

## **PRESS ANNOUNCEMENT**

**Not for release, publication or distribution in or into Canada, Australia or Japan or any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.**

### **EMBARGOED UNTIL 7.00 AM**

20 July 2007

## **RECOMMENDED CASH OFFER BY ARIEL HOLDINGS LTD FOR ATRIUM UNDERWRITING PLC**

### **Summary**

- The boards of Ariel and Atrium are pleased to announce that they have reached agreement on the terms of a recommended cash offer under which Ariel will acquire the whole of the issued and to be issued share capital of Atrium.
- Under the terms of the Offer, Atrium Shareholders will receive, for each Atrium Share held, 365 pence in cash.
- The Offer values the entire existing issued and to be issued share capital of Atrium at approximately £193.2 million, assuming the exercise of all outstanding options.
- The Offer represents a premium of approximately 24 per cent. to the average of the Closing Prices over the last 30 Business Days prior to the Announcement of 294.5 pence per Atrium Share and approximately 18 per cent. to the Closing Price of 310.5 pence per Atrium Share on 19 July 2007, being the last Business Day prior to the Announcement.
- The combination of Ariel and Atrium will create a broader underwriting platform, particularly in specialty lines, as well as an extended geographic capability and distribution network.
- The Atrium Directors, who have been so advised by Noble & Company, consider the terms of the Offer to be fair and reasonable. In providing advice to the Atrium Directors, Noble & Company has taken into account the commercial assessments of the Atrium Directors.

- The Atrium Directors intend unanimously to recommend the Offer and have irrevocably undertaken to accept the Offer in respect of their existing beneficial holdings of issued and certain of their to be issued Atrium Shares, which amount, in aggregate, to 4,270,262 Atrium Shares representing approximately 8.1 per cent. of Atrium's existing issued and to be issued share capital. These irrevocable undertakings will continue to be binding if any higher Independent Competing Offer is made for Atrium.
- In addition, Ariel has received irrevocable undertakings from certain other Atrium Shareholders to accept the Offer in respect of a total of 11,797,912 Atrium Shares, representing, in aggregate, approximately 22.3 per cent. of Atrium's existing issued and to be issued share capital. These irrevocable undertakings will cease to be binding if an Independent Competing Offer is made for Atrium which represents an increase in value of greater than ten per cent. to the Offer or if these shareholders sell their Atrium Shares to any person at a price per share of 401.5 pence or more.
- Ariel has therefore received irrevocable undertakings to accept the Offer in respect of 16,068,174 issued and to be issued Atrium Shares representing, in aggregate, approximately 30.4 per cent. of Atrium's existing issued and to be issued share capital.
- The Offer envisages Ariel putting in place the Management Arrangements. Noble & Company considers the terms of the Management Arrangements to be fair and reasonable so far as the Independent Atrium Shareholders are concerned.
- Under the City Code, the Management Arrangements require the approval by Ordinary Resolution of the Independent Atrium Shareholders on a poll at the EGM. Accordingly, it is intended to convene the EGM. The Offer will be conditional upon, amongst other things, the passing of the Ordinary Resolution.
- Hawkpoint is acting as sole financial adviser to Ariel. HSBC has been engaged as bankers to Ariel. Noble & Company and Lexicon Partners are acting as joint financial advisers to Atrium.

**Mr Don Kramer, Chairman and Chief Executive Officer of Ariel, said:**

“Atrium is a leading Lloyd's specialist insurer, with a high quality underwriting and management team and a long track record of achieving strong performance under challenging market conditions. Atrium's diversified mix of property and casualty business and access to the Lloyd's market make it a highly complementary addition to Ariel. We look forward to welcoming the employees of Atrium and to working with them to continue the momentum Atrium has built with its customers and partners across the Lloyd's market.”

**Mr Steve Cook, Chief Executive Officer of Atrium, said:**

“The board of Atrium has given careful consideration to the available options for the strategic development of the Atrium group; it sees clear long-term advantages in the development of a multi-platform insurance and reinsurance group. However, it recognises that the achievement of this strategy would require considerably greater capital resources than Atrium can currently support on a stand-alone basis.

Against this background, Atrium’s board believes that there are significant attractions in a strategic combination with Ariel and that the cash offer to be made by Ariel represents excellent value for Atrium shareholders.”

**Mr Nick Marsh, Chairman of Managing Agency, Atrium said:**

“I am delighted that Atrium will be joining with such a high quality reinsurance operation. Our managed syndicates, and their loyal capital providers, should benefit over time from the strength of the combined group. I am confident that the managed syndicates have an excellent future as part of the enlarged group.”

**About Ariel**

Ariel, through its wholly-owned subsidiary Ariel Re, is a Bermuda-based provider of property, marine, energy and aviation reinsurance, and selected specialty lines of insurance. Ariel was formed in December 2005 with over \$1.0 billion of capital from institutional investors, including several of the world’s foremost private equity groups. Ariel Re is rated A- (Excellent) by A.M. Best and as at 31 December 2006 had shareholders’ equity of \$1.16 billion. More information on Ariel may be found at [www.arielre.com](http://www.arielre.com).

**About Atrium**

Atrium is a highly successful listed Lloyd’s insurer with an excellent track record of profitable underwriting and an average return on equity of 27 per cent. over the past five years. The key to Atrium’s strategy has been to maintain focus on its core business – managing two of the best performing syndicates at Lloyd’s. These syndicates – 609 and 570 – are both rated A (Excellent) by A.M. Best. More information on Atrium may be found at [www.atrium-uw.com](http://www.atrium-uw.com).

This summary should be read in conjunction with the full text of the Announcement and the appendices. Appendix I sets out the conditions and certain further terms of the Offer. Appendix II contains source notes relating to certain information contained in this summary announcement and the Announcement. Appendix III contains details of the irrevocable undertakings to accept the Offer received by Ariel. Appendix IV contains definitions of certain terms used in this summary announcement and the Announcement.

Atrium will hold a conference call for analysts at 10.00 am on 20 July 2007 hosted by Steve Cook and Don Kramer. The details of the call are as follows:

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*Terms used in this summary announcement shall have the meaning given to them in the Announcement.*

*Hawkpoint, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Ariel and no one else in connection with the Offer and will not be responsible to anyone other than Ariel for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*Noble & Company, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Atrium and no one else in connection with the Offer and will not be responsible to anyone other than Atrium for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Atrium and no one else in connection with the Offer and will not be responsible to anyone other than Atrium for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*The Announcement is not intended to and does not constitute, or form any part of, an offer or an invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Offer Document and, in the case of certificated Atrium Shares, the Form of Acceptance, which will together contain the full terms and conditions of the Offer, including details of how to accept the Offer. Any acceptance or other response to the Offer should be made only on the basis of the information contained in the Offer Document and, in the case of certificated Atrium Shares, the Form of Acceptance.*

