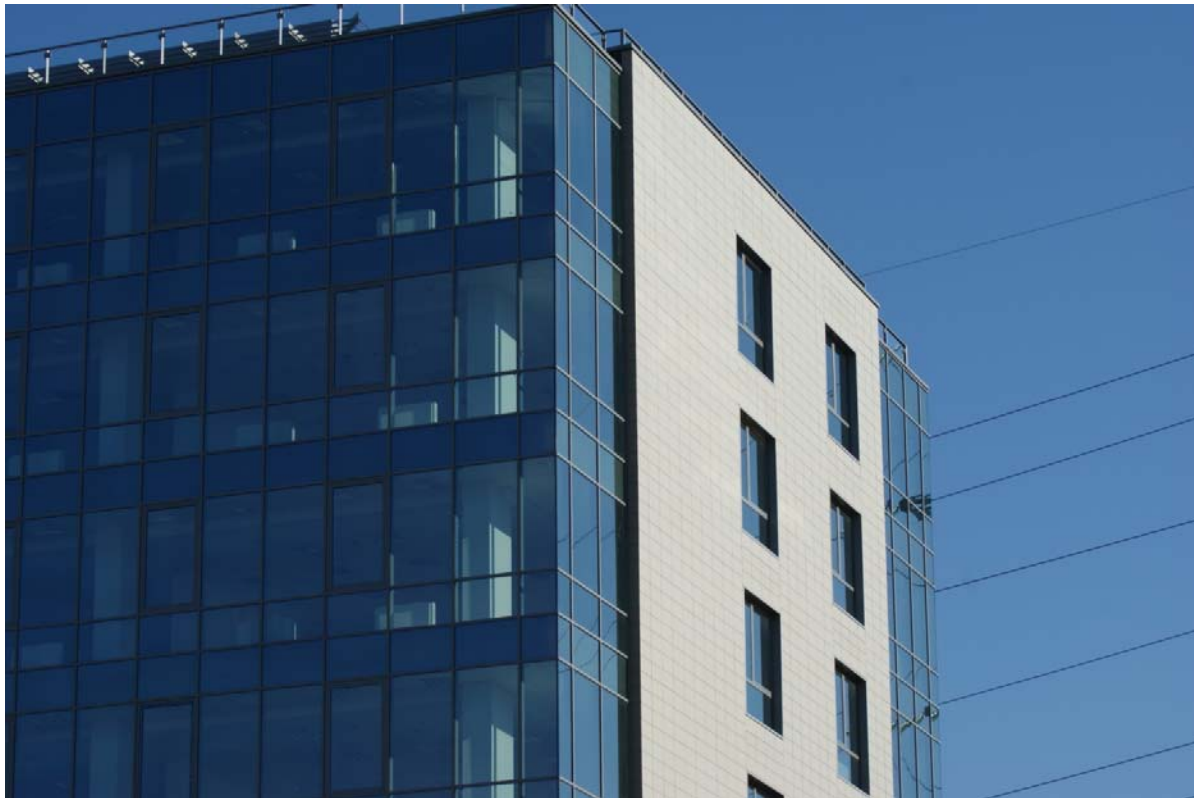


“Bulgarian Real Estate Fund”

Third Quarter Summary Report



15 November 2014

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1 Overview of the Fund

Bulgarian Real Estate Fund /BREF/ is a close-ended real estate investment vehicle, headquartered in the capital of Bulgaria - Sofia. Incorporated in October 2004, it is among the first established Bulgarian REITs. The Fund was licensed by the FSC of Bulgaria in March 2005, and was listed on the Bulgarian Stock Exchange – Sofia (BSE) in April 2005.

As a real estate investment trust, BREF specializes in strategic property acquisitions and invests exclusively in high-performing real estates, in all property sectors across Bulgaria.

The principle investment objective of the Fund is to provide its shareholders with a combination of current income and long-term appreciation of the common stock value. To achieve the set targets, BREF implemented a strategy to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. With these objectives BREF constructed a portfolio of 9 active projects spread across all property sectors in Bulgaria, thus creating a well diversified and low risk portfolio.

Today, BREF is among the largest REITs in Bulgaria in terms of market capitalization and holds an excellent reputation among local banks, property owners and the investment community, a sure sign for its competent management and publicly approved results.

