Valuation Report on Sunrise Gardens

Prepared for

EPO Aheloy OOD

18 February 2019

Introduction

Forton AD was established as a subsidiary of AG Capital and is specialized in providing commercial real estate services locally and internationally.

Forton AD is an Alliance Partner of Cushman & Wakefield - the largest privately-held real estate advisory company. The latter not only allows the firm to handle client's requirements in over 70 countries, but it gives hands-on international experience, which adds value to the clients' project developments.

Forton AD provides a full range of comprehensive commercial property solutions. The consultants assist clients at every stage of the real estate process, representing them in the buying, selling, financing, leasing, managing and valuing of assets, and providing strategic planning and research, portfolio analysis, site selection and space planning, among other advisory services, tailored to the specific needs of each case we work on.

Investment Consulting - Our Investment team acts on behalf of clients who require investment related services in the office, industrial, retail, and hotel markets throughout the country

Leasing of commercial real estate – We strive to offer best-of-class leasing services on an exclusive basis representing the interests of landlords or tenants.

Investment sales – We offer professional assistance in negotiating acquisitions, disposals, leases, and financial agreements.

Market Research and Analyses – Forton's research team provides detailed information, surveys and analyses of the real estate market in Bulgaria.

Valuations – Our professional appraisers work eagerly to determine the real market value of the property as well as make suggestions for its best usage.

Corporate Occupiers and Investors Services – As property managers we act on behalf of landlords, protecting their interest by striving to achieve the best possible returns.

Project Management - We offer Project Management services for all project types including build-to-suit projects, offices, commercial, industrial and logistics developments.

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Executive Summary

Valuation Report on Sunrise Gardens

Location	An incomplete holiday resort located in the village of Aheloy, Bulgaria. The complex is situated on a land plot with an ID number 00833.6.437 with total area of 47,063 sqm located on the territory of Aheloy. The complex is developed in the outskirts of the village.
Description	The resort was initially started in 2007, and was temporarily discontinued in 2010 due to financial difficulties. It was restarted again in 2016, with updated plans, areas and concept. We have been informed that currently the construction of three of the buildings, M, N and P, has been completed, the façade of building L has also been finished. Building K remains at rough construction stage. In summer 2019, only two of the completed buildings, M and N, are expected to receive an occupancy permit. Buildings M and N, with a total of 358 rooms, are expected to be operational in the summer of 2019 under the name Sunrise Gardens. The remaining 3 buildings will add 588 rooms in the beginning of 2020. An agreement with Thomas Cook travel agency has been concluded for the renting of 600-990 beds.
Areas	Upon completion, the project will have a total of 946 rooms distributed between 5 buildings with TBA of approximately 67,000 sqm. As the project has previously been owned by a different investor, a number of the apartment units has been sold prior to the acquisition of the project by EPO Aheloy. Currently, 787 units, or 54,681 sqm are owned by the Addressee, based on data we have been provided with. A little over 10,000 sqm of retail areas, including restaurants, kids' areas and a pool bar are expected to be completed. Two pools are also part of the amenities.
Valuation Date	1 February 2019
Hotel and tourism market overview	• Bulgaria was visited by approximately 9.3 million foreigners in 2018 which is a 4.4% increase compared to the previous year.

	• International tourism income registers approximately 6.6% growth y-o-y in 2018 • The sector is heavily dependent on international visitors. In the last year, they accounted for almost 80% of the visitors in the national summer and winter resorts. The overnight revenues, in turn, accounted for 90% of the total amount • The number of guests to hotels in the South-East region increased at a compound average annual rate of 4.8% between 2013 and 2017 • The upscale segment generates the largest growth in both number of guests and revenues with compound average annual rate of 8.6% and 11% respectively, between 2013 and 2017 • Average occupancy rate for 2017 stood at 47% for coastal hotels; the upscale segment performs better in the coastal area with 56-58% occupancy rate on average
Valuation assumptions	To arrive at the value of the property, we have applied the following assumptions: • We have adopted costs to complete the project to the amount of approximately €6 mln, based on information provided by the Addressee • We have assumed a beginning ADR of € 62 per room for the first phase of the development, opening in 2019, and € 76 for the second stage, as we have been informed the second stage will be with higher-scale finishes and accommodation. The ADR is assumed to increase to € 74 for buildings N & M until the 10th year of operations and the other the ADR for the other 3 buildings will reach € 89. • The complex is assumed to be operational for 107 days each year • We have adopted a beginning occupancy rate of 54%, to reach a stabilized rate of 72% • We have adopted additional income from F&B (20% of the room revenue), rental income (€10 per sqm of the retail areas for 3 months), and other income generating another 5% on top of room revenue • The total departmental and undistributed costs amount to 36% of the total revenue • We have assumed 80% of the costs to complete will be financed by debt, repayable at 4% interest rate • We have assumed the exit yield is 9.5%, and the discount rate applied to all cash flows-11.5% • We have indexed all income and expensed by 2% growth and inflation rate

Investment Value, VAT Excl.	**€ 29 782 000** **(Twenty-Nine Million Seven Hundred and Eighty-Two Thousand Euro), VAT Excl.**
Exit value (10th year of development), VAT Excl. (indicative)	**€ 43 937 000** **(Forty-Three Million Five Hundred and Sixty-Nine Thousand Euro), VAT Excl.**

1. Valuation Report

To:	EPO AHELOY OOD Aheloy, Bulgaria
Attn:	MR. HANS GULSETH MR. EGIL MELKEVIK MR. GEORGE ANGELOV
Re:	Valuation Report on Sunrise Gardens
Date:	18 February 2019

Dear Sirs,

We are pleased to submit our Valuation Report on Sunrise Gardens. This report was prepared under the terms and conditions set in an agreement between Forton AD and EPO Aheloy OOD.

Forton's team remains available for additional questions and clarifications.

On behalf of Forton:

Plamen Bachev, MRICS

RICS Registered Valuer
Head of Consultancy & Valuations
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M: +359 (885) 155 322
E: pbachev@forton.bg

1.1. Instruction

Valuer	Forton AD and its team are not related parties to the Client of the valuations and are acting as external valuers. We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently. We have not valued the property for another party and have no material interest in past or potential transaction as at the date of the present valuation. We confirm that the fee for this assignment is less than 5% of our annual turnover, hence it is considered to be ‘minimal’ according to Proportion of fees by RICS Valuation – Global Standards 2017. Plamen Bachev, MRICS, has overall responsibility for the valuation.
Client	EPO Aheloy OOD OOD
Intended Users	The valuation has been prepared and provided to the benefit of EPO Aheloy OOD OOD.
Properties	Sunrise Gardens is situated on a land plot with an ID number 00833.6.437 with total area of 47,063 sqm located on the territory of Aheloy
Valuation Currency	The property is valued in EUR (Euro currency). Bulgaria has a currency board under which the local currency, Bulgarian Lev (BGN) is fixed to the Euro at an exchange rate of EUR 1 = BGN 1.95583. Property valuation in Euro does not bear any currency exchange risk.
Purpose of the Valuation	The valuation has been prepared for internal purposes.
Bases of Value	The applicable basis of value is Investment value under the premise current/ existing conditions and exit value upon completion, the latter of which is indicative.
Valuation Date	01 February 2019
Extent of Investigations	We have not visually inspected the property from the inside and outside. Our last inspection of the property was in 2015. We have been provided with photos of the current conditions of the property and the ongoing construction works. We have not measured, taken samples or performed other action with which to verify areas, construction and technical condition of the valued properties. We have not inspected the title deeds or provide legal or tax advice. We have relied on the areas as provided in the title deeds, cadastral sketches or previous valuations. We have not reviewed existing leases or operating agreements or taken any other steps to verify revenues or expenses. The valuation considers historic financial information and projections/budgets to the extent such

information has been made available to us and is adequate for the purpose and basis of the valuation.

Sources of Information

The information for the property has been provided to us by the Client in electronic copies.

Departures and Reservations

This valuation is not subject to any departures or reservations according to RICS Red Book.

The exit value which we have calculated is indicative.

Special Assumptions

The valuation is subject to the following special assumptions:

- We assume the first phase of the project will be operational in the summer of 2019.

Assumptions

We assume the information provided by the Client is full and correct.

We have not independently verified and do not take responsibility for the authenticity of the valuation.

The valuer is not responsible for legal issues.

Restrictions on use, distribution and publication of the reports

The valuation has been prepared with view of and can be used only by the stated Client for the abovementioned purposes and intended uses. The valuers are not liable to any third party outside the explicitly stated users of the valuations in respect of the services rendered. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Compliance

The valuation complies with the International Valuation Standards, effective from 1st of July 2017 and RICS Valuation – Global Standards 2017.

Applicable Definition

The International Valuation Standards define investment value as:

The value of an asset to the owner or a prospective owner for individual investment or operational purposes.

Although the value of an asset to the owner may be the same as the amount that could be realized from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a presumed exchange. Investment value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used to measure investment performance.

Market Uncertainty

Where uncertainty could have a material effect on an opinion of value, the valuation standards require the valuer to draw attention to this, indicating the cause of the uncertainty and the degree to which this is reflected in the valuation reported.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgment must therefore be applied.

There has been limited market evidence upon which to base our valuation and so we have had to exercise a greater degree of judgment than usual. We have considered both current and historic market evidence available and endeavored to reflect current market sentiment, although the signals are mixed.

We strongly recommend that you keep the valuation of the subject property under review.

Conflicts of Interest

We confirm no conflicts of interest exists between the Client and Forton AD reference to the rendered valuation report.

The valuers guarantee with their signatures the correctness, objectivity and independence of the valuation and declare under Article 21 (para. 1) of the Independent Valuers Act (Promulgated, SG, No. 98/14.11.2008, effective 15.12.2008) that they have no interest in the outcomes of the valuation; are not related persons to the client, owner or user of the object of valuation; that they will keep confidential the facts and data revealed to them in undertaking the valuation.

Neither our appointment nor our remuneration is conditioned on the estimated values or other interests based on the valuation.

In undertaking the valuation we have applied the best of our knowledge and professional experience and have not knowingly concealed relevant facts or circumstances.

