EUROTERRA BULGARIA AD

[TERRA, TERRA BU]

Timing is good to reap the benefits
from Bulgaria's fast-growing real estate market

Valuation & Research Specialists (VRS)

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INITIAL STATEMENT

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Important Notes:

1) Euroterra Bulgaria's management has given VRS guidance of a 4-year development plan, which is the basis of the financial projections presented in this valuation report.

2) In addition, VRS has based this valuation report on certified estimators' reports provided to VRS by the Euroterra Bulgaria's management. Certified estimators' reports present the valuation of Euroterra Bulgaria's real estate assets (buildings and land plots) according to a series of generally accepted valuation methodologies.

3) Euroterra Bulgaria stock is listed on the Bulgarian Stock Exchange – Sofia, and traded on BGN (lev or sleva) basis

4) Analysis have been performed on € basis (BGN is pegged to the €. €/BGN = 1.9558)

Please see full disclosure and disclaimer statements at the end of this report

Contact: info@valueinvest.gr Greek Equities – May 9, 2008

EUROTERRA BULGARIA AD

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Company Description:

EUROTERRA BULGARIA is a leading real estate developer listed on the Bulgarian Stock Exchange – Sofia. The Company is active in the domestic residential and the office property markets. Euroterra stock is currently listed on the Unofficial A' Market.

(in mil. €)	2007	2008 E	2009 F
Revenues	1.22	5.08	23.23
EBITDA	0.83	2.84	15.22
Margin %	67.88%	55.89%	65.52%
Net Income	0.42	1.81	11.94
Margin %	34.51%	35.57%	51.40%

Share Price (09/05/2008)	**€ 10.84**
Shares (outstanding)	**7,000,000**
MktCap (in mn €)	**75.88**

Beta	1.40
DPS 2008e	€ 0.20
DPS Yield	1.85%

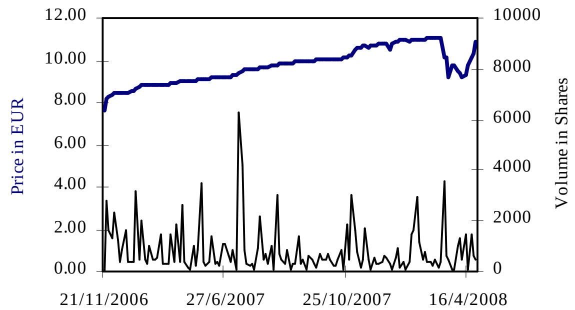
	2007	2008 E	2009 F
NAV/S (€)	7.86	7.92	8.30
P/E	180.10x	41.99x	6.35x
P/BV	1.38x	1.37x	1.31x
Debt/Eq.	0.13	0.15	0.38

Source: Company Data & VRS Projections

Key Investment Points

- We initiate coverage on Euroterra Bulgaria setting a DCF based target price of € 14 per share, implying an upside of 29% from current market levels. Euroterra on the back of its ambitious property development plan offers investors aggressively growing cash flows within a steadily risk contracting environment.
- Despite the current uncertain economic environment internationally and possible effects on the Bulgarian market, our core belief is that the timing for Euroterra developing its land portfolio is favorable.
- The Company has a development pipeline of at least € 79.5 million implying strong cash flow generation in our model's explicit 5-year period. The management's guidance on fixed, variable as well as prospect property developments have been the basis of our projections.
- Development and sale are expected to generate the great majority of Euroterra's future revenues with rental income deriving exclusively from the Company's two currently operating investment assets.
- Furthermore, additional value not currently reflected in our DCF model is about to emerge from a possible new land acquisition and property development.

Share Price Graph



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Investment Case

Euroterra Bulgaria AD (Euroterra or Company hereafter) is a leading real estate developer holding a well-balanced portfolio of land and buildings in Sofia and Plovdiv, which are the major urban centers of Bulgaria. The Company activates in the most attractive real estate sectors: the residential and the office / commercial properties. Despite the current uncertain economic environment internationally and possible effects on the Bulgarian market, our core belief is that the timing for Euroterra developing its land portfolio is favorable. The management has given us guidance of a 5-year property development plan, which is the basis of our financial projections. Our analysis illustrates that Euroterra will be generating strong cash flows from its development and sale strategy in the following 5-year period. The Company's property portfolio and projects are presented below:

Real Estate Asset	Status of Asset	Revenues	Initiation Year
Building Vitosha 1	In operation	Rental	-
Plovdiv Building	To be Renovated and Leased	Rental	-
Slatinska St. Building	In final stage of construction	Sale Revenues	2007
Luxor Glava	Under Constr. (Land of Twin Group)	Sale Revenues	2008
Euroterra Park	Constr. Permit (Land of Twin Group)	Sale Revenues	2009
Botanic Garden	Construction Permit	Sale Revenues	2009
Show Room 2	Land	Sale Revenues	2010
Show Room 1	Land	Sale Revenues	2010
Mall	Land	Sale Revenues	2010
Logistics Center	Land	Sale Revenues	2010

Source: EUROTERRA BULGARIA, VRS.

In the following notes, we investigate Euroterra's growth and valuation drivers taking also into account the critical role of its management in the successful implementation of the announced property development plan.

Favorable Timing

In this report we support the view that there is a still favorable economic conjuncture for Bulgarian economy and the real estate sector in particular despite the adversities experienced by the recent turmoil in financial and real estate markets. [a relevant analysis is presented in the "Market" section of this report.]. It is true the Bulgarian real estate market has achieved very high rates of growth over the past years, which is expected to ease going forward. However macroeconomic and demographic factors as well as further yield compression make a strong case for notable growth rates of real estate values in future. Furthermore this growth should continue exceeding those of the most European real estate markets. According to a recent survey by "Knight Frank", Bulgaria has continued to enjoy the strongest growth, 34% in the country and over 50% in Sofia in 2007, in house prices in the "Knight Frank Global House Price Index". At the same time, prices appear relatively low compared to most of the Central Eastern European markets. On the other hand as we acknowledge the fact that property price growth in the country will sooner or later decelerate going forward, we view a sustainable growth rate over the next 5-years at the level of 10%.

Growth Engine: Development & Sale

Euroterra has a development pipeline of at least € 79.5 million implying an aggressive cash flow generation in our model's explicit 5-year period. The management's guidance on fixed, variable as well as prospect real estate developments have been the basis of our cash flow projections. Development and sale are expected to generate the great majority of Euroterra's future revenues with rental income deriving exclusively from the Company's two currently operating investment assets (Vitosha 1 and Plovdiv). Sales revenues have been based on current market rates and do not incorporate any price appreciation that given the market's conditions would easily be possible by the time a sale transaction materializes in our projected period.

Euroterra Bulgaria: Revenue Breakdown 2008-2012

in € 000s	2008	2009	2010	2011	2012
Rental Income	1,180	1,492	2,380	2,511	2,649
% of total	23%	6%	4%	3%	4%
Development & Sale	3,900	21,742	53,488	82,820	64,992
% of total	77%	94%	96%	97%	96%
Total	**5,080**	**23,233**	**55,868**	**85,331**	**67,641**

Source: Management's guidance, VRS estimates.

As far as rental income is concerned, we assume that vacancy rates approach zero during the 5-year period. Vitosha 1 building which is the only asset currently generating rental income and Plovdiv building which is expected to deliver rental revenues from mid 2008 are located in the most commercial streets of Sofia and Plovdiv respectively, thus minimizing potential vacancies.

Yield Compression is not to End Soon

Yield evolution is an influential factor in the success of Euroterra's property development and sale strategy. Most property types in Bulgaria's major urban centers currently trade at relatively high yields, between 7-9%, implying significant downside potential in the following quarters. On the other hand, given the current international market outlook and its impact on the domestic market we would expect only a slowly materializing yield compression process to occur. This could still be an excellent scenario for Euroterra's income from the sale of property development. However we have not incorporated this factor into our valuation model as we prefer to stay on "safe" side of our valuation exercise.