Stock Exchange	Ticker Symbol	Market Capitalization (30.09.2014)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 17,308,253	60,450,000

2 Portfolio

BREF has engaged in numerous projects ranging in size, activity and geographical location. Our diversified portfolio may provide some protection from the ups and downs of individual properties such as occupancy rates, defaults on rents, and downturns in industry sectors or local markets.

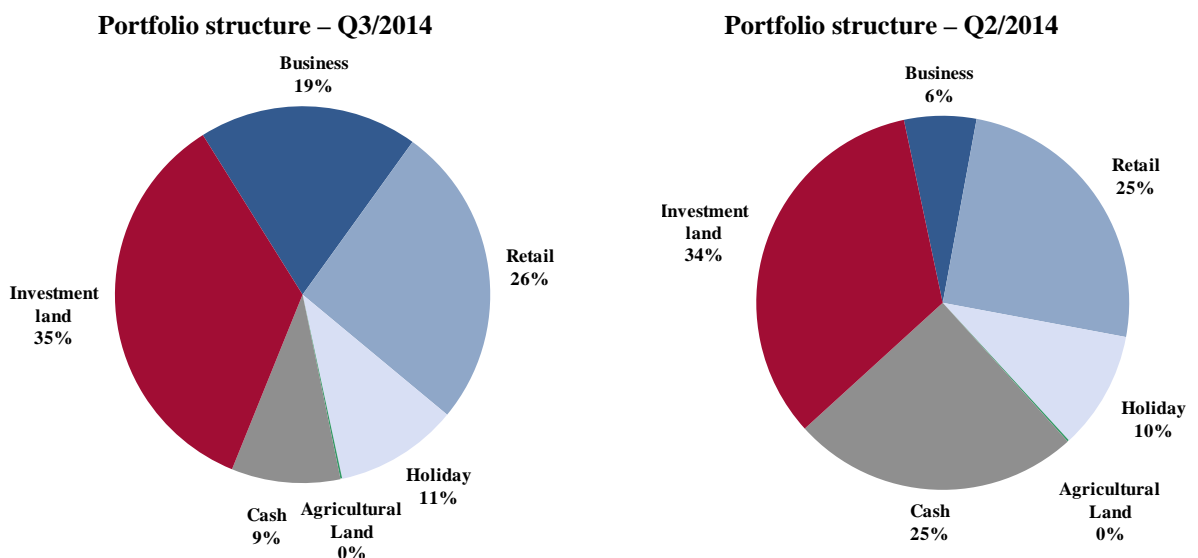
2.1 Portfolio Structure

The main event during the last quarter, which had an impact the overall report, was the purchase of part of Wing A of Building 1 in Business Part Sofia. The transaction and the capital expenses during the period changed the portfolio structure, so that the share of business properties, including the new offices, increased. This change, in turn, led to decrease of the share of cash. At the end of the reviewed period the investment properties still had the greatest share, or 35%. The commercial areas were second with 26% and the business properties - third with 19%. The key highlights during the past quarter were as follows:

- Purchase of Wing A of Building 1 in Business Part Sofia;
- Performing capital expenditures in Wing B of Building 1 in Business Part Sofia;
- Developing the design of the new office building on the ring road plots in Sofia;
- Sale of an apartment in apartment house Sequoia II – Borovetz;
- Regulation of the plots in Mladost IV in Sofia;
- Constructing road infrastructure to the seaside plot;
- Performing current repairs in Mr.Bricolage stores in Varna and Sofia;
- Assessment of investment opportunities on the office and residential markets in Sofia;
- Searching for new investment projects of BREF.

The projects managed by BREF as of the end of September 2014 were nine, diversified in different sectors of the real estate market in Bulgaria.