*The Ariel Directors accept responsibility for the information contained in the Announcement, other than that relating to the recommendation of the Offer by the Atrium Directors including their associated views, opinions and recommendations and the information relating to the Atrium Group, the Atrium Directors and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Ariel Directors (who have taken all reasonable care to ensure this is the case), the information contained in the Announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Atrium Directors accept responsibility for the information contained in the Announcement relating to the recommendation of the Offer by the Atrium Directors, including their associated views, opinions and recommendations, and the information relating to the Atrium Group, the Atrium Directors and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Atrium Directors (who have taken all reasonable care to ensure this is the case), the information contained in the Announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The laws of relevant jurisdictions may affect the availability of the Offer to persons who are not citizens, residents or nationals of the United Kingdom. Persons who are not resident in the United Kingdom, or who are citizens, residents or nationals of a jurisdiction outside the United Kingdom, or who are otherwise subject to the laws of any jurisdiction other than the United Kingdom, or who are a nominee of, or custodian or trustee for, any citizen, resident or national of any country other than the United Kingdom (in each case, an “overseas person”), should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any such overseas person to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities. Any overseas person will be responsible for the payment of any issue, transfer or other taxes or*

*duties due in that jurisdiction of whomsoever payable and Ariel and Hawkpoint and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as such person may be required to pay. If you are an overseas person and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any failure to comply with the laws and regulatory requirements of the relevant jurisdiction may constitute a violation of the securities laws of any such jurisdiction.*

*The release, publication or distribution of the Announcement in jurisdictions other than the UK may be restricted by law and /or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*The Announcement is not an offer for securities for sale or purchase in any jurisdiction. Unless otherwise determined by Ariel and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interests or foreign commerce of, or by any facilities of a national, state or other securities exchange of Canada, Australia, Japan or any other Restricted Jurisdiction, and the Offer may not be accepted by any other such use, means, instrumentality or facility from or within Canada, Australia, Japan or any other Restricted Jurisdiction. Accordingly, unless otherwise determined by Ariel and permitted by applicable law and regulation, copies of the Announcement and any other documents related to the Offer are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into Canada, Australia, Japan or any other Restricted Jurisdiction. All persons receiving the Announcement (including, without limitation, custodians, nominees and trustees) should observe these restrictions and any applicable legal or regulatory requirements of their jurisdiction and must not mail or otherwise forward, send or distribute the Announcement in, into or from Canada, Australia, Japan or any other Restricted Jurisdiction.*

*The Offer Document will be available for public inspection and will also be posted on the websites of Ariel and Atrium. It is expected that the Offer Document will be posted to Atrium Shareholders as soon as practical and, in any event, within 28 days of the Announcement (or such longer period as the Panel may agree).*

*The Offer will be for the securities of a corporation organised under the laws of England and will be subject to the procedure and disclosure requirements of England.*

*The Offer will be made in the United States pursuant to an exemption from the US tender offer rules provided by Rule 14d-1(c) under the United States Securities Exchange Act of 1934, as amended (the "US Exchange Act").*

*Notice to US holders of Atrium Shares:*

*The Offer will be subject to UK disclosure requirements, which are different from those of the United States. The financial information on Atrium included in the Announcement has been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union) and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer will be made in the United States pursuant to an exemption from the US tender offer rules and is otherwise being made in accordance with the requirements of the City Code. Accordingly, the Offer will be subject to disclosure and*

*other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.*

*The receipt of cash pursuant to the Offer by a US holder of Atrium Shares may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Atrium Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.*

*It may be difficult for US holders of Atrium Shares to enforce their rights and any claim arising out of the US federal securities laws, since Ariel and Atrium are located in a non-US country, and some or all of their officers and directors may be residents of a non-US country. US holders of Atrium Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Ariel or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Atrium Shares outside the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*The Announcement, including information included or incorporated by reference in the Announcement, may contain "forward-looking statements" concerning the offer, Ariel and Atrium. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Ariel and Atrium assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable law.*

#### *Dealing disclosure requirements*

*Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, 'interested' (directly or indirectly) in one per cent. or more of any class of 'relevant securities' of Atrium, all 'dealings' in any 'relevant securities' of Atrium (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the 'offer period' otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an 'interest' in 'relevant securities' of Atrium they will be deemed to be a single person for the purpose of Rule 8.3.*

*Under the provisions of Rule 8.1 of the City Code, all 'dealings' in 'relevant securities' of Atrium by Ariel or Atrium or by any of their respective 'associates', must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.*

*A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).*

*'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.*

*Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a 'dealing' under Rule 8, you should consult the Panel.*

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**EMBARGOED UNTIL 7.00 AM**

20 July 2007

### **RECOMMENDED CASH OFFER BY ARIEL HOLDINGS LTD FOR ATRIUM UNDERWRITING PLC**

#### **1. Introduction**

The boards of Ariel and Atrium announce that they have reached agreement on the terms of a recommended cash offer under which Ariel will acquire the whole of the issued and to be issued share capital of Atrium.

Under the terms of the Offer, Atrium Shareholders will receive, for each Atrium Share held, 365 pence in cash. The Offer values the entire existing issued and to be issued share capital of Atrium at approximately £193.2 million, assuming the exercise of all outstanding options.

#### **2. Recommendation**

The Atrium Directors, who have been so advised by Noble & Company, consider the terms of the Offer to be fair and reasonable. In providing advice on the Offer to the Atrium Directors, Noble & Company has taken into account the commercial assessments of the Atrium Directors.

Accordingly, the Atrium Directors intend unanimously to recommend that Atrium Shareholders accept the Offer as they have irrevocably undertaken to do in respect of their own existing beneficial holdings of issued and certain of their to be issued Atrium Shares, which amount, in aggregate, to 4,270,262 Atrium Shares representing approximately 8.1 per cent. of the existing issued and to be issued share capital of Atrium. These undertakings will continue to be binding if any higher Independent Competing Offer is made for Atrium.

#### **3. Summary of the Offer**

Under the Offer, which will be subject to the terms and conditions set out below and in appendix I to the Announcement and to the full terms and conditions to be set out in the Offer Document and, in the case of Atrium Shares held in certificated form, the Form of Acceptance, Atrium Shareholders will receive:

365 pence in cash for each Atrium Share

The Offer values the existing issued and to be issued share capital of Atrium at approximately £193.2 million, assuming the exercise of outstanding options.

The amount Atrium Shareholders will receive under the Offer represents a premium of approximately 24 per cent. to the average of the Closing Prices over the last 30 Business Days prior to the Announcement of 294.5 pence per Atrium Share and approximately 18 per cent. to the Closing Price of 310.5 pence per Atrium Share on the last Business Day prior to the Announcement.

Atrium Shares will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever together with all rights attaching thereto, including without limitation voting rights and the right to receive and retain all dividends and other distributions (if any) announced, declared, made or paid hereafter.

