

Black Sea Property AS

Org. No. 914 892 902



Aheloy Beach Resort

June 2017

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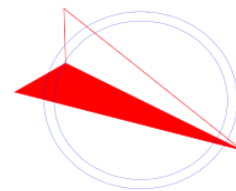
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The Development – Resort Facilities Improvement



ВАРИАНТ 1А
М 1:500

Recent Pictures



Recent Pictures



The Development

Building	Number of Units	Resort square meters	Average unit size	Other owners	Doba 1 units	EPOA owned units	Aheloy Residence receivable	EPOA sq. m estimate
N	175	13,237	75.64			175		13,237
M	183	12,834	70.13			183		12,834
P	244	16,553	67.84	109	50		85	5,766
L	306	18,800	61.44	8		284	14	18,308
K *	100	6,300	63.00				100	6,300
Total	1,008	67,724		117	50	642	199	56,446
* Reduction according to new plans projected				167		841		
				1,008				

* Reduction according to new plans projected

** Acquisition to take place H1 2017; Including the resort land

- ☐ Proposal for the total number of apartments is reduced from 1200 to 1008 apartments
- ☐ Improved quality of resort and facilities
- ☐ Reduced financial risk to completion EPO Aheloy plans to acquire all remaining assets from “Aheloy Residence” and “Aheloy Commercial”, including land in near future
- ☐ Change in legislation simplified the acquisition process
- ☐ Land ownership vital for securing the resort’s infrastructure connections

Progress made as of June 2017

- Reduced financial risk. Long term loan financing with UniCredit Bulbank in place
- BSP concluded successful fundraising in March 2017
- Reduced necessity for short term sale of apartments
- Reduced number of apartments in building “K”
 - Increased quality of resort facilities and reduced financing needs to complete
- Building “N” construction finished in time and on budget
 - Furniture installation to complete by the end of August 2017
- Building “M” construction well underway with completion date set August 2017
- Landscape and fence construction progression as planned. Ongoing process with its final touches to continue until opening to tourists
- Readiness to begin construction works in building “P”
 - External owners to be asked to contribute their respective share in finishing works

Status Aheloy Residence Assets and Commercial assets

Aheloy Residence Assets

EPO Aheloy is the only secured creditor in the insolvency procedure. The assets being sold by the receiver include 3 groups of assets:

- ☐ 1-st group: 99 apartments in rough construction;
- ☐ 2-nd group: a land plot in Aheloy, where the Aheloy Beach Resort is situated along with the unfinished building K and a facility – outdoor pool
- ☐ 3-rd group: a land plot, situated nearby the Aheloy Beach Resort

EPO Aheloy submitted the highest tender offers for the assets included in the first and the third group. EPO Aheloy has won the bids for groups 1 & 3, the receiver has approved a distribution account which is now appealed by third parties. For the group 2 assets the plan is for EPO Aheloy to submit a tender offer in the next auction, that will likely will take place during summer.

Aheloy Commercial Assets

Zlatarsko EOOD has brought a claim against Aheloy Commercial for the amount of BGN 4'454'101.

- ☐ The local court ruled in mid June 2017 that Zlatarsko needs to provide 4% of the claimed amount in order to move the process forward

EPO Aheloy believes that the processes will continue for some time but is confident that favorable outcome for both Aheloy Residence assets and Commercial assets will be achieved.

Financing PHASE 1 "EPO AHELOY"

FORECASTED PAYMENTS TO COMPLETE PHASE 1 (to June 2018)

EUR

1	Landscape Construction Cost	67,715
2	Total organizational expenses / Architect, Planning, Engineers, Control /	85,000
3	Building "P" to be tourist operational	1,190,000
4	Building "N" to be tourist operational	150,500
5	Building "M" to be tourist operational	802,003
6	Resort fence and additional landscape facilities	100,000
7	Obtaining the Aheloy Residence assets	635,000
8	Obtaining the Aheloy Commercial assets	103,020
9	Sewage and EVN electrical connection	600,000
10	Restaurants and commercial areas	650,000
11	Bank Loan 2017 principal	489,855
12	Interest 2017 and H1 2018	362,407
	TOTAL	5,235,500

FORECASTED CONTRIBUTIONS

EUR

1	Cash	240,000
2	Payment from Black Sea Property	1,250,000
3	Payment from BB	700,000
4	"P" owners apartments contribution	807,661
5	Interest Secured Fund	242,114
6	Possible loan from Tour Operator "N", "M" & "P"	1,500,000
7	Receiver return to EPO Aheloy	690,000
	TOTAL	5,429,775

Financing PHASE 2 "EPO AHELOY"

FORCASTED PAYMENTS TO COMPLETE PHASE 2

1	Building L construction cost	3,384,000
2	Furnishing units (298)	745,000
3	TOTAL for building "L" to be tourist operational	4,129,000

4	Building K construction cost	1,386,000
5	Demolition cost	50,000
6	Furnishing units (100)	250,000
	TOTAL for building "K" to be tourist operational	1,686,000