Figure 1: Investment allocation in types of market sector



The Fund's last quarter activity was mainly directed towards managing four out of the nine projects. The table below presents the projects segmented in accordance to their degree of completion:

Table 1 – BREF's investment projects (all amounts in EUR thousands)

Project	Stage of the project	Size of project	Invested till 30.09.2014	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,280	10,280	0
Agricultural land	Operational management	60	60	0
Apartment house "Sequoia2" - Borovetz	for sale	1,859	1,859	0
Office building 1 - Business Park Sofia	Operational management	7,658	7,423	235
Investment plots in Sofia - Ring road*	design	2,555	2,555	n.a
Pipeline projects				
Seaside Holiday Village	suspended	9,203	2,319	0
Investment plots near Veliko Tarnovo*	suspended	262	262	n.a
Investment plots near Vidin*	suspended	301	301	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,664	10,672	n.a
Total		42,842	35,731	235

* The value of the project will be determined after preliminary project development

From the above-mentioned projects "Mr. Bricolage" – sale and leaseback, Office building 1 in Business Park Sofia, the plots in Sofia on the Ring road and Agricultural land are currently operational, as apartment house "Sequoia II" is set for sale. The next group consists of projects in the pipeline or suspended and currently there is no progress in their development. Such projects are Seaside Holiday Village in Lozenetz, Investments plots near Veliko Tarnovo and Vidin, and in Sofia in Mladost IV district.

2.2 Project – "Mr. Bricolage" – sale and leaseback

In 2006, BREF concluded two "sale and leaseback" deals with the French "Do-It-Yourself" chain "Mr. Bricolage". The two stores are situated in Varna ("Mladost" residential area) and in Sofia ("Tsarigradsko shosse" Blvd.).

Aiming to efficiently utilize the raised capital, in 2006 BREF refinanced 70% of the acquisition cost by means of an investment bank loan from Eurobank Bulgaria at the amount of EUR 7 million. The non-paid principal on the loan as of 30th September 2014 is EUR 2.09 million.

In 2012 both rent agreements were prolonged up to December 2021 and it was introduced a rent indexation with the HICP index of 27 countries for the previous year. In addition since 2013 the tenant undertakes the waste disposal management and the payment of the annual garbage taxes.

Project parameters:

"Mr.Bricolage" - sale and leaseback	Varna Store	Sofia Store	Total
Plot area:	12,184 sq.m.	15,174 sq.m.	27,358 sq.m.
Total built-up area:	5,375 sq.m	7,610 sq.m.	12,985 sq.m.
Purchase amount:	EUR 4 M	EUR 6 M	EUR 10 M
Acquired in:	August 2006	November 2006	-
Indexation	HICP 27 countries	HICP 27 countries	HICP 27 countries
Expiry date of rent agreement	December 31st, 2021	December 31st, 2021	December 31st, 2021

Note: The mentioned purchase price excludes the acquisition costs of the properties.

The heavy hail in July damaged the roof of the store in Sofia; the roof was repaired in September and October. The expenses will be fully covered by the insurance of the store. The pavement of the parking lot of the property in Varna was repaired during the last period. The tenant paid all amounts due for the rent of both stores in the last quarter. The regular amounts for the insurance of the stores were also paid in time.

2.3 Project – Agricultural land

The total agricultural land owned by BREF as of the end of the third quarter is 416.7 dka, of which 240.6 dka are subject of litigation. The rented out lands are 149.1 dka or 36% from the total land. The average annual rental price is about BGN 40.39 per dka.

Project parameters:

Agricultural land	
Total owned lands	417 dka
Investment	EUR 60,000
Acquisition price per dka	EUR 145

2.4 Project – Apartment house “Sequoia 2” - Borovetz

In 2007 BREF became an owner of “Sequoia 2” apartment house located in the oldest ski resort in Bulgaria – Borovetz. The total built-up area is 3,527.30 sq.m.

The “Sequoia 2” apartment house consists of 36 apartments situated on 5 floors and 9 garages. The Sequoia complex is situated close to a picturesque pine forest within walking distance to the very centre of the resort.

During the past quarter one apartment was sold and as of the end of September 2014 a total of eight apartments had been disposed of and a campaign for selling the rest of the apartments is in progress.

Project parameters:

Apartment house "Sequoia 2" - Borovetz	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Apartments left for sale	28
Current Investment	EUR 1.86 M

2.5 Project – Office building 1 – Business Park Sofia

In September 2014 BREF acquired 5,583 square meters of office areas and parking spaces in Building 1 in Business Park Sofia and 39.12% share of the land where the building is erected. The new areas are situated in Wing A, entrance B of Building 1 and are fully occupied by tenants. The value of the transaction, without the additional expenses, was EUR 4.7 million. Together with the properties purchased during the first quarter, BREF owns totaly 7,318 square meters of office areas and 68 parking spaces in the underground parking of the building. The owned share of the land of the building is 64.45%. The total occupancy rate of the Fund properties is 96.81%.