1.2. Valuation

The value of the property as at the valuation date is:

Investment	
Investment Value, VAT Excl.	**€ 29 782 000** **(Twenty-Nine Million Seven Hundred and Eighty-Two Thousand Euro), VAT Excl.**
Exit value (10th year of development), VAT Excl. (indicative)	**€ 43 937 000** **(Forty-Three Million Nine Hundred and Thirty-Seven Thousand Euro), VAT Excl.**

2. Property Description

2.1. Location

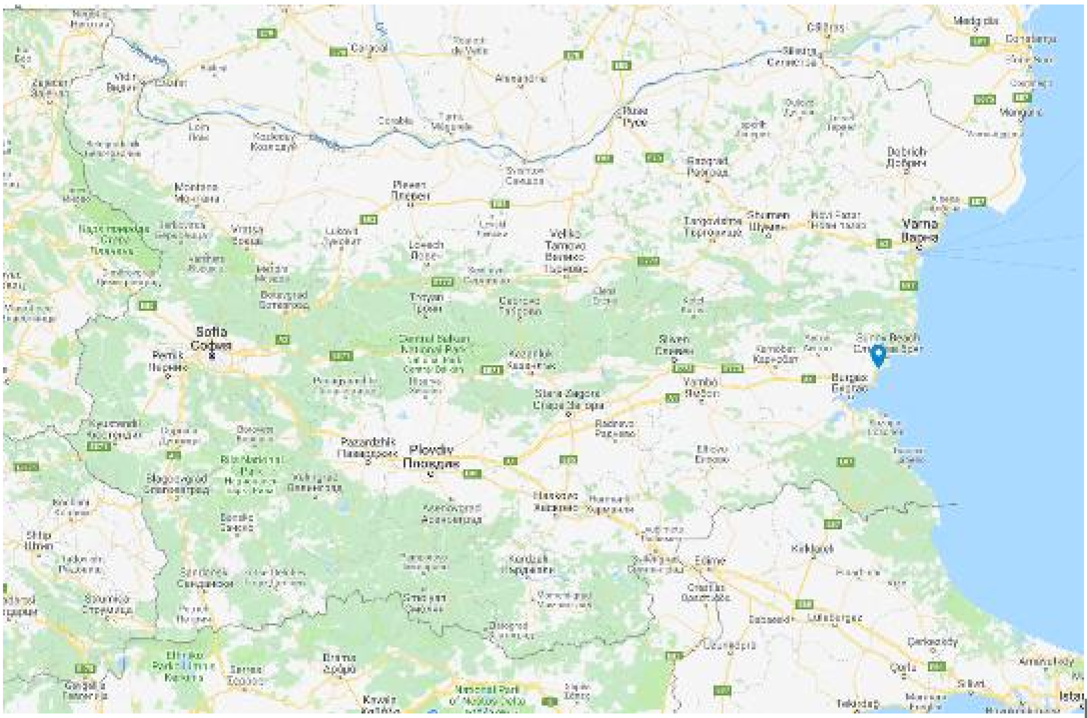
2.1.1. CITY

Sunrise Gardens is located on the outskirts of the town of Aheloy, in immediate proximity to Midia Grand Resort.

According to extract from the Cadaster Agency, the properties subject to valuation are located within land plot with identification number 00833.6.437 with total area of 47,063 sqm, “Babata” area, Aheloy village. The property is designated for other resort/recreational property, urbanized area.

The town of Aheloy has a population of approximately 2,000 people.

Macrolocation



Source: Google Maps

2.1.2. INFRASTRUCTURE

The area is equipped with all necessary town infrastructure, including road access, power and water supply.

2.1.3. SITUATION AND ACCESSIBILITY

Sunrise Gardens is accessible from Aheloy via Iskar Str. and the boardwalk.

The recently renovated E87 ensures access to Pomorie to the south and Ravda (3 km away from the property) and Nessebar (8 km away) to the north. Burgas, the main city in the area, is located 30 km away and has a busy airport during the summer season. Pomorie is closer to the property, distanced only 8 km away.

A regular bus line connects the town of Aheloy to Burgas and Sunny Beach via Sarafovo and Pomorie. An alternative route is established via Kableshkovo to Aheloy and Sunny Beach, starting from Burgas. The bus station is also situated only a kilometer away from the property.

2.1.4. SURROUNDINGS

The gated complex is located on the outskirts of Aheloy. It borders the seaside to the east and is in immediate proximity to Midia Grand Resort, a 3-star gated holiday complex. The project borders Aheloyska river to the west. The town of Aheloy is 1.5 km to the north of the property. The main road leading to Pomorie is also located to the north of the property.

Marina Cape, a gated complex completed in 2008, which offers 2 restaurants and 2 pools and is situated 1 km away from the property.

Microlocation

Source: Google Maps

2.2. Project description

2.2.1. GENERAL DESCRIPTION AND USES

The project was initially started in 2007, and was discontinued in 2010 due to financial difficulties. Construction works were restarted in 2016. The project initial plans were updated to account for the changing trends in the hotel and accommodation industry. The current plans include more retail and entertainment space and a reduced number of apartment units.

The map below shows the initial project, which is currently updated, and the new area distribution is attached below.

Initial development plans

The scheme below shows the updated plans and addition of another pool.

Current development plans

An agreement with Thomas Cook travel agency has been concluded for the renting of 600-990 beds.

2.2.2. AREA DISTRIBUTION

We have confirmed with the client the following area distribution for the complex:

Status	Building	Total number of units	TBA	Average unit size	Units owned by EPO	Units owned by others	TBA owned by EPO
completed	Building N	175	13237	75,64	175		13237
completed	Building M	183	12834	70,13	183		12834
completed	Building P	244	16553	67,84	85	159	5766
	Building L	272	18308	67,31	272		18308
rough construction	Building K	72	6300	63,00	72		4536
Total		**946**	**67 232**		**787**		**54 681**

We have been informed that 159 of the units in building P are not owned by EPO Aheloy. That said, 50 of those units are owned by the same investor. For the purposes for this valuation, we have assumed that EPO Aheloy will operate these units as a part of the hotel and compensate the owners with an annual rent of €1,200 per unit/per annum, subject to annual indexation in line with the assumption for the valuation. More details are presented in the Assumptions section below.

The retail area distribution will be as follows:

Retail areas	Area (sqm)
Building N	184
Building M	3 006

Retail areas	Area (sqm)
Building P	0
Building L	2 414
Building K	2 483
Reception area	800
Kids club	500
Poolbars	200
Restaurant outdoor seating area	1 200
Total (excl. reception area)	**9 987**

2.2.3. STATE OF REPAIR

Currently, the property is not operational. Given that we are unaware of any building defects – be it minor or major - and we have not received any information in this respect from the Client we have assumed that as at the valuation date it was in good structural condition. Construction works are still ongoing on the premises, and the last two buildings, L and K, are expected to be completed in the next couple of years.

2.2.4. FIRE RISK ASSESSMENT

We have assumed that the properties comply fully with all fire safety regulations and recommend that your legal advisors confirm this.

2.2.5. FLOODING RISK

We should note that Aheloyska river passes by in immediate proximity to the subject property. We have not been informed of any flooding problems encountered so far. Therefore, we have assumed that the flooding risk is contained. In the absence of a study on subterranean waters, we recommend the preparation on such in order to mitigate all risks. We have not prepared a separate study on this matter.

2.3. Land Plot

2.3.1. GENERAL DESCRIPTION

The land plot has no significant displacement and is of regular shape. It had cadastral ID00833.6.437 and has a total area of 47,063 sqm. The land is designated for the development of a hotel and recreational facility.

2.3.2. SITE

Site Scheme

Source: Cadastre.bg

2.3.3. ARCHEOLOGY

According to the information we have received and considering the location of the property we would not expect the site to have any archeological significance.

2.3.4. ENVIRONMENTAL CONSIDERATIONS

We are not aware of any potential sources of contamination to the property, either current or historic, and we found nothing during our inspection to give cause for concern. In view of the characteristics and history of the property we would not expect there to be any outstanding environmental issues.

2.3.5. TOWN-PLANNING AND STATUTORY CONSIDERATIONS

2.4. Taxes

Real estate is taxed at municipal level in Bulgaria annually and is subject to garbage fees and transaction taxes. For tax purposes real estate is separated into land and buildings with separate tax bases for each unit of property (land plot, building or separate part of building). The overall tax base is the sum of the tax values of all units.

Tax values of residential property owned by corporations are set at the higher of administratively estimated tax value and the balance sheet value. The tax rates applied on taxable values (in the higher of the book value and administratively determined tax base for the property) vary from 0,01 to 0.45 per cent of the tax value by current law and are set each year by the respective municipal council.

The annual real estate tax rate is 0.1875 per cent of the taxable value of the property.

Residential real estate owners are liable for waste management and the charges of 0.16 per cent of the tax value (tax valuation) with a minimum of 0.065 per cent in case the property is declared unused for the whole year.

Real estate transactions are taxed with on the higher of the tax value and transaction price at between 0.1 and 3 per cent, subject to decision of the respective municipality. The transfer tax for the municipality is set at 2.5 per cent.

2.5. Tenure

We have been verbally informed that 159 units in Building P are not owned by EPO Aheloy OOD. We have been informed that 50 of those units are owned by one investor and a lease deal renting out of the assets is probable. The rest of the complex is owned by EPO Aheloy OOD. We made a special assumption that all assets owned by Aheloy Residence are taken over by EPO Aheloy.

We have not been provided with any ownership documents.

2.6. Tenancies

Currently, the properties are not subject to any tenancies. We have been provided with a distribution of the retail areas by type. A list of the retail areas which will be leased to tenants is attached below.

Retail areas	Area (sqm)
Building N	184
Building M	3 006
Building P	0
Building L	2 414
Building K	2 483
Reception area	800
Kids club	500
Pool bars	200
Restaurant outdoor seating area	1 200
Total (excl. reception area)	**9 987**

3. Hotel and tourism market overview

3.1. Tourism Overview

Bulgaria has a diversified and relatively well-developed tourism sector. The geographic characteristics of the country predetermine the variety of tourism types. Bulgaria has a long coastline along the Black Sea, several mountains suitable for skiing and last but not least – a long and rich historical heritage.

