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If you sell or have sold or otherwise transferred all of your Ordinary Shares in East Balkan Properties plc you should deliver this document together with the enclosed Forms of Proxy and Acceptance as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. Such documents should not, however, be forwarded in or into the United States or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdictions.

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Incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006 with Company Number 007237V.

East Balkan Properties plc

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

PROPOSED RETURN OF CASH TO SHAREHOLDERS BY WAY OF TENDER OFFERS

PROPOSED CAPITAL REORGANISATION

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting of the Company to be held at IOMA House, Hope Street, Douglas, Isle of Man on 4 October 2017 at 9:30 a.m. is set out at the end of this document. A Form of Proxy is also enclosed at the end of this document for use at the Annual General Meeting. The Form of Proxy should be completed and returned to the Company's Transfer Agent, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA as soon as possible and in any event so as to be received not later than 48 hours (excluding weekends and bank holidays) before the time fixed for the Annual General Meeting being 9:30 a.m. on 2 October 2017.

Copies of this document will be available free of charge from the Company's registered office, FIM Capital Limited, IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP during normal business hours and a copy is available on the Company's website at www.eastbalkanproperties.com.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	8 September 2017
Last time and date for receipt of Forms of Proxy	9.30 a.m. on 2 October 2017
Annual General Meeting	9.30 a.m. on 4 October 2017
Record date for Share Consolidation and Subdivision and entitlement to the New Ordinary Shares and the Non-Voting Shares. Existing Ordinary Share register closed and Existing Ordinary Shares disabled in CREST	6.00 p.m. on 4 October 2017
CREST Accounts credited with New Ordinary Shares and Non-Voting Shares	5 October 2017
Payment for Fractional Entitlements	6 October 2017
Tender Offer opens	6 October 2017
Last time and date for receipt of Tender Forms and TTE instructions from CREST Shareholders	11.00 a.m. on 27 October 2017
Record date for Tender Offer	6.00 p.m. on 27 October 2017
Cheques dispatched for certificated New Ordinary Shares and Non-Voting Shares purchased pursuant to the Tender Offer and payment through CREST for uncertificated New Ordinary Shares and Non-Voting Shares purchase pursuant to the Tender Offer	week commencing 6 November 2017
Dispatch of new or balance share certificates (as appropriate) for certificated New Ordinary Shares and Non-Voting Shares not tendered or unsuccessfully tendered	week commencing 6 November 2017

DEFINITIONS

The following words and expressions apply throughout this letter unless the context requires otherwise:

“Act” or “Companies Act 2006”	the Isle of Man Companies Act 2006
“Annual General Meeting” or “AGM”	the annual general meeting of the Company which is to be held at 9:30 a.m. on 4 October 2017, notice of which is set out at the end of this document;
“Articles”	the articles of association of the Company as at the date of this document;
“Board” or “Directors”	the directors of the Company whose names are set out on page 5 of this document;
“Capital Reorganisation”	the Consolidation and the Sub-division;
“Code”	the City Code on Takeovers and Mergers
“Company”	East Balkan Properties plc, a company incorporated in the Isle of Man and registered under the Companies Act 2006 with registered number 007237V;
“Consolidation”	every 10 Existing Ordinary Shares being consolidated into 1 Consolidated Ordinary Share;
“Consolidated Ordinary Shares”	the ordinary shares in the capital of the Company following the Consolidation;
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the authorised operator (as defined in the CREST Regulations);
“CREST Regulations”	the Uncertificated Securities Regulations 2006;
“Existing Ordinary Shares”	the 140,000,000 Ordinary Shares in issue at the date of this document;

“Form of Proxy”	the form of proxy for use by Shareholders in connection with the Annual General Meeting, which is enclosed with this document;
“New Ordinary Shares”	the proposed new Ordinary Shares of €0.01 each in the capital of the Company resulting from the Capital Reorganisation;
“Non-Voting Shares”	the proposed Non-Voting Shares of €0.01 each in the capital of the Company resulting from the Capital Reorganisation;
“Record date of the Capital Reorganisation”	6.00 p.m. on 4 October 2017, or such later date as the Directors may determine, being the date by which the Capital Reorganisation is calculated;
“Record date of the Tender”	6.00 p.m. on 27 October 2017, or such later date as the Directors may determine, being the date by which the Tender Offer is calculated;
“Resolutions”	the resolutions to be proposed at the Annual General Meeting as set out in the Notice of Annual General Meeting;
“Sub-division”	following the Consolidation, every 1 Consolidated Ordinary Share being subdivided into 1 New Ordinary Share and 9 Non-Voting Shares;
“Shareholder(s)”	holders of Existing Ordinary Shares or New Ordinary Shares and Non-Voting Shares (as appropriate);
“Tender Form”	the tender form for use by Shareholders in respect of the Tender Offer relating to the New Ordinary Shares and the Non-Voting Shares created by the Capital Reorganisation;
“Tender Period”	the period commencing on 6 October 2017 and ending at 11.00 a.m. on 27 October 2017.

PART 1

LETTER FROM THE CHAIRMAN OF THE COMPANY

Directors:

James Ede-Golightly (*Executive Chairman*)

Graham Smith (*Non-executive Director*)

Mark Butcher (*Non-executive Director*)

8 September 2017

Proposed return of cash to shareholders by way of Tender Offers

Proposed Capital Reorganisation

Notice of Annual General Meeting

Dear Shareholder

1 Introduction

The Company today announces that it is seeking shareholder approval for a Capital Reorganisation which will restructure the Company' share capital in order to issue a new class of non-voting shares for the purpose of returning up to £3 million of capital to shareholders by way of Tender Offer.

The purpose of this letter is to provide information about the background to and the reasons for the proposed Capital Reorganisation and Tender Offer and to seek your support for the Resolutions presented for this purpose at the Annual General Meeting.

Set out at the end of this letter is the Notice of Annual General Meeting which is to be held at IOMA House, Hope Street, Douglas, Isle of Man on 4 October 2017 at 9.30am. The Resolutions to be considered by shareholders are set out in the Notice.

2 Capital Reorganisation

Background

The Company was quoted on AIM from December 2005 until the cancellation of its admission to AIM in December 2012. The following extract from the circular issued on 1 November 2012 summarises the company's position at the time of its cancellation from admission to AIM:

“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.”

As anticipated in this text, subsequent performance has been slow and mixed: details are contained in the annual reports for the years 2012-2016 (which we recommend are reviewed in conjunction with this circular, copies of which are available from the company secretary on request). However, the Company was able to make two distributions in 2014 totalling 1.4 pence per share (equivalent to nearly 22% of the closing share price on 30th October 2012).

In the November 2012 circular the Company also stated its strategic commitment to return capital to shareholders as well as its intention, where possible, to provide shareholders with a means to dispose of their interest in the company. Given that there has been no market in the shares for nearly five years (and an extremely illiquid market in the years prior to the cancellation of the admission to AIM) the Board have concluded that it is in the best interests of the company to use the cash available to return capital to shareholders in a manner that provides shareholders making the necessary election with a high degree of flexibility to realise capital in relation to their interest in the company if they wish to do so.