In the third quarter the Company signed a new agreement with Bulpros Consuling AD for a total of 623 square meters of office areas situated on the 1st floor of Wing B of the building. After the execution of the agreement BREF started reconstruction of the newly let premises in compliance with the requirements of the new tenant. The premises are expected to be delivered for use by 1 November 2014, and the rental period shall start thereafter. During the quarter and simultaneously with the repair of the 1st floor a new diesel generator was installed, the purpose of which is to serve the needs of Wing B of the building, where the electric system was retrofitted for the purpose of supplying the relevant workplace with stand-by power. Meanwhile the Fund is holding negotiations to let the only vacant premise in Building 1.

Building 1 - Business Park Sofia	
Built-up area - offices	7,318 sq.m
Parking lots	68
Acquisition price	EUR 7.2 M
Occupancy rate	97%

2.6 Project – Investment plots in Sofia – Ring Road

Currently the Fund is owner of a land plot with total area of 10,671 sq.m., situated in the vicinity of Vitosha Mountain, neighboring the already realized KBC project. The area is featured by good transport infrastructure of the Ring Road, proximity to the developing Residential Park Sofia and Business Park Sofia and majority of other commercial sites like Technopolis and IKEA. All these make the project attractive for future development.

During the past year the property has been put into regulation and over 10,555 sq.m. the Fund intends to develop a new multifunctional building offering the best conditions of work to its future tenants. Active work on the design of the future building was carried out during the past quarter. According to the preliminary design, the total built-up area of the building will be 12,191 square meters, of which the leasable area will be 10,149 square meters, with 216 parking spaces, of which 74 in the underground parking.

Project parameters:

Investment Plots in Sofia - Ring Road	
Total plots' area	10,671 sq.m
Investment	EUR 2.55 M
Status	design
Built-up area over the ground*	10,149 sq.m.

*Preliminary estimation

2.7 Project – Seaside Holiday Village

The project envisages the construction of Seaside Holiday Village on the Bulgarian seaside. The project will be a gated community, which consists of residential, retail and entertainment areas. It will include 291 apartments, two swimming-pools, two restaurants, and a retail and entertainment center.

As a result of the world economic crisis, the current market conditions in the holiday resort sector and the large supply of properties on the Bulgarian Seacoast, BREF suspended the project. During the last quarter was completed the construction of the road infrastructure within the area, which initiative was supported by BREF.

Project parameters:

Seaside Holiday Village	
Plot area	28,758 sq.m
Project built-up area	17,963 sq.m
Current Investment	EUR 2.3 M

2.8 Project – Investment plots near Veliko Turnovo

The property is located near the city of Veliko Turnovo where the Fund acquired unregulated land plots with total size of 203,248 sq.m. The land is well-situated, which gives excellent opportunities to develop industrial or retail premises, where large retail chains or producers may establish their units.

Currently the activity of the Fund regarding the future development of the property is suspended until more favorable market conditions arise. Meanwhile during the quarter the Fund rented out for temporary use the property as agricultural land to a local farmer. The lease agreement will be put into operation in the beginning of the next agricultural year.

Project parameters:

Investment Plots near Veliko Turnovo	
Total plots' area	203,248 sq.m
Purchase price	EUR 0.26 M
Status	suspended

2.9 Project – Investment plots near Vidin

In 2006 BREF won in a tender procedure, executed by the Ministry of Defense, a land plot with total size of 86,008 sq.m. The acquired property is located near the ferry port of Vidin on the main road connecting the city to the ferry. Another key highlight is the proximity of the land plot to the newly built bridge over the Danube River.

Currently the activity of the Fund regarding the future development of the property is suspended until more favorable market conditions arise.

Project parameters:

Investment Plots near Vidin	
Total plots' area	86,008 sq.m
Purchase price	EUR 0.3 M
Status	suspended

2.10 Project – Investment plots in Sofia - Mladost IV

BREF is owner of 16 land plots situated on Sofia's Ring Road in its crossing point with "Alexander Malinov" Blvd., to the west of Business Park Sofia. After some sales during the past years currently the total area owned by BREF is 41,490 sq.m.