The coastal and ski tourism sectors experienced a boom in construction activity prior to Bulgaria's accession to the EU in 2007. As a result, some resorts like Sunny Beach on the Black Sea (north of Burgas) and Bansko in the mountains now suffer from oversupply of real estate. The table below indicates the tourism specialization within each region as classified by the Ministry of Economy, Energy and Tourism.

As the market struggled to absorb the oversupply of hotel rooms and especially apartments after 2008, development activity declined. Growth in visitation has allowed the market to recover to healthier occupancy levels and room rates. Development has stalled except to a limited number of hotel redevelopment projects in highly attractive locations. Expectations are that demand would remain constrained in the foreseeable future as only experienced developers and investors are provided with access to capital.

REGION	MAIN SPECIALIZATION	SUBORDINATE SPECIALIZATION
SOFIA	• Congressional	• Cultural • Spa • Skiing
RILA-PIRIN MOUNTAINS	• Skiing	• Folklore • Monasteries and wine • Spa • Rural
RHODOPE MOUNTAINS	• Skiing	• Folklore • Monasteries and wine • Spa • Rural
TRAKIA	• Cultural	• Spa • Festivals • Rural
BLACK SEA	• Summer tourism	• Cultural • Extreme sports
OLD BULGARIAN CAPITALS	• Cultural	• Ecotourism
STARA PLANINA MOUNTAINS	• Ecotourism	• Rural • Spa • Cultural
DANUBIAN	• Cultural	• Cruise river tourism

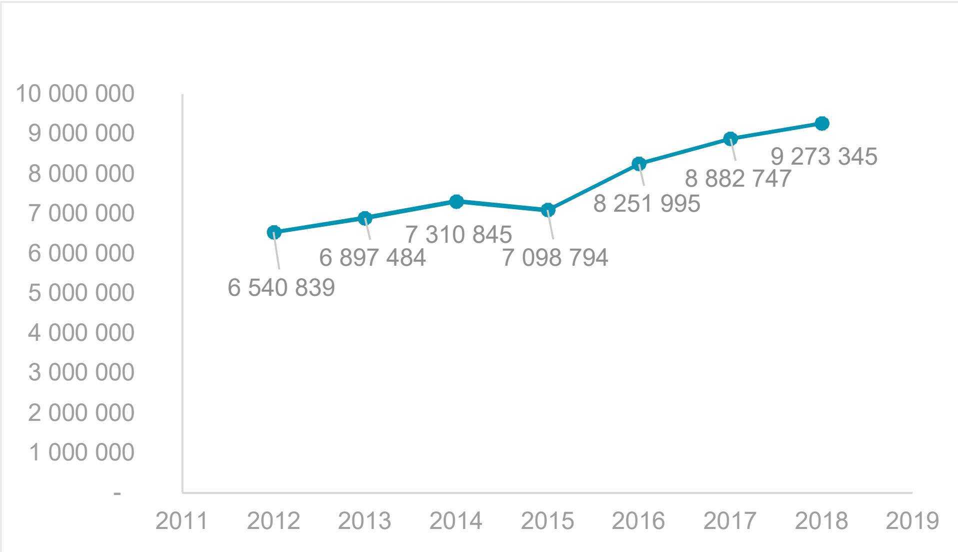
3.2. International Travel

Bulgaria was visited by approximately 9.3 million foreigners in 2018 which is a 4.4% increase compared to the previous year, according to the statistics of Ministry of Tourism. About 63% of the visits for the period were for vacation purposes.

The country has enjoyed a series of years with improving market performance, with the exception of the decline in visits in 2015 driven primarily by the outflow of Russian tourists, mostly due to economic reasons.

In 2018 visitor flows to the country surged driven by international tourism. Romanian tourists were the most numerous, accounting for almost 15% of the total number of visits.

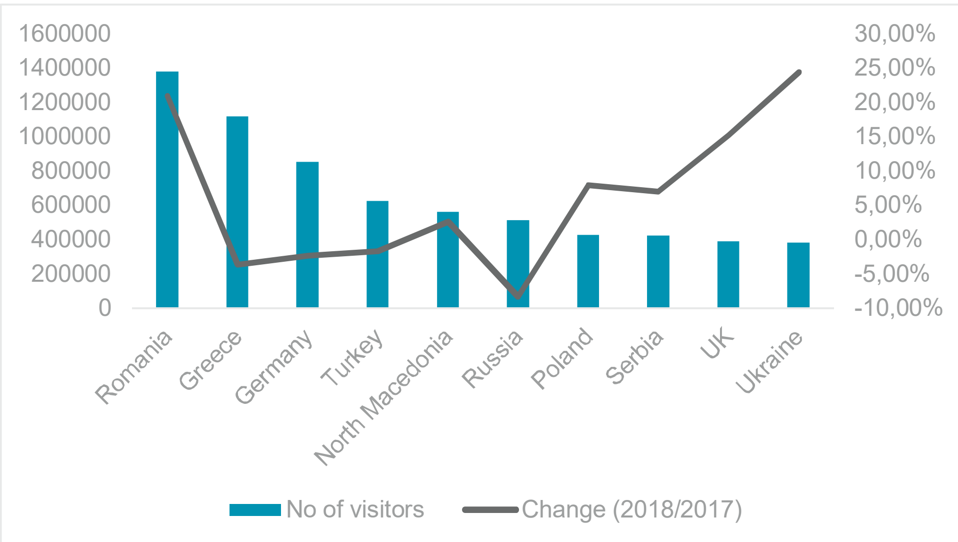
TOURIST VISITS OF FOREIGNERS IN BULGARIA



Source: National Statistical Institute

In general, the main source markets for Bulgaria is Southeast Europe, followed by Western Europe (Germany being the main driver), Russia and the former Soviet Republics and Central and Eastern European countries.

MAIN SOURCE TOURIST MARKETS IN 2018



Source: National Statistical Institute

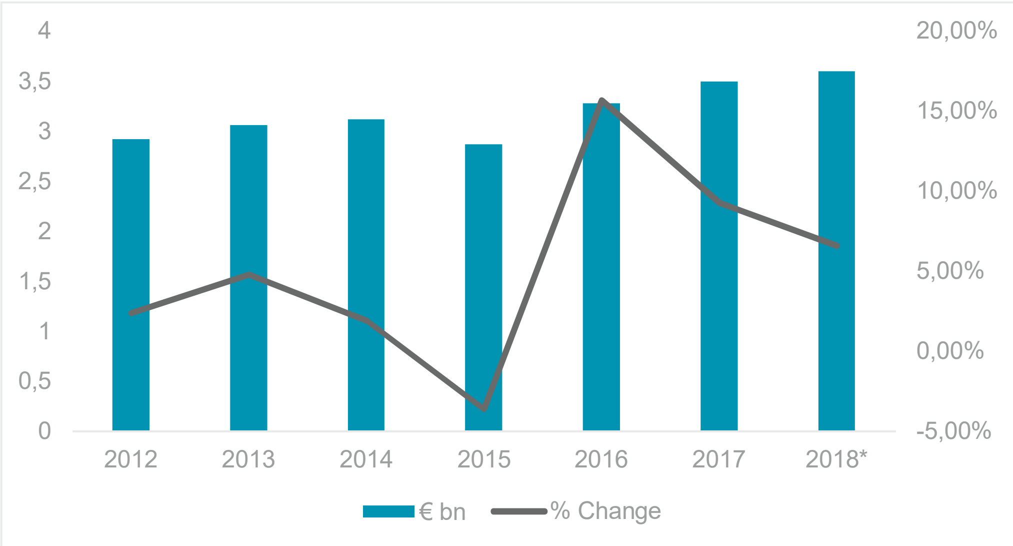
EU countries remain the main generator of tourist visits in Bulgaria although some countries, such as Greece and Germany, registered a slight decline in 2018. At the same time, Bulgaria has experienced increasing competition from neighbouring markets, especially Greece and Turkey, which are recovering lost ground after years of weaker performance.

Among these countries, several national markets stand out. Romania was the leading source market for tourism purposes in 2018, followed by Greece. Bulgaria is a primary destination for other neighbouring countries as well, such as Serbia and North Macedonia, which have also recorded growing activity both in winter and summer seasons.

3.3. Spending on Tourism

Income from travel from the Balance of Payments account shows international tourism income grew by approximately 6.6% y-o-y in 2018.

TRAVEL ACCOUNT AND GDP



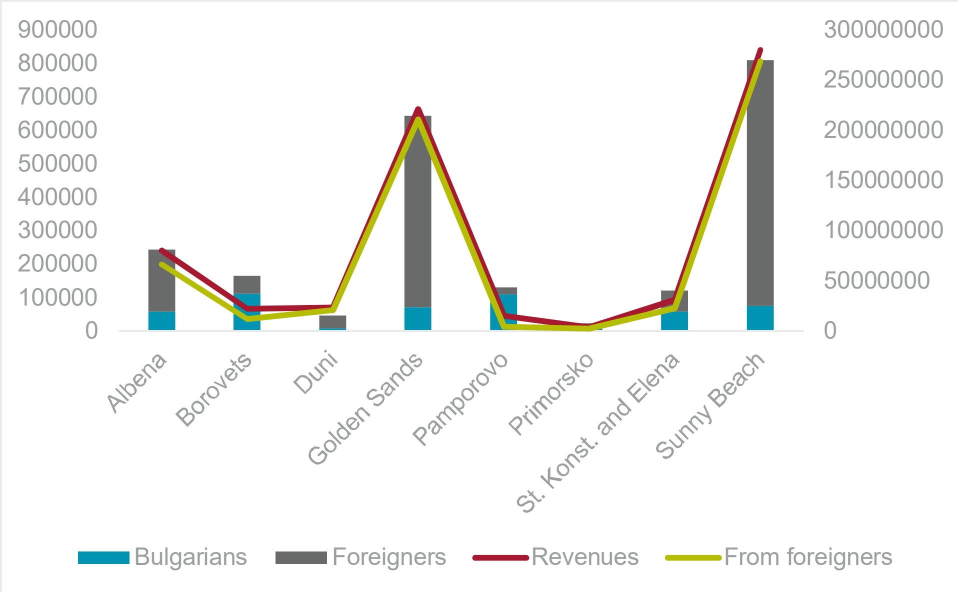
Source: BNB

Tourism spending has been growing steadily over the years, in line with the increase in international and domestic travel. Along with other market indicators, the revenues from international tourism showed a steep drop in 2015, quickly followed by market recovery.

