improvements to IAS 40, will have no significant impact on the Group. The amendments to IAS 40 will have no impact to net assets; however, they may alter the classification of some property assets in later periods.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 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 segment information. Segment information about these businesses is presented below:

Three months ended 31 March 2009	Property rental €000	Residential sales €000	Hotel operations €000	Other €000	2009 €000
Revenues	3,458	6,755	4,009	66	14,288
Cost of operations	(1,386)	(5,720)	(2,879)	(3)	(9,988)
<b>Gross profit</b>	<b>2,072</b>	<b>1,035</b>	<b>1,130</b>	<b>63</b>	<b>4,300</b>
Administrative expenses	(98)	(583)	(676)	(1,530)	(2,887)
Other operating income	70	50	150	104	374
Other operating expenses	(53)	(34)	(9)	(83)	(179)
<b>Profit / (loss) from operations</b>	<b>1,991</b>	<b>468</b>	<b>595</b>	<b>(1,446)</b>	<b>1,608</b>
Finance income	18	24	5	68	115
Finance costs	(1,801)	(743)	(863)	(3)	(3,410)
Other gains and (losses) – foreign exchange	(10,440)	(759)	(7,516)	60	(18,655)
<b>Segment result before tax</b>	<b>(10,232)</b>	<b>(1,010)</b>	<b>(7,779)</b>	<b>(1,321)</b>	<b>(20,342)</b>
Tax credit					2,908
<b>Loss for the period</b>					<b>(17,434)</b>
Attributable to minority interests					541
<b>Net loss attributable to equity shareholders</b>					<b>(16,893)</b>
<b>Segment assets</b>	<b>147,633</b>	<b>198,971</b>	<b>110,311</b>	<b>-</b>	<b>456,915</b>
Unallocated assets					12,533
<b>Total assets</b>					<b>469,448</b>
<b>Segment liabilities</b>	<b>(109,292)</b>	<b>(137,163)</b>	<b>(81,290)</b>	<b>-</b>	<b>(327,745)</b>
Unallocated liabilities					(3,068)
<b>Total liabilities</b>					<b>(330,813)</b>
<b>Other segment items</b>					
Capital expenditure	46	108	2		156
Depreciation	15	47	663		725
Amortisation	6	-	8		14

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 3. Business segments - continued

Three months ended 31 March 2008	Property rental €000	Residential sales €000	Hotel operations €000	Other €000	2008 €000
Revenues	4,108	17	5,511	100	9,736
Cost of operations	(1,637)	(129)	(3,695)	-	(5,461)
<b>Gross profit / (loss)</b>	<b>2,471</b>	<b>(112)</b>	<b>1,816</b>	<b>100</b>	<b>4,275</b>
Administrative expenses	(440)	(706)	(934)	(1,889)	(3,969)
Other operating income	173	134	28	20	355
Other operating expenses	(25)	(66)	(166)	(103)	(360)
<b>Profit / (loss) from operations</b>	<b>2,179</b>	<b>(750)</b>	<b>744</b>	<b>(1,872)</b>	<b>301</b>
Finance income	25	172	7	147	351
Finance costs	(1,523)	(800)	(873)	(6)	(3,202)
Other gains and (losses) – foreign exchange	727	(129)	563	78	1,239
<b>Segment result before tax</b>	<b>1,408</b>	<b>(1,507)</b>	<b>441</b>	<b>(1,653)</b>	<b>(1,311)</b>
Tax expense					(349)
<b>Loss for the period</b>					<b>(1,660)</b>
Attributable to minority interests					20
<b>Net loss attributable to equity shareholders</b>					<b>(1,640)</b>
<b>Segment assets</b>	<b>182,931</b>	<b>212,881</b>	<b>130,205</b>	<b>-</b>	<b>526,017</b>
Unallocated assets					17,191
<b>Total assets</b>					<b>543,208</b>
<b>Segment liabilities</b>	<b>(113,380)</b>	<b>(132,941)</b>	<b>(62,509)</b>	<b>-</b>	<b>(308,830)</b>
Unallocated liabilities					(11,470)
<b>Total liabilities</b>					<b>(320,300)</b>
<b>Other segment items</b>					
Capital expenditure	295	35	41		371
Depreciation	14	165	740		919
Amortisation	8	2	11		21

There are immaterial sales between the business 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.



# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 4. Analysis of expenditure

#### 4.1 Cost of operations

	3 months ended 31 March 2009 €000	3 months ended 31 March 2008 €000
Costs of sale of residential property	5,454	-
Utilities, services rendered and other costs	2,418	2,917
Legal and professional expenses	243	401
Staff costs	1,332	1,676
Sales and direct advertising costs	306	187
Depreciation and amortisation	235	280
<b>Cost of operations</b>	<b>9,988</b>	<b>5,461</b>

#### 4.2 Administrative expenses

	3 months ended 31 March 2009 €000	3 months ended 31 March 2008 €000
Audit, accountancy and tax services	167	291
Incentive and management fee	1,035	1,430
Other professional fees	395	538
Utilities, services rendered and other costs	295	426
Share based payments	13	48
Staff costs	339	301
Depreciation and amortisation	607	765
Other administrative expenses	36	170
<b>Administrative expenses</b>	<b>2,887</b>	<b>3,969</b>

### 5. Tax credit / (expense)

	3 months ended 31 March 2009 €000	3 months ended 31 March 2008 €000
<b>Continuing operations</b>		
Current tax	(7)	(27)
Deferred tax	2,915	(322)
<b>Tax credit / (expense) for the period</b>	<b>2,908</b>	<b>(349)</b>

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 quarter results.

### 6. Dividends

There were no dividends declared or paid in the three months ended 31 March 2009 (2008: nil).

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 7. Loss per share ("LPS")

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.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The difference in the number of ordinary shares between the basic and diluted loss per share reflects the impact were the outstanding share warrants to be exercised.

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

Three Months ended 31 March 2009	Loss	Weighted average number of shares	Per share amount
Continuing operations	€000		Eurocents
<b>Basic LPS</b>			
Loss attributable to equity shareholders of the Company	(16,893)	46,852,014	(36.06)
<b>Effect of dilutive securities</b>			
Share warrants	-	-	-
<b>Diluted LPS</b>			
Adjusted loss	(16,893)	46,852,014	(36.06)
<b>Three Months ended 31 March 2008</b>	<b>Loss</b>	<b>Weighted average number of shares</b>	<b>Per share amount</b>
<b>Continuing operations</b>	<b>€000</b>		<b>Eurocents</b>
<b>Basic LPS</b>			
Loss attributable to equity shareholders of the Company	(1,640)	44,978,081	(3.65)
<b>Effect of dilutive securities</b>			
Share warrants	-	-	-
<b>Diluted LPS</b>			
Adjusted loss	(1,640)	44,978,081	(3.65)

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

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 8. Property, plant and equipment

	Buildings €000	Plant and equipment €000	Motor vehicles €000	Total €000
<b>Cost or valuation</b>				
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
<b>At 31 December 2008</b>	<b>103,060</b>	<b>10,238</b>	<b>303</b>	<b>113,601</b>
Transfers between categories	5	194	18	217
Additions at cost	2	72	10	84
Exchange adjustments	(10,795)	(1,108)	(32)	(11,935)
Disposals	-	(4)	(45)	(49)
<b>At 31 March 2009</b>	<b>92,272</b>	<b>9,392</b>	<b>254</b>	<b>101,918</b>
<b>Accumulated depreciation</b>				
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
<b>At 31 December 2008</b>	<b>(3,949)</b>	<b>(1,517)</b>	<b>(100)</b>	<b>(5,566)</b>
Transfers between categories	3	(203)	(17)	(217)
Charge for the period	(567)	(186)	(21)	(774)
Disposals	-	3	15	18
Exchange adjustments	404	190	10	604
<b>At 31 March 2009</b>	<b>(4,109)</b>	<b>(1,713)</b>	<b>(113)</b>	<b>(5,935)</b>
<b>Net book value at 31 March 2009</b>	<b>88,163</b>	<b>7,679</b>	<b>141</b>	<b>95,983</b>
<b>Net book value at 31 December 2008</b>	<b>99,111</b>	<b>8,721</b>	<b>203</b>	<b>108,035</b>