Consolidation and Sub-division

In accordance with its Articles, the Company may by resolution consolidate and divide all or any of its shares into shares of a larger amount than its existing shares and sub-divide its shares or any of them into shares of a smaller amount.

It is intended that the Consolidation and Sub-division will take place in stages with each step immediately following the next. The order of the process will be as follows:

- Step 1 the Consolidation, pursuant to which every 10 Existing Ordinary Shares will be consolidated into 1 Consolidated Ordinary Share;
- Step 2 the purchase by the Company of the aggregated fractional entitlements to Consolidated Ordinary Shares created by the Consolidation; and
- Step 3 the Sub-division pursuant to which each Consolidated Ordinary Share will be sub-divided into 1 New Ordinary Share and 9 Non-Voting Shares.

Power of Company to deal with fractional entitlements

The Company will not allocate fractions of Consolidated Ordinary Shares that are created pursuant to the Consolidation to individual Shareholders.

Where the number of Existing Ordinary Shares held by any Shareholder on the Record Date for the Capital Reorganisation is not exactly divisible by 10, so that such Shareholder would otherwise have been entitled to a fraction of a Consolidated Ordinary Share, such fractions shall be aggregated with the fractions of Consolidated Ordinary Shares to which other Shareholders would have been entitled.

The Directors are authorised in accordance with the Articles to arrange the sale of such aggregated fractions for the best price reasonably obtained to any person (including the Company). As the proceeds of sale due to any Shareholder in respect of their fractional entitlement is anticipated to be less than £3.00 (such consideration being a premium to the net asset value as at 31 December 2016 in respect of the maximum possible fractional entitlement), the Board is of the view that as a result of the disproportionate costs that would be incurred by the Company in distributing such small sums to the relevant Shareholders, any proceeds raised by the sale and purchase of the fractional entitlements shall be retained for the benefit of the Company in accordance with the terms of Article 13.1.

All Consolidated Ordinary Shares (and fractions thereof) purchased by the Company will be automatically cancelled.

Shareholders should be aware that if they hold fewer than 10 Existing Ordinary Shares on the Record Date, following the Consolidation, they will cease to be a shareholder in the Company and they will not be entitled to any Consolidated Ordinary Shares under the Consolidation and consequently will not be entitled to receive any New Ordinary Shares or Non-Voting Shares following the Sub-division.

3 Tender Offer

The Articles permit the Company to agree to buy back shares in certain circumstances, including pursuant to an offer to all Shareholders which, if accepted, would leave the relative rights of Shareholders unaffected and which afford Shareholders a minimum of 14 days within which to accept the offer.

The Company is proposing that it will make a Tender Offer to purchase:

- (A) Non-Voting Shares created pursuant to the Capital Reorganisation at a price of £0.05 per Non-Voting Share; and
- (B) New Ordinary Shares created pursuant to the Capital Reorganisation at a price of £0.05 per New Ordinary Share:

up to a maximum aggregated value of £3 million. For the avoidance of doubt the maximum aggregate consideration to be paid by the Company in respect of the Tender Offer shall not exceed £3 million.

The Tender Offer is being made on the terms and subject to the conditions set out in Part 2 of this document and will be conditional upon, inter alia, the Capital Reorganisation being approved by Shareholders in the AGM.

As discussed above, the purpose of the Capital Reorganisation and Tender Offer is to implement the Company's stated intention to return capital to Shareholders in a flexible manner. Accordingly the Tender Offer has been structured so as to provide Shareholders with the choice of either exiting by sale of all their interest in the Company or realising a return by allowing the Company to purchase a portion of their Non-Voting Shares for cash whilst retaining a holding in the Company.

Shareholders should note that under the terms of the Tender Offer they are entitled to take any of the following actions:

- (a) tender all their holding of New Ordinary Shares and all their holding of Non-Voting Shares;
- (b) tender all or part only of their holding of New Ordinary Shares and all or part only of their holding of Non-Voting Shares;
- (c) tender all or part only of their holding of New Ordinary Shares and none of their Non-Voting Shares; or
- (d) tender none of their New Ordinary Shares and all or part only of their holding of Non-Voting Shares.

Shareholders not wishing to tender any Shares in the Tender Offer should take no action (other than to return the Proxy Form for the AGM).

The Tender Offer will constitute a distribution for the purposes of Section 49 of the Act and prior to completing the Tender Offer the Directors will need to be satisfied that, after the completion of the Tender Offer, the Company will be able to pay its debts as they become due in the normal course of the Company's business and that the value of the Company's assets will exceed the value of its liabilities. As a result of this statutory solvency test, the Directors will retain full discretion to scale back the number of Shares subject to the Tender Offer in each class as a proportion of the total number of Shares tendered in each class.

It should be noted that Shareholders who retain rather than tendering their allocated New Ordinary Shares may increase their voting rights in respect of the Company. In order to prevent the requirement for the Company to undertake a whitewash procedure under Rule 9 of the City Code, the Directors will retain the further discretion to scale back the number of New Ordinary Shares subject to the Tender Offer, such scale back to be in proportion to the number of New Ordinary Shares Tendered by each shareholder.

Shareholders who retain rather than tendering their allocated Non-Voting Shares, although retaining a larger relative holding in the Company, will not increase their voting rights.

The Directors are of the opinion that the Tender Offer benefits the Shareholders and that the terms of the Tender Offer are fair and reasonable to the Company and the Shareholders and are in the best interests of the Shareholders as a whole.

Further information relating to the Tender Offer (including the terms and conditions of the Tender Offer) is set out in Part 2 of this Circular. Answers to commonly asked questions relating to a tender offer are set out in Part 3 of this Circular.

4 Share Rights

The rights attaching to the New Ordinary Shares will be the same as those attaching to the Existing Ordinary Shares including, without limitation, the same voting, dividend and other rights.

The Non-Voting Shares will rank *pari passu* to the New Ordinary Shares in all respects except that they will not be entitled to vote at any meeting of the Company other than a meeting called to vary the rights attaching to the Non-Voting Shares.

5 Settlement of New Ordinary Shares and Non-Voting Shares

Following the Capital Reorganisation the Existing Ordinary Shares will be converted into a lesser number of New Ordinary Shares. Further, on expiry of the Tender Record Date a number of New Ordinary Shares and / or Non-Voting Shares may have not been tendered by shareholders to the Company.

New share certificates in respect of New Ordinary Shares and / or Non-Voting Shares that are not tendered or unsuccessfully tendered to the Company pursuant to the Tender Offer are expected to be posted, at the risk of Shareholders, in the week commencing 6 November 2017 to those Shareholders who currently hold their Existing Ordinary Shares in certificated form. These will replace existing certificates which should be destroyed. Pending the dispatch of new certificates, the New Ordinary Shares and Non-Voting Shares held in certificated form will be certified against the register of members of the Company. No share certificates shall be issued in respect of the Consolidated Shares.