#### **4. Irrevocable undertakings**

Ariel has received irrevocable undertakings to accept the Offer in respect of a total of 16,068,174 issued and to be issued Atrium Shares, representing, in aggregate, approximately 30.4 per cent. of Atrium's existing issued and to be issued share capital and has also received irrevocable undertakings to vote in favour of the Ordinary Resolution in respect of 11,998,224 Atrium Shares representing approximately 24.7 per cent. of the existing Independent Atrium Shares:

- (a) the Atrium Directors have irrevocably undertaken to accept the Offer in respect of their entire beneficial holdings of issued Atrium Shares which amount to in aggregate 3,871,055 Atrium Shares, representing approximately 7.4 per cent. of the existing issued share capital of Atrium. The Atrium Directors have also given irrevocable undertakings to accept the Offer in respect of any new Atrium Shares which are issued to them on the exercise of options under the Atrium Unapproved Executive Share Option Scheme 1998 or any existing Atrium Shares which vest under the Atrium Performance Share Plan 2005, in each case following the Offer becoming or being declared unconditional in all respects. In addition, the Independent Atrium Directors have given irrevocable undertakings to vote in favour of the Ordinary Resolution in respect of their entire beneficial holdings which represent approximately 0.4 per cent. of the existing Independent Atrium Shares. These irrevocable undertakings will continue to be binding if a higher Independent Competing Offer is made for Atrium; and
- (b) certain other Atrium Shareholders have irrevocably undertaken to accept the Offer and vote in favour of the Ordinary Resolution in respect of, in aggregate, 11,797,912 Atrium Shares over which they have discretionary control representing approximately 22.6 per cent. of the existing issued share capital of Atrium and for the purposes of the EGM approximately 24.3 per cent. of the existing Independent Atrium Shares. These irrevocable undertakings will cease to be binding if an Independent Competing Offer

is made for Atrium which represents an increase in value of greater than ten per cent. to the Offer or if these shareholders sell their Atrium Shares to any person at a price per share of 401.5 pence or more.

Further details on the irrevocable undertakings are shown in appendix III to the Announcement.

## **5. Background to and reasons for the Offer**

Atrium is a highly successful listed Lloyd's insurer with an excellent track record of profitable underwriting and an average return on equity of 27 per cent. over the past five years. The key to Atrium's strategy has been to maintain focus on its core business – managing two of the best performing syndicates at Lloyd's. These syndicates – 609 and 570 – are both rated A (Excellent) by A.M. Best.

The combination with Ariel provides Atrium with access to a high quality Bermudian reinsurance platform and additional capital for strategic development within the Lloyd's platform. Moreover, Ariel is establishing a US admitted carrier bringing the potential for synergies with the US business written by Syndicate 570.

The additional capital within the Enlarged Group could also present new opportunities for business to be written by the Syndicate 609 underwriting team that would not fit the current syndicate profile.

Given Atrium's position in the Lloyd's market and the limited duplication of business written by Atrium and Ariel, the board of Ariel believes that the combination of Ariel and Atrium will fulfil a strategic objective of Ariel to diversify into additional product areas. The combination will extend Ariel's reach by supplementing its distribution network with that of Atrium.

The combined business will have greater scale and breadth of underwriting skill base, particularly in specialty lines business. This is expected to provide the Enlarged Group with more flexibility to take advantage of opportunities in specific classes throughout the insurance cycle as they arise.

## **6. Information on Ariel**

Ariel, through its wholly-owned subsidiary Ariel Re, is a Bermuda-based provider of property, marine, energy and aviation reinsurance, and selected specialty lines of insurance. Ariel was formed in December 2005 with over \$1.0 billion of capital from institutional investors, including several of the world's foremost private equity groups. Ariel Re is rated A- (Excellent) by A.M. Best and as at 31 December 2006 had shareholders' equity of \$1.16 billion. Further information on Ariel may be found at [www.arielre.com](http://www.arielre.com).

## **7. Information on Atrium**

Atrium is a listed Lloyd's insurer managing two leading syndicates, one non-marine (570) and one marine-based (609). Atrium now owns approximately 25 per cent. of the capacity of each. In addition to the two managed syndicates, Atrium currently participates in three syndicates managed by other Lloyd's managing agents, Syndicates 958, 2791 and 6103. The underwriting portfolio consists of owned capacity totalling some £152 million for 2007.

Syndicate 609 specialises in high risk, high return classes such as aviation war, marine war, terrorism and energy and writes the majority of risks on a facultative basis. Syndicate 570 specialises in smaller assureds in less volatile classes usually written on a delegated authority basis. Neither specialises in underwriting catastrophe reinsurance business; exposure to this class is provided by participations in Syndicates 958, 2791 and 6103, which specialise in reinsurance.

For the year ended 31 December 2006, Atrium reported gross written premiums of £152.0 million and pre-tax profits of £44.7 million and paid a total dividend for the year of 15 pence per share. As at 31 December 2006, Atrium had net tangible assets of £95.3 million equivalent to 188.1 pence per share, before accounting for the final dividend of 12 pence per share. Further information on Atrium may be found at [www.atrium-uw.com](http://www.atrium-uw.com).

## **8. Management Arrangements**

In order to ensure the continued involvement of the Management in the Enlarged Group, the Management Arrangements have been entered into, conditionally upon, among other things, the Offer becoming or being declared wholly unconditional.

Under the Management Arrangements, the Management has agreed to subscribe for new Ariel Shares for an aggregate cash consideration of approximately £4.5 million. These Ariel Shares will be issued at an independently determined fair value.

Under the City Code, the Management Arrangements require the approval by Ordinary Resolution of the Independent Atrium Shareholders on a poll at the EGM. Accordingly, it is intended to convene the EGM, further details of which will be included in the Offer Document. The Offer will be conditional upon, amongst other things, the passing of the Ordinary Resolution.

Noble & Company considers the terms of the Management Arrangements to be fair and reasonable, so far as the Independent Atrium Shareholders are concerned. Accordingly, the Independent Atrium Directors intend unanimously to recommend Independent Atrium Shareholders to vote in favour of the Ordinary Resolution, as they have irrevocably undertaken to do in respect of their own beneficial holdings of, in aggregate, 200,312 Atrium Shares representing approximately 0.4 per cent. of the existing issued Independent Atrium Shares.

## **9. Financing the Offer**

The consideration payable under the Offer will be funded using Ariel's existing resources. Hawkpoint is satisfied that the necessary financial resources are available to Ariel to enable it to satisfy in full the consideration payable by Ariel under the terms of the Offer.

## **10. Management and employees**

The Board of Ariel has given assurances to the Atrium Directors that, on the Offer becoming or being declared wholly unconditional, the existing employment rights of all management and employees of Atrium will be honoured and pension obligations complied with. Given the limited overlap of business written by Ariel and Atrium, Ariel's plans for Atrium do not involve any immediate change in the conditions or location of employment of Atrium employees and it is Ariel's intention that employees of Atrium will continue to enjoy terms and conditions that overall are as favourable as those that currently apply.

The management and employees will be incentivised as part of the Enlarged Group through an Ariel share plan. This will award Ariel Shares on the achievement of certain performance criteria which will be established with reference to the existing criteria of the Atrium Share Schemes.

Following the Offer becoming or being declared wholly unconditional, Ariel intends the Atrium management team to remain in place, with the exception of Mr Simon Curtis whose impending departure was previously announced by Atrium on 29 March 2007.

Furthermore, Christine Dandridge, active underwriter of Lloyd's Syndicate 609 and an executive director of Atrium, has informed the board of her intention to step down from her active underwriter role, and as a director of Atrium, at the end of the year to take early retirement.

Christine Dandridge will be handing over the active underwriter role on Syndicate 609 to Mr Richard Harries, who will lead Syndicate 609's highly successful and experienced underwriting team with effect from 1 January 2008. Christine Dandridge plans to continue to work on a part time basis to help manage a smooth transition under Ariel's ownership to Mr Richard Harries.

Following the Offer becoming or being declared unconditional in all respects, it is the intention that the Independent Atrium Directors will resign from the board of Atrium.