Dynamic Growth Potential not Captured by NAV

We have estimated Euroterra's Net Asset Value (NAV) taking into account separate property valuation reports from certified estimators provided to us by the Company's management.

NAV (Net Asset Value) **Methodology**

Real Estate Asset		Dynamic Value in € mn
Building Vitosha 1		26.95
Plovdiv Building		11.00
Slatinska St. Building		2.48
Luxor Glava		-
Euroterra Park		-
Botanic Garden		20.86
Show Room 2		4.05
Show Room 1		0.51
Mall		2.45
Logistics Center		2.09
Total Property Value (in EUR mn)		**70.38**
Adjustment for Debt Burden	**-**	**7.30**
Net Asset Value (NAV) (in EUR mn)		**63.08**

Notes: Valuations based on certified estimator's report.
Source: EUROTERRA BULGARIA, VRS.

Adjusting the property portfolio's aggregate value for debt, we end up with a figure of € 63.08 million which we denote as Net Asset Value or NAV. [We make no deferred taxes adjustment since according to the management there is no deferred tax obligation for Euroterra's land plots, whereas the Company's buildings appear net of deferred taxes on the balance sheet.] NAV though does not capture the full dynamics from Euroterra's property development and sale strategy in the following 5 years. Thus we prefer a different approach in valuing the Euroterra's growth potential which is the DCF (discounted cash flow) methodology based on the Company's cash flows generated during the explicit (5-year) as well as the implicit periods. Our DCF exercise reveals a fair value of € 98 million implying a 29% upside potential from current market levels. Theoretically, our valuation can rise further if we take into account the effect from possible new land acquisition and property development during the projected period.

Strong Cash Position at the End of Explicit Period

By generating rental income (Building Vitosha 1 and Plovdiv Building) as well as development and sale income (Slatinska Street, Luxor Glava, Euroterra Park, Botanic Garden, Show Room 2, Show Room 1, Mall and Logistics Center), Euroterra ends up with a very strong cash position at the end of the explicit 5-year period. By that time, Euroterra is expected to possess enough capital to further boost its property development pipeline enhancing at the same time its value.

Management

The management's efficiency in implementing the Company's property development plan in the 5-year period is very crucial in our valuation's credibility. In this respect, we attach a lot of this mission to the Company's founder and one of its major shareholders, Mr. Michalis Therianos. Mr. Therianos is a very experienced professional and entrepreneur in property investment, development and sale, possessing a long track record of real estate activities in several European countries with an emphasis on Bulgaria and Greece. Furthermore, although Euroterra's activities have been carried out over the last 5 years, Mr. Therianos has a successful business presence in the Bulgarian property market over the last 9 years. The Company's shareholder structure is presented below:

Shareholder	Equity Stake
Olga Therianou	50.00%
Michalis Therianos	36.15%
Pantazis Therianos	12.50%
Other Shareholders	1.35%
TOTAL	**100.00%**

Listing Information

Euroterra was listed on the Unofficial B' Market of the Bulgarian Stock Exchange - Sofia in July 2005. The formation of a free float for Euroterra stock was not among the listing requirements. With ownership almost exclusively controlled by Therianos family, the stock's daily trading volume has been especially anemic over the past several months. This trend though is about to reverse soon since the Bulgarian Stock Exchange authorities have accepted the listing of Euroterra stock on the Unofficial A' Market, which is currently the market with the largest depth in Bulgaria, thus increasing trading volumes for newly entrant - stocks.

Euroterra Bulgaria's Types of Real Estate Development

Below, we highlight the type for each of the real estate projects currently undertaken or planned for future development by Euroterra:

Real Estate Asset	Type of Asset	Type of Development
Building Vitosha 1	Office and commercial building	In operation
Plovdiv Building	Office and commercial building	In operation
Slatinska St. Building	Stores and apartments	Fixed development
Luxor Glava	Luxurious residential complexes	Fixed development
Euroterra Park	Commercial and residential park	Fixed development
Botanic Garden	Luxurious residences and villas	Fixed development
Show Room 2	Show room - office development	Variable
Show Room 1	Show room - office development	Variable
Mall	Mall	Prospect
Logistics Center	Logistics center	Prospect

Source: EUROTERRA BULGARIA, VRS.

Explanation of definitions:

Fixed developments: These are projects for which commitments have been made and approved by the management. There is a high certainty of materialization. Commitment may refer to analytical planning and / or construction permit and / or construction initiation.

Variable developments: Projects that are approved by the management however there is yet a long negotiation phase and lower certainty of materialization.

Prospects: These are real estate projects, which are expected to materialize at the end of the explicit period and for which the management has provided limited information.

Strategy

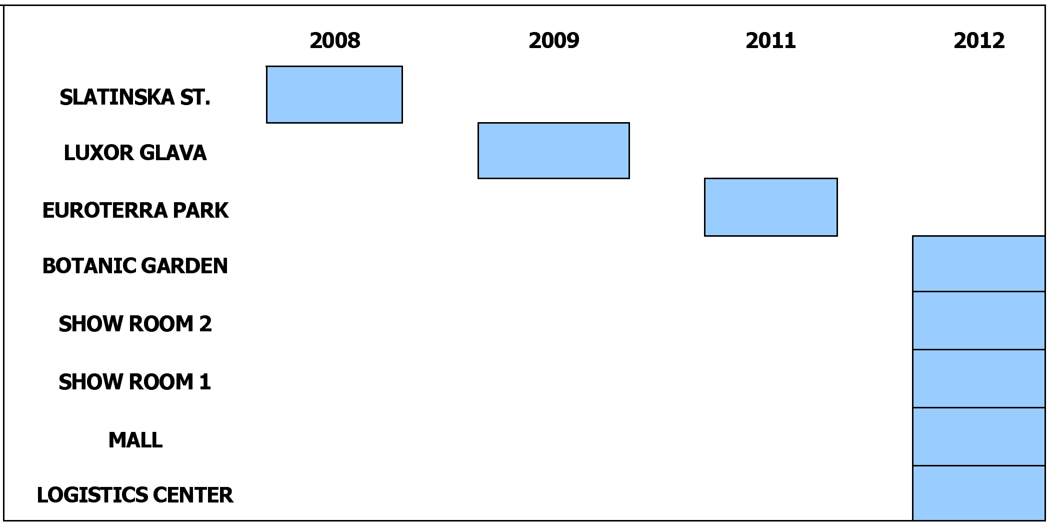
Euroterra's activity covers the broader spectrum of large private projects, such as residential and commercial developments, as well as the operation of office, residential, commercial and industrial property. The Company is active in all phases of real estate development and investment, starting from property acquisition and building construction, to leasing or sale of the constructed asset.

Euroterra bases its expansion strategy on the following six pillars:

(1) To operate as a "one-stop-shop" in the property development / investment market of Bulgaria.
(2) To focus, at a first stage, on the more developed office / commercial and residential property markets, and in a later stage, diversify activities through development projects in the commercial and industrial property markets.
(3) Euroterra's primary objective is to acquire land in areas of strategic significance thus gaining a competitive advantage from the resilience of the property's value even in adverse market conditions.
(4) Development and sale of assets when the timing appears favorable and in anticipation of further yield contraction.
(5) Hands-on management at local level throughout the value chain.
(6) Strategic co-operation with top-ranking European partners (ie. architectural firms) in execution of projects.

TABLE **EUROTERRA BULGARIA's Development Pipeline** (Completion Year of Each Project)

Source: The Company.