As shown on the chart below, the sector is heavily dependent on international visitors. In the last year, they accounted for almost 80% of the visitors in the national summer and winter resorts. The overnight revenues, in turn, accounted for 90% of the total spending amount.

Among the resorts with national importance, the coastal locations register the highest number of visitors and revenues from nights spent.

SPENDING ON TOURISM BY RESIDENTS AND NON-RESIDENTS IN 2018



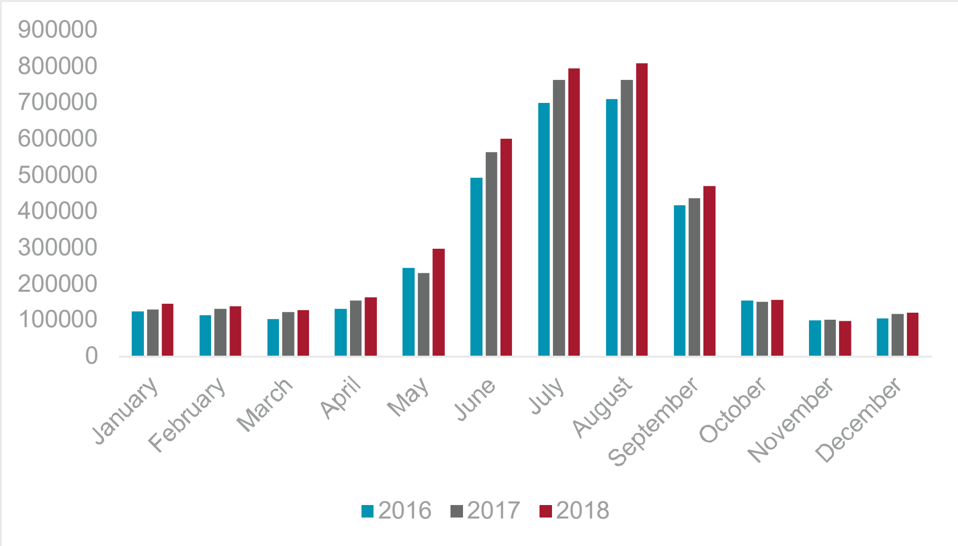
Source: National Statistical Institute

3.4. Seasonality

International visitation is led by summer coastal tourism as evidenced by the seasonality peak in July-August. Together with the mid-and low season in June and September, the summer resorts accounts for circa 60% of international travel to Bulgaria.

Although some of it can be attributed to transit to regional destinations such as Turkey or Greece or East-West moves of immigrants (Turks primarily) from and to Western Europe, data indicates that vacation is the primary motivating factor for the travellers arriving to Bulgaria. Close to 70% of visitors who stated holidays as their purpose of visit come to Bulgaria between 1 June and 30 September.

INTERNATIONAL VISITORS TO BULGARIA BY MONTH

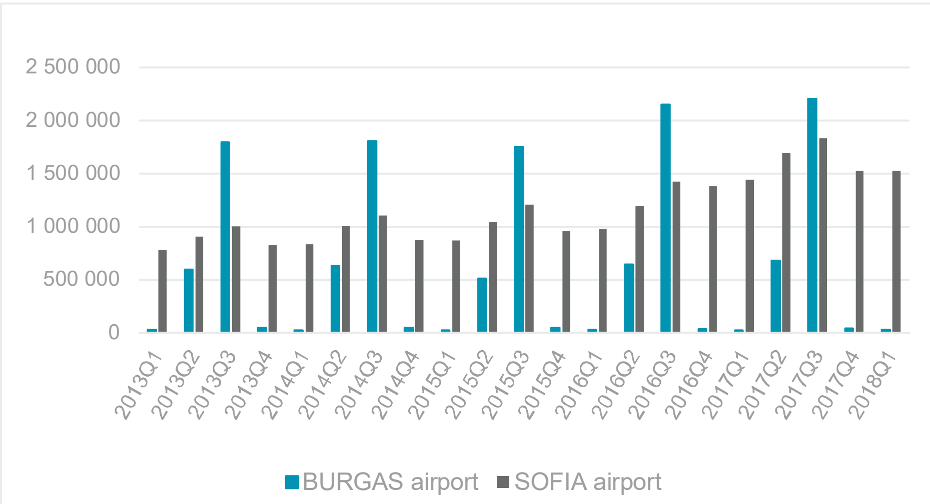


Source: National Statistical Institute

3.5. Airport Activity

The seasonal pattern is further confirmed by statistics for the Burgas airport, while the traffic in Sofia is more evenly distributed by quarters. The peak in air travel on the Black Sea coast coincides with the vacation season underscoring the profile of the region as summer hotspot.

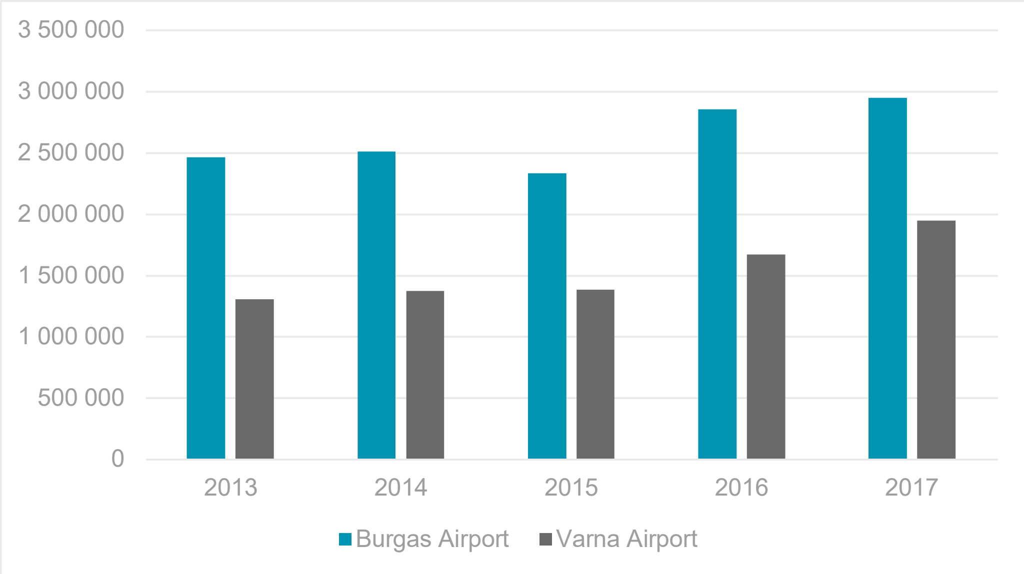
PASSENGERS CARRIED TO BURGAS AND SOFIA AIRPORTS BY QUARTERS



Source: Eurostat

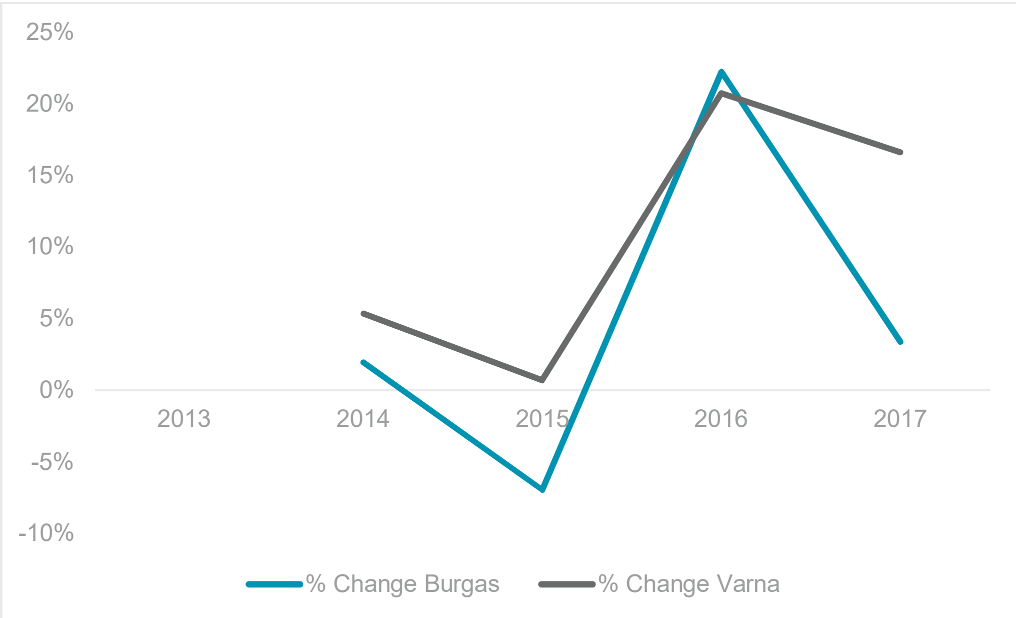
The number of passengers at Burgas Airport has been gradually increasing over the years. The compound average annual growth rate of the number of passengers from 2013 to 2017 was 3.7% 2018 was record-breaking, with 3.3.mln passengers passing though Burgas airport, a significant increase by 10% compared to last year. Russian tourists account for 17% of the number of passengers, followed by those from Great Britain, Germany, Poland and the Czech Republic.

PASSENGERS CARRIED TO BURGAS AND VARNA AIRPORTS



Source: Eurostat

PASSENGERS CARRIED TO BURGAS AND VARNA AIRPORTS



Source: Eurostat

The larger number of Burgas passengers compared to those in Varna is a result of the much larger size of the tourism market in the South.