## **11. Atrium Share Schemes**

The Offer will extend to any Atrium Shares which are unconditionally allotted or issued pursuant to the exercise of options under the Atrium Share Schemes or otherwise while the Offer remains open for acceptance (or such earlier date as Ariel may, subject to the City Code, decide). Appropriate proposals will be made to participants in the Atrium Share Schemes in connection with the Offer. These proposals will include the provision of a cashless exercise facility (where appropriate) to assist participants in funding the exercise of their options.

In accordance with the rules of the relevant Atrium Share Schemes, options which have been granted but which are not yet exercisable will become exercisable, at the exercise price specified at grant, for a limited period following the Offer becoming or being declared unconditional in all respects. On the expiry of that period, all unexercised options will lapse. Similarly, the Atrium Committee will determine the extent to which the rights under the Atrium Performance Share Plan 2005 will vest, on a basis consistent with the vesting period which has elapsed. In certain jurisdictions it may be necessary to make alternative proposals to take account of local securities, taxation or other laws.

Details of these proposals will be set out in a letter to the holders of options or other rights under the Atrium Share Schemes in due course.

## **12. Disclosure of interests in Atrium**

Mr George Rivaz, Co-President of Ariel, was until 30 June 2006 a director of Atrium and has an interest in 90,000 Atrium Shares.

Neither Ariel nor any of the other directors or senior management of Ariel nor, so far as Ariel is aware, any party acting in concert with Ariel, has an interest in, or has any right to subscribe for, any relevant securities of Atrium, nor are they party to any short positions (whether conditional or absolute and whether in the money or otherwise) relating to relevant securities of Atrium, including short positions under derivatives, agreements to sell or any delivery obligations or rights to require another person to take delivery.

Neither Ariel nor the directors of Ariel nor, so far as Ariel is aware, any person acting in concert with Ariel, has borrowed or lent any relevant securities of Atrium.

## **13. De-listing and compulsory acquisition**

Subject to Ariel acquiring, by virtue of the Offer or otherwise, Atrium Shares carrying 75 per cent. of the voting rights of Atrium, and subject to the Offer becoming or being declared unconditional in all respects, Ariel intends to give notice in accordance with the Listing Rules for the cancellation of the listing and admission to trading of Atrium Shares on the Official List. It is intended that Atrium Shares will cease to be admitted to trading on the Official List shortly after the Offer is declared wholly unconditional. The cancellation of the listing would significantly reduce the liquidity and marketability of any Atrium Shares not assented to the Offer at that time.

If Ariel receives acceptances under the Offer in respect of, or otherwise acquires, 90 per cent. or more of the Atrium Shares to which the Offer relates, Ariel may exercise its rights pursuant to Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily the remaining Atrium Shares in respect of which the Offer has not been accepted.

#### **14. Inducement fee**

Atrium has agreed to pay Ariel an inducement fee equal to the lower of: (i) approximately £1.9 million (plus an amount equal to any recoverable VAT payable in respect thereof); and (ii) such sum as may be lawfully paid to Ariel. It is payable only if: (i) a third party makes an Independent Competing Offer in accordance with the City Code, which the board of Atrium recommends Atrium Shareholders to accept prior to the Offer lapsing or being withdrawn; or (ii) the board of Atrium withdraws its recommendation of the Offer.

#### **15. Other**

The availability of the Offer to persons not resident in the UK or the US may be affected by the laws of the relevant jurisdiction. The Offer Document is to be posted as soon as possible and in any event within 28 days of the Announcement (or such longer period as the Panel may agree). Any persons who are subject to the laws of any jurisdiction other than the UK or US should inform themselves about and observe any applicable requirements.

The Offer, and acceptances thereof, will be governed by English law and will be subject to the jurisdiction of the English courts. The Offer will be subject to the applicable requirements of the City Code and other legal and regulatory requirements.

Appendix I sets out the conditions and certain further terms of the Offer. Appendix II contains source notes relating to certain information contained in the Announcement. Appendix III contains details of the irrevocable undertakings received by Ariel. Certain terms used in the Announcement are defined in appendix IV to the Announcement.

Atrium will hold a conference call for analysts at 10.00 am on 20 July 2007 hosted by Steve Cook and Don Kramer. The details of the call are as follows:

Dial-in number: +44 (0) 1452 541 076

PIN: 10186212

#### **Enquiries:**

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*Hawkpoint, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Ariel and no one else in connection with the Offer and will not be responsible to anyone other than Ariel for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*Noble & Company, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Atrium and no one else in connection with the Offer and will not be responsible to anyone other than Atrium for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Atrium and no one else in connection with the Offer and will not be responsible to anyone other than Atrium for providing the protections afforded to its customers or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*The Announcement is not intended to and does not constitute, or form any part of, an offer or an invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Offer Document and, in the case of certificated Atrium Shares, the Form of Acceptance, which will together contain the full terms and conditions of the Offer, including details of how to accept the Offer. Any acceptance or other response to the Offer should be made only on the basis of the information contained in the Offer Document and, in the case of certificated Atrium Shares, the Form of Acceptance.*

*The Ariel Directors accept responsibility for the information contained in the Announcement, other than that relating to the recommendation of the Offer by the Atrium Directors including their associated views, opinions and recommendations and the information relating to the Atrium Group, the Atrium Directors and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Ariel Directors (who have taken all reasonable care to ensure this is the case), the information contained in the Announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Atrium Directors accept responsibility for the information contained in the Announcement relating to the recommendation of the Offer by the Atrium Directors, including their associated views, opinions and recommendations, and the information relating to the Atrium Group, the Atrium Directors and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Atrium Directors (who have taken all reasonable care to ensure this is the case), the information contained in the Announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The laws of relevant jurisdictions may affect the availability of the Offer to persons who are not citizens, residents or nationals of the United Kingdom. Persons who are not resident in the United Kingdom, or who are citizens, residents or nationals of a jurisdiction outside the United Kingdom, or who are otherwise subject to the laws of any jurisdiction other than the United Kingdom, or who are a nominee of, or custodian or trustee for, any citizen, resident or national of any country other than the United Kingdom (in each case, an “overseas person”), should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any such overseas person to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities. Any overseas person will be responsible for the payment of any issue, transfer or other taxes or duties due in that jurisdiction of whomsoever payable and Ariel and Hawkpoint and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as such person may be required to pay. If you are an overseas person and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any failure to comply with the laws and regulatory requirements of the relevant jurisdiction may constitute a violation of the securities laws of any such jurisdiction.*

*The release, publication or distribution of the Announcement in jurisdictions other than the UK may be restricted by law and / or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*The Announcement is not an offer for securities for sale or purchase in any jurisdiction. Unless otherwise determined by Ariel and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interests or foreign commerce of, or by any facilities of a national, state or other securities exchange of Canada, Australia, Japan or any other Restricted Jurisdiction, and the Offer may not be accepted by any other such use, means, instrumentality or facility from or within Canada, Australia, Japan or any other Restricted Jurisdiction. Accordingly, unless otherwise determined by Ariel and permitted by applicable law and regulation, copies of the Announcement and any other documents related to the Offer are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into Canada, Australia, Japan or any other Restricted Jurisdiction. All persons receiving the Announcement (including, without limitation, custodians, nominees and trustees) should observe these restrictions and any applicable legal or regulatory requirements of their jurisdiction and must not mail or otherwise forward, send or distribute the Announcement in, into or from Canada, Australia, Japan or any other Restricted Jurisdiction.*