Valuation Methodology

DCF Model

We apply the discounted cash flow (DCF) model to derive our 12-month horizon target price of **€ 13.94** per share for Euroterra Bulgaria, implying a 29% upside from current price level. We use an explicit 5-year period (2008-2012) whereas we base the implicit period on a relatively conservative perpetuity growth rate to arrive at the terminal value.

	2008	2009	2010	2011	2012	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	316.1%	357.3%	140.5%	52.7%	-20.7%	**1.5%**
EBIT Margin	51.0%	63.7%	58.3%	62.7%	75.0%	**20.0%**
Tax Rate	10.0%	10.0%	10.0%	10.0%	10.0%	**10.0%**
Working Capital (% of sales)	-96.7%	-12.4%	1.9%	22.4%	19.1%	**13.5%**
Capex (% of sales)	0.0%	0.0%	0.0%	0.0%	0.0%	**1.0%**
Cost of Capital	11.5%	10.7%	9.9%	10.2%	10.9%	**10.5%**
Depreciation (% of sales)	0.0%	7.9%	1.8%	0.8%	0.5%	**1.0%**
CASH FLOW STATEMENT						
Turnover	**5.1**	**23.2**	**55.9**	**85.3**	**67.6**	**68.7**
EBIT	2.6	14.8	32.6	53.5	50.8	**13.7**
Less: Adjusted Tax	0.3	1.5	3.3	5.3	5.1	**1.4**
Adjusted Operating Profit	**2.3**	**13.3**	**29.3**	**48.1**	**45.7**	**12.4**
Plus: Depreciation	0.4	0.4	0.4	0.5	0.5	**0.7**
Operating Cash Flow	**2.7**	**13.7**	**29.8**	**48.6**	**46.2**	**13.0**
Less: Change in Working Capital	-4.9	-2.9	1.1	19.1	13.0	**9.3**
Less: Capex	0.0	0.0	0.0	0.0	0.0	**0.7**
Cash Flow to the Firm (FCFF)	**7.6**	**16.6**	**28.7**	**29.5**	**33.2**	**3.1**
Discount Factor	0.90	0.82	0.75	0.68	0.60	0.61
Present Value of Cash Flows	6.86	13.58	21.61	20.01	19.80	
Accumulated Present Value	6.86	20.43	42.05	62.05	**81.85**	
Residual Value						34.3
Present Value of Residual Value						**20.8**

VALUATION		**WACC CALCULATION**	
Enterprise Value	102.69	Risk Free Rate	4.6%
% Residual Value of Total	20.3%	Beta Factor	1.4
Less: Net Debt	5.10	Market risk Premium	5.5%
		Cost of Equity	**12.3%**
		Debt / Debt + Equity	30.0%
Value of firm	**97.59**	Cost of Debt	7.0%
Outstanding # of shares (000)	**7,000**	Tax Rate	10.0%
Value of share	**13.94**	**Weighted Average Cost of Capital**	**10.5%**

Source: Management's guidance, VRS estimates.

Our DCF model is based on the following assumptions:

- A beta of 1.4
- Risk free rate of 4.5%
- A WACC between 10-12% in the explicit 5-year period
- A terminal growth rate of 1.5%.

Our valuation also reflects the following scenarios expected to occur during the explicit 5-year period:

- A property price growth of 10% per annum;
- A steady demand for office and residential property;
- Bulgarian economy's constant convergence within the European Union and adoption of the euro.

Sensitivity Analysis

Our valuation incorporates a sensitivity analysis deriving from the discounted free cash flow model, employing a discount rate in the range of 8.00-12.00%, and a growth rate in the range 0.50-2.00%.

		GROWTH (Implicit Period)				
		8.00%	**9.00%**	**10.50%**	**11.50%**	**12.00%**
WACC (Implicit Period)	**0.50%**	14.93	14.31	13.62	13.27	13.12
	1.00%	15.23	14.53	13.77	13.39	13.23
	1.50%	15.59	14.79	**13.94**	13.53	13.35
	1.75%	15.78	14.93	14.03	13.60	13.41
	2.00%	16.00	15.08	14.13	13.67	13.48

Value of share is expressed in €. Source: VRS Estimates.

Financial Analysis & Projections

Following the guidance granted to us by Euroterra's management, we have drawn our projections with regard to the Company's financial performance over the 5-year period (2008-2012). We assume that Euroterra finances project development via customer prepayments and bank debt, which is in turn repaid via the cash generated from the final sale transaction of each property. Thus at no point in time during the explicit period does the Company become high leveraged. Revenue is expected to derive from rental income (Building Vitosha 1 and Plovdiv Building) and from development and sale (Slatinska Street, Luxor Glava, Euroterra Park, Botanic Garden, Show Room 2 & 1, Mall and Logistics Center). As previously noted, we assume strong cash inflows following the sale of each fixed, variable and prospect development. By the end of year 2012 cash position comes out high since no assumption is made for additional development projects or purchase of land. We also assume a high dividend policy given the Company's projected rich cash position. Below we present our analysis with regard to Euroterra's revenue breakdown, profit & loss account, balance sheet and cash flows on both historical and projected basis.

Euroterra Bulgaria: Revenue Breakdown 2008-2012

in € 000s	**2008**	**2009**	**2010**	**2011**	**2012**
Building Vitosha 1	940	992	1,800	1,899	2,003
% of total	*19%*	*4%*	*3%*	*2%*	*3%*
Plovdiv Building	240	500	580	612	646
% of total	*5%*	*2%*	*1%*	*1%*	*1%*
Slatinska St. Building	2,900	0	0	0	0
% of total	*57%*	*0%*	*0%*	*0%*	*0%*
Luxor Glava	1,000	3,662	0	0	0
% of total	*20%*	*16%*	*0%*	*0%*	*0%*
Euroterra Park	0	11,544	16,800	19,656	0
% of total	*0%*	*50%*	*30%*	*23%*	*0%*
Botanic Garden	0	6,536	25,188	39,664	992
% of total	*0%*	*28%*	*45%*	*46%*	*1%*
Show Room 2	0	0	2,000	5,000	9,000
% of total	*0%*	*0%*	*4%*	*6%*	*13%*
Show Room 1	0	0	2,000	4,000	6,000
% of total	*0%*	*0%*	*4%*	*5%*	*9%*
Mall	0	0	5,000	12,000	23,000
% of total	*0%*	*0%*	*9%*	*14%*	*34%*
Logistics Center	0	0	2,500	2,500	26,000
% of total	*0%*	*0%*	*4%*	*3%*	*38%*
Total	**5,080**	**23,233**	**55,868**	**85,331**	**67,641**

Source: Management's guidance, VRS estimates.