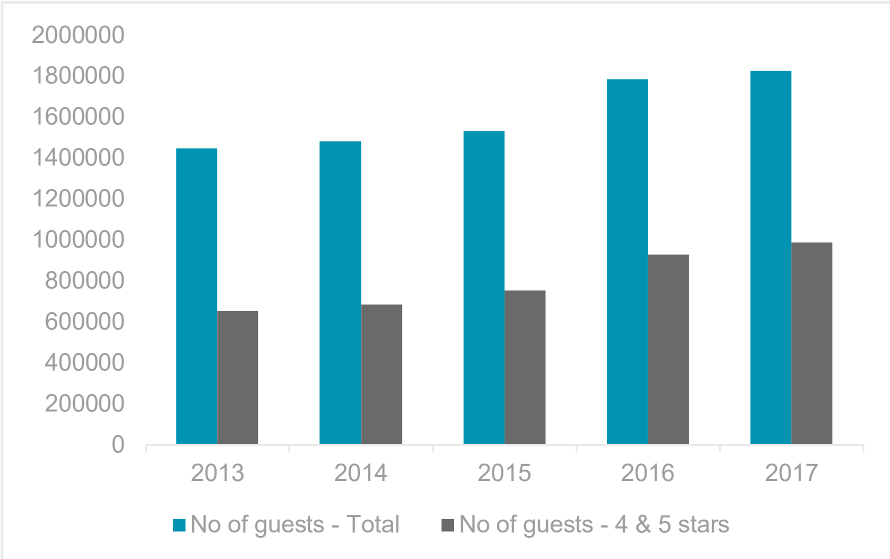
The main difference in travel activity comes from vacation season passengers.

3.6. Demand

The number of guests to hotels in the South-East region increased at a compound average annual rate of 4.8% between 2013 and 2017. The main growth drivers can be traced down to increased international guests, accounting for more than 64% of the total number and more than 81% of the arrivals in the upscale segment.

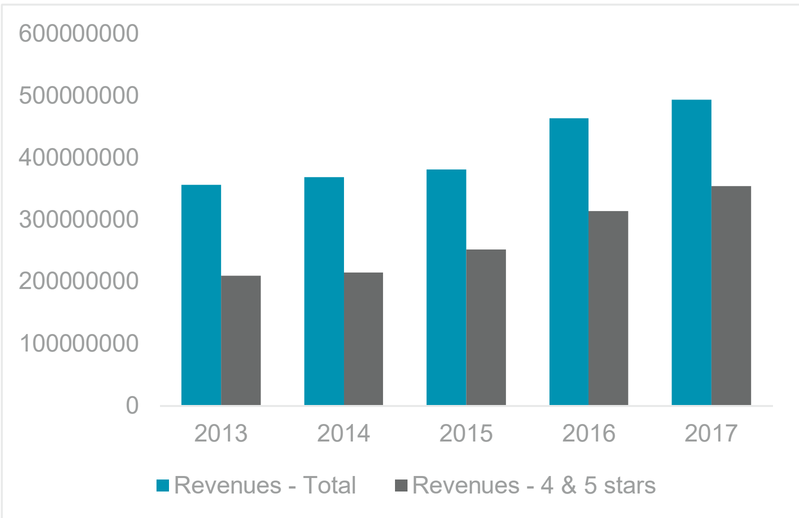
In general, the upscale segment generates the largest growth in both number of guests and revenues with compound average annual rate of 8.6% and 11% respectively, between 2013 and 2017.

NUMBER OF GUESTS – SOUTH-EAST REGION



Source: Eurostat

Revenues (BGN) – SOUTH-EAST REGION



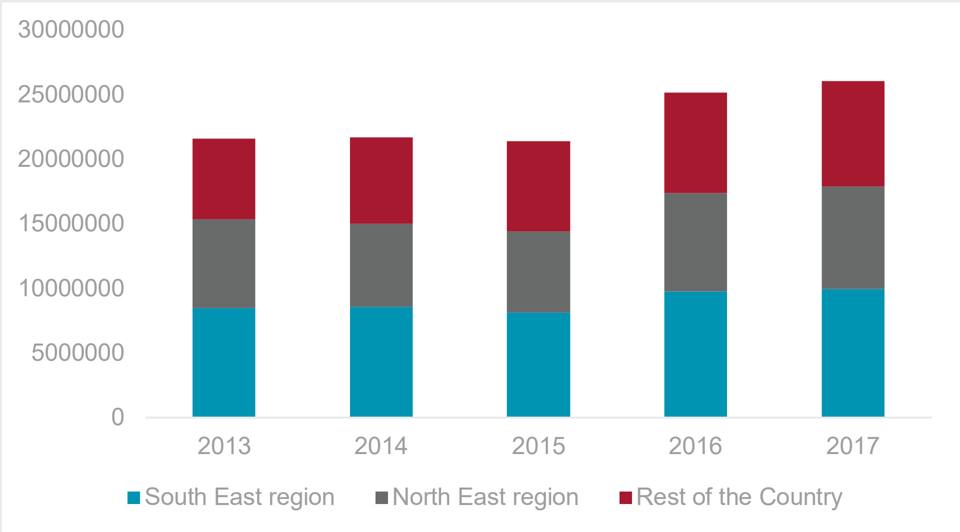
Source: Eurostat

As can be seen on the charts above, the revenues in the 4- and 5-stars segment have increased more rapidly in the last five years, compared to the number of visitors and overnights for the same period. This result indicates a gradual price growth in the upscale segment over the last years.

Tourist visits produce an average of five to six night-stays in the coastal regions against about two in all other markets, including Sofia. Accommodated demand amounts to 1.83 million guests in the South-East region against 1.66 million in the North-East region for 2017.

The South-East Bulgaria remains the largest hotel market in volume with 9.97 mln night stays, followed by the North-East part of the country with 7.93 mln night stays, in 2017. As the below chart also shows, the Coastal areas account for almost 70% of accommodation demand in Bulgaria with the South capturing 38% of the national market and the North 30%.

NUMBER OF NIGHT STAYS



Source: National Statistical Institute

The latest available data shows that the reviewed project is in a growing and sizable market.

3.7. Supply

Nationally, supply of hotel beds has increased over the last five years at a compound rate of 2.9%, allowing the market to gradually absorb the new supply. The South-East region posted higher than average increase of 3.4%, mostly thanks to the new tourist accommodations.

It should be noted that this growth rate was partly a result of some redevelopments of outdated buildings as land availability is low.

In terms of number of beds, the coastal hotel market stood at 70% of the national supply with 40% for the Southeastern region and 30% for the Northeast.

NUMBER OF HOTEL BEDS COUNTRYWIDE

Source: National Statistical Institute

While hotels nationally operate on a year-round basis, the average day a bed is opened in coastal areas is five to six months. Despite a perception for less sun-hours and lower temperatures in the North, data suggests coastal hotels there operate a month longer than their southern peers. Explanations can be found in more consolidated ownership or larger and hence more efficient properties – the North coast had the highest number of beds per property nationally at 149 and the South was in second position with 148 as at 2017. The capital Sofia holds third position with 144 beds per accommodation on average.

A relatively small number of hotels is open year-round along the coast, specifically city hotels in Varna and Burgas but also some coastal properties looking to meet the holiday and event demand on New Year and Easter holidays, as well as graduation celebrations in May. These types of hotels are usually business-oriented and fill the low seasons with corporate events, wedding and other types of gatherings attracted by the availability of spa and wellness services.

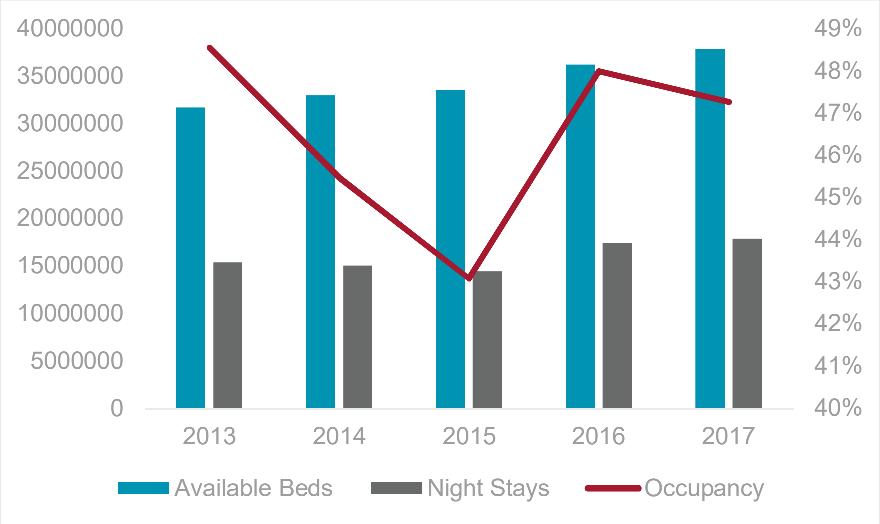
3.8. Hotel Performances

The coastal hotel business enjoyed stable occupancy over the last three years after the lag in 2015. The average rate stood at 47% in 2017 which roughly equals the figures a year earlier. South-East region leads the pack with almost 51% average occupancy while the North-East region lags behind with 43% occupancy on average.

The chart below compares the total number of beds available (beds x days open), the total number of night stays (bed-based) and bed occupancies at coastal hotels in the period between 2013 and 2017. Nationally, occupancy remains stable at 39% on average.

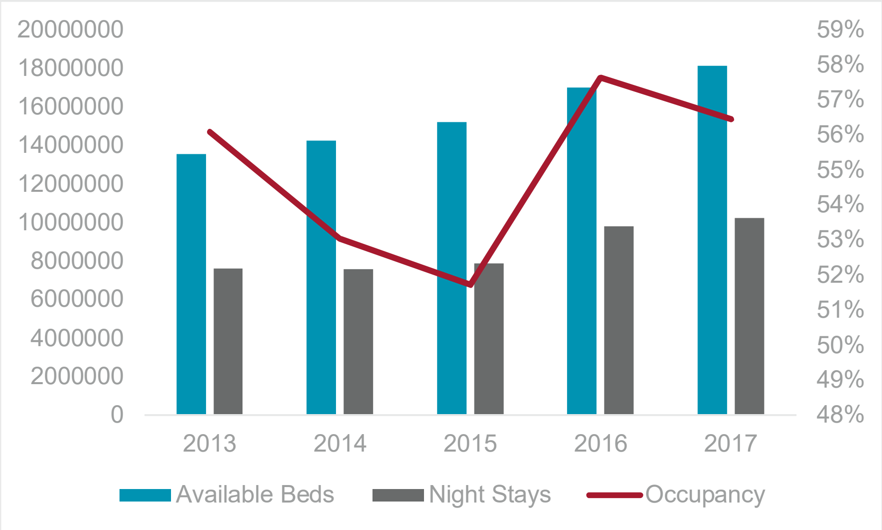
It should be noted that the upscale segment performs better in the coastal area with 56-58% occupancy rate on average. Again, this could be explained by more consolidated properties and more efficient management of the 4- and 5-stars hotel accommodations.

