

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action to take, you are recommended immediately to seek your own professional advice from your stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (“FSMA”) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in the Company please immediately forward this document and the accompanying Form of Proxy at once to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of shares in the Company, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

EAST BALKAN PROPERTIES PLC

(incorporated and registered in the Isle of Man with registered number 007237V)

Proposed Cancellation of Admission to AIM

and

Notice of Extraordinary General Meeting

You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter to Shareholders from the Chairman of the Company which is set out on pages 4 to 7 of this document. This letter explains the background to and reasons for the proposed cancellation of the admission of the Company’s shares to trading on AIM and contains recommendations that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting of the Company, to be held at 10.00 a.m. on Wednesday, 28 November 2012 at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP, is set out at the end of this document.

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. To be valid, the Form of Proxy should be completed and returned so as to be received at the offices of IOMA Fund and Investment Management Limited, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP, not later than 10.00 a.m. on Monday, 26 November 2012.

The completion and return of the Form of Proxy will not affect your right to attend, speak at or vote in person at either the Extraordinary General Meeting or any adjournment thereof, if you wish to do so. If you do not send valid a Form of Proxy or attend the Extraordinary General Meeting in person and vote, no one else may vote on your behalf.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Form of Proxy	10.00 a.m. on 26 November 2012
Extraordinary General Meeting	10.00 a.m. on 28 November 2012
Cancellation of Admission effective (if Resolution passed)	7.00 a.m. on 6 December 2012

All the above times refer to London time.

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Admission”	admission of the Shares to trading on AIM
“AIM”	the market of that name operated by London Stock Exchange
“AIM Rules for Companies”	the rules for companies applying for admission to and whose securities are traded on AIM and published by London Stock Exchange as amended from time to time
“Business Day”	any day upon which the London Stock Exchange is open for business
“Cancellation”	the cancellation of Admission, subject to the passing of a resolution at the EGM
“Company” or “East Balkan”	East Balkan Properties plc
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form
“Directors” or “the Board”	the directors of the Company whose names are set out on page 4 of this document
“DTR”	Disclosure Rules and Transparency Rules
“EGM”	the extraordinary general meeting of the Company convened for 10.00 a.m. on 28 November 2012, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM
“Group”	the Company and its current and future subsidiaries
“London Stock Exchange”	London Stock Exchange plc
“NAV”	net asset value of the Company as determined from time to time by the Company’s administrator or other valuer instructed for the purpose
“Resolution”	the resolution to be proposed at the EGM as set out in the notice at the end of this document
“Shares”	the ordinary shares of €0.01 in the capital of the Company
“Shareholders”	holders of Shares

LETTER FROM THE CHAIRMAN OF EAST BALKAN PROPERTIES PLC

(incorporated and registered in the Isle of Man with registered number 007237V)

Directors (*all Non-Executive*)
James Ede-Golightly (*Chairman*)
Charles Jillings
Graham Smith
Pradeep Verma

Registered Office
IOMA House
Hope Street
Douglas
Isle of Man, IM1 1AP

1 November 2012

Dear Shareholder,

Proposed cancellation of Admission to AIM and Notice of Extraordinary General Meeting

Introduction

The Company announced earlier today that it is seeking Shareholder approval to cancel the admission of the Shares to trading on AIM.

The purpose of this document is to:

- (a) give you further information about the background to and reasons for the proposed Cancellation and to seek your approval to the Resolution at the Extraordinary General Meeting convened for this purpose. This letter also sets out why the Board believes the proposed Cancellation to be in the best interests of Shareholders as a whole, and also includes a recommendation from the Directors to vote in favour of the Resolution; and
- (b) convene an extraordinary general meeting of the Company for the purpose of seeking your approval of the proposed Cancellation.

Your attention is drawn to the recommendation from the Directors, on page 7, that you vote in favour of the Resolution.

If the Resolution to approve the Cancellation is passed at the Extraordinary General Meeting, it is proposed that Cancellation will take effect at 7.00 a.m. on 6 December 2012.

Background

East Balkan Property Plc has been quoted on AIM since December 2005. In July 2008 the Shareholders voted in favour of a resolution to implement a revised investment strategy focused on the realisation of value from the Company's property portfolio.

While the Company has been successful in rationalising and stabilising the portfolio over the past four years since this strategy was adopted, the prolonged downturn in the region has prevented the successful realisation of value from the property portfolio.