The official regulation plan of the region became effective during the last quarter; the procedure for its adoption was started by the Sofia Municipality in 2008. According to the new zoning regulation, 25% of the properties owned by the Fund shall be taken away for the purpose of construction of the infrastructure of the area (roads, sewerage, communication ducts, etc.). As a result of this, new properties with new boundaries and construction parameters are formed. After the change in the zoning, BREF owns 5 properties with a total area of 25,132 square meters, most of which are located in mixed multifunctional development zones with the corresponding development parameters.

The future development of those properties will be decided upon examination of the opportunities for their realization and finding of the best conditions for their use.

Project parameters:

Investment Plots, Sofia - Mladost IV district	
Total plots' area	42,190 sq.m
Purchase price	EUR 10.66 M
Status	suspended

3 Financial Highlights Q3 / 2014.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statement for the third quarter of 2014.

Table 3 – Balance sheet as of 30th September 2014, 30th June 2014 and 31st March 2014.

(All amounts in EUR '000)	30.09.2014	30.06.2014	31.03.2014
ASSETS			
Non-current Assets			
Investment property	32,757	27,936	27,936
Cost for acquisition of fixed assets	97	0	0
Plant and equipment	1	1	1
Total Non-current Assets	32,855	27,937	27,937
Current Assets			
Investment property held for sale	1,181	1,211	1,211
VAT receivable	946	0	0
Trade receivable	270	308	713
Cash and cash equivalents	3,685	10,214	9,928
Other current assets	1	0	0
Deferred expenses	10	5	8
Total Current Assets	6,093	11,738	11,860
TOTAL ASSETS	38,948	39,675	39,797
EQUITY AND LIABILITIES			
Equity			
Share capital	30,908	30,908	30,908
Share premium	5,016	5,016	5,016
Retained earnings	470	407	259
Total equity	36,393	36,330	36,182
Non-current liabilities			
Interest bearing loan	1,189	1,418	1,642
Derivative financial instrument	102	121	141
Total Non-current liabilities	1,292	1,539	1,783
Current liabilities			
Current part of non-current liabilities	902	890	880
VAT payable	17	12	36
Payables to management company	160	70	67
Payables to the personnel and SIC	1	1	2
Provisions for dividends due	0	740	740
Trade and Other current liabilities	184	92	107
Total Current liabilities	1,263	1,805	1,832
Total liabilities	2,555	3,344	3,615
TOTAL EQUITY AND LIABILITIES	38,948	39,675	39,797

Table 4 – P&L statement for the first three quarters and accumulated since the beginning of 2014

(All amounts in EUR '000)	Q3 - 2014	Q2 - 2014	Q1 - 2014	2014
Income from sale of assets	20	0	21	41
Rental income	372	352	329	1053
Revenue from interest and other financial revenues	7	82	99	187
Other financial income	19	19	23	61
Other Income	1	0	4	4
Total Revenue	419	453	475	1,347
Value of sold assets	(30)	0	(25)	(54)
Interest expense	(32)	(34)	(37)	(103)
Management fees	(137)	(135)	(135)	(407)
Materials expense	(2)	(2)	(3)	(6)
BOD and employees salaries expense	(18)	(18)	(16)	(52)
Other expenses	(139)	(116)	(122)	(376)
Total expenses	(356)	(305)	(337)	(998)
Profit/(loss) for the period	63	148	138	349
Weighted average number of shares in the quarter (in thousands)	60,450	60,450	60,450	60,450
Earnings per share - basic and diluted	0.001	0.002	0.002	0.006

3.2 Liquidity

Table 5 – Liquidity ratios as of 30th September 2014, 30th June 2014 and 31st March 2014.

Liquidity Ratios	30.09.2014	30.06.2014	31.03.2014
Current ratio	4.82	6.50	6.47
Quick ratio	3.89	5.83	5.81
Cash ratio	2.92	5.66	5.42

The main factors influencing the reports over the last quarter were the payment of the 2013 dividends and the purchase of new real estates. This resulted in significant decrease of the Fund cash and produced negative impact on its liquidity ratios. However, irrespective of the overall decrease of the liquidity of the Company, the ratios are still high, the current liquidity ratio reaching 4.82, while the cash liquidity is 2.92. The relative reductions of both ratios are 25.8% and 48.4% respectively. The liquidity is expected to continue its decline during the next reporting period, as a result of the payments made for the repairs in Building 1 in Business Park Sofia.