Historic & Projected Profit & Loss Account

€ million	2006	2007	2008	2009	2010	2011	2012
Revenues (Sales & Income)	**0.83**	**1.22**	**5.08**	**23.23**	**55.87**	**85.33**	**67.64**
y-o-y Change %		46.41%	316.06%	357.35%	140.47%	52.74%	-20.73%
Cost of Sales	**0.16**	**0.24**	**2.05**	**7.76**	**22.52**	**31.03**	**16.00**
% of Turnover	18.88%	19.68%	40.35%	33.40%	40.30%	36.36%	23.65%
y-o-y Change %		52.60%	753.06%	278.56%	190.15%	37.79%	-48.43%
Operating Expenses	**0.09**	**0.15**	**0.19**	**0.25**	**0.31**	**0.35**	**0.40**
% of Turnover	10.36%	12.44%	3.76%	1.08%	0.56%	0.42%	0.59%
y-o-y Change %		75.74%	25.71%	31.55%	25.00%	13.05%	12.67%
EBITDA	**0.59**	**0.83**	**2.84**	**15.22**	**33.04**	**53.95**	**51.24**
EBITDA Margin	70.75%	67.88%	55.89%	65.52%	59.13%	63.22%	75.75%
y-o-y Change %		40.47%	242.55%	436.14%	117.04%	63.30%	-5.02%
Depreciation	**0.13**	**0.13**	**0.25**	**0.42**	**0.44**	**0.47**	**0.49**
% of Turnover	15.33%	10.93%	4.92%	1.82%	0.80%	0.55%	0.72%
EBIT	**0.46**	**0.70**	**2.59**	**14.80**	**32.59**	**53.48**	**50.75**
EBIT Margin	55.43%	56.95%	50.97%	63.69%	58.34%	62.68%	75.03%
y-o-y Change %		50.44%	272.33%	471.56%	120.25%	64.09%	-5.11%
Net Financial Results	**-0.20**	**-0.27**	**-0.58**	**-1.53**	**-2.90**	**-2.76**	**-1.80**
Net Results Before Taxes	**0.26**	**0.42**	**2.01**	**13.27**	**29.70**	**50.73**	**48.95**
EBT Margin	30.96%	34.51%	39.53%	57.11%	53.16%	59.45%	72.36%
y-o-y Change %		63.17%	376.61%	560.76%	123.82%	70.81%	-3.50%
Income Tax & Deferred Taxes	**0.00**	**0.00**	**0.20**	**1.33**	**2.97**	**5.07**	**4.89**
Effective Tax Rate	0.00%	0.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Net Results After Taxes	**0.26**	**0.42**	**1.81**	**11.94**	**26.73**	**45.65**	**44.05**
EAT Margin	30.96%	34.51%	35.57%	51.40%	47.84%	53.50%	65.13%
y-o-y Change %		63.17%	328.95%	560.76%	123.82%	70.81%	-3.50%
Net Results (a.t.&m.i.)	**0.26**	**0.42**	**1.81**	**11.94**	**26.73**	**45.65**	**44.05**
Net Margin	30.96%	34.51%	35.57%	51.40%	47.84%	53.50%	65.13%
y-o-y Change %		63.17%	328.95%	560.76%	123.82%	70.81%	-3.50%

Source: Management's guidance, VRS estimates.

Historic & Projected Balance Sheet

€ million	2006	2007	2008	2009	2010	2011	2012
Assets							
Net Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Tangible Assets	6.06	62.01	64.21	69.21	74.69	52.92	44.59
Assets under Construction	0.00	0.00	1.50	12.00	19.40	10.50	0.00
Total Non-Current Assets	**6.06**	**62.01**	**65.71**	**81.21**	**94.09**	**63.42**	**44.59**
% Total Assets	74.60%	98.84%	94.76%	78.04%	58.23%	42.61%	40.49%
Inventories	0.00	0.00	0.02	0.03	0.06	0.08	0.03
Trade Receivables	0.09	0.04	0.30	11.00	39.00	27.00	0.00
Other Receivables	0.20	0.12	0.12	5.00	10.00	20.00	25.00
Cash in bank and at hand	1.77	0.57	3.20	6.83	18.43	38.34	40.51
Total Current Assets	**2.06**	**0.73**	**3.64**	**22.86**	**67.49**	**85.42**	**65.54**
% Total Assets	25.40%	1.16%	5.24%	21.96%	41.77%	57.39%	59.51%
TOTAL ASSETS	**8.12**	**62.74**	**69.34**	**104.07**	**161.58**	**148.84**	**110.12**
Equity & Liabilities							
Shareholder's Equity	3.28	55.03	55.44	58.13	64.15	74.44	84.37
Minority Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	**3.28**	**55.03**	**55.44**	**58.13**	**64.15**	**74.44**	**84.37**
% Total Equity & Liabilities	40.41%	87.72%	79.95%	55.86%	39.70%	50.02%	76.61%
L-Term Bank Loans	4.76	7.30	7.30	16.86	29.27	32.19	25.76
Provisions for Staff Retirement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other long term debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total L-Term Liabilities	**4,759**	**7,301**	**7,301**	**16,861**	**29,271**	**32,194**	**25,755**
Suppliers	0.02	0.02	0.00	0.00	0.00	0.00	0.00
Banks	0.00	0.00	1.00	5.00	12.10	7.20	0.00
Taxes-duties	0.02	0.09	0.00	0.00	0.00	0.00	0.00
Customer Pre-payments	0.04	0.29	5.60	24.08	56.05	35.00	0.00
Total Current Liabilities	**0.08**	**0.40**	**6.60**	**29.08**	**68.15**	**42.20**	**0.00**
Total Liabilities	**4.84**	**7.71**	**13.90**	**45.94**	**97.42**	**74.39**	**25.76**
% Total Equity & Liabilities	59.59%	12.28%	20.05%	44.14%	60.30%	49.98%	23.39%
TOTAL EQUITY & LIABILITIES	**8.12**	**62.74**	**69.34**	**104.07**	**161.58**	**148.84**	**110.12**

Source: Management's guidance, VRS estimates.

Historic & Projected Cash Flow Statement

(in € ,000)	2007	2008	2009	2010	2011	2012
Profit after tax	421	1,807	11,941	26,727	45,653	44,053
Plus: Change of Depreciation	**0**	**403**	**423**	**445**	**467**	**490**
Gross Cash Flow	**421**	**2,210**	**12,365**	**27,172**	**46,119**	**44,543**
Change in:						
(-) Trade Debtors	-57	265	10,700	28,000	-12,000	-27,000
(-) Inventory	0	20	10	30	20	-50
(-) Other Receivables	-80	0	4,880	5,000	10,000	5,000
(+) Trade Creditors	1	-19	0	0	0	0
(+) Liabilities for taxes	75	-94	0	0	0	0
(+) Other Short - term liabilities	249	5,309	18,476	31,976	-21,052	-35,000
Change in Working Capital	462	4,911	2,886	-1,054	-19,072	-12,950
Operating Cash Flow	**883**	**7,122**	**15,250**	**26,118**	**27,047**	**31,593**
Change in:						
(-) Intangible Assets	0	0	0	0	0	0
(-) Tangible Assets	55,954	2,599	5,428	5,920	-21,302	-7,841
(-) Other long - term receivables	0	1,500	10,500	7,400	-8,900	-10,500
(+) Other Long - term liabilities	0	0	0	0	0	0
(+) Cons. diff./ Minority Interests	0	0	0	0	0	0
Cash Flow from Investment	**-55,954**	**-4,099**	**-15,928**	**-13,320**	**30,202**	**18,341**
Net Cash Flow before Financing Activities	**-55,071**	**3,023**	**-678**	**12,798**	**57,249**	**49,934**
Increase in Share Capital	0	0	0	0	0	0
Increase in Share Premium Account	0	0	0	0	0	0
Net Change in Reserves	51,332	0	0	0	0	0
Change in Long - Term Debt	2,542	0	9,560	12,410	2,923	-6,439
Change in Short - Term Debt	0	1,000	4,000	7,100	-4,900	-7,200
Dividends	0	1,400	9,251	20,705	35,366	34,127
Minority Interests on Profit	0	0	0	0	0	0
Net Cash Flow from Financing	**53,875**	**-400**	**4,309**	**-1,195**	**-37,343**	**-47,766**
Cash at Beginning	1,771	575	3,197	6,829	18,432	38,338
Change in Cash and Marketable Securities	**-1,196**	**2,623**	**3,631**	**11,603**	**19,906**	**2,168**
Cash at End	575	3,197	6,829	18,432	38,338	40,506

Source: Management's guidance, VRS estimates.

The Market: Top Down Approach

As mentioned earlier in this report, the Bulgarian economy and real estate market are towards a sustained growth scenario in the following quarters despite the high expansion rates experienced over the past years. Below, we highlight the market's major characteristics, risks and prospects based on a top-down approach.