*The Offer Document will be available for public inspection and will also be posted on the websites of Ariel and Atrium. It is expected that the Offer Document will be posted to Atrium Shareholders as soon as practical and, in any event, within 28 days of the Announcement (or such longer period as the Panel may agree).*

*The Offer will be for the securities of a corporation organised under the laws of England and will be subject to the procedure and disclosure requirements of England.*

*The Offer will be made in the United States pursuant to an exemption from the US tender offer rules provided by Rule 14d-1(c) under the United States Securities Exchange Act of 1934, as amended (the "US Exchange Act").*

*Notice to US holders of Atrium Shares:*

*The Offer will be subject to UK disclosure requirements, which are different from those of the United States. The financial information on Atrium included in the Announcement has been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union) and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer will be made in the United States pursuant to an exemption from the US tender offer rules and is otherwise being made in accordance with the requirements of the City Code. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.*

*The receipt of cash pursuant to the Offer by a US holder of Atrium Shares may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Atrium Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.*

*It may be difficult for US holders of Atrium Shares to enforce their rights and any claim arising out of the US federal securities laws, since Ariel and Atrium are located in a non-US country, and some or all of their officers and directors may be residents of a non-US country. US holders of Atrium Shares may not be able to*

*sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Ariel or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Atrium Shares outside the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*The Announcement, including information included or incorporated by reference in the Announcement, may contain "forward-looking statements" concerning the offer, Ariel and Atrium. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Ariel and Atrium assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable law.*

#### *Dealing disclosure requirements*

*Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, 'interested' (directly or indirectly) in one per cent. or more of any class of 'relevant securities' of Atrium, all 'dealings' in any 'relevant securities' of Atrium (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the 'offer period' otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an 'interest' in 'relevant securities' of Atrium they will be deemed to be a single person for the purpose of Rule 8.3.*

*Under the provisions of Rule 8.1 of the City Code, all 'dealings' in 'relevant securities' of Atrium by Ariel or Atrium or by any of their respective 'associates', must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.*

*A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).*

*'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.*

*Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a 'dealing' under Rule 8, you should consult the Panel.*

## APPENDIX I

### CONDITIONS TO AND FURTHER TERMS OF THE OFFER

#### PART A – CONDITIONS TO THE OFFER

**The Offer will be subject to the following conditions:**

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 pm (London time) on the First Closing Date (or such later time(s) and/or date(s) as Ariel may, subject to the rules of the City Code or with the consent of the Panel, decide) in respect of not less than 90 per cent. (or such lesser percentage as Ariel may decide) in nominal value of the Atrium Shares to which the Offer relates, and not less than 90 per cent. (or such lesser percentage as Ariel may decide) of the voting rights carried by the Atrium Shares to which the Offer relates, provided that this condition shall not be satisfied unless Ariel and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) directly or indirectly, Atrium Shares carrying, in aggregate, more than 50 per cent. of the voting rights then normally exercisable at general meetings of Atrium (including for this purpose, to the extent (if any) required by the Panel, any such voting rights attaching to any Atrium Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription, conversion or exchange rights or otherwise); and, for the purpose of this condition:
  - i the expression “Atrium Shares to which the Offer relates” shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act 2006;
  - ii Atrium Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue; and
  - iii valid acceptances shall be deemed to have been received in respect of Atrium Shares which are treated for the purposes of section 979(2) of the Companies Act 2006 as having been acquired or contracted to be acquired by Ariel by virtue of acceptances of the Offer;
- (b) the Ordinary Resolution required to approve the Management Arrangements being duly passed at the EGM (or at any adjournment of that meeting);
- (c) satisfaction of the following:

- i the FSA having given notice in writing in terms reasonably satisfactory to Ariel that it approves of Ariel, or any other person pursuant to the Offer, acquiring control (within the meaning of section 179 of FSMA) of both Atrium Insurance Agency Limited and Atrium Underwriters Limited or, in the absence of such notice, the three month period within which the FSA may serve a notice of objection under those provisions having elapsed without the FSA having served any such notice of objection;
  - ii the Lloyd's Franchise Board (being the board established by the Council of Lloyd's with that name) having given its consent in writing in accordance with paragraph 43 of the Underwriting Byelaw (No. 2 of 2003), in terms reasonably satisfactory to Ariel, to Ariel or any other person pursuant to the Offer becoming a controller (as defined in the Definitions Byelaw (No.7 of 2005)) of Atrium Underwriters Limited; and
  - iii Lloyd's having given its consent in writing in accordance with paragraph 12 of the Membership Byelaw (No. 5 of 2005), in terms reasonably satisfactory to Ariel, to Ariel or any other person pursuant to the Offer becoming a controller (as defined in the Definitions Byelaw (No. 7 of 2005)) of 609 Capital Limited, Atrium 1 Limited, Atrium 2 Limited, Atrium 3 Limited, Atrium 4 Limited, Atrium 5 Limited, Atrium 6 Limited, Atrium 7 Limited, Atrium 8 Limited, Atrium 9 Limited and Atrium 10 Limited;
- (d) all necessary filings or applications having been made, all appropriate waiting periods under any applicable legislation or regulations of any jurisdiction having expired, lapsed or terminated, all statutory or regulatory obligations in any jurisdiction having been complied with, in each case in respect of the Offer and the proposed acquisition of any shares in, or control of, Atrium by Ariel, and all authorisations, orders, recognitions, grants, determinations, consents, licences, confirmations, valuations, reports, clearances, certificates, permissions, exemptions and approvals (each an "Authorisation") necessary for or in respect of the Offer or the proposed acquisition of any shares in, or control of, Atrium by Ariel or the carrying on by any member of the wider Atrium Group of its business having been obtained, in terms and in a form reasonably satisfactory to Ariel from all appropriate Third Parties or from any persons or bodies with whom any member of the wider Atrium Group has entered into contractual arrangements, in each case where the absence of such Authorisation from such a person is reasonably likely to have a material adverse effect on the wider Atrium Group taken as a whole, and all such Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, withdraw, withhold, suspend, restrict, modify, amend or not to grant or renew the same, which in any such case is reasonably likely to have a material adverse effect on the wider Atrium Group taken as a whole;
- (e) except as Disclosed by Atrium, there being no provision of any agreement, authorisation, arrangement, franchise, licence, permit or other instrument to which any member of the wider Atrium Group is a party or by or to which any member of the wider Atrium Group

or any of its assets may be bound, entitled or subject, which in consequence of the Offer or the proposed acquisition of any shares in, or control of, Atrium by Ariel or because of a change of control or management of any member of the wider Atrium Group, would result in, in each case to an extent which would be material in the context of the wider Atrium Group taken as a whole:

- i any monies borrowed by or any other indebtedness, actual or contingent, of any such member being or becoming repayable or capable of being declared repayable immediately or earlier than its stated maturity or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of being withdrawn or inhibited;
- ii any such agreement, authorisation, arrangement, franchise, licence, permit or other instrument being terminated or modified or any obligation or liability arising or any action being taken or arising thereunder;
- iii the rights or interests of any such member of the wider Atrium Group in or with any other person, firm, company or body (or any arrangements relating to such rights or interests) being terminated, modified or affected;
- iv any assets of any such member of the wider Atrium Group being or falling to be disposed of or charged otherwise than in the ordinary course of business;
- v the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member of the wider Atrium Group outside the ordinary course of trading;
- vi the creation of any liabilities (actual or contingent) by any member of the wider Atrium Group other than in the ordinary course of business; or
- vii the financial or trading position of the wider Atrium Group being materially adversely affected,

and no event having occurred which, under any provision of any such agreement, authorisation, arrangement, franchise, licence, permit or other instrument, would or is reasonably likely to result in any of the events or circumstances which are referred to in paragraphs (i) to (vii) of this condition (e) where such result would be material in the context of the wider Atrium Group taken as a whole;

- (f) no Third Party having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed any statute, regulation, decision, order or change to published practice or taken any other step which would or is reasonably likely to:

- i impose any material limitation on the ability of any member of the wider Atrium Group to conduct their respective businesses and to own any of their respective assets or property, in each case to an extent which is material in the context of the Atrium Group as a whole;
- ii impose any material limitation on the ability of Ariel to acquire or hold or to exercise effectively, directly or indirectly, any rights of ownership in respect of shares or the equivalent in Atrium or to exercise management control over Atrium;
- iii otherwise materially and adversely affect any or all of the businesses, assets, profits or prospects of any member of the Atrium Group which is material in the context of the business, assets, profits or prospects (as the case may be) of the Atrium Group as a whole;
- iv make the Offer or the proposed acquisition of any shares in Atrium or control of Atrium by Ariel void, illegal and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, materially restrain, restrict, prohibit or delay or otherwise materially impede or challenge the implementation thereof, or impose material additional conditions or obligations with respect thereto or otherwise materially challenge or interfere therewith;
- v result in a material delay in the proposed acquisition of any shares in, or control of, Atrium by Ariel, or render Ariel unable to acquire some or all of the shares in, or control of, Atrium;
- vi result in any member of the Atrium Group ceasing to be able to carry on any business which is material in the context of the wider Atrium Group; or
- vii save pursuant to the Offer or pursuant to Chapter 3 of Part 28 of the Companies Act 2006, require any member of the wider Ariel Group or of the wider Atrium Group to offer to acquire any Atrium Shares or shares in or securities of any member of the wider Atrium Group owned by any third party,

and all applicable waiting and other time periods during which any such Third Party could take, institute, implement or decide to take or threaten any such action, proceeding, suit, investigation or enquiry having expired, lapsed or been terminated;

- (g) except as Disclosed by Atrium, no member of the wider Atrium Group having since 31 December 2006:
  - i save as between Atrium and wholly-owned subsidiaries of Atrium or between such wholly-owned subsidiaries or on the exercise of rights to subscribe for Atrium Shares pursuant to the exercise of options granted under the Atrium Share Schemes

on or prior to the date of this Announcement, issued or authorised the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities or redeemed, purchased or reduced or made any other change to any part of its share capital;

- ii other than as between Atrium and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, declared, paid or made any bonus, dividend or other distribution (whether payable in cash or otherwise);
- iii other than in the ordinary course of business or a transaction between Atrium and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, merged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any material assets or any material rights, title or interest in any asset (including shares and trade investments)
- iv save as between Atrium and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability (other than in the ordinary course of business) which in any such case is material;
- v purchased, redeemed or repaid any of its own shares or securities or reduced or made any other change to its share capital;
- vi save as between Atrium and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, entered into any material contract, reconstruction, amalgamation, commitment or other transaction or arrangement otherwise than in the ordinary course of business or waived or compromised any material claim or entered into or materially changed the terms of any contract with any director;
- vii save as between Atrium and its wholly-owned subsidiaries or between such wholly-owned subsidiaries, entered into, implemented, effected or varied, any material contract or commitment (whether in respect of capital expenditure or otherwise) which is of a long term or unusual nature or which involves or is reasonably likely to involve an obligation of such magnitude or nature or which is reasonably likely to materially restrict the business of any member of the wider Atrium Group;
- viii terminated or varied the terms of, or waived any rights under, any material agreement or arrangement between any member of the wider Atrium Group and any other person in a manner which is reasonably likely to have a material adverse effect on the position of the wider Atrium Group taken as a whole;
- ix modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed

by the wider Atrium Group which is material in the context of the wider Atrium Group taken as a whole;

- x taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, trustee, administrator, administrative receiver or similar officer of all or any part of its assets and revenues or any analogous or equivalent steps or proceedings in or under the laws of any jurisdiction which in any case has a material adverse effect on the wider Atrium Group taken as a whole;
  - xi made any material alteration to its memorandum or articles of association; or
  - xii entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (g);
- (h) since 31 December 2006, and save as Disclosed by Atrium:
- i no change or deterioration having occurred in the business, assets, financial or trading position or profits of any member of the wider Atrium Group;
  - ii no litigation, arbitration proceedings, prosecution or other legal proceedings or investigation having been instituted or threatened by or against or remaining outstanding in respect of any member of the wider Atrium Group or to which any member of the wider Atrium Group is a party (whether as plaintiff, defendant or otherwise);
  - iii no contingent or other liability having arisen or become apparent or increased other than in the ordinary course of business;
  - iv other than as a result of the Offer, no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the wider Atrium Group; or
  - v no steps having been taken which are reasonably likely to result in the withdrawal, cancellation, terminated or modification of any licence, consent or authorisation of any member of the Atrium Group,

and which in any such case is material and adverse in the context of the wider Atrium Group taken as a whole; and

- (i) except as Disclosed by Atrium, Ariel not having discovered that:
- i any financial, business or other information concerning any member of the Atrium Group which has been publicly announced at any time by any member of the Atrium Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading and which was not subsequently corrected before the day immediately preceding the date of the Announcement by being publicly announced and which information is material in the context of the Atrium Group taken as a whole; or
  - ii any member of the wider Atrium Group is subject to any liability (contingent or otherwise) which is material in the context of the Atrium Group taken as a whole.

For the purposes of these conditions:

- the “wider Atrium Group” means Atrium and its subsidiary undertakings, associated undertakings and any other undertaking in which Atrium and such undertakings (aggregating their interests) have a significant interest and the “wider Ariel Group” means Ariel and its subsidiary undertakings, associated undertakings and any other undertaking in which Ariel and such undertakings (aggregating their interests) have a significant interest and, for these purposes, “subsidiary undertaking”, “associated undertaking” and “undertaking” have the meanings given by the Companies Act 1985 (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Companies Act 1985) and “significant interest” means a direct or indirect interest in twenty per cent. or more of the equity capital of an undertaking;
- the term “material” or “materially” means material or materially in the context of the Atrium Group taken as a whole;
- “Disclosed by Atrium” means fairly disclosed in writing by or on behalf of Atrium to Ariel prior to the date of this Announcement, fairly disclosed in Atrium's annual report and financial statements for the year ended 31 December 2006 or as publicly announced by Atrium prior to the date of this Announcement;
- “Third Party” means any government or governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or investigative body, or any court, trade agency, association, institution or professional or environmental body or any other body or person whatsoever in any jurisdiction; and

- “publicly announced” means an announcement notified to a Regulatory Information Service being any service authorised from time to time by the UK Listing Authority for the purposes of the dissemination of regulatory announcements required by the Listing Rules.

