



EXPAT BETA REIT

A DISTRESSED ASSETS OPPORTUNITY

October 2010

Nicola Yankov
Nikolay Vassilev, CFA
Managing Partners

The image is a rectangular box with a white background. At the top left, there is a smaller version of the "expatcapital" logo with a world map. Below this, a light gray horizontal band contains the text "EXPAT BETA REIT" in bold red letters. Underneath the gray band, the text "A DISTRESSED ASSETS OPPORTUNITY" is written in bold red letters. At the bottom left, the date "October 2010" is displayed. At the bottom right, the names "Nicola Yankov" and "Nikolay Vassilev, CFA" are listed, followed by "Managing Partners" on the next line.



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REAL ESTATE TODAY**

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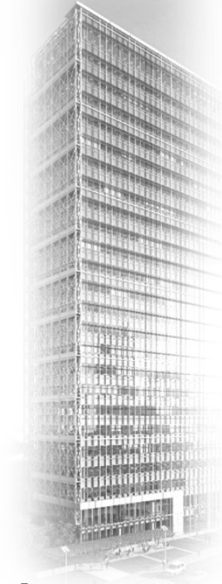


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1. ABOUT EXPAT CAPITAL

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BUSINESS LINES

- A company based in downtown Sofia, Bulgaria, offering asset management and financial advisory services
 - Management of a variety of REITs, mutual funds, and individual portfolio accounts
 - Fund raising, IPOs, capital markets
 - Mergers and acquisitions
 - Private equity

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OUR TEAM

- 3 managing partners
- Currently 13 highly skilled professionals
 - Academic background in finance, economics, law, real estate, accounting, advertising
 - Extensive experience in the financial and industrial sectors, as well as in government
 - Highest professional standards and a broad mix of investment skills, including portfolio management, corporate finance, private equity, research, and trading
 - Personal connections to owners and directors of the top 100 companies and banks in Bulgaria

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MANAGEMENT

NICOLA YANKOV

- **Managing Partner and Chairman of Expat Capital (since 2006)**
- Deputy Minister of Transport and Communications (2003-05), Deputy Minister of Economy (2001-03)
- Over 10 years of management experience in the industrial sector, private equity, and corporate finance, holding a number of senior management positions at Lukoil Neftochim AD, Naftex Bulgaria Holding AD, CEO of Naftex Petrol AD, Solvay-Sodi, Kraft Jacobs Suchard BG
- BS degree in Consumer Economics from Cornell University (USA)

NIKOLAY VASSILEV, CFA

- **Managing Partner and CEO of Expat Capital (since 2009)**
- Minister of State Administration and Administrative Reform (2005-09), Deputy Prime Minister and Minister of Transport and Communications (2003-05), Deputy PM and Minister of Economy (2001-03)
- 6 years of experience in investment banking and consulting in Budapest, Tokyo, New York, and London: Coopers & Lybrand, UBS, Lazard
- Degrees in Economics and Finance from Brandeis University (USA), Keio University (Tokyo, Japan), State University of New York (USA), Budapest University of Economic Sciences (Hungary)
- Chartered Financial Analyst (CFA) charterholder since 1999

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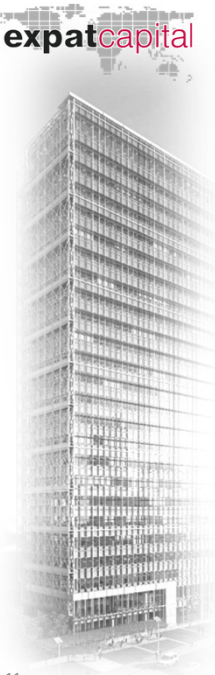
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MANAGEMENT

HARRI TILEV

- **Managing Partner and a board member at Expat Capital (since 2010)**
- Managing Partner at Bullet Finland (since 2008) – a Helsinki-based real estate consultancy and investment company
- Significant experience in in the fields of real estate and capital markets – advisor to the Capital Markets team at Jones Lang LaSalle Finland (2006-08); partner in the consultancy business at T&T Nordcap (2005-06); Investment Director at A Company Finland (2001-04); has worked for BMW Finland, Sweden and the USA
- M.Sc. degree in Management and Organizations from the Hanken School of Economics (Helsinki)