The Bulgarian Economy

GDP growth of Bulgarian economy will remain high despite an anticipated deceleration.

Real GDP grew by 6.1% in 2007, supported by strong domestic demand. Investment growth was particularly buoyant (30%), fuelled by strong FDI inflows and rampant credit expansion. Since 2002, the ratio of domestic credit to GDP has more than doubled. The current account deficit ballooned to 21.4% of GDP in 2007 (from 15.7% of GDP in 2006), reflecting excess domestic demand, weaker exports and surging investment-related imports. CPI increased to 7.6% in 2007 (from 7.4% in 2006) and is projected to reach 9.3% in 2008, as a result of strong wage growth and high oil and food prices. Without some slowdown in explosive consumer lending and demand, Bulgaria's economy faces a serious risk of overheating. **In 2008, GDP growth is expected to decelerate slightly to 5.8%, but remain robust, reflecting the continuing catching-up of the Bulgarian economy.** The absorption of the EU structural funds and the continued expansion of production capacity will support investment. FDI is forecasted to ease in the coming years, as the number of attractive privatization assets decline. However, further greenfield investment and continued inter-company transfers, as foreign firms strengthen their Bulgarian operations, should compensate for the decrease in privatization-related FDI. Bulgaria awaits around EUR 4.7 billion of FDI in 2008, being by far the top FDI recipient in the region [Note 1]. Given the lev's peg to euro (EUR 1= BGN 1.9558), fiscal tightening is the main tool available to dampen domestic demand and to preserve competitiveness, which is eroding. The economic conjuncture in the country remains favorable. The total business climate indicator increased in March 2008 for third consecutive month. In January 2008, the base interest rate stood at 4.68%, the 3-month at 6.55% and the 10-year at 5.07% (spread over euro area: 0.84 pts). The stock exchange index (SOFIX) has decreased by 38% in the last 6 months.

The Bulgarian Real Estate Sector

The Bulgarian real estate market has achieved an incredible rate of growth over the past few years. The average annual market price of dwellings, nationwide, has increased by almost 200% between 2003 and 2007 [Note 2]. In 2007, when Bulgaria became full member of the EU, average real estate sale prices rose by almost 29%, whereas rentals posted a more modest mark-up of 6-7%. The tourist areas, incl. coastal resorts and ski resorts, have experienced property price rises as high as 36% or more, while metropolitan areas, such as the capital Sofia, have grown at a slightly more moderate pace (35%). Bulgarian real estate market is still an emerging one and prices are relatively low compared to other EU countries [Note 3]. Thus, real estate will continue developing in the forthcoming years, but at a more even and sustainable pace. As the market gradually shifts to maturity, prices will have to further rise to match those in more advanced economies across Europe. However, the times of striking fast and exorbitant profits out of property deals on Bulgarian market are gone, as yields have shown a decreasing trend in the last couple of years. **After the initial boom of the real estate market, the annual price growth is now expected to slow down to 15-20% or even lower,** compared to 30-35% over the last 5 years, while it is unlikely to witness abrupt and unexpected price rises in the years ahead. For the time being, the attractiveness of real estate investments is high, as returns are still appealing. **The most attractive real estate sectors are the residential and the office / commercial properties.** Vacation property is currently in a less favorable situation, due to British and Irish investors' withdrawal, under-developed secondary market and over-supply and as the Russian and the Scandinavian buyers are unlikely to absorb the stock of low-quality resort establishments that flooded the market. **Retail property** (hypermarkets, shopping malls, warehousing and logistics) **is another fast-growing sector, which is set to expand impressively.**

Bulgarian property price growth is projected to drop, however it will remain at especially notable levels.

The significant growth of prices and construction activity recorded in the Bulgarian real estate sector the last few years has been supported by a number of factors, mainly: a) the increasing domestic demand for housing, underpinned by rural-urban migration, higher salaries and rising mortgage lending, by almost 100% annually over the last years [Note 4] and b) the robust investment growth, partly associated with increased interest from foreign investors and Bulgarian expats in acquiring residencies, commercial property and land. More than one third of Bulgaria's FDI in 2007 went into the property sector, revealing an ongoing and solid interest in the field. Until recently, most FDI was outside the real estate sector, but over the past four years real estate has realized the highest rise in inward direct investment (6.9% of total FDI stock at the end of 2002). The most "traditional" international investors are from the UK, Germany, Italy, Israel, and Russia, among others. The EU accession, the sound macroeconomic fundamentals and the rapidly growing tourist industry (by an annual average of 22%) have also supported this trend. These domestic and external factors are expected to continue influencing developments in the Bulgarian real estate market. **The recent global credit squeeze is expected to reduce the total volume of foreign investment in Bulgaria, including investment in real estate.** The property market is likely to be affected directly, primarily through big projects, financed by large investment funds and banks, and vacation developments. However, there is no risk of the real estate sector suffering a sudden collapse, the sort of a bubble burst.

AVERAGE ANNUAL MARKET PRICES OF DWELLINGS [1]
(sorted by 2007)

	Average prices - Leva/sq.m				annual % change	annual % change
District centers	**2003**	**2004**	**2006**	**2007**	**2007-2006**	**2007-2003**
Sofia cap.	810.5	1017.1	1341.79	1813.17	35.1	123.7
Varna	580.5	954.2	1316	1762.63	33.9	203.6
Burgas	442.9	770.6	1227.04	1442.08	17.5	225.6
Ruse	292.2	471	895.67	1262	40.9	331.9
Stara Zagora	330.7	662.3	914.58	1144.75	25.2	246.2
Plovdiv	377	626.9	940.29	1143.17	21.6	203.2
Total	**366.3**	**540.5**	**846.52**	**1091.24**	**28.9**	**197.9**
Blagoevgrad	311.3	493.6	797.88	1038.67	30.2	233.7
Pleven	314.4	525.5	769.5	1004.46	30.5	219.5
Veliko Tarnovo	351.9	506.4	811.08	968.92	19.5	175.3
Haskovo	262	389.7	740.63	922.71	24.6	252.2
Pernik	217.5	397.3	656	918.21	40.0	322.2
Targovishte	251.1	338.9	586.01	845.46	44.3	236.7
Smolyan	218.6	312.1	712.2	839.52	17.9	284.0
Vratsa	189.7	249.7	637.83	825.13	29.4	335.0
Sliven	254.7	422	670.21	822.17	22.7	222.8
Shumen	242.8	349.7	675.96	819.46	21.2	237.5
Vidin	200.8	257.7	587.58	802.28	36.5	299.5
Montana	218.9	296.9	641.25	778.67	21.4	255.7
Gabrovo	250	347.2	620.88	771.92	24.3	208.8
Razgrad	237.5	256.4	558.21	744.17	33.3	213.3
Dobrich	228.4	300.5	589.38	743.75	26.2	225.6
Kardzhali	314	501.9	628.75	727.88	15.8	131.8
Pazardzhik	221.9	296.8	588.42	720.63	22.5	224.8
Yambol	194.3	298.3	591.21	683.47	15.6	251.8
Lovech	183.8	271.6	540.01	646.13	19.7	251.5
Silistra	180	239	461.67	640.29	38.7	255.7
Kyustendil	193	236.7	459.21	601.58	31.0	211.7
Sofia	192.5	289.3	411.71	488.14	18.6	153.6

[1] Flats prices only (new flats are excluded)