The Board remains committed to achieving its strategic goal of value realisation, however does not expect that this will be delivered in the immediate future. Efforts to realise value through asset sales and refinancing have been hampered by continued operational pressure at the asset level and an extreme scarcity of debt finance in the region.

Although the Company has managed to stabilise net asset value at approximately €0.38 per share, the Group operates under a constrained working capital position, without regular access to income from its portfolio and insufficient cash balances to provide meaningful capital support to its portfolio assets.

Trading in the Company's Shares remained sporadic for a sustained period of time since 2010, and the Shares have traded at a sustained discount to NAV which has now extended to over 75 per cent. The current share price of 6.50p, being the closing price on 30 October 2012 (the latest price available prior to publication of this document) is equivalent to a 79 per cent. discount to the latest published NAV of €0.38 as at 30 June 2012.

In light of this situation the Company announced in its 2012 interim results, on 29 August 2012, that the Board was reviewing the merits of its AIM quote.

Rationale for the Cancellation

The Directors have concluded that a resolution should be put to Shareholders to approve a Cancellation for the following reasons:

- There is a clear lack of liquidity in the Shares of the Company;
- The ability to secure new equity participation or asset disposals at levels which fairly reflect the existing net asset value is significantly undermined by the low share price; and
- The costs associated with maintaining a listing on AIM are now disproportionate to the value provided by the listing, and management expects savings arising from the Cancellation to amount to approximately £50,000 per annum.

Process for, and Principal Effects of, the Cancellation

The Directors are aware that certain Shareholders may be unable or unwilling to hold Shares in the event that the Cancellation is approved and becomes effective.

To the extent that Shareholders are unable or unwilling to hold Shares in the Company following the Cancellation becoming effective, such Shareholders should consider selling their interests in the market prior to the Cancellation becoming effective.

Under the AIM Rules the Company is required to give at least 20 clear Business Days' notice of Cancellation. Additionally, Cancellation will not take effect until at least 5 clear Business Days have passed following the passing of the Resolution. If the Resolution is passed at the Extraordinary General Meeting, it is proposed that Cancellation will take effect at 7.00 a.m. on 6 December 2012.

In the event that the Cancellation proceeds, there will be no market facility for dealing in the Shares and no price will be publicly quoted for Shares as from close of business on 5 December 2012. As such, interests in Shares are unlikely to be readily capable of sale and where a buyer is identified, it may be difficult to place a fair value on any such sale.

While there can be no guarantee that Shareholders will be able to sell any Shares, any Shareholder seeking to do so following Cancellation should contact the Company in writing at the registered office of the Company, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP (email: info@ebp-plc.com). The Company will then be able to advise as to whether the Directors are aware of any prospective buyers for any Shares which the holder thereof wishes to sell at that time.

It is the Board's intention currently to assess at the time of future annual general meetings whether the Company's financial position will enable it to propose a further buy back of Shares and if any such buy back is proposed, this may provide a further opportunity for Shareholders to realise their investment. However, any such future buy back will depend on the financial position of the Company and may also be subject to such approvals by Shareholders as shall be required so as to ensure that no obligation arises for any Shareholder to make a mandatory offer under Rule 9 of the City Code. The Company will remain subject to the Takeover Code for 10 years after Cancellation. There can be no certainty that any further buy back of Shares by the Company will be made and the Board makes no commitment in this respect.

The Company has sought and received assurances from its mortgage lenders that existing financing will not be adversely impacted by the Cancellation. The Company will continue to post information about the

Company on its website (www.ebp-plc.com) and will continue to send its Annual Report and Accounts to Shareholders and to hold general meetings in accordance with the applicable statutory requirements and the Company's articles.

Risks associated with retaining an interest in the Company following the Cancellation

The Directors draw to the attention of Shareholders the following factors which should be taken into account in assessing whether or not to retain their interests in Shares in the event that the Cancellation is approved and becomes effective:

- as indicated above, there will be no market facility for dealing in the Shares and no price will be publicly quoted for Shares. As such, interests in Shares are unlikely to be readily capable of sale and where a buyer is identified, it may be difficult to place a fair value on any such sale;
- as an unquoted company, it will no longer be subject to the AIM Rules and shareholders will only be able to rely on the protections afforded to minority shareholders under general English law;
- the Company will no longer be subject to the rules relating to disclosure of interests in Shares set out in the DTR, such that it may be difficult to ascertain the ownership of Shares from time to time;
- the levels of transparency and corporate governance within the Company are unlikely to be as stringent as for a company quoted on AIM;
- certain existing or prospective customers and suppliers may be unwilling to trade or continue to trade with the Company on terms which the Company has become accustomed to trade in the event that the Company's Shares are no longer traded on AIM;
- the Company's bankers may not be prepared to deal with the Company on terms to which the Company has become accustomed in the event that the Company's Shares are no longer traded on AIM.