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 8. Property, plant and equipment - continued

	Buildings €000	Plant and equipment €000	Motor vehicles €000	Total €000
<b>Cost or valuation</b>				
At 1 January 2008	113,985	3,036	257	117,278
Additions at cost	523	344	57	924
Exchange adjustments	1,324	163	(1)	1,486
Disposals	-	(156)	-	(156)
<b>At 31 March 2008</b>	<b>115,832</b>	<b>3,387</b>	<b>313</b>	<b>119,532</b>
<b>Accumulated depreciation</b>				
At 1 January 2008	(2,967)	(795)	(47)	(3,809)
Charge for the period	(627)	(233)	(34)	(894)
Exchange adjustments	(48)	(31)	(1)	(80)
<b>At 31 March 2008</b>	<b>(3,642)</b>	<b>(1,059)</b>	<b>(82)</b>	<b>(4,783)</b>
<b>Net book value at 31 March 2008</b>	<b>112,190</b>	<b>2,328</b>	<b>231</b>	<b>114,749</b>
<b>Less: classified as held for sale and shown in current assets</b>	<b>-</b>	<b>(68)</b>	<b>(20)</b>	<b>(88)</b>
<b>At 31 March 2008</b>	<b>112,190</b>	<b>2,260</b>	<b>211</b>	<b>114,661</b>

Buildings were valued at 31 December 2008 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 31 March 2009, as the Group undertakes valuations on a semi-annual basis.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 9. Investment property

	31 March 2009 €000	31 December 2008 €000	31 March 2008 €000
At beginning of the period	198,677	217,040	217,040
Acquisitions through business combinations	-	9,540	-
Capitalised subsequent expenditure	84	835	227
Exchange movements	(21,477)	(24,243)	(444)
Fair value (losses) / gains	-	(4,495)	-
<b>Total</b>	<b>177,284</b>	<b>198,677</b>	<b>216,823</b>
<b>Less: classified as held for sale and shown in current assets</b>	<b>-</b>	<b>-</b>	<b>(98,090)</b>
<b>At end of period</b>	<b>177,284</b>	<b>198,677</b>	<b>118,733</b>

The fair value of the Group's investment property at 31 December 2008 was arrived at on the basis of valuations carried out at that date by Cushman & Wakefield and by 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 31 March 2009, as the Group undertakes valuations on a semi-annual basis.

The Group has pledged investment property of €159.8 million (31 December 2008: €176.9 million; 31 March 2008: €193.8 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €114.9 million (31 December 2008: €116.3 million; 31 March 2008: €116.0 million) are secured on these investment properties (note 13).

### 10. Inventories

	31 March 2009 €000	31 December 2008 €000	31 March 2008 €000
Land held for development	75,417	81,469	88,305
Construction expenditures	64,546	63,559	47,441
Completed properties	4,704	10,827	-
<b>Total inventories</b>	<b>144,667</b>	<b>155,855</b>	<b>135,746</b>

€5.5 million (31 December 2008: €10.1 million; 31 March 2008: €nil) of inventories was released to cost of operations in the income statement during the period. €nil million (31 December 2008: €0.8 million; 31 March 2008: €nil) was recognised in cost of operations during the period in relation to write-down of inventories. All inventories are held at cost with the exception of €2.6 million, which are held at net realisable value (31 December 2008: €2.7 million; 31 March 2008: all inventories held at cost).

Bank borrowings are secured on land for the value of €70.1 million (31 December 2008: €75.5 million; 31 March 2008: €55.4 million) (note 13).

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 11. Cash and cash equivalents

	31 March 2009 €000	31 December 2008 €000	31 March 2008 €000
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	11,078	13,711	7,927
Short term bank deposits	1,591	1,577	23,306
	<b>12,669</b>	<b>15,288</b>	<b>31,233</b>

Included in cash and cash equivalents is €2.9 million (31 December 2008: €3.3 million; 31 March 2008: €6.2 million) restricted cash relating to security and customer deposits.