Subject to any requirements of the Panel, Ariel reserves the right to waive, in whole or in part, all or any of the above conditions except conditions (a) and (c). Ariel shall not be under any obligation to waive or treat as satisfied any of the conditions referred to above by a date earlier than the date specified below for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

If Ariel is required by the Panel to make an offer for Atrium Shares under the provisions of Rule 9 of the City Code, Ariel may make such alterations to the above conditions, including condition (a), as are necessary to comply with the provisions of that Rule.

The Panel may determine in the light of all relevant facts that Atrium Shareholders who have accepted the Offer should have the right to withdraw their acceptances on such terms as the Panel considers appropriate and, if so, the effect of such right to withdraw on the Offer timetable. The Offer may cease to be unconditional as to acceptances as a result of the introduction of any such right to withdraw.

## **PART B – FURTHER TERMS OF THE OFFER**

The Offer is final and will not be increased, except that Ariel reserves the right to increase the Offer if any third party announces a firm intention to make an offer for Atrium.

As a full or partial alternative to the cash consideration under the Offer, Ariel reserves the right, but shall be under no obligation, to offer loan notes to Atrium Shareholders assuming that appropriate terms for any loan note alternative can be agreed prior to posting of the Offer Document. If a loan note alternative is introduced, further details of the loan note alternative will be included in the Offer Document.

The Offer will lapse unless all the conditions relating to the Offer have been fulfilled or satisfied or (if capable of waiver) waived, at midnight on the twenty first day after the later of the First Closing Date and the date on which the Offer becomes or is declared unconditional as to acceptances, or in each case such later date as Ariel may, with the consent of the Panel or in accordance with the Code, decide.

The Offer will lapse (unless the Panel otherwise consents) if, before the First Closing Date or the time and date when the Offer becomes or is declared unconditional as to acceptances (whichever is the later), the Offer, or any aspect of it, is referred to the Competition Commission.

If the Offer lapses, the Offer will cease to be capable of further acceptance and Ariel and accepting Atrium Shareholders shall then cease to be bound by Forms of Acceptance delivered at or before the time when the Offer lapses.

The Offer will be governed by English law and be subject to the jurisdiction of the English courts.

The Offer will comply with the Code.

The Atrium Shares are to be acquired by Ariel pursuant to the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, pre-emptive rights and other third party rights and interests of any nature whatsoever and together with all rights now and hereafter attaching thereto, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid, after the date of this Announcement.

Each of conditions (a) to (i) shall be regarded as a separate condition and shall not be limited by reference to any other condition.

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws or regulatory requirements of the relevant overseas jurisdiction. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities. Any such Overseas Shareholder will be responsible for the payment of any issue, transfer or other taxes or duties due in that jurisdiction by whomsoever payable and Ariel and Hawkpoint and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. If you are an Overseas Shareholder and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any failure to comply with the laws and regulatory requirements of the relevant jurisdiction may constitute a violation of the securities laws of any such jurisdiction.

This announcement is not an offer of securities for sale or purchase in any jurisdiction. The Offer will not be made, directly or indirectly, in or into or by the use of the mails of, or by any means or instrumentality (including, without limitation, e-mail, facsimile transmission, telex, telephone, the internet or other forms of electronic transmission) of interstate or foreign commerce, or of any facility of a national securities exchange of a Restricted Jurisdiction (including Canada) and, subject to certain exceptions, the Offer will not be capable of being accepted by any such use, means, instrumentality or facility from or within a Restricted Jurisdiction (including Canada).

Any person (including, without limitation, nominees, trustees or custodians) who is an overseas person or who would, or otherwise intend to, forward this document, the Offer Document, the Form of Acceptance or any related document in any jurisdiction outside the United Kingdom or to any overseas person should seek appropriate professional advice before taking any action.

The provisions referred to in the previous three paragraphs may be waived or varied by Ariel in its sole discretion as regards specific Atrium Shareholders or generally.

## APPENDIX II

### SOURCES AND BASES OF INFORMATION

#### In the Announcement:

1. Unless otherwise stated:
  - i financial information relating to Atrium has been extracted without material adjustment from the audited financial statements of Atrium for the relevant financial year; and
  - ii financial information relating to Ariel has been extracted without material adjustment from the audited financial statements of Ariel for the relevant financial year.
  
2. The value of the whole of the issued and to be issued share capital of Atrium of approximately £193.2 million, and other statements in the Announcement by reference to the issued and to be issued share capital of Atrium, is based upon 52,241,096 Atrium Shares (being the number of existing issued shares of Atrium as at the close of business on the last Business Day preceding the date of the Announcement) and the 687,792 Atrium Shares that may be issued on exercise of options under the Atrium Share Schemes.

## APPENDIX III

### IRREVOCABLE UNDERTAKINGS

Ariel has received the following irrevocable undertakings to accept the Offer and (save as specified in Note 3 below) vote in favour of the Ordinary Resolution:

Name	Note	Number of Atrium Shares	Number of options over Atrium Shares	Awards of Atrium Shares
James Joll	1	50,000	-	-
Charles Bailey	1	63,541	-	-
Raymond Dumas	1	24,000	-	-
Simon Curtis	1, 2	62,771	-	48,649
Steve Cook	1, 2, 3	213,449	-	54,611
Christine Dandridge	1, 2, 3	1,458,488	-	48,649
Nicholas Marsh	1, 2, 3	1,568,199	-	48,649
Kevin Wilkins	1, 2, 3, 4	430,607	150,000	48,649
Aberdeen Investment Management Limited	5	8,500,000	-	-
Artemis Investment Management Limited	5	1,647,912	-	-
Hiscox Insurance Company Limited	5	300,000	-	-
Hiscox Insurance Portfolio Fund	5	1,350,000	-	-
	<b>TOTAL</b>	<b>15,668,967</b>	<b>150,000</b>	<b>249,207</b>

Notes:

1. These irrevocable undertakings will remain binding in the event of a competing offer being made for Atrium but they will cease to be binding if (a) the Offer Document is not despatched to Atrium Shareholders within 28 days (or such longer time as the Panel may agree) of the release of the Announcement or (b) the Offer lapses or is withdrawn.
2. These irrevocable undertakings also extend to awards of Atrium Shares under the Atrium Performance Share Plan which vest following the Offer becoming or being declared unconditional in all respects.
3. These irrevocable undertakings do not extend to voting on the Ordinary Resolution.
4. This irrevocable undertaking also extends to options in respect of Atrium Shares under the Atrium Unapproved Executive Share Option Scheme, but only following the Offer becoming or being declared unconditional in all respects.
5. These irrevocable undertakings will cease to be binding (a) if an Independent Competing Offer is made for Atrium provided that the value of the Independent Competing Offer represents an increase in value of greater than ten per cent. to the Offer Price, (b) in respect of any Atrium Shares which are sold (regardless of the identity of the acquirer) at a price not less than an amount equal to the Offer Price plus ten per cent., (c) if the Offer Document is not despatched to Atrium Shareholders within 28 days (or such longer time as the Panel may agree) of the release of the Announcement or (d) if the Offer lapses or is withdrawn.