The above considerations are non-exhaustive and Shareholders should seek their own independent advice when assessing the likely impact of the Cancellation on them.

Taxation

If you are in any doubt about your tax position, and/or are subject to tax in a jurisdiction other than the UK, you should consult an appropriate independent professional adviser. You should note that following Cancellation the Company's shares will no longer be quoted on AIM or any other public market.

Extraordinary General Meeting

Under the AIM Rules for Companies, it is a requirement that any Cancellation must be approved by not less than 75 per cent. of votes cast by Shareholders in a general meeting. Accordingly the notice of EGM set out at the end of this document contains a special resolution:

- (i) to approve the application to London Stock Exchange for cancellation of admission of the Shares to trading on AIM; and
- (ii) to approve such cancellation.

The EGM will be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP commencing at 10.00 a.m. on 28 November 2012. If approved it is expected that the Cancellation will take effect from 7.00 a.m. on 6 December 2012.

Actions to be taken

You will find enclosed with this document a stamped addressed envelope and Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM in person, Shareholders are requested to complete and sign the Form of Proxy and return it to the offices of IOMA Fund and Investment Management Limited,

IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP, as soon as possible and, in any event, not later than 10.00 a.m. on 26 November 2012. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person if you wish.

Further Information

Copies of this document may be inspected at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for one month from the date of this document. The document will also be available on the Company's website, www.ebp-plc.com.

Recommendation

The Directors consider that the Resolution is in the best interests of the Company and the Shareholders as a whole. Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the EGM, as they have irrevocably undertaken to do in respect of their beneficial shareholdings totalling 40,000 Shares, representing approximately 0.03 per cent. of the Company's issued Shares.

Yours faithfully

James Ede-Golightly

Non-Executive Chairman

EAST BALKAN PROPERTIES PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT AN EXTRAORDINARY GENERAL MEETING OF EAST BALKAN PROPERTIES PLC will be held at the offices of IOMA Fund and Investment Management Limited, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP at 10.00 a.m. UK time on 28 November 2012 to consider, and if thought advisable, to pass the following resolution as a Special Resolution:

SPECIAL RESOLUTION

“THAT, with effect from 6 December 2012, the admission to trading on AIM (a market operated by London Stock Exchange) of the Shares currently in issue and admitted to trading on AIM be cancelled and that the Directors of the Company be and are hereby authorised to take all steps which are necessary or desirable in order to effect such cancellation.”

By order of the Board
Philip Scales
Company Secretary

1 November 2012

Registered Office
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

Notes:

1. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and vote instead of him or her.
2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, sent by post or sent by facsimile to + 44 (0)1624 681392 together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy or copy in some other manner approved by the directors of such authority) to IOMA Fund and Investment Management Limited, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP so as to arrive not later than 10.00 a.m. on 26 November 2012 or, in the event that the meeting is adjourned, not later than 48 hours before the time appointed for the meeting or any adjournment thereof.
3. The completion and return of a form of proxy will not, however, preclude shareholders from attending and voting in person at the meeting or at any adjournment therefore, should they wish to do so.
4. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the meeting either in person or by proxy, but if more than one joint holder is present at the meeting either in person or by proxy, the one whose name stands first in the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof. In any event, the names of all joint holders should be stated on the form of proxy.
5. A vote given by a proxy or authorised representative of a company is valid notwithstanding termination of his authority unless notice of the termination is received at the Company's registrars address as set out in paragraph 2 above (or at such other place at which the instrument of proxy was duly received) at least one hour before the time fixed for holding the meeting or adjourned meeting at which the vote is given.
6. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (Isle of Man), specifies that only those members registered in the register of members as at 10.00 a.m. on 26 November 2012 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after 10.00 a.m. on 26 November 2012 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.