■ Internal sources of liquidity

In the third quarter of 2014 the internal sources of liquidity saw a decrease both in the liabilities and in the assets. As noted above, those changes follow from the payment of the 2013 dividend and the purchase of new properties.

○ **Short-term (current) assets**
Table 5A – Current assets as of 30th September 2014, 30th June 2014 and 31st March 2014.

Liquidity sources	30.09.2014	%	30.06.2014	%	31.03.2014
Current Assets					
Investment property held for sale	1,181	19.38%	1,211	10.31%	1,211
VAT receivable	946	15.52%	0	0.00%	0
Trade receivable	270	4.43%	308	2.62%	713
Cash and cash equivalents	3,685	60.49%	10,214	87.02%	9,928
Other current assets	1	0.01%	0	0.00%	0
Deferred expenses	10	0.17%	5	0.04%	8
Total Current Assets	6,093	100%	11,738	100%	11,860

With the purchase of the new part of Building 1 in Business Park Sofia, the total amount of the short-term assets dropped by 48.09%, reaching EUR 6,093 thousand at period end. The overall structure of the assets also changed, and the share of cash dropped from 87.02% to 60.49%. The payment of the 2013 dividend to the shareholders contributed to the significant decrease of cash. After the last changes the cash stands at EUR 3,685 thousand and continues to have the greatest share of the current assets, despite the significant decrease.

The investment properties take up the second biggest share, or 19.38% of the current assets; after the sale of one apartment in Borovets, their value dropped to EUR 1,181 thousand. The book value of the “Sequoia 2” residential building in Borovets resort is reflected under this item.

A new item, VAT refundable, comes third with 15.52%. This item includes the VAT paid under the transaction for the new properties, which the Fund will recover during the next reporting period.

The trade receivables and interest also increased their share, reaching 4.43% at the end of the quarter. This item recorded a decrease, provided that during the current period the major part of the receivables was not formed from interests under deposits, but from rents from the office building in Business Park Sofia. Other major receivables under this item, other than the accrued interest under short-term deposits, were the receivables from leases of agricultural land and receivables under advance payments made under repair agreements from prior periods.

The cash is expected to drop during the next reporting periods and such change will occur mainly as a result of the repair works in Business Park Sofia and the Mr. Bricolage stores.

 ○ **Short-term (current) liabilities**
Table 5B – Current liabilities as of 30th September 2014, 30th June 2014 and 31st March 2014.

Liquidity sources	30.09.2014	%	30.06.2014	%	31.03.2014
Current liabilities					
Current part of non-current liabilities	902	71.43%	890	49.31%	880
VAT payable	17	1.34%	12	0.68%	36
Payables to management company	160	12.67%	70	3.88%	67
Payables to the personnel and SIC	1	0.04%	1	0.03%	2
Provisions for dividends due	0	0.00%	740	41.01%	740
Trade and Other current liabilities	184	14.53%	92	5.10%	107
Total Current Liabilities	1,263	100%	1,805	100%	1,832

The total amount of the current liabilities dropped by 30.02%, reaching EUR 1,263 thousand, after payment of the 2013 dividend to the shareholders. After the change, the structure of the current liabilities changed significantly, the biggest share of 71.43% being again that of the accrued interest and the current part of the principal of the investment loan utilised by the Fund under the Mr.Bricolage Project. The weak growth in the absolute value of this item is a result of the increasing amount of the monthly payments under the principal of the utilised loan. This

amount is expected to increase slowly over the following reporting periods, until the time of repayment of the liability under the only investment loan of the Company.

The commercial and other receivables take up the second biggest share, accounting for 14.53%. They increased almost twice, the major reason for such an increase being the expenses related to the new acquisition of the Fund, as well as advance rents from the new buildings, to be reflected in the income after the end of the following month.