In the case of Shareholders who hold their shares through the CREST system, the New Ordinary Shares and Non-Voting Shares will be credited in CREST on 5 October 2017.

The New Ordinary Shares have been allocated a new stock identification code of: ISIN code IM00BYT1SS55. The Non-Voting Shares have been allocated a new a new stock identification code of: ISIN code IM00BYT1SV84.

6 Annual General Meeting

You will find at the end of this document a notice convening the Annual General Meeting to be held at IOMA House, Hope Street, Douglas, Isle of Man on 4 October 2017 at 9.30am.

A summary of the Resolutions to be proposed at the Annual General Meeting is set out below.

Resolutions numbered 1 – 5 ‘Ordinary Business’ in respect of:

- 1) the receipt and adoption of the annual accounts of the Company for the financial year ended 31 December 2016, together with the reports of the Directors and Auditors thereon;
- 2) the approval of the directors fees for the year ended 31 December 2016;
- 3) the re-appointment of Baker Tilly as Auditors of the Company;
- 4) the authorisation of the Directors to determine the Auditors’ remuneration;
- 5) the resignation (by rotation) and re-appointment of Graham Smith as director of the Company; and

Resolutions numbered 6 - 7 'Special Business' in respect of:

- 6) authorisation for the Company to proceed with the Capital Reorganisation; and
- 7) authorisation of the creation and issue of the new class of Non-Voting Shares.

7 United Kingdom taxation in relation to the Capital Reorganisation and Tender Offer

The following comments do not constitute tax advice and are intended only as a guide to current United Kingdom law and H.M. Revenue & Customs' published practice (which are both subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the United Kingdom taxation treatment of Shareholders who are resident and, if individuals, domiciled, in (and only in) the United Kingdom for United Kingdom tax purposes, who are, and will be, the beneficial owners of their Ordinary Shares and who hold, and will hold, their Ordinary Shares as investments (and not as assets to be realised in the course of a trade, profession or vocation). They may not relate to certain Shareholders, such as dealers in securities or Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Shareholders are advised to take independent advice in relation to the tax implications for them of the reorganisation or selling their New Ordinary Shares and/or Non-Voting Shares pursuant to the Tender Offer.

Shareholders who are subject to tax in a jurisdiction other than the UK, or who are in any doubt as to the potential tax consequences of the capital reorganisation or tendering their New Ordinary Shares and/or Non-Voting Ordinary Shares under the Tender Offer, are strongly recommended to consult their own independent professional advisers.

For the purpose of UK taxation of chargeable gains, a Shareholder should not be treated as making a disposal of all or part of his holding of Existing Ordinary Shares by reason of the Consolidation and Subdivision. The €0.10 Consolidated Ordinary Shares should be treated as the same asset, and as having been acquired at the same time and at the same aggregate cost as, the holding of Existing Ordinary Shares from which they derive. The Subdivision of €0.10 Consolidated Ordinary Shares into 1 New Ordinary Share of €0.01 and 1 Preference Share of €0.09 should be treated as the same asset, and as having been acquired at the same time and at the same aggregate cost as, the holding of Consolidated Ordinary Shares from which they derive.

The tender of the Shares is treated as a return by the Company of the capital paid up on the Shares and should not give rise to UK taxation.

8 Action to be taken

Action to be taken in relation to the Annual General Meeting

A Form of Proxy for use at the Annual General Meeting is enclosed. Please complete and sign the Form of Proxy and return it to the Company's Transfer Agent so as to arrive no later than 48 hours before the time fixed for the Annual General Meeting.

The return of a Form of Proxy will not, however, prevent you from attending either the Annual General Meeting and voting in person should you wish to do so.

Action to be taken in relation to the Tender Offer

The Tender Offer will open on 6 October 2017 and close at 11.00 a.m. on 27 October 2017.

The procedure for tendering your New Ordinary Shares and/or Non-Voting Shares will depend upon whether your Existing Ordinary Shares are held in certificated or uncertificated form. Please refer to Part 2 of this Circular for details of the procedure relevant to your shareholding. If you have any questions about the procedure for tendering New Ordinary Shares and/or Non-Voting Shares, making a TTE Instruction once the Tender Offer opens, or if you would like help filling in the Tender Form, please contact the Shareholder Helpline on 0121 585 1131 (or if calling from outside of the UK +44 121 585 1131).

Shareholders who do not wish to participate in the Tender Offer should not complete the Tender Form.

9 Recommendation

As detailed above, the Capital Reorganisation and subsequent Tender Offer provide the Company with a means of returning capital to Shareholders and the Board considers that all the Resolutions proposed at the Annual General Meeting are in the best interests of the Company and its Shareholders as a whole.

Yours faithfully

James Ede-Golightly

PART 2

Details of the Tender Offer

1. Introduction

- 1.1 The Company is inviting Shareholders to tender some, none, or all of their New Ordinary Shares and/ or some, none, or all of their Non-Voting Shares created by the Capital Reorganisation for purchase by the Company on the terms and subject to the conditions set out in this Circular.
- 1.2 Shareholders who do not wish to participate under the Tender Offer need take no action. The rights of Shareholders who choose not to tender their New Ordinary Shares and / or their Non-Voting Shares will be unaffected.
- 1.3 All New Ordinary Shares and Non-Voting Shares purchased by the Company in connection with the Tender Offer will be cancelled.

2. Terms of the Tender Offer

- 2.1 Each Non-Voting Share and each New Ordinary Share (together the "**Tender Shares**") may be tendered under the Tender Offer at the price of £0.05 per Tender Share ("**Tender Price**").
- 2.2 The Tender Offer is only available to Shareholders in respect of the Tender Shares being created from the Capital Reorganisation. The Tender Offer is available only in respect of the number of Tender Shares held as at the Record Date for the Tender Offer.
- 2.3 The number of Tender Shares subject to the Tender Offer is 6,000,000 New Ordinary Shares and 54,000,000 Non-Voting Shares which has been calculated by dividing the aggregate consideration intended to be payable by the Company in respect of the Tender Offer by the Tender Price. This number, as a percentage of the aggregate number of New Ordinary Shares and Non-Voting Shares as at the Record Date of the Capital Reorganisation, represents the "**Basic Entitlement**" of each Shareholder under the Tender Offer as against each class of Tender Share. As calculated at the time of this Circular the Basic Entitlement is expected to be approximately 42.857% for each class of Tender Share. Shareholders may tender a number of New Ordinary Shares and / or Non-Voting Shares representing more or less than their Basic Entitlement.
- 2.4 The Tender Offer is conditional upon the following (together, the "**Tender Conditions**"):-
 - 1) the passing of the Resolution required to authorise the Capital Reorganisation at the Company's AGM to be held on 4 October 2017;
 - 2) the Board being satisfied on reasonable grounds that the Company will, immediately after completion of the Tender Offer, satisfy the Solvency Test prescribed by Section 50 of the Act that the Company will be able to pay its debts as they become due in the normal course of the Company's business and that the value of the Company's assets will exceed the value of its liabilities; and