HOTEL OCCUPANCIES – COSTAL ACCOMMODATIONS



Source: National Statistical Institute

HOTEL OCCUPANCY – COSTAL ACCOMMODATIONS – 4 & 5 STARS



Source: National Statistical Institute

3.9. Pipeline

Redevelopment of existing but outdated facilities and extensions remain distinct trend along the Black Sea coast. There is limited amount of new rooms under construction, especially in larger hotel accommodations.

After the construction boom in the previous peak of the property cycle in 2007-2008, currently a more moderate investment activity is evident. The latter is result of the volatile tourist and second home market in the recent past. The limited availability of land suitable for hotel construction in the coastal resorts is another key factor.

Data from the National registry for new constructions & reconstructions (bcc.bg) shows just several larger projects (with TBA of more than 10,000 sq. m) currently under construction or in refurbishment along the Coast:

- Grifid Hotel Vistamar, Golden Sands Resort, TBA of 12,000 sq. m, refurbishment and construction of a new hotel and SPA section
- Cherno More Hotel, Varna, TBA of 67,900 sq. m, refurbishment
- Aquahouse Phase 3, St. Konstantin and Elena resort, TBA of 16,000 sq. m, new construction
- Amelia Hotel (ex-Dobrudja), Albena resort, TBA of 14,213 sq. m, refurbishment and enlargement
- Wave Hotel, Aheloy village, TBA of 42,272 sq. m, new construction
- Belvedere Club Hotel, Primorsko, TBA of 15,500 sq. m, refurbishment

The major part of the new developments are small family hotels or apartment houses with TBA rarely exceeding 3,000 sq. m.

However, this trend can be a subject to change, especially if market conditions allow more new developments and the general sentiment remains positive for new coastal hotels.

We assume the market is not influenced by external shocks such as economic or political crisis, war or major terrorism threats. Moreover, thus far the instability in the Middle East and North Africa have benefited Bulgaria’s tourism sector which is why we would expect that gradual increase in demand would continue.

3.10. Investment market

Local investors have largely replaced international developers or high-net-worth individuals over the last several years, with examples such as the sales of the former Kempinski by the Zografski family, Radisson Blu by real estate investor Gort Securities and Hilton by Ireland’s National Asset Management Agency. There have been several smaller sales such as the disposal of the former Park Inn from Greek fund manager Bluehouse Capital to a major Greek hotel investor.

The reason for the exit of foreign capital can be traced to high leverage in the aftermath of the global financial crisis and also the lack of large institutional pools of capital in the market. That said, the sales of Hilton and Kempinski in the recent past generated significant investor interest locally, not least due to their relatively low pricing.

Hotel is generally traded by specialist investors with sound understanding of the business. Aggressive leverage and lack of experience have produced poor results in the past. Experienced investors are aware of their negotiation position and would generally develop their pricing on the basis of expected net income from the property by taking into consideration factors such as location, size, current and potential positioning, trading history and reputation, brand, etc.

Developers are mostly interested in locations with large market areas, backed by corporate and government offices, with excellent private vehicle and public transportation access, preferably close to points of interest for tourists. Management agreements are becoming more common and are usually secured prior to start of construction or refurbishment so that the project can be adapted at a reasonable cost to the requirements of hotel brands.

The large hotel owners are generally local or regional experienced investors who also have interests in the resort hotel segment such as:

Group	Type	Hotel interests
Kokari Ltd. (Daskalantonakis family)	Hotel investor and operator	Sofia Hotel Balkan, a Luxury Collection Hotel, and Maison Sofia
Galaxy Investment Group	Real estate investor and developer	Intercontinental (former Radisson Blu) and Hilton Sofia
Victoria Group	Hotel investor and operator	Marinela (former Kempinski)
NIKMI	Hotel developer and operator	Grand Hotel Sofia, Millennium Center and Suite Hotel
Dyuni	Hotel investor and operator	Hotel Rodina (under refurbishment)
Princess Group	Hotel investor and operator	Ramada Sofia
Terra Tour Service	Hotel investor and operator	Hyatt Regency
Garanti Koza	Real estate developer	Swissotel, second potential project
ITower Development	Real estate developer	Marriott
Rosslyn Capital Partners	Private equity and real estate investor	Central Park and Trakia hotels
Fairplay	Real estate developer and hotel operator	Arena di Serdika, Crystal Palace and Hill hotels
Markan	Real estate developer	Novotel and a second Novotel and Ibis property in the pipeline

Except for the upscale hotels in Sofia already mentioned above, there were several smaller-scale hotel investment transactions over the last few years. In 2017, a total of 5 hotels changed their owners, only one outside Sofia - business hotel Bulgaria, located in the center of Burgas. It was acquired at approximately €40,000 per key, or at roughly €8.4 mln. Another Black Sea coast transaction in 2018 was the acquisition of Europa Hotel at the resort of Sunny Beach, which changed owners for under €60,000 per key.

4. Methodology

4.1. Bases of value

For the purposes of this valuation, we have adopted an Investment basis of value.

The International Valuation Standards define investment value as:

The value of an asset to the owner or a prospective owner for individual investment or operational purposes.

Although the value of an asset to the owner may be the same as the amount that could be realized from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a presumed exchange. Investment value reflects the circumstances and financial objectives of the entity for which the valuation is being produced. It is often used to measure investment performance.

4.2. Approach and Method of Valuation

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values. The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

In preparing our valuation report we have relied upon our knowledge of the occupational and investment markets and the available evidence.

The principle valuation approaches are:

Market approach,

Income approach, and

Cost approach.

4.2.1. MARKET APPROACH

The market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available.

COMPARABLE TRANSACTIONS METHOD

The evaluation on the base of the method of comparable sales is done by a direct comparison of the evaluated property (building or land) with appropriate analogues. The main point in the method is the use of the market information for executed transactions on the relevant real estate market or properties offered for sale as at the time of the valuation. The analysis includes a procedure for interpreting and transforming the prices of the comparable properties on a market oriented value of the valuated property, including for asking price bias if necessary. If the comparable property exceeds in quality the evaluated property with one factor, a negative correction is set to decrease the value of the evaluated property.

The comparison is made by the use of indexes such as: location, physical characteristics, purpose, functionality, engineering equipment and infrastructure, transport accessibility to the property, building characteristics, ecological conditions of the territory, market characteristics, etc.

The analysis includes properties with the same or similar functional purpose and usage. After the comparison of the properties, a correction is made to define the corrected price for 1 sqm and on this basis the value of the evaluated property is defined.

We have deemed the Market approach is not suitable for assessing the value of the development. Therefore, we have applied the income approach described below.

4.2.2. INCOME APPROACH

The income approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

DISCOUNTED CASH FLOW (DCF) METHOD

Under the DCF method, the forecasted cash flow is discounted back to the valuation date, resulting in a present value of the asset. In some circumstances for long-lived or perpetual-lived assets DCF include a terminal value, which represents the value of the asset at the end of the explicit projection period. In other circumstances, the value of an asset may be calculated solely using the terminal value with no explicit projection period. This is sometimes referred to as an income capitalization method.

The forecast cash flows consist of the expected rental and/or sale revenues from the property over the projection period. Provisions are made for projected vacancies or holding costs. The revenues are reduced with the outgoings such as capital expenses related to development or refurbishment, letting and selling fees and the operating expenses. In case of investment property, a terminal value is determined by the forecast of the annual net operating income for the year immediately after the end of the holding period divided by the exit yield (capitalization rate) expressed as a percentage. The stabilized perpetual growth rate of the investment is thus reflected in the valuation.

The choice of cash flows depends on the nature of the asset and investor preferences. Where investors or developers are expected to use bank financing, consideration is given to the obtainable development and/or acquisition loan and financing costs.

The discount rate considers the type of cash flows (to the property or to the equity), the risk compared to similar investments and the long-term growth rate (inflation).

We have constructed the leveraged cash flow in the following way:

Hotel EBITDA + terminal value – realization costs – equity acquisition + bank loan – interest – principal – outstanding principal.

We have discounted the cumulative cash flows assuming an appropriate discount rate.

We have based our estimations on a 10-year cash flow.

4.3. Valuation Assumptions

For the purpose of the valuation have made a number of assumptions which we consider reasonable and in line with the purpose of the valuation.

AREA DISTRIBUTION

Building	Total number of units	TBA	Average unit size	Units owned by EPO	Units owned by others	TBA owned by EPO
Building N	175	13237	75,64	175		13237
Building M	183	12834	70,13	183		12834
Building P	244	16553	67,84	85	159	5766
Building L	272	18308	67,31	272		18308
Building K	72	6300	63,00	72		4536
	946	**67 232**		**787**		**54 681**

Retail areas	
Building N	184
Building M	3 006
Building P	0
Building L	2 414
Building K	2 483
Reception area	800
Kids club	500
Pool bars	200
Restaurant outdoor seating area	1 200

We have been informed that 159 of the units in building P are not owned by EPO Aheloy. For the purposes for this valuation, we have assumed that EPO Aheloy will operate these units as a part of the hotel and compensate the owners with an annual rent of €1,200 per unit/per annum, subject to annual indexation in line with the assumption for the valuation. In addition, we assume the units not owned by EPO Aheloy will be open for 93 days per season, as the owners will have the opportunity to use them for 14 days during the season.

DEVELOPMENT TIMELINE

We have assumed that buildings M and N will be operational for the summer 2019 season, followed by the three remaining buildings P, L &K in 2020.

We have assumed the properties will be operational 107 days a year, with the high season lasting for 77 days and the mid-season-30 days.

We have adopted a 10-year cash flow, with an investment sale of the properties in the tenth year.

COSTS TO COMPLETE

We have been provided with the following costs to complete the first phase of the project. These costs will be expensed before the opening of the complex in the summer of 2019.