The payables to the management company come next. Their value increased more than twice; the change is a result of outstanding monthly fee and accrued liabilities related to the development of a preliminary design of the new building to be erected in the land plots on the Ring road.

The expenses related to the new acquisition will be paid during the next reporting period and new liabilities will be incurred in connection with the design of the new building. Finally, the major impact on the current liabilities will be by the accounted for 2014 dividend to the shareholders.

■ **External sources of liquidity**

The external sources of liquidity are the equity and the investment loan as described in detail in section 3.3. Capital Resources.

BREF has sufficient financial resources available to fully support its activity during the following months. From viewpoint of allocation of free resources for project implementation, BREF will focus mainly in searching for new investment projects and currently does not intend to attract new funds from external sources.

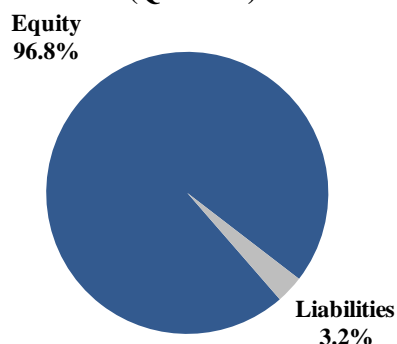
3.3 Capital resources

At the end of September 2014 the long-term capital of the Fund, both equity and borrowed, recorded a decrease of 0.44% to EUR 37,582 thousand. The change was a result of the repaid principal of the investment loan of BREF.

The past quarter saw again a decrease in the share of the borrowed capital, which reached 3.2%, as compared to 3.8% at the end of the preceding quarter. The distribution between equity and borrowed funds is presented in the figures below.

Figure 2: Allocation between equity and external financing

BREF Long-term Capital Structure (Q3/2014)



BREF Long-term Capital Structure (Q2/2014)

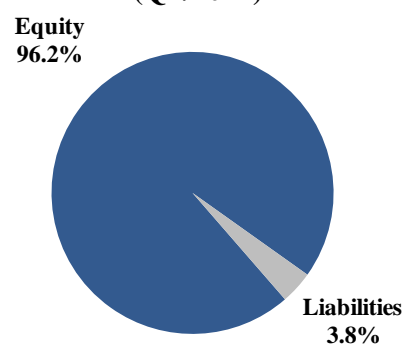


Table 6 – Leverage ratios

Leverage ratios	30.09.2014	30.06.2014	31.03.2014
Debt-to-Equity	0.07	0.09	0.10
Non-Current Assets-to-Equity ratio	0.90	0.77	0.77
Long-term-Debt-to-Non-Current-Asset ratio	0.04	0.05	0.06

*The derivative financial instrument and the current part of non-current liabilities are excluded from the calculation of the above ratios.

■ Equity

At the end of September 2014 the equity of BREF is EUR 36,393 thousand, which represents a increase of 0.17% as compared to the prior quarter. The recorded increase is wholly due to the registered by the Company profit for the period.

Table 7 – Total equity as of 30th September 2014, 30th June 2014 and 31st March 2014.

Equity (in thousands)	30.09.2014	30.06.2014	31.03.2014
Share capital	30,908	30,908	30,908
Share premium	5,016	5,016	5,016
Retained earnings	470	407	259
Total equity	36,393	36,330	36,182

■ External financing

During the past quarter the Fund paid regularly the installments due on the investment loan used to finance the Mr. Bricolage project. The loan principal outstanding as of the end of September 2014 totals EUR 2.09 million. The term of the loan is by December 2016. No new investment loans were utilized during the quarter under review.

■ Capital expenses during the next periods under review

The Fund's investment strategy for 2014 is focused mainly on ongoing management of current projects, but new investment opportunities will be pursued as well.

BREF intends to use its currently available capital resources to support its present and future investment projects and to borrow funds only in case of a necessity.

3.4 Assets structure

The amount of the BREF assets by end-September 2014 dropped by 1.83% to EUR 38,948 thousand, as compared to the end of the prior quarter when the amount of the assets was EUR 39,675 thousand. The recorded decrease was a result of the 2013 dividend payments and the payments under the investment loan of the Company during the period.