- 3) the Tender Offer not having been terminated in accordance with paragraph 9 of this Part 2 prior to 6 p.m. on 27 October 2017;
- 2.5 If the Tender Conditions are not satisfied, the Tender Offer will lapse and the Company will not purchase any Tender Shares pursuant to the Tender Offer. The Conditions may not be waived.
- 2.6 The maximum aggregate consideration to be paid by the Company in respect of the Tender Offer shall not exceed £3 million.
- 2.7 Only tenders made at the Tender Price will be accepted.
- 2.8 All or any part of a holding of Tender Shares may be tendered. Only whole numbers of Tender Shares may be tendered.
- 2.9 Tenders in respect of the Tender Shares must be made in one of the following ways:
- (a) tenders from **Shareholders who hold their Tender Shares in certificated form** must make tenders in respect of their Tender Shares on the Tender Form, duly completed in accordance with the instructions set out below and on the Tender Form itself which together constitute part of the terms of the Tender Offer. Such tenders will be valid only if the procedures contained in this Circular and the Tender Form are complied with; and
 - (b) tenders from **Shareholders who hold their Tender Shares in uncertificated form, that is, in CREST**, must be made by the input and settlement of a TTE Instruction in CREST in accordance with the instructions set out below and the relevant procedures in the CREST manual which together constitute part of the terms of the Tender Offer. Such Tenders will be valid only if the procedures contained in this Circular and in the relevant parts of the CREST manual are complied with.
- 2.10 The Tender Offer and all tenders relating thereto will be governed by and construed in accordance with Isle of Man law. Delivery of a Tender Form and/or the input of a TTE instruction in CREST, as applicable, will constitute submission to the exclusive jurisdiction of the Isle of Man Court.
- 2.11 Under the Tender Offer and subject to the terms and conditions of this Part 2 and (where relevant) the Tender Form, Shareholders will be entitled to sell to the Company a percentage of their New Ordinary Shares and/ or Non-Voting Shares equal to their Basic Entitlement for each class. **Shareholders may tender a number of New Ordinary Shares and/ or Non-Voting Shares representing more or less than their Basic Entitlement.**
- 2.12 Subject to the Tender Conditions and subject to any further scaling back of the New Ordinary Shares available to tender pursuant to paragraph 2.23, if a Shareholder validly tenders a number of Tender Shares less than or equal to the Basic Entitlement, the tender will be satisfied in full.

- 2.13 In respect of each class of Tender Share, if:
- (a) any shareholder validly tenders a number of Tender Shares (for a specific class) in excess of the Basic Entitlement (each an “**Excess Tender**” and in aggregate the “**Total Excess Tenders**”); and
 - (b) any Shareholder validly tenders a number of the same class of Tender Shares in excess of the Basic Entitlement, or has not validly tendered any of the same class of Tender Shares which, upon aggregation of all of the unused portions of Basic Entitlements, results in a pool of either class of Tender Share available to be allocated between the Excess Tenders (“**Total Available Shares**”)
 - (c) then (in respect of each class of Tender Shares) the Total Available Shares shall be allocated between the Excess tenders as follows:
 - (i) if the Total Excess Tenders exceed the Total Available Shares, all Excess Tenders will be scaled back by application of the following ratio:
$$\text{Total Available Shares} / \text{Total Excess Tenders}$$
 - (d) if the Total Excess Tenders are less than or equal to the Total Available Shares, subject to any further scaling back of the New Ordinary Shares available to tender pursuant to paragraph 2.23, all Excess Tenders will be satisfied in full.
- 2.14 Tender Forms and/or tenders in CREST which have been, or are deemed to be, validly and properly completed and received by the Receiving Agent by 11.00 a.m. on 27 October 2017 will become irrevocable at such time they are received and will not be capable of being withdrawn.
- 2.15 The Tender Offer will close at 11.00 a.m. on 27 October 2017 and no Tender Forms and/or tenders in CREST received after such time will be accepted in whole or in part except to the extent the Company extends the period for tendering under the Tender Offer, in which case the new date for the Tender Offer will be given.
- 2.16 Subject to the satisfaction of the Tender Conditions the Tender Shares successfully tendered will be purchased by the Company fully paid and free of all liens, charges, restrictions, claims, equitable interests and encumbrances together with all rights attaching thereto.
- 2.17 All tenders for certificated Tender Shares must be made on the accompanying Tender Form duly completed in accordance with the instructions set out below and in the Tender Form (which constitute part of the terms of the Tender Offer). The Tender Form constitutes an offer to tender such Tender Shares as may be nominated by each such Shareholder.
- 2.18 All tenders for uncertificated Tender Shares must be made by TTE instruction in accordance with the instructions set out below. The input and settlement of a TTE instruction shall constitute an irrevocable offer to tender such Tender Shares by each such Shareholder.
- 2.19 If part only of a holding of either New Ordinary Shares and/ or Non-Voting Shares is tendered pursuant to the Tender Offer, the relevant Shareholder will be entitled to receive the following:

- (a) if such Shareholders Existing Ordinary Shares are held in certificated form, the Shareholder will received a certificate in respect of his unsold New Ordinary Shares together with a certificate in respect of any unsold Non-Voting Shares; or
 - (b) if the Shareholders Ordinary Shares are held in uncertificated form and if there has been a scale back of the number of Tender Shares available to tender, the transfer of the unsold New Ordinary Shares and any unsold Non-Voting Shares (each the subject of an unsuccessful tender) by the Receiving Agent to the original registered holder of such Tender Shares.
- 2.20 The decision of the Company as to the results of the Tender Offer shall be final and binding on all Shareholders. Subject to the satisfaction of the Tender Conditions all successfully tendered Tender Shares will be purchased by the Company at the Tender Price.
- 2.21 All questions as to the number of Tender Shares tendered, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Tender Shares will be determined by the Company, in its sole and absolute discretion, which determination shall be final and binding on all of the parties.
- 2.22 The failure of any person to receive a copy of this Circular and/or the Tender Form shall not invalidate any aspect of the Tender Offer. None of the Company, the Receiving Agent or any other person will incur any liability in respect of any person failing to receive this Circular and /or the Tender Form. Additional copies of this Circular and the Tender Form can be obtained from the Receiving Agent.
- 2.23 **The Company reserves the right to reduce the percentage of each Shareholders holding of New Ordinary Shares available to tender under the Tender Offer (“Individual Entitlement”). Any reduction in the Individual Entitlement will be applied equally to all Shareholders. The calculation of any reduced Individual Entitlement shall be based upon the proportion of New Ordinary Shares required not to be subject to the Tender Offer as required, at the absolute discretion of the Board, to ensure that no requirement arises or is triggered for the Company to undertake a whitewash procedure under Rule 9 of the Code. Any reduction in the Individual Entitlement will be at the Company’s sole discretion and will be notified to Shareholders on 1 November 2017.**
- 2.24 The Company reserves the right to revise the Tender Price based on market conditions and/or other factors, subject to compliance with applicable law and regulatory requirements. Any such revision will require, amongst other matters, that new Tender Forms are despatched to Shareholders and may, in certain circumstances, require that the period of the Tender Offer be extended.
- 2.25 No acknowledgement of receipt of any Tender Form and or TTE instruction will be given.