Note: EUR 1=BGN 1.9558

Source: National Statistical Institute of Bulgaria

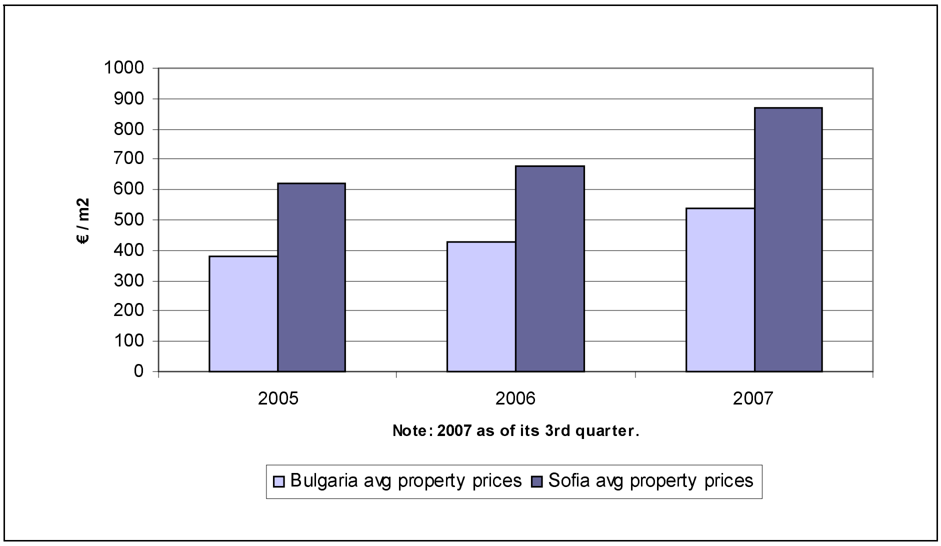
Q1 2008: Developments in the Bulgarian Real Estate Market

Office Property Market: Having finished 2007 on a positive note, the office market is expected to remain upward in 2008 as well. Demand level is healthy keeping vacancy rates low despite steadily rising building space. Prime office yields are currently standing at 7.50% in Sofia implying a notable downside potential. Furthermore, market participants anticipate higher activity levels in the Bulgarian office market in 2008. Following the international turmoil in financial markets, the sole concern this year relates to the stance that will be kept by foreign investors who are among the main users of the newly built office spaces.

Residential Property Market: Prices in this market have set a positive momentum over the past 3 years and are expected to continue rising as demand remains healthy in the first quarter 2008. Expansion of housing and mortgage credit by domestic banks is the major driver behind market growth.

CHART **The Bulgarian Residential Market – Property Prices**

Source: Bulgarian Statistical Institute and market surveys.



Retail Property Market: On a net basis, the retail property market is anticipated on a modest but positive trend this year. On the one hand the market is affected by the decelerating growth in retail sales however demand remains high for good quality modern property in selective locations. Prime high street yields in Sofia are at 6.50% while shopping center yields are ranging around 7.50%. Active participants focus on retail parks and large scale constructions.

Industrial Property Market: The near term trend is expected stable with prime yields standing at 8.75% versus 9.00% a year earlier. Lack of good quality industrial property is the major drawback in this market. The logistics sub-sector is anticipated as the most sought after, mainly from retailers and distributors. Foreign investors, who are major players in the market, could slow down their activities this year due to the uncertainty dominating the international financial markets.

Notes:

1 In the period 1996-2007, Greece represented 10% of Bulgaria's total 17 billion euros FDI stock, ranking third after Austria (15%) and the Netherlands (11%).

2 National Statistics Institute of Bulgaria. Prices are calculated in leva/sq.m. and for flats only (new flats are excluded). According to IMF, real house prices have doubled in Bulgaria since end-2003.

3 Upon joining the EU, the cities of Warsaw (Poland), Prague (Czech Republic) and Bratislava (Slovakia) climbed more than 10 places in the "Mercer Cost of Living" survey. Bulgarian property remained up to 40% lower priced than in these peer countries.

4 Mortgage lending in 2007 grew by 67%, reaching 2.2 billion leva. Some 60% of the total number of construction permits issued last year was for residential buildings. Mortgage lending potential is high as currently, mortgage loans are 5% of the total credit supply within the local banking sector, while in developed credit markets, this rate is usually in the range of 15-20%. Although growth in residential loans in Bulgaria as of the end of January 2008 slowed down, it remained high (62%y-o-y).

Investment Risks / Mitigating Factors

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	After the initial boom of the Bulgarian real estate market, the annual price growth is now expected to slow down to 10-15%, compared to 30-35% over the last 5 years.	While the domestic real estate market is unlikely to witness abrupt and unexpected price rises in future, it is however likely to sustain a positive growth trend in the years ahead setting a favorable environment for real estate developers offering good quality property.
2	The recent global credit squeeze is expected to reduce foreign investment in Bulgarian real estate, primarily through big projects, financed by large investment funds and banks, and vacation developments.	So far, this scenario has shown only modest signs of materialization. Furthermore, it is very unlikely to have a broader negative effect on the domestic real estate market given the fact that supply of good property is still lower than demand.
3	The especially high growth rates experienced by the Bulgarian economy over the past 4-5 years imply a serious risk for overheating.	Given the negative conditions currently prevailing in the international credit markets, we would expect some slowdown in explosive consumer lending within the Bulgarian economy as well.
4	Every year more than 20 cases of frauds related to sales and purchases of real estate properties are presented to the Bulgarian authorities. Moreover half of the real estate deals in Bulgaria remain in the side of the grey economy.	This is a temporary condition in the Bulgarian market given the country's commitment as full member of the European Union to legitimize all transactions within the economy.

Source: Valuation & Research Specialists (VRS).

Management's Guidance and VRS View

	Management's Guidance	VRS View
1	Euroterra Bulgaria's management has given us guidance of a 5-year property development plan, which is the basis of the financial projections presented in this valuation report.	Our cash flow analysis has been based on a "develop and sale" business model that will generate revenues from the development of 4 fixed, 2 variable and 2 prospect developments, as well as rental income from the Company's 2 currently operating properties.
2	The management anticipates a significant and steady rise of property prices in Bulgaria in the following 2 years, well above the 10-15% neighborhood.	Our financial projections reflect a more conservative scenario with regard to property price growth in Bulgaria, mainly in the office / commercial and residential property markets where Euroterra is currently active. We view that a sustainable property price growth on average over the next 5 years is around 10%.
3	Country risk is steadily declining as the Bulgarian state authorities adopt policies and practices that lead to a more legitimate economic environment as compared to the past (ie. 5 years ago).	We share the same view with the management and thus we have incorporated the "steadily declining country risk" factor into our valuation exercise.

Source: Valuation & Research Specialists (VRS).

S.W.O.T. Analysis

Strengths

- Leading real estate developer – well balanced portfolio of land and buildings
- Active in the most attractive real estate sectors: residential and office / commercial properties
- "Development and sale" strategy implies strong cash flow generation
- Well experienced management team with long track record in property development

Weaknesses

- Bulgaria still possesses higher risk factor than other EU aligned European markets
- Property price growth is decelerating as compared to the pace experienced in the past

Opportunities

- Further yield compression lies ahead
- Industrial and commercial / retail property markets are in much earlier stage of growth as compared to residential and office property markets

Threats

- Risk of an overheating Bulgarian economy
- Any extended credit squeeze internationally may affect foreign investment activity in the Bulgarian property market