Outstanding costs – M and N	Cost
Completion of reception building	€ 506 180
Plumbing and water supply	€ 127 800
Second outdoor pool	€ 199 400
Pump station	€ 30 890
Equipment and connection of the pumping station	€ 309 740
Repair and completion of existing pool	€ 66 500
Completion for the M and N buildings	€ 92 000
Completion of the retail space in M and N buildings	€ 409 000
Completion of building outside	€ 363 000
Vertical planning	€ 818 067
Pool equipment	€ 76 700
Total	**€ 2 999 277**

The outstanding costs to complete the other two buildings are as follows:

Outstanding costs-P, L & K	Area	Cost to complete
Rough construction building L	18 308	€ 2 231 957
Buildings P & K	6 300	€ 768 043
Total		**€ 3 000 000**

ADR AND OCCUPANCY PROJECTIONS

- Phase I

For the first phase of the project, we have assumed the following ADRs:

ADR estimation Phase I	Number of days	ADR
High season	77	€ 65,00
Mid-season	30	€ 55,00

These lead to an average ADR of €62 per room for the first season of operations, we have used for the purposes of our calculations. We have assumed the ADR will increase by 2% per annum, reaching €67 on the 6th year and €74 on the 10th year of operations.

- Phase II

As we have been informed that the remaining 2 buildings are planned to be completed to higher standards, we have reflected that in the ADR assumptions shown below. We have assumed the ADR will increase by 2% per annum, reaching €82 in the 5th year and €91 on the 10th year of operations.

ADR estimation Phase II	Number of days	ADR
High season	77	€ 80,00
Mid-season	30	€ 65,00

These result in an average ADR of €76 per room for the first year of operations.

For both Phase I and Phase II, we have adopted a beginning occupancy rate of 54%, gradually rising and stabilizing at 72% at year 10.

We have assumed the occupancy will be distributed as follows:

Beginning occupancy:

Occupancy rate estimation	Number of days	Occupancy rate
High season		
July	31	70%
August	31	80%
June	15	30%
Low season		
September	15	25%
June	15	20%
Average occupancy rate for the season	54%	

Stabilized occupancy rate:

Occupancy rate estimation	Number of days	Occupancy rate
High season		
July	31	100%
August	31	100%
June	15	40%
Low season		
September	15	30%
June	15	30%
Average occupancy rate for the season	**72%**	

We have adopted a 2% growth and inflation rate on all income and expenses projections.

ADDITIONAL INCOME

We have assumed the retail areas will be leased at €10 per sqm/month, for 3 months each year.

Other income generating projections:

- Food and beverage income is estimated at 20% of room revenue;
- Other income is projected at 5% of the room revenue.

COSTS AND EXPENSES

We have adopted the following costs, in addition to the costs to complete and the annual fee to operate the units not owned by EPO Aheloy, which will be incurred on an annual basis:

- Rooms expenses-18% of the rooms revenue;
- Food and beverages-12% of the F&B revenue;
- Rent expenses-2% of the rent revenue;
- Administrative and general-3.5% of the total revenue;
- Sales and marketing-5% of the total revenue;
- Property operations and maintenance-7% of the total revenue:
- Utility costs-3.5% of the total revenue;
- Reserve for renewals-2% of the total revenue for the first three years of operation, and 3% for the rest of the period;
- Property taxes-1% of the total revenue;
- Operating and management fee-6% of the total revenue

FINANCING

We have assumed 80% of the costs to complete the project will be financed by debt, and the remaining 20%-by equity.

The interest rate is adopted at 4%, and the DSCR is 1.3.

INVESTMENT SALE

We have assumed the property will be sold at the end of the 10^{th} year of operations. The exit yield and exit price are estimated on the basis of the projections for the 11^{th} year of operations.

Sunrise Gardens	
EBITDA (year 10)	€ 4 173 979
Exit Yield	9,50%
Exit Value	**€ 43 936 617**
Realization costs	2,00%

5. Appendix

Appendix 1. Valuation Calculations

Phase I.

YEAR	1	2	3	4	5	6	7	8	9	10	11
No of Rooms	358	358	358	358	358	358	358	358	358	358	358
Number of Opening days (remaining units)	107	107	107	107	107	107	107	107	107	107	107
Occupancy (%)	54%	58%	60%	64%	66%	68%	70%	70%	70%	72%	72%
Rooms sold	20 685	22 217	22 984	24 516	25 282	26 048	26 814	26 814	26 814	27 580	27 580
ADR / Средна дневна цена /	€ 62	€ 63	€ 65	€ 66	€ 67	€ 69	€ 70	€ 71	€ 73	€ 74	€ 76
REVENUES											
Rooms revenue	€ 1 286 545	€ 1 409 481	€ 1 487 246	€ 1 618 123	€ 1 702 063	€ 1 788 714	€ 1 878 149	€ 1 915 712	€ 1 954 027	€ 2 050 053	€ 2 091 054
Food & beverages (% of room revenue)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Food and Beverage	€ 257 309	€ 281 896	€ 297 449	€ 323 625	€ 340 413	€ 357 743	€ 375 630	€ 383 142	€ 390 805	€ 410 011	€ 418 211
Rental income (% of rooms revenue)	12%	11%	11%	10%	10%	9%	9%	9%	9%	9%	9%
Rental income	€ 152 687	€ 155 740	€ 158 855	€ 162 032	€ 165 273	€ 168 578	€ 171 950	€ 175 389	€ 178 897	€ 182 475	€ 186 124
Other income (% of room revenue)	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Other Income	€ 64 327	€ 70 474	€ 74 362	€ 80 906	€ 85 103	€ 89 436	€ 93 907	€ 95 786	€ 97 701	€ 102 503	€ 104 553
Total non-room revenue	€ 474 323	€ 508 111	€ 530 666	€ 566 563	€ 590 789	€ 615 757	€ 641 487	€ 654 317	€ 667 403	€ 694 988	€ 708 888
as % of total revenue	27%	26%	26%	26%	26%	26%	25%	25%	25%	25%	25%
TOTAL REVENUE	€ 1 760 867	€ 1 917 592	€ 2 017 912	€ 2 184 686	€ 2 292 852	€ 2 404 470	€ 2 519 637	€ 2 570 029	€ 2 621 430	€ 2 745 041	€ 2 799 942
DEPARTMENTAL COSTS											
Rooms	€ 231 578	€ 253 707	€ 267 704	€ 291 262	€ 306 371	€ 321 968	€ 338 067	€ 344 828	€ 351 725	€ 369 010	€ 376 390
as % of rooms revenue	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Total Food and Beverage	€ 30 877	€ 33 828	€ 35 694	€ 38 835	€ 40 850	€ 42 929	€ 45 076	€ 45 977	€ 46 897	€ 49 201	€ 50 185
as % of revenue	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Rents (including retail)	€ 4 581	€ 4 672	€ 4 766	€ 4 861	€ 4 958	€ 5 057	€ 5 158	€ 5 262	€ 5 367	€ 5 474	€ 5 584

YEAR	1	2	3	4	5	6	7	8	9	10	11
as % of revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
TOTAL DEPARTMENTAL COSTS	€ 267 036	€ 292 206	€ 308 164	€ 334 958	€ 352 179	€ 369 955	€ 388 301	€ 396 067	€ 403 988	€ 423 685	€ 432 159
as % of total revenue	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
DEPARTMENTAL PROFIT	€ 1 493 832	€ 1 625 385	€ 1 709 748	€ 1 849 728	€ 1 940 673	€ 2 034 516	€ 2 131 336	€ 2 173 962	€ 2 217 442	€ 2 321 356	€ 2 367 783
UNDISTRIBUTED OPERATING EXPENSES											
Administrative & General	€ 61 630	€ 67 116	€ 70 627	€ 76 464	€ 80 250	€ 84 156	€ 88 187	€ 89 951	€ 91 750	€ 96 076	€ 97 998
% of total revenue	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Sales & Marketing	€ 88 043	€ 95 880	€ 100 896	€ 109 234	€ 114 643	€ 120 224	€ 125 982	€ 128 501	€ 131 071	€ 137 252	€ 139 997
% of total revenue	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Property Operations and Maintenance	€ 123 261	€ 134 231	€ 141 254	€ 152 928	€ 160 500	€ 168 313	€ 176 375	€ 179 902	€ 183 500	€ 192 153	€ 195 996
% of total revenue	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Utility Costs	€ 61 630	€ 67 116	€ 70 627	€ 76 464	€ 80 250	€ 84 156	€ 88 187	€ 89 951	€ 91 750	€ 96 076	€ 97 998
Utility costs (% of total revenue)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
TOTAL UNDISTRIBUTED EXPENSES	€ 334 565	€ 364 342	€ 383 403	€ 415 090	€ 435 642	€ 456 849	€ 478 731	€ 488 306	€ 498 072	€ 521 558	€ 531 989
INCOME BEFORE FIXED CHARGES	€ 1 159 267	€ 1 261 043	€ 1 326 345	€ 1 434 638	€ 1 505 031	€ 1 577 666	€ 1 652 605	€ 1 685 657	€ 1 719 370	€ 1 799 798	€ 1 835 794
FIXED CHARGES											
Reserve for Renewals	€ 35 217	€ 38 352	€ 40 358	€ 54 617	€ 57 321	€ 60 112	€ 62 991	€ 64 251	€ 65 536	€ 68 626	€ 69 999
% of total revenue	2,0%	2,0%	2,0%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%
Property Taxes	€ 17 609	€ 19 176	€ 20 179	€ 21 847	€ 22 929	€ 24 045	€ 25 196	€ 25 700	€ 26 214	€ 27 450	€ 27 999
% of room revenue	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Operating and management fee	€ 105 652	€ 115 055	€ 121 075	€ 131 081	€ 137 571	€ 144 268	€ 151 178	€ 154 202	€ 157 286	€ 164 702	€ 167 997
% of rooms revenue	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
TOTAL FIXED CHARGES	€ 158 478	€ 172 583	€ 181 612	€ 207 545	€ 217 821	€ 228 425	€ 239 365	€ 244 153	€ 249 036	€ 260 779	€ 265 994

YEAR	1	2	3	4	5	6	7	8	9	10	11
EBITDA EUR	€ 1 000 789	€ 1 088 460	€ 1 144 733	€ 1 227 092	€ 1 287 210	€ 1 349 241	€ 1 413 239	€ 1 441 504	€ 1 470 334	€ 1 539 019	€ 1 569 800

Phase II.