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INVESTMENT VEHICLES

Mutual funds with daily/periodic quotes

1. Expat New Europe Stocks
2. Expat New Europe Properties
3. Expat Bonds

Real estate investment trusts

4. **Expat Beta REIT**
5. Expat Development Fund REIT

Private equity vehicles

6. Expat Alpha

Private investment accounts

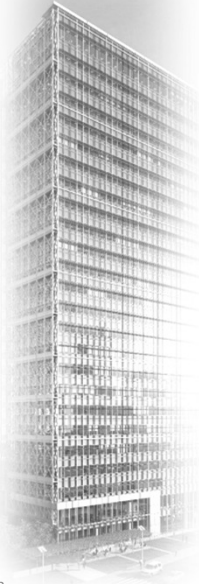

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2. WHY INVEST VIA REITs?

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ADVANTAGES OF REITs

Advantages of Real Estate Investment Trusts (REITs) versus direct real estate purchases

- 0% profit tax (versus 10% for 'normal' companies)
- 0% capital gains tax (from trading the shares)
- Liquidity, transparency, visibility
- Various and easier exit options
- Speculation opportunities
- Guaranteed dividends (min. 90% of profits)
- Management and administrative expenses limited by law and the rules of the individual REIT
- Regulated by the Financial Supervision Commission

Conclusion: REITs are an efficient way to invest in Bulgarian real estate

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3. EXPAT BETA REIT


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COMPANY HISTORY

- Intended for real estate projects in Bulgaria
- Established in 2007 by Expat Capital
- Licensed by the FSC in June 2008
- Listed on the BSE – Sofia in November 2008
- Zero bank debt
- Equity capital BGN 5,143,190 (EUR 2.6 mln)
- Nominal value BGN 1.00 per share
- Market price BGN 1.04 (17 September 2010). The stock price has not fallen during the crisis
- 100% free float. Can be taken over in the market
- Many individual, few institutional investors

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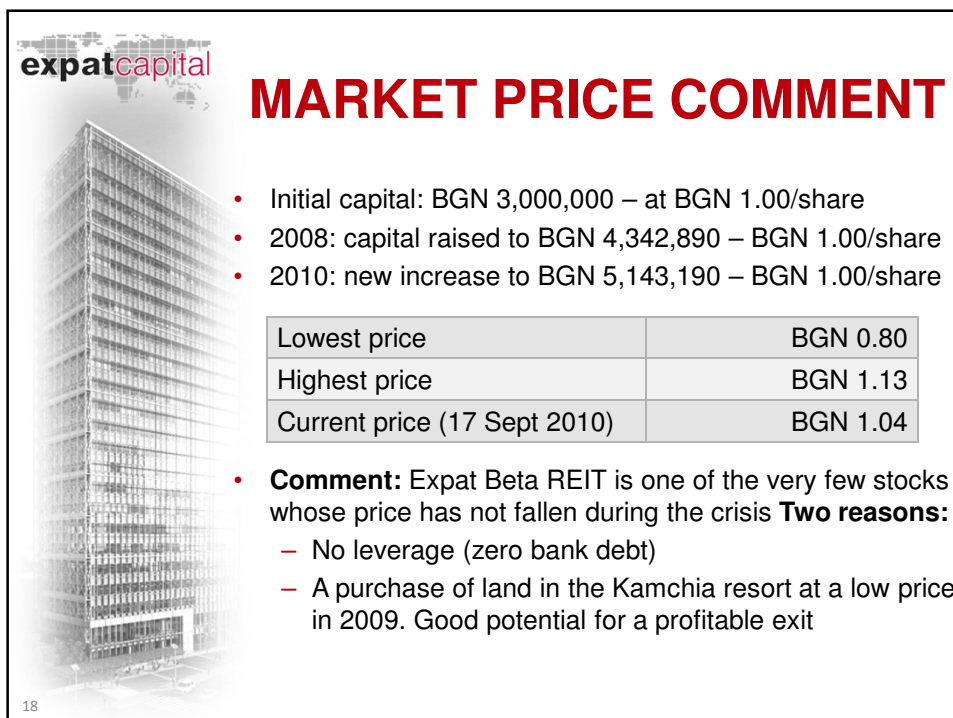
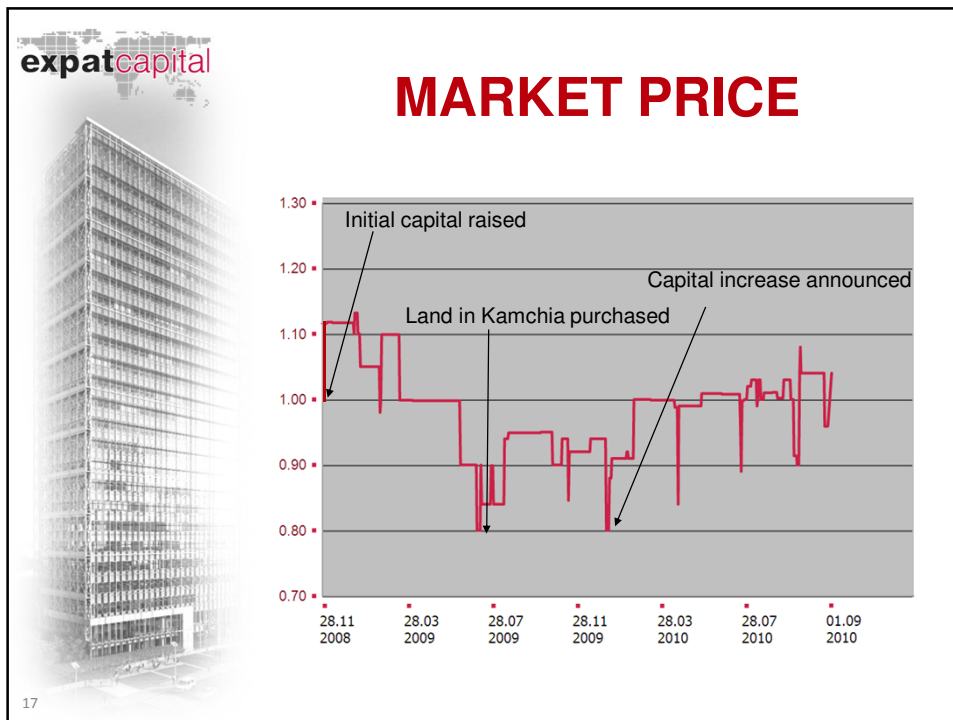