### 12. Cash generated from operations

	3 months ended 31 March 2009 €000	3 months ended 31 March 2008 €000
<b>Loss for the period</b>	<b>(17,434)</b>	<b>(1,660)</b>
<b>Adjustments for:</b>		
Effects of foreign currency	18,769	(1,239)
Finance costs	3,410	3,202
Finance income	(115)	(351)
Tax credit / (expense)	(2,908)	349
Bad debt write off	14	106
Depreciation of property, plant and equipment	818	1,006
Amortisation charges	21	38
Loss on sale of property plant and equipment	14	39
Charge relating to share based payments	13	48
	<b>2,602</b>	<b>1,538</b>
<b>Changes in working capital</b>		
Decrease / (increase) in inventory	11,936	(11,020)
Decrease / (increase) in trade and other receivables	1,150	(938)
(Decrease) / increase in trade and other payables	(11,096)	10,527
	<b>1,990</b>	<b>(1,431)</b>
<b>Cash inflow generated from operations</b>	<b>4,592</b>	<b>107</b>

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 13. Bank loans

	31 March 2009 €000	31 December 2008 €000	31 March 2008 €000
<b>Current</b>			
<i>Bank loans and overdrafts due within one year or on demand</i>			
Secured	(96,956)	(95,702)	(34,512)
<b>Non-current</b>			
<i>Repayable within two years</i>			
Secured	(50,959)	(52,624)	(13,620)
<i>Repayable within three to five years</i>			
Secured	(26,260)	(22,920)	(47,393)
<i>Repayable after five years</i>			
Secured	(75,331)	(76,439)	(60,344)
	<b>(152,550)</b>	<b>(151,983)</b>	<b>(121,357)</b>
<b>Total</b>	<b>(249,506)</b>	<b>(247,685)</b>	<b>(155,869)</b>
Bank loans directly associated with assets classified as held for sale	-	-	(63,474)
<b>Total bank loans</b>	<b>(249,506)</b>	<b>(247,685)</b>	<b>(219,343)</b>

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

As of 31 March 2009 and 31 December 2008, two loans 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 on these loans that existed and for which the bank had not given a waiver on the breach of covenant at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio.

The principal loan reclassified from non current to current liabilities related to the loan on Atlas Estates (Millennium) Sp. z o.o.. In February 2009 the Group received a written covenant waiver from its lender in relation to the 2008 financial year covenant breach at Atlas Estates (Millennium) Sp. z o.o.. The lender will continue to extend the €63.1 million facility to the company and the 2009 business plan brings the asset back within the ratio limit.

The second loan reclassified from non current to current liabilities related to the loans on Atlas House within Atlas Estates (Totleben) EOOD and Immobul EOOD as a result of the breach of the loan to value ratio covenant.

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.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 13. Bank loans - continued

The Polish subsidiary Zielono Sp z o.o. had a land loan due to expire on 31 March 2009 of €2.8 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. A term sheet has been provided and the bank is currently completing its due diligence.

The Polish subsidiary Atlas Estates CF Plus 1 Sp z o.o. is still in negotiation concerning terms for the extension of its €7.7 million facility. The bank has offered to extend the loan to 30 September 2009. The asset is currently valued at €12.4 million.

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 – 31 March 2009	22	203,307	46,177	249,506
Bank loans and overdrafts – 31 December 2008	26	203,440	44,219	247,685
Bank loans and overdrafts – 31 March 2008	31	194,576	24,736	219,343

### 14. Assets classified as held for sale and directly associated liabilities

On 14 January 2008 the Company announced the conditional sale of the company owning the Millennium Plaza building in Warsaw based on a headline price of €93.1 million. Completion was dependent upon obtaining third party approvals. All conditions would be waived or satisfied by 30 November 2008. A deposit of €7.5 million was received at signing with a balancing payment in cash due upon completion. These monies were held in escrow account.

On 1 December 2008, the agreement regarding the sale of Millennium Plaza expired. The related assets and liabilities were de-classified as held for sale in the Company's balance sheet, and the impairment to the investment property was reversed. The asset is now included within investment property and has been revalued to market value.