3. Procedure for Tendering Shares

- 3.1 Different procedures apply where Tender Shares are held in either certificated or uncertificated form.

- 3.2 Where a Shareholder has held their Existing Ordinary Shares in certificated form, such Shareholder may only tender their New Ordinary Shares and/or Non-Voting Shares by completing and returning the enclosed Tender Form in accordance with the instructions set out in paragraphs 3.4 – 3.6 below and the instruction printed on such Tender Form.
- 3.3 Where a Shareholder has held their Existing Ordinary Shares in uncertificated form, such Shareholder may only tender their New Ordinary Shares and/or Non-Voting Shares by TTE Instruction in accordance with the procedure set out in paragraphs 3.8 – 3.15 below.

Certificated shares

- 3.4 To tender your certificated Tender Shares you must complete, sign and have witnessed the Tender Form.
- 3.5 The completed, signed and witnessed Tender Form should be sent either by post in the accompanying reply paid envelope or by hand during normal business hours only to the Receiving Agent, as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on 27 October 2017. The Company shall be entitled in its sole discretion to accept late Tender Forms. No acknowledge of receipt of documents will be given.
- 3.6 If you hold Tender Shares in both certificated and uncertificated forms, you should complete a Tender Form for the certificated holdings and tender your Tender Shares held in uncertificated form by TTE instruction in accordance with paragraphs 3.8 – 3.15 below.
- 3.7 All Tender Forms are issued only to the addressees and are specific to the classes of security and the unique designated accounts printed on the Tender Forms. These personalised forms are not transferable between different account holders; classes of security or uniquely designated accounts. The Company and the Receiving Agent accept no responsibility for any instruction that does not comply with these instructions.

Uncertificated shares

- 3.8 If your Tender Shares are in uncertificated form, you should take (or procure the taking of) the action set out below to transfer (by means of a Transfer to Escrow or 'TTE' Instruction) the total number of New Ordinary Shares and/or Non-Voting Shares you wish to tender under the Tender Offer to the escrow account, specifying the Receiving Agent (in its capacity as a CREST participant under the relevant participants ID(s) and member account ID(s) referred to below) as the escrow agent, as soon as possible and in any event so that the TTE Instruction settles by no later than 11.00 a.m. on 27 October 2017. Please note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) and you should therefore ensure you time the input of the TTE Instructions accordingly.
- 3.9 **Uncertificated Shareholders should note that they will need to issue separate TTE instructions in respect of New Ordinary Shares and Non-Voting Shares. For example if a Shareholder wished to accept the Tender Offer for both New Ordinary Shares and Non-Voting Shares they would be required to submit two separate TTE Instructions, one in respect of each class of shares being tendered.**

- 3.10 The input and settlement of a TTE Instruction in accordance with the foregoing paragraph shall constitute an offer to sell the number of New Ordinary Shares and/or Non-Voting Shares at the Tender Price, by transferring such Tender Shares to the relevant escrow account as detailed below.
- 3.11 CREST sponsored Shareholders should refer to their CREST sponsor before taking any action as only their CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the Shareholders Shares.
- 3.12 After settlement of a TTE Instruction, Shareholders will not be able to access the Tendered Shares in CREST for any transaction or charging purposes, notwithstanding that they will be held by the Receiving Agent as escrow agent until completion or lapsing of the Tender Offer.
- 3.13 Shareholders are recommended to refer to the CREST manual published by Euroclear for further information on the CREST procedures.
- 3.14 The TTE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for the TTE instruction to settle in CREST, either of the following details:-

in respect of the New Ordinary Shares:

- (i) The ISIN for the New Ordinary Shares which is **IM00BYT1SS55**
- (ii) the number of New Ordinary Shares in respect of which you wish to accept the Tender Offer (ie. the number of New Ordinary Shares in uncertificated form to be transferred to escrow);
- (iii) your member account ID;
- (iv) your participant ID;
- (v) the participant ID of the escrow / Receiving Agent, in its capacity as a CREST receiving agent. This is **7RA11**;
- (vi) the member account ID of the escrow / Receiving Agent, in its capacity as a CREST receiving agent. This is **EBPORD**;
- (vii) the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than **11.00 a.m. on 27 October 2017**;
- (viii) the contact name and telephone number inserted in the shared note field;
- (ix) input with a standard delivery instruction priority of 80; and
- (x) the corporate action number for the Offer, which is allocated by Euroclear and can be found by viewing the corporate action details on screen in CREST.

in respect of the Non-Voting Shares:

- (i) The ISIN for the Non-Voting Shares which is **IM00BYT1SV84**
- (ii) the number of New Ordinary Shares in respect of which you wish to accept the Tender Offer (ie. the number of New Ordinary Shares in uncertificated form to be transferred to escrow);
- (iii) your member account ID;

- (iv) your participant ID;
- (v) the participant ID of the escrow / Receiving Agent, in its capacity as a CREST receiving agent. This is **7RA11**;
- (vi) the member account ID of the escrow / Receiving Agent, in its capacity as a CREST receiving agent. This is **EBPNONVT**;
- (vii) the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than **11.00 a.m. on 27 October 2017**;
- (viii) the contact name and telephone number inserted in the shared note field;
- (ix) input with a standard delivery instruction priority of 80; and
- (x) the corporate action number for the Offer, which is allocated by Euroclear and can be found by viewing the corporate action details on screen in CREST.

3.15 Euroclear does not make available special procedures for any particular corporate action. Normal system timings and limitations will therefore apply in connection with the TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or your CREST sponsor) to enable a TTE Instruction relating to your Tender Shares to settle prior to 11.00 on 27 October 2017. Please also refer to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

3.16 In the event of any changes to the details above, Shareholders will be contacted or an appropriate announcement will be made.

4. Settlement

4.1 Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by the Company (which will be rounded down to the nearest whole penny) will be affected by the despatch of cheques or the crediting of CREST accounts as applicable;

4.2 If only part of a holding of New Ordinary Shares is sold pursuant to the Tender Offer where the New Ordinary Shares are held in certificated form, the Shareholder will be entitled to receive a certificate in respect of the New Ordinary Shares remaining.

4.3 If only part of a holding of Non-Voting Shares is sold pursuant to the Tender Offer where the Non-Voting Shares are held in certificated form, the Shareholder will be entitled to receive a certificate in respect of the Non-Voting Shares remaining.