THE CAPITAL INCREASE 2010

Number of shares before the capital increase	4,342,890
Newly issued shares, Summer 2010	800,300
New total number of shares	5,143,190

- Increase of the shareholders' equity by 18.4%

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MANAGEMENT FEES

- Management company: Expat Capital
- Management fees
 - 3% of the asset value for the first BGN 10 mln (EUR 5.1 mln) of assets
 - Falling to 1.9% of the asset value for assets above BGN 10 mln
- Payable quarterly
- Success fee: 15% of the annual profit
- Fee for issuing new shares or other securities: up to 2% of the value of the issue


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4. THE KAMCHIA PROJECT


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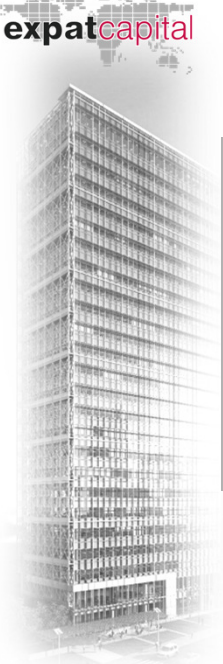
PROJECT SUMMARY

- The only project of Expat Beta REIT so far (2009)
- Own 140,099 m² of land zoned for development in the Kamchia resort on the Black Sea coast (28 km south of Varna, 97 km North of Burgas)
- We are currently negotiating with buyers to sell the land at a price more than double the acquisition cost

A separate presentation about the Kamchia Project is available on www.expat.bg



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PROPERTY OVERVIEW

Location	Kamchia Resort, Varna Region
Total property size	3 plots, totalling 140,099 m ²
Land owner	Expat Beta REIT, managed by Expat Capital
Current property use	Empty land plots with a nice forest
Current status	Zoned for development and construction
Zoning	Residential/resort use
Built-up area	40% allowed
Floor area ratio permitted	80% allowed
Maximum roofline height	11 m
Landscape requirements	60%