The assets and liabilities directly associated with this sale were separately classified as of 31 March 2008. These assets and liabilities related to the Company's property rental segment. The major classes of assets and liabilities held for sale were as follows:

	31 March 2009 €000	31 December 2008 €000	31 March 2008 €000
<b>Assets:</b>			
Intangible assets	-	-	442
Property, plant and equipment	-	-	88
Investment property	-	-	98,090
Deferred tax asset	-	-	350
Trade and other receivables	-	-	1,560
Cash and cash equivalents	-	-	488
<b>Total assets classified as held for sale</b>	-	-	<b>101,018</b>
<b>Liabilities:</b>			
Trade and other payables	-	-	(2,624)
Bank loans	-	-	(63,474)
Deferred tax liabilities	-	-	(4,326)
<b>Total liabilities directly associated with assets classified as held for sale</b>	-	-	<b>(70,424)</b>

Amounts of €7.5 million relating to cumulative translation differences were recognised directly in equity in relation to assets held for sale as at 31 March 2008 (31 March 2009 and 31 December 2008: €nil).



# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 15. 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 5,560,573 shares in the Company, RP Capital Group was the holder of 11.87% of the share capital of Atlas Estates Limited at 15 May 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 15 May 2009.

- (c) Key management compensation

	<b>31 March 2009 €000</b>	<b>31 March 2008 €000</b>
Fees for non-executive directors	53	67

The Company has appointed AMC to manage its property portfolio. At 31 March 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 €1.03 million for the three months ended 31 March 2009 (€1.43 million for the three months ended 31 March 2008). 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 three months ended 31 March 2009 (€nil for the three months ended 31 March 2008) because no reliable estimate can be made.

AMC also received €0.04 million (31 December 2008: €0.1 million; 31 March 2008: €0.06 million) in relation to lease agreements for office space in Poland and Hungary. As of 31 March 2009, €1.7 million included in current trade and other payables was due to AMC (31 December 2008: €1.8 million; 31 March 2008: €7.7 million).

- (d) Under the loan agreement of 29 September 2005, Kendalside Ltd., 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 31 March 2009 Circle Slovakia has drawn the loan facility plus associated interest in the amount of €8,422,933 (31 December 2008: €8,024,229; 31 March 2008: €6,920,881).
- (e) Under the loan agreement of 30 October 2006 and Assignment Agreement dated 6 May 2008, 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 of 31 March 2009 the borrower has drawn the loan facility plus associated interest in the amount of €862,326 (31 December 2008: SKK 25,681,409 (€852,467); 31 March 2008: SKK 24,546,656 (€814,800)).
- (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 31 March 2009 Atlas Estates (Cybernetyki) Sp. z o.o. has drawn the loan facility plus associated interest in the amount of €2,600,995 (31 December 2008: €2,214,841; 31 March 2008: €1,767,286).

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 15. Related party transactions - continued

- (g) Under the loan agreement of 30 March 2008, CF Plus (Polska) Sp. z o.o., the previous joint venture partner in Atlas Estates CF Plus 1 Sp. z o.o., has extended a loan facility of PLN 8,974,773 (€1,908,998) to Atlas Estates CF Plus 1 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 31 March 2009 Atlas Estates CF Plus 1 z o.o. has drawn the loan facility plus associated interest in the amount of PLN 706,022 (€150,176) (31 December 2008: PLN 698,156 (€167,327); 31 March 2008: PLN nil (€nil)).
- (h) 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 (€606,215) 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 31 March 2009 Zielono z o.o. has drawn the loan facility plus associated interest in the amount of PLN 1,734,582 (€368,958) (31 December 2008: PLN 1,706,088 (€408,898); 31 March 2008: PLN 1,534,403 (€326,379)).
- (i) Nagar Kaduri & Zmira Ltd and Shasha Transport Ltd, which are also shareholders in Atlas Estates Kaduri Shasha Zrt, have extended loan facilities to Atlas Estates Kaduri 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 31 March 2009 Kaduri Shasha Zrt has drawn the loan facilities plus associated interest in the amount of €1,721,616 (31 December 2008: €1,700,271; 31 March 2008: €1,650,074).