4.4 Where the Tender Shares are held in uncertificated form (that is, in CREST), any Tender Shares that are the subject of an unsuccessful tender (due to any scale back of the number of Tender Shares) will be transferred to the relevant Shareholder by means of a credit to the original CREST account for such Shareholders Tender Shares.

5. Tender Form

Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and the Receiving Agent, for themselves and so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:-

- 5.1 that the execution of the Tender Form shall constitute an irrevocable offer to sell to the Company:
 - (a) the total number of New Ordinary Shares inserted at 1B or deemed to have been inserted in 1A of the Tender Form; and
 - (b) the total number of Non-Voting Shares inserted at 1D or deemed to have been inserted in 1C of the Tender Form;on and subject to the terms and conditions set out or referred to in this Circular and the Tender Form;
- 5.2 that such Shareholder has full power and authorised to tender, sell, assign or transfer the Tender Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Tender Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto and such representation and warranty will be true in all respects at the time the Company purchases such Tender Shares as if it had been entered into a new at such time and shall not be extinguished by such purchase;
- 5.3 the execution of the Tender Form will, subject to the Tender Offer becoming unconditional, in respect of the shares referred to in paragraph 5.1 above constitute the irrevocable appointment of any director or officer of the Company as such Shareholder's attorney and/or agent, and an irrevocable instruction and authority to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to such Tender Shares for the purchase of such shares by the Company and to do all other such acts and things as may in the opinion of such attorney be necessary or expedient for the purchase of or in connection with the Tender Offer;
- 5.4 that such Shareholder agrees to ratify and confirm each and every act or thing that may be done or effected such attorney and/or by the Company or any of its directors or any person nominated by the Company in the proper exercise of its or his or her powers and/or authorities hereunder;
- 5.5 that the terms of this Part 2 shall be deemed to be incorporated in, and form part of, the Tender Form, which shall be read and construed accordingly;
- 5.6 on execution, the Tender Form takes effect as a deed;
- 5.7 the execution of the Tender Form constitutes such Shareholder's submission to the jurisdiction of the Courts of the Isle of Man in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form;

5.8 if the appointment of attorney provision under paragraph 5.3 above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company the benefit or authority expressed to be given thereunder, the Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company to secure the full benefits of paragraph 5.3 above. A reference in this paragraph to a holder of Non-Voting or New Ordinary Shares or a Shareholder includes a reference to the person or persons executing the Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and severally.

6. Electronic Instruction

Each Shareholder by whom, or on whose behalf, an electronic tender is made irrevocably undertakes, represents, warrants and agrees to and with the Company and the Receiving Agent, for themselves and so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:-

- 6.1 that the input of the TTE instruction(s) shall constitute an irrevocable offer to sell to the Company:
- (a) the total number of New Ordinary Shares specified in a TTE instruction; and
 - (b) the total number of Non-Voting Shares specified in a TTE instruction;
- on and subject to the terms and conditions set out or referred to in this Circular;
- 6.2 that such Shareholder has full power and authorised to tender, sell, assign or transfer the Tender Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Tender Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto and such representation and warranty will be true in all respects at the time the Company purchases such Tender Shares as if it had been entered into a new at such time and shall not be extinguished by such purchase;
- 6.3 the input of the TTE Instruction will, subject to the Tender Offer becoming unconditional, in respect of the shares referred to in paragraph 6.1 above constitute the irrevocable appointment of any director or officer of the Company as such Shareholder's attorney and/or agent, and an irrevocable instruction and authority to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to such Tender Shares for the purchase of such shares by the Company and to do all other such acts and things as may in the opinion of such attorney be necessary or expedient for the purchase of or in connection with the Tender Offer;

- 6.4 that such Shareholder agrees to ratify and confirm each and every act or thing that may be done or effected such attorney and/or by the Company or any of its directors or any person nominated by the Company in the proper exercise of its or his or her powers and/or authorities hereunder;
- 6.5 the input of a CREST payment in favour of such Shareholders payment bank in accordance with CREST payment arrangements will discharge fully any obligation of the Company to pay to such Shareholder the consideration to which he is entitled under the Tender Offer.
- 6.6 the input of a TTE instruction constitutes such Shareholder's submission to the jurisdiction of the Courts of the Isle of Man in relation to all matters arising out of or in connection with the Tender Offer;
- 6.7 if the appointment of attorney provision under paragraph 6.3 above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company the benefit or authority expressed to be given thereunder, the Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company to secure the full benefits of paragraph 6.3 above.

7. Invalid Tenders

- 7.1 The Company reserves the absolute right to inspect all Tender Forms and TTE instructions and may consider void and reject any tender that does not in the sole judgment of the Company meet the requirements of the Tender Offer. Neither the Company, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give such notification. The Company reserves the right, in its sole discretion, to treat as valid in whole or in part any Tender Form that is not entirely in order. In that event, however, the consideration under the Tender Offer will only be despatched when the Tender Form is entirely in order.

8. Closing Date

The Tender Offer will close at 11.00 a.m. on 27 October 2017 and no tenders that are received after that time will be accepted unless the Company, in its sole and absolute discretion shall have extended the Tender Period.

9. Right to terminate or amend the Tender Offer

- 9.1 If at any time prior to the expiry of the Tender Period:
- (a) the Directors in their absolute discretion conclude that the Tender Offer would no longer be in the best interests of the Company and / or Shareholders as a whole; or
 - (b) there shall occur any change in the national or international, financial, economic, political or market conditions; or

- (c) there shall occur any change in the financial position or prospects and/or circumstances of the Company which in the opinion of the Company (acting in its absolute discretion), renders the Tender Offer temporarily or permanently impractical or inadvisable, the Company shall be entitled to determine that the tender Offer is terminated and that no Tender Share tendered under the tender Offer shall be acquired.

10. Overseas Shareholders

- 10.1 The making of the Tender Offer in, or to certain persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or the Isle of Man or custodians, nominees or trustees for persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or the Isle of Man, may be affected or prohibited by the laws of the relevant overseas jurisdiction. Shareholders resident outside of the United Kingdom or the Isle of Man should inform themselves about and observe any applicable legal requirements. It is the responsibility of such Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in relation to the Tender Offer, the compliance with any necessary formalities and the payment of transfer or any other taxes or other payments due in any such jurisdiction.
- 10.2 **The comments set out in this paragraph 10 and any other part of this Circular are intended as a general guide only and Shareholders who are in any doubt about their position should consult their professional advisor in the relevant jurisdiction.**

Part 3 Questions and Answers on the Tender Offer

*To help you understand what is involved in the Tender Offer we have prepared a summary and some questions and answers. **You should read the whole of this circular and not reply solely on the summary information in this Part 3.** Part 2 of this Circular sets out the detailed terms and conditions of the Tender Offer. A list of defined terms is set out at the beginning of this Circular.*

In the event of any inconsistency between the contents of this Part 3 and the terms and conditions set out in Part 2 of this Circular, the terms and conditions set out in Part 2 of the Circular shall prevail.

Why am I receiving this Circular?

