

Letter from the Chairman

East Balkan Properties plc

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

Directors

James Ede-Golightly (Non-executive Chairman)
Graham Smith
Pradeep Verma
Mark Butcher

Registered Office:

IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

8 May 2014

Dear Shareholders,

Annual General Meeting

Introduction

Please find enclosed notice of the forthcoming Annual General Meeting of the Company to be held at 10.00am on 3 June 2014 at IOMA House, Hope Street, Douglas, Isle of Man.

Resolutions 1 – 7 (ordinary resolutions)

In addition to the business usually conducted at the Company's annual general meeting (namely, the adoption of the audited accounts, the appointment of the Company's auditors and the authorisation of the Directors to fix their remuneration and the re-appointment of Directors), the Directors also propose to pay a dividend of 1 penny each per share to be paid out of capital reserves. It is proposed that the ex-dividend date will be 4 June 2014, the Record date will be 6 June 2014 and the payment date will be 20 June 2014.

Resolution 8 (special resolution)

Article 156 of the Company's articles of association specifies that at the annual general meeting to be held following the eighth anniversary of the incorporation of the Company a special resolution shall be proposed for the winding up of the Company, and that if the resolution is not passed it shall then be proposed at every annual general meeting thereafter. Resolution 8 is therefore being proposed to comply with Article 156 of the Company's current articles of association.

The Board recommends that Shareholders consider voting against Resolution 8 as they consider this in the best interests of the Company and its Shareholders as a whole.

The following resolutions are conditional upon Resolution 8 not passing:

Resolution 9 (special resolution)

Resolution 9 proposes that, conditional on resolution 8 not being passed, the Company shall adopt new articles of association which amend Article 156 so that a resolution to wind up the Company is proposed to shareholders at every eighth annual general meeting thereafter, rather than at every annual general meeting as would be required under the current Article 156. The proposed articles provide for any proposed future final dividends to be passed in general meeting as an ordinary resolution and interim dividends to be paid at the discretion of the Directors and also remove reference to the "open market" in Article 15.1 to remove possible ambiguity with regard to the Company's right to buy back its own shares.

Resolution 10 (special resolution)

Resolution 10 proposes that, conditional upon resolution 8 not being passed, in accordance with Article 15, the Company be authorised to make purchases of its ordinary shares, subject to certain conditions.

Recommendation on the Resolutions

The Board recommends that Shareholders consider voting in favour of all resolutions **except Resolution 8 which they recommend that Shareholders consider voting against** as they consider this is in the best interests of the Company and its Shareholders as a whole.

Action to be taken in respect of the Annual General Meeting

A Form of Proxy for use at the Annual General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to IOMA Fund and Investment Management Limited, the Company's registrars, at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP as soon as possible, but in any event so as to be received by no later than 10.00am on 1 June 2014. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the Annual General Meeting and voting in person should he or she so wish.

Yours faithfully

James Ede-Golightly
Chairman