### 16. 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. No specific events have occurred which would require any adjustment to the period end balance sheet.

### 17. Other items

#### 17.1 Information about court proceedings

As of 15 May 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.

#### 17.2 Information about granted sureties

During the first quarter of 2009, the Company has not granted any sureties (for loans or credit facilities) or guarantees.

#### 17.3 Financial forecasts

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

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 17. Other items – continued

#### 17.4 Substantial shareholdings

As of 12 May 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 18 March 2009 (% of share capital)	Increase / (Decrease) Number of Shares	Shares held as of 12 May 2009 (% of share capital)
BBHISL Nominees Limited (1)	6,594,509 (14.08)	-	6,594,509 (14.08)
Chetwynd Nominees Limited (2)	5,560,573 (11.87)	-	5,560,573 (11.87)
Forest Nominees Limited (3)	6,536,925 (13.95)	-	6,536,925 (13.95)
Lynchwood Nominees Limited	9,997,733 (21.34)	(1,008)	9,996,725 (21.34)
Roy Nominees Limited	6,730,623 (14.37)	-	6,730,623 (14.37)
The Bank of New York (Nominees) Limited (4)	3,827,613 (8.17)	-	3,827,613 (8.17)

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;
- (4) Y.R.K. (1990) Neemanut LTD holds 3,761,643 of the 3,827,613 shares, representing 8.03% of the issued share capital of the Company.

As at 12 May 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 12 May 2009 (% of share capital)
Livermore Investments Limited	9,939,345 (21.21%)
Capital Venture Worldwide Group Limited	6,425,545 (13.71%)
Finiman Limited (1)	4,097,509 (8.75%)
CIBC World Markets Corporation	3,857,649 (8.23%)

- (1) As advised by Elran (D.D.) Real Estates Limited ("Elran") in a notification received by the Company on 2 July 2008 in respect of the disposal of Elran's entire holdings in the Company to Finiman Limited, and subsequent related announcement published by the Company on 10 July 2008.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 17. Other items – continued

#### 17.5 Directors' share interests

There have been no changes to the Directors' share interests during the three months ended 31 March 2009. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the three months ended 31 March 2009. One Director (Mr Spicer) acquired a beneficial interest in 14,785 shares in the Company in 2007.

#### 17.6 Other share interests

No changes have occurred in the three months ended 31 March 2009 in the number of warrants issued to managing and/or supervisory persons.

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 18. 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 31 March 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 CF Plus 1 Sp. z o.o., for a total cash consideration of PLN 300,000 (€68,483). At 31 March 2009, the Group's holding in Atlas Estates CF Plus 1 Sp. z o.o. was 100%. The percentage holdings are consistent across all periods presented except for Atlas Estates CF Plus 1 Sp. z o.o., which was 100% at 31 March 2009, 90% at 31 December 2008 and 50% at 31 March 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 Sp. z o.o.	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 CF Plus 1 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 Estates Kaduri Shasha Zrt	Development	50%
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%

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 18. Principal subsidiary companies and joint ventures - continued

<b>Country of incorporation</b>	<b>Name of subsidiary/joint venture entity</b>	<b>Status</b>	<b>Percentage of nominal value of issued shares and voting rights held by the Company</b>
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 Center, 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	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Romania	D.N.B. - Victoria Tower Hotel Management SRL	Management	100%
Bulgaria	Immobul EOOD	Investment	100%

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

### 19. INTERIM CONDENSED NON-CONSOLIDATED FINANCIAL INFORMATION

#### NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2009

	Three months ended 31 March 2009 (unaudited) €000	Three months ended 31 March 2008 (unaudited) €000
<b>Revenues</b>	-	-
Cost of operations	-	-
<b>Gross profit</b>	-	-
Administrative expenses	(999)	(2,109)
<b>Loss from operations</b>	<b>(999)</b>	<b>(2,109)</b>
Finance income	1,917	2,760
Finance costs	(1)	(2)
Other losses – foreign exchange	(17)	(156)
<b>Profit before taxation</b>	<b>900</b>	<b>493</b>
Tax expense	-	-
<b>Profit and total comprehensive income for the period</b>	<b>900</b>	<b>493</b>