On 8 September 2017, the Company announced that it intends to return up to £3 million to Shareholders by way of Tender Offer of the New Ordinary Shares and/or Non-Voting Shares to be created by way of the Capital Reorganisation.

This Circular sets out information on the details of the Tender Offer and the procedure for participating, should you wish to do so.

What other documents should I have received?

All Shareholders should receive this Circular.

In addition, Shareholders who hold their Ordinary Shares in **certificated form** should also receive a Tender Form and a prepaid envelope to return the Tender Form together with this Circular. If you hold your Ordinary Shares in certificated form and have not received the Tender Form, please call the Shareholder Helpline on 0121 5851131.

Shareholders who hold their Ordinary Shares in **uncertificated form** (i.e. in **CREST**) will not receive a Tender Form.

What do I need to do next?

You should consider whether you want to tender all or any of your New Ordinary Shares and/or your Non-Voting Shares.

The procedure for tendering your New Ordinary Shares and/or Non-Voting Shares depends on whether your Existing Ordinary Shares are held in certificated form or uncertificated form. Please refer to Part 2 of this Circular for details of the procedure relevant to your shareholding.

In summary, if you hold your Existing Ordinary Shares in **certificated form** and you wish to tender some or all of your New Ordinary Shares and/or Non-Voting Shares, you should complete the Tender Form in accordance with the instructions printed on it and as set out in paragraphs 3.4 – 3.7 of Part 2 of this Circular, and return it by post in the accompanying reply-paid envelope (for use in the UK only) or by hand to Neville Registrars Limited ("**Receiving Agent**"), Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA.

If you hold your Ordinary Shares in **uncertificated form** and you wish to tender some or all of your New Ordinary Shares and/or Non-Voting Shares, you should send a TTE instruction and follow the procedures set out in paragraphs 3.8 – 3.15 of Part 2 of this Circular.

Completed Tender Forms and/or TTE Instructions (as appropriate) **must be received by the Receiving Agent by no later than 11.00 am (UK time) on 27 October 2017** after which time Tender Forms and/or TTE Instructions (as appropriate) will not be accepted (unless the Tender Offer is extended).

Why has the Company chosen a Tender Offer as a way of returning money to Shareholders?

The board considered various options for returning cash to Shareholders and determined that the Tender Offer would be the most appropriate means of returning cash the Shareholders. Shareholders should refer to paragraph 3 of Part 1 of this Circular where the benefits of the Tender Offer are considered.

Who is eligible to participate in the Tender Offer?

All Shareholders who are on the Register at the Record Date of the Capital Reorganisation are eligible to participate in the Tender Offer.

What if I am resident outside the UK?

Shareholders resident outside the UK, or who are nationals or citizens of jurisdictions other than the UK, should read the additional information set out 10 of Part 3 of this Circular. The Making of the Tender Offer to persons outside the UK or Isle of Man may be prohibited or affected by the laws of the relevant overseas jurisdictions. It is the responsibility of all overseas Shareholders to satisfy themselves as to the observance of any legal requirements within their jurisdiction, including, without any limitation, any relevant requirements in relation to the ability of such Shareholder to participate in the Tender Offer.

What price will I receive if I tender my New Ordinary Shares and/ or Non-Voting Shares?

All New Ordinary Shares and Non-Voting Shares successfully tendered in the Tender Offer will receive the same price per share, being the Tender Price of £0.05 per share.

Will all of the Ordinary Shares I tender be purchased?

Each Shareholder is entitled to tender a percentage of that Shareholder's holding in New Ordinary Shares and / or Non-Voting Shares equal to (or less than, if they so choose) the Basic Entitlement for each class. If a Shareholder validly tenders a number of New Ordinary Shares and Non-Voting Shares less than or equal to the Basic Entitlement for each class, the tender will be satisfied in full (subject to the Tender Offer not being terminated or lapsing prior to its completion and satisfaction of the other terms and conditions set out in Part 2 of this Circular and (where relevant) the Tender Form).

Shareholders will also be entitled to apply to tender New Ordinary Shares and Non-Voting Shares above their Basic Entitlement and, to the extent that other Shareholders do not tender up to their Basic Entitlement, such applications will be satisfied proportionately to other excess applications.

Worked examples of calculations of the Basic Entitlement and satisfaction of excess applications respectively are set out below.

Example – Basic Entitlement

By way of example, based on the Tender Price and the full £3 million being returned to Shareholders, 6,000,000 New Ordinary Shares and 54,000,000 Non-Voting Shares would be purchased (each representing approximately 42 per cent of the company's issued New Ordinary Share capital and Non-Voting Share capital as at the Record Date for the Capital Reorganisation). On this basis, the Basic Entitlement would be 42 per cent per class of shares and a Shareholder holding 100 New Ordinary Shares and 900 Non-Voting Shares would therefore be entitled to tender 42 New Ordinary Shares and 378 Non-Voting Shares.

Example – excess applications

Please note that for the purposes of clarity we refer below only to the New Ordinary Shares. However, the scenario is equally as applicable (and in the same proportions) to the excess applications received for Non-Voting Shares.

Consider the following scenario (in which, for illustrative purposes, there are three Shareholders each holding 100 New Ordinary Shares and the Basic Entitlement is 50%).

Shareholder X tenders 75 New Ordinary Shares, Shareholder Y tenders 100 New Ordinary Shares and Shareholder Z does not tender any New Ordinary Shares.

Shareholder X and Shareholder Y have tendered a number of New Ordinary Shares in **excess** of the Basic Entitlement of 50% (being 50 New Ordinary Shares each, based on a shareholding of 100 Ordinary Shares). Shareholder X has tendered 25 New Ordinary Shares in excess of the Basic Entitlement and Shareholder Y has tendered 50 New Ordinary Shares in excess of the Basic Entitlement. The number of "Total Excess Tenders" is therefore 25 + 50 = 75 New Ordinary Shares.

Shareholder Z has tendered **less than** the Individual Basic Entitlement of 50%. There is therefore an unused portion of 50 Ordinary Shares, which is the "Total Available Shares" to be allocated between the excess tenders by the Shareholder X and Shareholder Y respectively.

Given that the Total Excess Tenders (75 New Ordinary Shares) exceeds Total Available Shares (50 Ordinary Shares), the excess tenders by Shareholder X and Shareholder Y cannot be satisfied in full. Instead, the excess tenders will be scaled-back using the following ratio:

$$\frac{\text{Total Available Shares}}{\text{Total Excess Tenders}} = \frac{50}{75} = 0.6667$$

Excess tenders calculated using the ratio above will be rounded down to the nearest whole number of New Ordinary Shares (and fractional entitlements will not be allocated and will be disregarded). As such, in addition to the Basic Entitlement of 50 New Ordinary Shares for each of the Shareholder X and Shareholder Y, Shareholder X will also receive 25 x 0.6667 = 33.3 New Ordinary Shares (being 33 New Ordinary Shares rounded down to the nearest whole number) and Shareholder Y will also receive 50 x 0.667 = 49.9 New Ordinary Shares (being 49 New Ordinary Shares rounded down to the nearest whole number).