APPENDIX 1: Description of Investment Property Portfolio

EUROTERRA BUILDING VITOSHA 1

City: Sofia
Address: Vitosha 1
Project type: Leased, eighth floor self-contained building of stores and offices
Square meters: 3,100
Building advantages:
Vitosha Boulevard is the most central and commercial road of Sofia. It is believed to be the business and trade centre of the city. According to recent ratings, Vitosha Boulevard is the eighth most expensive avenue in Europe and twenty second most expensive commercial spot in the world. Along the boulevard there are branches of all banks, as well as many famous commercial brands like Sisley, Benetton, Pepe, Levi's, Germanos, E.Zegna, Max Mara e.t.c.
The Euroterra building Vitosha 1 is situated at number 1 of Vitosha's boulevard, in the beginning of the pedestrian zone, opposite the tribunal and next to Sheraton hotel, the presidential building and the Central Department store. This building hosted the headquarters of the Bulgarian Balkantourist (Bulgarian Tourism Organization) for forty years.
Tenants:
Ground floor-basement: Postbank
First, filth and seventh floor: Piraeus Bank
Sixth floor: Euroterra Bulgaria AD

EUROTERRA BULGARIA BUILDING VITOSHA 1

Building is Leased

Owner:	Euroterra Bulgaria AD	
Tenants:	Postbank, Piraeus Bank	
Total Area:	**3,100.00**	square meters
Leased Area:	**2,860.00**	square meters
Leasing Period:	up to 2012 with an auto renewal option	
Monthly Leasing Payment	**153,204.33**	BGN
Annual Leasing Payment	**1,838,452.00**	BGN
Monthly Leasing Payment	**78,333.33**	EUR
Annual Leasing Payment	**940,000.00**	EUR
Rental Revenue per sq.m.	**328.67**	EUR
Annual Adjustment Rate	5.50%	

Note: Annual Leasing Payment does not include administration and maintenance expenses.

Asset Valuation performed by Certified Auditor:	**20,500,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:	**1.95583**	
Market Value 2007 (based on Certified Auditor's Report):	**24,500,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:	**26,950,000.00**	EUR (pro VAT)

EUROTERRA PLOVDIV BUILDING

City: Plovdiv
Address: 13 Patriarh Evtimiy pedestrian zone
Project type: Five floor self-contained building of stores and offices
Building's square meters: 2005
Building's advantages:
Plovdiv (former Fillipoupolis) is the second largest city of Bulgaria after Sofia.
The Euroterra Plovdiv Building is located between the pedestrian zone Patriarh Evtimiy and the most central and commercial pedestrian zone of Plovdiv, Duke Alexander 1. It is the trade and business centre of the city. It is 50 meters away from the Town Hall and constitutes the meeting point of cafeterias, restaurants, hotels, shopping centers, e.t.c.
This building constituted, for the last forty years, Plovdiv's Balkantourist (Bulgarian Tourism Organization) headquarters.
Tenants:
Ground floor Piraeus Bank
Upper floors and basement will be leased as offices / commercial spaces
Current Status: Renovation.

EUROTERRA BULGARIA PLOVDIV BUILDING		
Building is to be Renovated and Leased		
Owner:	Euroterra Bulgaria AD	
Tenants:	Piraeus Bank, Happy, Offices	
Total Area:	**2,005.00**	square meters
Leased Area:	**2,005.00**	square meters
Leasing Period	n/a	
Monthly Leasing Payment (e)	**94,530.33**	BGN
Annual Leasing Payment (e)	**1,134,364.00**	BGN
Monthly Leasing Payment (e)	**48,333.33**	EUR
Annual Leasing Payment (e)	**580,000.00**	EUR
Rental Revenue per sq.m.	**289.28**	EUR
Annual Adjustment Rate	5.50%	

Note: Annual Leasing Payment does not include administration and maintenance expenses.

Asset Valuation performed by Certified Auditor:	**9,557,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:	**1.95583**	
Market Value 2007 (based on Certified Auditor's Report):	**10,000,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:	**11,000,000.00**	EUR (pro VAT)

SLATINSKA STREET BUILDING

Region: Sofia, SLATINA
Project type: Development of apartments, stores and parking spaces
Property's square meters: 840
Building's square meters: 2,450
Project's advantages:
Slatina is a district of Sofia which is situated near the of Geo Milev, Redouta, and Hristo Botev quarters. It is a densely populated area of young people. It has a very fast and easy access to Sofia's city-centre and airport. All basic infrastructures such as, school, hospital, transport facilities, playgrounds e.t.c. are very near. The project has been developed in the main road of Slatinska district and it is the second as you walk from the corner of Slativska and Geo Milev. It is near the Transport University of Todor Kableiskov, Zulio Couri school, the academic stadium and Festivalna Hall. The basement floor has already been sold and it will operate as a bank.

EUROTERRA BULGARIA SLATINSKA STREET BUILDING				
Building is in its final stage				
Owner:	Euroterra Bulgaria AD			
Targeted Revenues from:	Rental (ground floor) and sale (upper 6 floors)			
Land Area:	**840.00**	square meters		
Building Area:	**2,450.00**	square meters		
Initiation Year:	**2007**			
Construction Period:	14.00	months		(Aug 2007 - Sept. 2008)
Leasing Period:	n/a			
Construction Cost:	**915,000.00**	EUR		
Construction Cost per sq.m.:	**373.47**	EUR		
Land's Historic Acquisition Cost:	**135,000.00**	EUR		
Targeted Revenues from Sale:	**2,900,000.00**	EUR		
Revenues per sq.m.:	**1,183.67**	EUR		
Asset Valuation performed by Certified Auditor:			**2,251,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**2,251,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**2,476,100.00**	EUR (pro VAT)

LUXOR GLAVA

Region: Sofia, Gordova Glava
Project type: Development of luxurious residential complexes and parking spaces
Construction time: 15 months approximately
Property's square meters: 1,950
Building's square meters: 4,140
Project's advantages:
Gordova Glava is situated in the Sofian suburb of Boyana, in the feet of the mountain Vitosha and west of the Bulgarian president's residence. It is located in the southern part, which is considered one of the best and most famous areas of the city, where there are luxurious houses, villas, the diplomat members' club e.t.c.
Luxor Glava enjoys a view towards the Vitosha mountain and the city, it is ten minutes away from Sofia's city-centre and five minutes from Vitosha ski resort. It is a complex of three autonomous buildings, of luxurious construction, which includes in total eight maisonettes and eight apartments.
Owner of the land: Twin Group A.D. Mr. Michalis Therianos is the major shareholder of Twin Group A.D.
Owner of the project: Euroterra Bulgaria A.D. has the right to develop the project and return 20% of the final project's value to Twin Group.

EUROTERRA BULGARIA LUXOR GLAVA

Building is in its final stage

Owner:	Twin Group		
Targeted Revenues from:	Sale of luxurious residential complexes		
Land Area:	**1,950.00**	square meters	
Building Area:	**4,140.00**	square meters	
Euroterra Bulgaria Stake:	**3,312.00**	square meters	**80%**
Twin Group Stake:	**828.00**	square meters	**20%**
Initiation Year:	**2008**		
Construction Period:	15.00	months	(April 2008 - June 2009)
Construction Cost:	**2,000,000.00**	EUR	
Construction Cost per sq.m.:	**483.09**	EUR	
Targeted Revenues from Sale:	**4,661,640.00**	EUR	
Targeted Revenue per sq.m.:	**1,407.50**	EUR	

EUROTERRA PARK

Region: Sofia, Mladost 4
Project type: Development of an entire, apartments, offices, stores and parking spaces complex
Property's square meters: 12,170
Building's square meters: 40,000
Building's advantages:
Madlost 4 is a densely populated area of Sofia, situated in its south-eastern part, very close to the ring road which attracts investors' interest due to the already constructed first business park in Bulgaria (Business Park Sofia) and the construction of the underground.
Euroterra Park project constitutes one of the biggest projects taking place in Sofia. It includes an entire apartments, stores, offices and parking spaces complex that will comprise a reference point for the area. It is located next to the underground station, the exit of the ring road, ten minutes from Sofia's city-centre and ten minutes away from the airport. Basic infrastructures such as, school, hospital, transport services or playgrounds and a shopping centre are very close. In addition, it has a view towards both Vitosha mountain and the entire city as well. The specific region has even more prospects of development through the reformation of the ring road junction and the development of symbolic projects like the Commercial Park Sofia, the Residential Park Sofia, the Hyundai Tower or the Alfa Park.
Owner of the land: Twin Group A.D. Mr. Michalis Therianos is the major shareholder of Twin Group A.D.
Owner of the project: Euroterra Bulgaria A.D. has the right to develop the project and return 25% of the final project's value to Twin Group.