## APPENDIX IV

### DEFINITIONS

The following definitions apply throughout the Announcement unless the context otherwise requires:

<b>“Acquisition”</b>	means the acquisition by Ariel pursuant to the Offer of the issued and to be issued share capital of Atrium;
<b>“Announcement”</b>	means this announcement;
<b>“Ariel”</b>	means Ariel Holdings Ltd;
<b>“Ariel Group”</b>	means Ariel and its subsidiary undertakings;
<b>“Ariel Re”</b>	means Ariel Reinsurance Company Ltd;
<b>“Ariel Shares”</b>	means the ordinary shares of \$1 each in the capital of Ariel;
<b>“Atrium”</b>	means Atrium Underwriting plc;
<b>“Atrium Committee”</b>	means the remuneration committee of the board of Atrium;
<b>“Atrium Directors”</b>	means the directors of Atrium at the date of the Announcement;
<b>“Atrium Group”</b>	means Atrium and its subsidiary undertakings;
<b>“Atrium Shareholders”</b>	means the holders of Atrium Shares;
<b>“Atrium Share Schemes”</b>	means any or all of the Atrium Approved Executive Share Option Scheme 1998, the Atrium Unapproved Executive Share Option Scheme 1998, the Atrium Sharesave Scheme, the Atrium Performance Share Plan 2005 and the Atrium Share Incentive Plan;
<b>“Australia”</b>	means the Commonwealth of Australia, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof;
<b>“Business Day”</b>	means any day (other than a Saturday or Sunday) on which banks generally are open for normal business in London;
<b>“Canada”</b>	means Canada, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof;
<b>“City Code” or “Code”</b>	means the City Code on Takeovers and Mergers of the United Kingdom;
<b>“Closing Price”</b>	means the last closing price as derived from the London Stock Exchange Daily Official List;
<b>“Conditions”</b>	means the conditions to the Offer set out in appendix I Part A;
<b>“EGM”</b>	means the extraordinary general meeting of Atrium to be convened to approve the Ordinary Resolution;

<b>“Enlarged Group”</b>	means the Ariel Group and the Atrium Group following completion of the Acquisition;
<b>“First Closing Date”</b>	means the date no earlier than 21 days following the posting of the Offer Document to be specified as such in the Offer Document;
<b>“Form of Acceptance”</b>	means the form of acceptance and authority relating to the Offer which will accompany the Offer Document;
<b>“FSA”</b>	means the Financial Services Authority and any successor body;
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000;
<b>“Further Terms”</b>	means the further terms of the Offer set out in appendix I Part B;
<b>“Hawkpoint”</b>	means Hawkpoint Partners Limited;
<b>“Independent Atrium Directors”</b>	means James Joll, Charles Bailey, Raymond Dumas, Philip Swatman (all being non-executive Atrium Directors) and Simon Curtis (being an executive Atrium Director) who have no involvement in the Management Arrangements;
<b>“Independent Competing Offer”</b>	means an offer (including by way of a scheme of arrangement) or proposal to acquire more than 50 per cent. of the Atrium Shares (when added to any Atrium Shares already owned or agreed to be acquired by the person making or entering into the offer or proposal) and which: <ul style="list-style-type: none"> <li>(a) is made or entered into by a person who is not acting in concert with or an affiliate of (as those terms are defined in the Code) Ariel; and</li> <li>(b) does not relate to a reorganisation or reconstruction of the Atrium Group which does not result in a material change in the ultimate ownership of the Atrium Group;</li> </ul>
<b>“Independent Atrium Shares”</b>	means the Atrium Shares held by the Independent Atrium Shareholders;
<b>“Independent Atrium Shareholders”</b>	means the Atrium Shareholders other than the Management, their immediate families, related trusts and other persons connected with them (within the meaning of section 823 of the Companies Act 2006);
<b>“Japan”</b>	means Japan, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof;
<b>“Lexicon Partners”</b>	means Lexicon Partners Limited;
<b>“Listing Rules”</b>	means the listing rules and regulations made by the UK Listing Authority;
<b>“Lloyd’s”</b>	means the Society and Corporation of Lloyd’s incorporated by the Lloyd’s Act of 1871;
<b>“London Stock Exchange”</b>	means London Stock Exchange plc;
<b>“Management”</b>	means Steve Cook, Christine Dandridge, Nick Marsh, Kevin Wilkins (all being executive Atrium Directors) and Simon Cooper, each being involved in the Management Arrangements;

<b>“Management Arrangements”</b>	means the arrangements relating to the subscription by Management for Ariel Shares, as summarised in paragraph 8 of the Announcement;
<b>“Noble &amp; Company”</b>	means Noble & Company Limited, authorised and regulated by the Financial Services Authority;
<b>“Offer”</b>	means the offer recommended by the Atrium Directors to be made by Ariel to acquire Atrium Shares on the terms and subject to the conditions to be set out or referred to in the Offer Document and, in relation to any Atrium Shares in certificated form, the Form of Acceptance (including where the context admits, any subsequent revisions, variations, extensions or renewals thereof);
<b>“Offer Document”</b>	means the document to be sent to Atrium Shareholders containing the Offer;
<b>“Official List”</b>	means the Official List maintained by the UK Listing Authority;
<b>“Ordinary Resolution”</b>	means the ordinary resolution to be proposed at the EGM in accordance with the requirements of the City Code to approve the Management Arrangements;
<b>“overseas person”</b>	means any person who is not resident in the United Kingdom, or who is a citizen, resident or national of a jurisdiction outside the United Kingdom, or who is otherwise subject to the laws of any jurisdiction other than the United Kingdom, or who is a nominee of, or custodian or trustee for, any citizen, resident or national of any country other than the United Kingdom;
<b>“Overseas Shareholder”</b>	means an Atrium Shareholder who is an overseas person;
<b>“Panel”</b>	means the Panel on Takeovers and Mergers;
<b>“Restricted Jurisdiction”</b>	means any jurisdiction where local law or regulations may restrict the release, publication or distribution of information concerning the Offer or result in a significant risk of civil, regulatory or criminal exposure or prosecution if information concerning the Offer is sent or made available to Atrium Shareholders in that jurisdiction;
<b>“Shares” or “Atrium Shares”</b>	includes: <ul style="list-style-type: none"> <li>(a) the existing unconditionally allotted or issued and fully paid ordinary shares of £1 each in the capital of Atrium; and</li> <li>(b) any further shares of £1 each in the capital of Atrium which are unconditionally allotted or issued and fully paid before the offer closes or before such earlier date as Ariel (subject to the City Code) may determine, not being earlier than the date on which the Offer becomes or is declared unconditional as to acceptances but excludes any shares held as treasury shares on such date as Ariel may determine before the Offer closes (which may be a different date to the date referred to above);</li> </ul>

<b>“UK” or “United Kingdom”</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>“UK Listing Authority” or “UKLA”</b>	means the United Kingdom Financial Services Authority in its capacity as the competent authority for listing under Part VI of FSMA; and
<b>“US” or “United States” or “United States of America”</b>	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

All references to legislation in the Announcement are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of the Announcement, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the meanings given by the Companies Act 1985 (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4(A) of the Companies Act 1985). References to “£”, “sterling”, “p” and “pence” are to the lawful currency of the United Kingdom and references to “\$”, “dollar”, “c” and “cents” are to the lawful currency of the United States of America.