For further information, please see the formula set out in paragraph 2.13 of part 2 of this Circular.

What is the maximum number of New Ordinary Shares and Non-Voting Shares that I can tender?

You can tender all of the New Ordinary Shares and Non-Voting Shares which are held by you at the Record Date for the Tender Offer. If you tender more New Ordinary Shares and Non-Voting Shares than you hold at the Record Date, you will be deemed to have tendered the number of New Ordinary Shares and Non-Voting Shares you actually own on the Record Date.

You should note, however, that the Company has absolute discretion in determining the validity of tenders. The decision of the Company as to which New Ordinary Shares and Non-Voting Shares have been validly tendered will be final and binding on all Shareholders.

Please note that even if you tender the maximum number of New Ordinary Shares and Non-Voting Shares possible, the amount to be purchased from you may be scaled-back as described above.

Can I tender some, but not all, of my New Ordinary Shares and Non-Voting Shares?

Yes. You can tender some, rather than all, of your New Ordinary Shares and Non-Voting Shares. You may also tender some of your New Ordinary Shares and none of your Non-Voting Shares or none of your New Ordinary Shares and some or all of your Non-Voting Shares.

Do I have to tender my New Ordinary Shares and/or Non-Voting Shares?

No. You are not obliged to tender any of your New Ordinary Shares and Non-Voting Shares. If you choose not to tender any New Ordinary Shares and Non-Voting Shares, you will not receive any proceeds under the Tender Offer.

If you choose not to tender any New Ordinary Shares and Non-Voting Shares and the Tender Offer and the subsequent repurchase of New Ordinary Shares and Non-Voting Shares successfully takes place, the issued New Ordinary Share capital and Non-Voting Share capital of the Company will decrease. You will therefore end up owning a greater percentage of the issued New Ordinary Share capital and Non-Voting Share capital of the Company.

What will happen to the New Ordinary Shares and Non-Voting Shares that are successfully tendered?

It is the Company's intention that the New Ordinary Shares and Non-Voting Shares that are successfully tendered to the Company pursuant to the Tender Offer will be cancelled.

When will I receive payment for any New Ordinary Shares and/or Non-Voting Shares I have tendered?

If you hold shares in certificated form and successfully submit a Tender Form, it is expected that a cheque will be posted to you in the week commencing 6 November 2017. If you hold shares in uncertificated form, it is expected that your CREST account will be credited in the week commencing 6 November 2017.

What should I do if I have lost my share certificate and wish to participate in the Tender Offer?

Any share certificate held by you will be held in relation to the Existing Ordinary Shares. As these Existing Ordinary Shares are to be cancelled on the Record Date for the Capital Reorganisation, such share certificates should be destroyed.

In order to avoid the cost and burden to the Company and the Shareholders of issuing share certificates in respect of the New Ordinary Shares and the Non-Voting Shares only to require them to be returned with the Tender Form during the period in which the Tender Offer is open, the Company has made the decision to require the Receiving Agent to hold all issued share certificates in respect of such shares during the Tender Period. Dispatch of new or balance share certificates (as appropriate) for certificated New Ordinary Shares and Non-Voting Shares not tendered or unsuccessfully tendered is anticipated to take place in the week commencing 6 November 2017.

If my Tender Shares are held by my broker or other nominee, will that person tender my Tender Shares on my behalf?

You should follow the directions provided by your broker or other nominee regarding how to instruct them to tender your Tender Shares.

Can I withdraw my tender?

No. Once you have tendered your New Ordinary Shares and /or Non-Voting Shares the instruction to do so is irrevocable.

Can the Company decide not to proceed with the Tender Offer?

The Tender Offer is subject to the terms and conditions set out in Part 2 of this Circular. If the Conditions described in paragraph 2.4 of Part 2 of this Circular are not satisfied or waived, the Tender Offer will not proceed. The Company has also reserved the right, at any time prior to the announcement of the results of the Tender Offer, to not to proceed with the Tender Offer if it concludes that the implementation of the Tender Offer is no longer in the best interests of the Company and/or the Shareholders as a whole.

Any such decision will be announced by the Company to the Shareholders.

Do I have to pay any costs and expenses?

No. Neither the Company nor the Receiving Agent are imposing any fees in connection with the Tender Offer. If you own your Tender Shares through a bank, broker, dealer, trust company or other nominee and such person tenders your Tender Shares on your behalf, they may charge you a fee for doing so. You should consult with your bank, broker, dealer, trust company or other nominee to determine whether any charges will apply.

What is the tax treatment for Shareholders?

For information on certain UK tax consequences of the Tender Offer, please see Part 2 of this Circular. The information is for guidance only and does not constitute tax advice. **If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction other than the UK, you should consult your independent professional adviser.**

What if I have any more questions?

If you have read this Circular and still have questions, we have set up a Shareholder Helpline on 0121 585 1131, further details of which are set out on page 3 of this Circular.

EAST BALKAN PROPERTIES PLC

(Incorporated in the Isle of Man and registered under the Companies Act 2006 with registered number 007237V)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of East Balkan Properties plc (“the Company”) will be held on 4 October 2017 at 9.30 am at IOMA House, Hope Street, Douglas, Isle of Man for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

Terms used in this notice shall have the same meanings as defined in the letter from the chairman sent to Shareholders dated 8 September 2017 (“Circular”), unless the context requires otherwise.

Ordinary Resolutions

- Resolution 1 to receive and consider the audited accounts of the Company for the financial year ended 31 December 2016, together with the reports of the Directors and Auditors thereon;
- Resolution 2 to approve the payment of Directors fees for the year ended 31 December 2016;
- Resolution 3 to re-appointment Baker Tilly as Auditors of the Company until the conclusion of the next annual general meeting of the Company;
- Resolution 4 to authorise the Directors to determine the Auditors’ remuneration;
- Resolution 5 to re-appoint Graham Smith who retires by rotation at the commencement of the 2017 Annual General Meeting and submits himself for immediate reappointment to the Board as director of the Company; and

Special Business - Ordinary Resolutions

- Resolution 6 to authorise the Company to proceed with the Capital Reorganisation; and
- Resolution 7 to authorise the Directors to allot and issue up to 126,000,000 Non-Voting Shares, such shares to rank pari passu to the Ordinary Shares in all respects except that they do not carry a right to receive notice of, attend or vote at any meeting of the Company other than a meeting called to vary the class rights attaching to such Non-Voting Shares.

By Order of the Board

Graham Smith

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

Dated: 8 September 2017

Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).
2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Transfer Agents helpline on 0121 585 1131 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company no more than 48 hours before the time fixed for the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. Any alterations made to this form should be initialled.
6. The completion and return of this form will not preclude a member from attending the meeting and voting in person.
7. To be effective, all proxy appointments must be lodged with the Company's Transfer Agent, Neville Registrars Limited at: Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA by 9:30 a.m. 2 October 2017.