7	Landscape Phase II	500,000
8	Pools and facilities	1,500,000
	TOTAL phase II outside	2,000,000

TOTAL **7,815,000**

- BSP forward plans to finance the Phase 2 construction are connected to the following factors:
 - ☐ Continuity in the demand levels for hotel accommodation and willingness by tour operators to provide financing
 - ☐ Sale of apartments in an operational resort
 - ☐ Operational profit
- BSP considers competing works on the outside and facade on buildings "K" and "L" arranging for proper presentation of the resort to tourists summer season 2018

BSP's Forward Focus

- The resort is planned for opening to tourists in May 2018 in time for summer 2018 season with total 602 apartments in P, N & M, and the respective commercial areas and landscape
- Completing construction and furnishing according to budget and timeline
- Established plan to acquire clean ownership of all remaining assets from Aheloy Residence and Aheloy Commercial
- Focused on finding solution for Water & Sewage utility connection
 - ❑ Actively working on finding solution. Evaluating alternatives to minimize risk connected to cost and timing
- Electrical Connection
 - ❑ Solution is outlined, however acquiring ownership over the site land is vital for it to be implemented
- Securing access to public beach and sufficient number sunbeds at pool area
- Setting up a management company, hiring a Hotel General Manager and establishing connections with tour operators

BSP's Forward Focus

- Securing advance pre-payments from tour operators
- Monitoring liquidity, activity time schedule and budget
- Acquiring permits for use of the buildings, categorization of the rooms and commercial licenses
- Start of construction works in on building “P”.
 - ❑ The building's General Assembly took place in May 2017, where EPO Aheloy was elected as Manager of building “P”. It was agreed to complete the building's necessary construction works, in order to obtain permit for use. Each owner will be asked to contribute according respective to ownership of common area.
- Construction and equipment of the commercial space
- Planning and construction of new reception building and kids area
- Planning Phase II – buildings L and K, together with additional facilities
- Evaluating Bank loan refinancing options and additional construction loan alternatives
- Apartment sales

Thank you for you attention.



Tourism & Property Highlights H1 2017

The Burgas district is the beating heart of Bulgaria's property industry, with the Black Sea coast along the east of the country providing thousands of tourists every year with beautiful beaches at bargain prices.

In resort towns such as Sunny Beach, you will find a very small permanent population, as the strength of Bulgaria's beach towns lies in their booming numbers in the peak holiday months: during the summer, each resort sees its number of residents swell significantly, as vacationing Bulgarians and foreigners descend upon the area's hotels and rented accommodation. Budget tripping Brits are joined by Russians, Germans, French tourists, those from the Czech Republic, and other Eastern European countries such as Romania, Poland and Austria.

For overseas investors, Bulgaria's property market has always been tied to its tourism industry and the country's international appeal is as strong as ever: in March 2017, the number of foreign arrivals in the country rose 20.1% year-on-year, continuing a trend of rising overseas visitors.

The annual index from travel website Hoppa ranked Bulgaria's Sunny Beach as the cheapest holiday destination in the world. It is no surprise, therefore, that the total number of nights spent in all types of tourist accommodation is also on the up.

With Bulgaria's economy also strengthening, the result is a market that draws both holiday home investors and buy-to-let investors. Indeed, at a time when the UK's buy-to-let sector is tightening rules and raising costs, Bulgaria's low property prices and record low lending rates (at an average of 4.5%) are helping to fuel foreign interest. For British investors, the chance to offset the weakening of the pound since the country's vote to leave the European Union is particularly attractive.

Tourism & Property Highlights H1 2017

Bulgarian capital Sofia is leading the rise in residential property transactions, but Burgas and other Black Sea areas such as Varna are also seeing sales growth of between 5 and 10%. On TheMoveChannel.com, Burgas made up 30% of all enquiries for Bulgarian real estate in 2016. The Bulgarian seaside is responsible for almost half of all investment activity. Bulgaria has been among TheMoveChannel.com's Top 15 most popular destinations for five of the last six months.

As well as the potential for rental income and the offer of an affordable lifestyle, capital growth is also reinforcing Bulgaria's property credentials: in Q4 2016, the country's house prices rose 8.1% year-on-year, compared to 2.4% growth in Q4 2015, and above the 4.7% average recorded in the EU.

Commercial property is also a particularly popular target for investors on TheMoveChannel.com, with the strong Burgas tourism market opening up affordable opportunities in the country's hotel sector.

In February 2017, official figures show that total revenue from nights spent by tourists in the country jumped 7% year-on-year. Revenue from foreign visitors increased 14%. Accommodation supply, on the other hand, decreased 2.3%, with the number of beds down 1%. With occupancy rates up 1.6 percentage points year-on-year, there is growing potential for improved revenue for commercial property investors. In Sozopol, for example, one hotel's occupancy rate has risen from 56% in 2014 to 59% in 2015, with a forecast of 70% for 2016.

Bulgaria has traditionally been a popular market among Russian investors and others from Eastern Europe. Today, a significant quantity of transactions are now carried out by domestic buyers and investors, a sign of how much confidence has grown in the nation's housing market. British buyers keen to find more affordable opportunities to counter the weakness of the pound are also looking to Bulgaria's tourist hotspots for profitable investments, both residential and commercial.