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FINANCIAL STATEMENTS

Balance Sheet Summary EUR 1 = BGN 1.95583

In BGN 000

ASSETS	30/06/2010	31/12/2009	31/12/2008
Investment properties	4,333	4,333	0
Total non-current assets	4,333	4,333	0
Trade and other receivables	11	253	1,995
Cash and cash equivalents	800	20	2,348
Total current assets	833	273	4,343
TOTAL ASSETS	5,166	4,606	4,343
LIABILITIES	30/06/2010	31/12/2009	31/12/2008
Share capital	4,343	4,343	4,343
Retained loss	-499	-1	0
Profit/loss from the current period	-87	-498	-1
SHAREHOLDERS' EQUITY	3,757	3,844	4,342
Current liabilities	1,409	726	1
TOTAL EQUITY AND LIABILITIES	5,166	4,606	4,343

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FINANCIAL STATEMENTS

Income Statement Summary EUR 1 = BGN 1.95583

In BGN 000

	30/06/2010	31/12/2009	31/12/2008
Profit / loss from operations	0	0	0
Asset revaluation (non-cash item)	0	-379	0
Management expenses	-88	-160	-124
Interest income / expenses	1	41	123
Profit / loss before taxes	-87	-498	-1
Corporate tax	0	0	0
NET PROFIT / LOSS FOR THE PERIOD	-87	-498	-1

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FINANCIAL COMMENTS

Expat Beta has only made a few transactions:

- Purchased the land in Kamchia in 2009 for BGN 4,096,094 in cash
- BGN 615,819 – outstanding payable to the seller – when Expat Beta resells the land
- Interest income of BGN 164,324 in 2008-9
- Management fees of BGN 280,600 paid in 2008-10
- Downward revaluation of the land of BGN 378,578 – we have been very conservative in our approach to asset valuations
- A new valuation is likely at double the acquisition cost pending a sale transaction in progress

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VALUATIONS

- Income statement based valuations (P/E, EV/EBITDA, etc.) are not relevant yet (no sales)
- At BGN 1.04/share, the Stated P/B is 1.17x
- We recommend to conservatively use EUR 30/m², which results in an Adjusted P/B of 0.63x

Area m ²	EUR/m ²	Value EUR mln	P/B
140,099	10	1.4	1.97
	15	2.1	1.23
	20	2.8	0.94
	30	4.2	0.63
	40	5.6	0.48


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5. INVESTMENT PLANS

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THE CASE FOR DISTRESSED ASSETS

- Real estate and construction bubble in Bulgaria in 2002-08: many good new developments
- After 2008: buyers disappeared, prices collapsed, few transactions, many distressed situations
- Most developers have leverage in excess of 2/3 of total investment
- Banks have a too large exposure to real estate. Dilemma: restructure defaulted loans / sell collateral
- A wave of foreclosures and liquidations expected

We would like to be among the very few buyers with cash

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INVESTMENT CRITERIA

Our preferred choices are:

- Prime locations
- No development risk
- Investment-grade building quality
- Good marketability of the properties

We would prefer to invest in high-quality finished commercial buildings with operating licenses at prime locations (primarily in Sofia) that would be easy to let out

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OUR REQUIRED RETURN

We have three rules of thumb:

- Acquire new developments at or below loan value for leveraged projects (50-75% of investment cost)
- Acquire commercial properties to let, at a price allowing a 20% rental yield. Sell at lower yields aiming at doubling the initial investment within a 2-3-year horizon
- Acquire distressed properties with a hold-and-sell strategy aiming at doubling the initial investment within a 2-3-year horizon

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PROJECT PIPELINE

- Solid pipeline of a dozen projects we are currently evaluating, matching our criteria
- All properties are positioned at prime locations
- Most properties are newly finished buildings, combining latest technologies with superior architectural design
- All projects are in financial distress

We expect to announce a few new deals in October 2010

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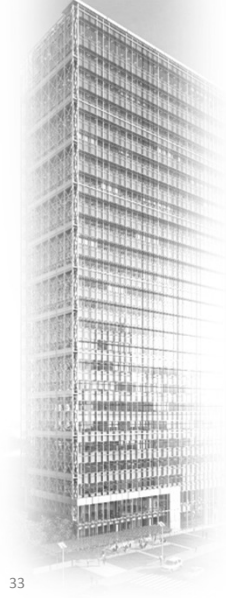


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