YEAR	2	3	4	5	6	7	8	9	10	11
No of Rooms	429	429	429	429	429	429	429	429	429	429
Number of Opening days (hotel units)	107	107	107	107	107	107	107	107	107	107
Occupancy (%)	54%	58%	60%	64%	66%	68%	70%	70%	70%	72%
Number of opening days-sold units	93	93	93	93	93	93	93	93	93	93
Number of sold units	159	159	159	159	159	159	159	159	159	159
Rooms sold	32773	35200	36414	38842	40055	41269	42483	42483	42483	43697
ADR / Средна дневна цена /	€ 76	€ 77	€ 79	€ 80	€ 82	€ 84	€ 85	€ 87	€ 89	€ 91
REVENUES										
Rooms	€ 2 483 979	€ 2 721 337	€ 2 871 480	€ 3 124 170	€ 3 286 237	€ 3 453 536	€ 3 626 213	€ 3 698 737	€ 3 772 712	€ 3 958 114
Food & beverages (% of room revenue)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Food and Beverage	€ 496 796	€ 544 267	€ 574 296	€ 624 834	€ 657 247	€ 690 707	€ 725 243	€ 739 747	€ 754 542	€ 791 623
Rental income (% of rooms revenue)	5%	5%	4%	4%	4%	4%	4%	4%	4%	4%
Rental income	€ 122 917	€ 125 376	€ 127 883	€ 130 441	€ 133 050	€ 135 711	€ 138 425	€ 141 193	€ 144 017	€ 146 898
Other income (% of room revenue)	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Other Income	€ 124 199	€ 136 067	€ 143 574	€ 156 209	€ 164 312	€ 172 677	€ 181 311	€ 184 937	€ 188 636	€ 197 906
Total non-room revenue	€ 743 912	€ 805 710	€ 845 753	€ 911 483	€ 954 609	€ 999 095	€ 1 044 978	€ 1 065 878	€ 1 087 195	€ 1 136 426
as % of total revenue	23%	23%	23%	23%	23%	22%	22%	22%	22%	22%
TOTAL REVENUE	€ 3 227 891	€ 3 527 047	€ 3 717 233	€ 4 035 654	€ 4 240 846	€ 4 452 631	€ 4 671 191	€ 4 764 615	€ 4 859 907	€ 5 094 540
DEPARTMENTAL COSTS										
Rooms	€ 447 116	€ 489 841	€ 516 866	€ 562 351	€ 591 523	€ 621 636	€ 652 718	€ 665 773	€ 679 088	€ 712 460
as % of rooms revenue	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Total Food and Beverage	€ 59 616	€ 65 312	€ 68 916	€ 74 980	€ 78 870	€ 82 885	€ 87 029	€ 88 770	€ 90 545	€ 94 995

YEAR	2	3	4	5	6	7	8	9	10	11
as % of revenue	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Rents (including retail spa center)	€ 2 458	€ 2 508	€ 2 558	€ 2 609	€ 2 661	€ 2 714	€ 2 768	€ 2 824	€ 2 880	€ 2 938
as % of revenue	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
TOTAL DEPARTMENTAL COSTS	€ 509 190	€ 557 660	€ 588 340	€ 639 940	€ 673 053	€ 707 236	€ 742 516	€ 757 366	€ 772 514	€ 810 393
as % of total revenue	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
DEPARTMENTAL PROFIT	€ 2 718 701	€ 2 969 387	€ 3 128 894	€ 3 395 714	€ 3 567 792	€ 3 745 395	€ 3 928 675	€ 4 007 248	€ 4 087 393	€ 4 284 147
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	€ 112 976	€ 123 447	€ 130 103	€ 141 248	€ 148 430	€ 155 842	€ 163 492	€ 166 762	€ 170 097	€ 178 309
% of total revenue	3,5%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Sales & Marketing	€ 161 395	€ 176 352	€ 185 862	€ 201 783	€ 212 042	€ 222 632	€ 233 560	€ 238 231	€ 242 995	€ 254 727
% of total revenue	5,0%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Property Operations and Maintenance	€ 225 952	€ 246 893	€ 260 206	€ 282 496	€ 296 859	€ 311 684	€ 326 983	€ 333 523	€ 340 193	€ 356 617,77
% of total revenue	7,0%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Utility Costs	€ 112 976	€ 123 447	€ 130 103	€ 141 248	€ 148 430	€ 155 842	€ 163 492	€ 166 762	€ 170 097	€ 178 308,89
Utility costs (% of total revenue)	3,5%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Fee for operating units now owned by EPO Aheloy	€ 190 800	€ 194 616	€ 198 508	€ 202 478	€ 206 528	€ 210 659	€ 214 872	€ 219 169	€ 223 553	€ 228 023,66
TOTAL UNDISTRIBUTED EXPENSES	€ 804 099	€ 864 755	€ 904 783	€ 969 253	€ 1 012 289	€ 1 056 658	€ 1 102 398	€ 1 124 446	€ 1 146 935	€ 1 195 986,19
INCOME BEFORE FIXED CHARGES	€ 1 914 602	€ 2 104 632	€ 2 224 111	€ 2 426 462	€ 2 555 504	€ 2 688 737	€ 2 826 277	€ 2 882 802	€ 2 940 459	€ 3 088 160,31
FIXED CHARGES										
Reserve for Renewals	€ 64 558	€ 70 541	€ 74 345	€ 100 891	€ 106 021	€ 111 316	€ 116 780	€ 119 115	€ 121 498	€ 127 363,49
% of total revenue	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%
Property Taxes	€ 32 279	€ 35 270	€ 37 172	€ 40 357	€ 42 408	€ 44 526	€ 46 712	€ 47 646	€ 48 599	€ 50 945,40
% of room revenue	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Operating and management fee	€ 193 673	€ 211 623	€ 223 034	€ 242 139	€ 254 451	€ 267 158	€ 280 271	€ 285 877	€ 291 594	€ 305 672,38
% of rooms revenue	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%

YEAR	2	3	4	5	6	7	8	9	10	11
TOTAL FIXED CHARGES	€ 290 510	€ 317 434	€ 334 551	€ 383 387	€ 402 880	€ 423 000	€ 443 763	€ 452 638	€ 461 691	€ 483 981,27
EBITDA EUR	**€ 1 624 092**	**€ 1 787 198**	**€ 1 889 560**	**€ 2 043 074**	**€ 2 152 623**	**€ 2 265 737**	**€ 2 382 514**	**€ 2 430 164**	**€ 2 478 767**	**€ 2 604 179**

Input	
Discount factor	11,50%

Sunrise Gardens	
EBITDA	€ 4 173 979
Exit Yield	9,50%
Exit Value	€ 43 936 617
Realization costs	2,00%

Financing	
Debt	80%
Equity	20%
Interest rate	4%
DSCR	1,3

	0	1	2	3	4	5	6	7	8	9	10	11
Sunrise Gardens												
Discounted Cash flows	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**0**
Hotel EBITDA	€ 1 000 789	€ 2 712 551	€ 2 931 931	€ 3 116 653	€ 3 330 284	€ 3 501 865	€ 3 678 976	€ 3 824 018	€ 3 900 498	€ 4 017 787	€ 4 173 979	€ -
Total income	**€ 1 000 789**	**€ 2 712 551**	**€ 2 931 931**	**€ 3 116 653**	**€ 3 330 284**	**€ 3 501 865**	**€ 3 678 976**	**€ 3 824 018**	**€ 3 900 498**	**€ 4 017 787**	**€ 4 173 979**	**€ -**
Costs to complete	€ 2 999 277	€ 3 000 000										
Costs financed with equity	€ 599 855	€ 600 000										
Costs financed with debt	€ 2 399 422	€ 2 400 000										
Interest Payments	€ 83 980	€ 167 980	€ 100 829	€ 25 421	€ -							
Principal Payments	€ -	€ 1 918 598	€ 2 154 502	€ 726 321	€ -							
Exit Value	€ -	€ -	€ -	€ -	€ -					€ 43 936 617		
Realization costs										€ 878 732		
Leveraged Cash Flow	€ 316 954	€ 25 973	€ 676 599	€ 2 364 910	€ 3 330 284	€ 3 501 865	€ 3 678 976	€ 3 824 018	€ 3 900 498	€ 47 075 672	€ 4 173 979	€ -
Discount factor	1,00	0,90	0,80	0,72	0,65	0,58	0,52	0,47	0,42	0,38	0,34	0,30
Discounted CFs	€ 316 954	€ 23 295	€ 544 229	€ 1 706 043	€ 2 154 675	€ 2 032 006	€ 1 914 599	€ 1 784 826	€ 1 632 755	€ 17 673 506	€ 1 405 405	€ -
Investment value	**€ 29 782 888**											
Number of rooms	946											
Present Value/room	€ 31 483											

Financing	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**0**
Principal	€ 2 399 422	€ 4 799 422	€ 2 880 823	€ 726 321	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Installment	€ 769 837	€ 2 086 578	€ 2 255 331	€ 2 397 425	€ 2 561 757	€ 2 693 742	€ 2 829 982					
Interest Payment	€ 83 980	€ 167 980	€ 100 829	€ 25 421	€ -	€ -	€ -					
Principal Payment	€ -	€ 1 918 598	€ 2 154 502	€ 726 321	€ -	€ -	€ -					
Outstanding Principal	€ 2 399 422	€ 2 880 823	€ 726 321	€ -	€ -	€ -	€ -					

Appendix 2. List of Provided Documents and Sources of Information

- Site plan
- Recent photos
- Presentation of the project
- Costs to complete
- Agreement with Thomas Cook

Appendix 3. Pictures

Visualization of the completed project

Visualization of the completed project

Interior of a studio

Interior of a studio

Interior of a one-bedroom unit

Interior of a one-bedroom unit

The second bedroom in a two-bedroom unit

The bathrooms