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

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

#### NON-CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	31 March 2009 (unaudited) €000	31 December 2008 €000	31 March 2008 (unaudited) €000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other loans receivable	-	-	263
Investment in subsidiaries	21,220	21,220	21,220
Loans receivable from subsidiaries	177,975	176,062	180,710
	<b>199,195</b>	<b>197,282</b>	<b>202,193</b>
<b>Current assets</b>			
Trade and other receivables	193	176	201
Cash and cash equivalents	3,142	4,351	803
	<b>3,335</b>	<b>4,527</b>	<b>1,004</b>
<b>TOTAL ASSETS</b>	<b>202,530</b>	<b>201,809</b>	<b>203,197</b>
<b>Current liabilities</b>			
Trade and other payables	(2,240)	(2,432)	(9,568)
	<b>(2,240)</b>	<b>(2,432)</b>	<b>(9,568)</b>
<b>Non-current liabilities</b>			
Other payables	-	-	-
	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(2,240)</b>	<b>(2,432)</b>	<b>(9,568)</b>
<b>NET ASSETS</b>	<b>200,290</b>	<b>199,377</b>	<b>193,629</b>
<b>EQUITY</b>			
Share capital account	6,268	6,268	484
Other distributable reserve	194,817	194,817	202,320
Accumulated loss	(795)	(1,708)	(9,175)
<b>TOTAL EQUITY</b>	<b>200,290</b>	<b>199,377</b>	<b>193,629</b>
Basic net asset value per share	n/a	n/a	n/a



# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

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

#### NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2009

Three Months Ended 31 March 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	-	-	900	900
Share based payments	-	-	13	13
<b>As at 31 March 2009</b>	<b>6,268</b>	<b>194,817</b>	<b>(795)</b>	<b>200,290</b>

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 period	5,784	-	-	5,784
Share based payments	-	-	91	91
Dividends paid	-	(7,503)	-	(7,503)
<b>As at 31 December 2008</b>	<b>6,268</b>	<b>194,817</b>	<b>(1,708)</b>	<b>199,377</b>

Three Months Ended 31 March 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	-	-	493	493
Share based payments	-	-	48	48
<b>As at 31 March 2008</b>	<b>484</b>	<b>202,320</b>	<b>(9,175)</b>	<b>193,629</b>

# ATLAS ESTATES LIMITED

## SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Three months ended 31 March 2009

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

#### NON-CONSOLIDATED CASH FLOW STATEMENT

Three months ended 31 March 2009

	3 months ended 31 March 2009 (unaudited) €000	3 months ended 31 March 2008 (unaudited) €000
<b>Profit for the period</b>	<b>900</b>	<b>493</b>
<b>Adjustments for:</b>		
Effects of foreign currency	18	(41)
Finance costs	1	2
Finance income	(1,917)	(2,760)
Charge relating to share based payments	13	48
	<b>(985)</b>	<b>(2,258)</b>
<b>Changes in working capital</b>		
Increase in trade and other receivables	(17)	(59)
Decrease in trade and other payables	(192)	(164)
<b>Net cash outflow from operating activities</b>	<b>(1,194)</b>	<b>(2,481)</b>
<b>Investing activities</b>		
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Interest received	5	16
Interest paid	(2)	-
<b>Net cash from financing activities</b>	<b>3</b>	<b>16</b>
<b>Net decrease in cash and cash equivalents in the quarter</b>	<b>(1,191)</b>	<b>(2,465)</b>
Effect of foreign exchange rates	(18)	36
<b>Net decrease in cash and cash equivalents in the quarter</b>	<b>(1,209)</b>	<b>(2,429)</b>
<b>Cash and cash equivalents at the beginning of the quarter</b>	<b>4,351</b>	<b>3,232</b>
<b>Cash and cash equivalent at the end of the quarter</b>	<b>3,142</b>	<b>803</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	3,142	803
Bank overdrafts	-	-
	<b>3,142</b>	<b>803</b>