EUROTERRA BULGARIA PARK

Building is in its final stage

Owner:	Twin Group		
Targeted Revenues from:	Sale of luxurious residential complexes		
Land Area:	**12,170.00**	square meters	
Building Area:	**40,000.00**	square meters	
Euroterra Bulgaria Stake:	**30,000.00**	square meters	**75%**
Twin Group Stake:	**10,000.00**	square meters	**25%**
Initiation Year:	**2009**		
Completion Year:	**2011**		
Construction Period:	**36**	months	(Jan. 2009 - Dec. 2011)
Construction Cost:	**20,000,000.00**	EUR	
Construction Cost per sq.m.:	**500.00**	EUR	
Targeted Revenues from Sale:	**48,000,000.00**	EUR	
Targeted Revenue per sq.m.:	**1,600.00**	EUR	

EUROTERRA BOTANIC GARDEN

Region: Sofia, Botanic Garden
Project type: Development of a closed type complex with extra-luxurious residences, villas and stores
Property's square meters: 59,147
Building's square meters: 36,000
Project's advantages: The Botanic Garden is situated in the southern part of Sofia which is considered as the most developed ant posh area of the city. It is situated in the foot of Vitosha mountain, between Boyana and Dragalevtsi districts, near the lift of Simeonovo's ski resort and twenty minutes away from the ski resort of Vitosha.
The Euroterra Botanic Garden is one of the biggest developments of closed type complexes, including extra-luxurious residences, villas and stores, with immediate access to the ring road and easy and fast access to Sofia's city-centre, via Bulgaria Boulevard. It is located next to Boyana Film Studio, in the eastern part of Bulgaria's president residence and near the historic church of Boyana, which is a UNESCO protected area. In the region, there are also private luxurious villas and luxurious residential complexes.
The project has a view to the city and Vitosha mountain and it is next to the Botanic Garden's river and lake. What is more, it will include private roads, squares and will be equipped with various services like private security e.t.c.

EUROTERRA BULGARIA BOTANIC GARDEN				
Building is in its final stage				
Owner:	Euroterra Bulgaria PLC			
Targeted Revenues from:	Sale of luxurious residential complexes			
Land Area:	**59,147.00**	square meters		
Building Area:	**36,000.00**	square meters		
Initiation Year:	**2009**			
Completion Year:	**2012**			
Construction Period:	**30**	months		
Construction Cost:	**21,600,000.00**	EUR		
Construction Cost per sq.m.:	**600.00**	EUR		
Targeted Revenues from Sale:	**72,380,000.00**	EUR		
Revenues per sq.m.:	**2,010.56**	EUR		
Asset Valuation performed by Certified Auditor:			**18,960,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**18,960,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**20,856,000.00**	EUR (pro VAT)

EUROTERRA SHOW ROOM 2

Region: Sofia, Simeonovsko Shuosse
Project type: Show room and offices development
Property's square meters: 1,819
Building's square meters: 4,000

EUROTERRA BULGARIA SHOW ROOM 2				
Land to be used for show room and offices development				
Owner:	Euroterra Bulgaria AD			
Land Area:	**1,819.00**	square meters		
Building Area:	**4,000.00**	square meters		
Projected Initiation Year:	**2010**			
Asset Valuation performed by Certified Auditor:			**3,685,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**3,685,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**4,053,500.00**	EUR (pro VAT)

EUROTERRA SHOW ROOM 1

Region: Sofia, Karlovsko Shuosse
Project type: Show room and offices development
Property's square meters: 5,000
Building's square meters: 10,000
Project's advantages:
The building site is located on Karlovsko Shuosse road that constitutes the main entrance towards Plovdiv's centre, from which is 1 km away and which is considered an area with great development of trading houses, such as car, sanitary ware, furniture exhibitions e.t.c. Exactly opposite the building, there is the central bmw car exhibition. Along the motorway, there are car exhibitions, multinational firm's offices, banks e.t.c.

EUROTERRA BULGARIA SHOW ROOM 1				
Land to be used for show room and offices development				
Owner:	Euroterra Bulgaria AD			
Land Area:	**5,000.00**	square meters		
Building Area:	**10,000.00**	square meters		
Projected Initiation Year:	**2010**			
Asset Valuation performed by Certified Auditor:			**463,900.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**463,900.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**510,290.00**	EUR (pro VAT)

EUROTERRA MALL

Region: Airport Plovdiv, Krumovo
Project type: Shopping centre with stores and logistics facilities
Property's square meters: 30,586
Building's square meters: 40,000
Project's advantages:
The property is located near Plovdiv airport. It is an angular building site, on the main road Plovdiv-airport and the road towards Krumovo. The road, air and railway connection are excellent. It is the best building site in the area, ideal for building a clothes outlet, hotels, or big stores like Ikea e.t.c.

EUROTERRA BULGARIA MALL

Land to be used for mall and logistics facilities

Owner:	Euroterra Bulgaria AD			
Land Area:	**30,586.00**	square meters		
Building Area:	**40,000.00**	square meters		
Projected Initiation Year:	**2010**			
Asset Valuation performed by Certified Auditor:			**2,223,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**2,223,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**2,445,300.00**	EUR (pro VAT)

EUROTERRA LOGISTICS CENTRE

Region: Airport Plovdiv, Krumovo
Project type: Logistic centre
Property's square meters: 25,819
Building's square meters: 30,000
Project's advantages:
It is situated 500 meters away from Plovdiv airport. It is located on the central road Plovdiv-airport, near the junction for Pamporovo ski resort. The road, air and railway connections are excellent. It is ideal for logistics and transport companies.

EUROTERRA BULGARIA LOGISTICS CENTER

Land to be used for logistics facilities

Owner:	Euroterra Bulgaria AD			
Land Area:	**25,819.00**	square meters		
Building Area:	**30,000.00**	square meters		
Projected Initiation Year:	**2010**			
Asset Valuation performed by Certified Auditor:			**1,900,000.00**	EUR (pro VAT)
EUR/BGN Base Exchange Rate:			**1.95583**	
Market Value 2007:			**1,900,000.00**	EUR (pro VAT)
Dynamic Market Value 2008:			**2,090,000.00**	EUR (pro VAT)

APPENDIX 2: Geographic Information

PICTURE 1	Sofia and Plovdiv: The Locations of Euroterra Bulgaria's Property Portfolio

Source: Company, VRS.

PICTURE 2	Plovdiv as the Prospective Intersection of Major European Highways

Source: Ministry Authorities.

Notes

Notes

DISCLOSURE STATEMENT (1)

VRS Cautions on Forward-Looking Statements

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VRS Makes a Statement about Real Estate Market Risk

The real estate market is to a large extent cyclical and faces risks at a number of levels. Among others, the following factors tend to affect the demand and the ability of tenants to pay rent:

- Macroeconomic environment
- Level of supply
- Interest rates

Furthermore, the following factors are mainly, but not exclusively, accountable for the course of property values:

- Macroeconomic environment
- Corporate Earnings
- Interest rates
- Financing mechanisms offered
- Returns on other types of assets
- Legal and tax legislation

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Covered Company	Bloomberg	Price € / BGN	Price Close Date	Disclosure
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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: guidance on financial performance and market trends.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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