Table 8 – Asset structure

Asset structure (thousand EUR)	30.09.2014	% share	30.06.2014	% share	31.03.2014
Non-current assets incl.	32,855	84.36%	27,937	70.42%	27,937
- total property	32,757	84.11%	27,936	70.41%	27,936
Current assets incl.	6,093	15.64%	11,738	29.58%	11,860
- VAT receivable	946	2.43%	0	0.00%	0
- trade receivable	270	0.69%	308	0.78%	713
- investment property held for sale	1,181	3.03%	1,211	3.05%	1,211
- cash and cash equivalents	3,685	9.46%	10,214	25.74%	9,928
Total assets	38,948	100%	39,675	100%	39,797

The purchase of the new properties significantly changed the structure of the assets, the long-term assets increasing their share from 70.42% to 84.36%. The main reason for this change is the entry into the balance of the new properties, the expenses for the design of the new building on the Sofia Ring road and the acquired FTA for Building 1 in Business Park Sofia. On the

other hand, the major decline in the share of the short-term assets to 15.64% is a result of both the purchase of new properties and the cash payments in connection thereto and the 2013 dividend payments. With the continuing repair works in Building 1 in Business Pak Sofia the share of the long-term assets is expected to continue its growth over the next quarter.

3.5 Financial Results

The operation of the Fund during the third quarter of 2014 was focused mainly on the acquisition of new properties and the management of projects generating income for the Fund.

■ Revenue from operations

During the reviewed quarter the accounted revenue was EUR 419 thousand, or 7.56% less than the prior quarter. The main reason for this was the recorded lower revenue from interest.

Table 9 – Realized revenues by quarters and accumulated since the beginning of 2014.

Revenue (in thousand EUR)	Q3 - 2014	Q2 - 2014	Q1 - 2014	2014
Income from sale of assets	20	0	21	41
Rental income	372	352	329	1,053
Revenue from interest and other financial revenues	7	82	99	187
Other financial income	19	19	23	61
Other Income	1	0	4	4
Total revenue	419	453	475	1,347

The largest share, or 88.89%, during the past quarter was again that of the rental income. Its amount increased from EUR 352 thousand during the second quarter to EUR 372 thousand during the third, and the main reason for this was the income from rent from the new office building of the Fund. In the next quarter we expect to have a complete period of income from rent from the new wing in Building 1, as well as additional income from the additionally let floor of wing B, which will increase the total amount of income from rent.

The income from sale of properties is at the second place. This item takes into account the sale of one apartment in Borovets resort. The Company is actively working to achieve more sales under this project by the end of the year.

The income from change in the value of the interest swap under the loan for financing of the purchase of the Mr. Bricolage stores is again next in size. The amount of this income will continue to drop with the coming of the end of the utilized loan.

The income from interest is last, amounting for 1.59%. The significant decrease of this item of the income is a result of the smaller amount of cash and of the more conservative policy in terms of management of the free cash, within the framework of the bank turmoil in Bulgaria.

The income from rents is expected to grow during the next quarter, thus leading to overall growth of the Company income.

■ Expenses from operations

In the past quarter the total expenses of BREF increased by 16.78%, reaching EUR 356 thousand. The writing off of the sold property in Borovets from the balance sheet and the increased other expenses related to the purchase and management of new properties lead to thus increase.

Table 10 – Realized expenses by quarters and accumulated since the beginning of 2014.

Expenses (in thousand EUR)	Q3 - 2014	Q2 - 2014	Q1 - 2014	2014
Value of sold assets	(30)	0	(25)	(54)
Interest expense	(32)	(34)	(37)	(103)
Management fees	(137)	(135)	(135)	(407)
Materials expense	(2)	(2)	(3)	(6)
BOD and employees salaries expense	(18)	(18)	(16)	(52)
Other expenses	(139)	(116)	(122)	(376)
Total expenses	(356)	(305)	(337)	(998)

In the third quarter of 2014 the largest share, 38.94%, of the expenses was that of the Other Expenses item. The recorded increase was a result of the generation of additional expense in connection with the acquisition of new properties and their management. The largest share of this item was taken up by the property taxes. Other significant expenses under this account included expenses for external property management services, bank charges, and other administrative expenses. With the larger number of properties of the Fund, the expenses on local taxes and the property management fees are expected to grow during the next reporting period.

The fee of the managing company was second, accounting for 38.36% of the expenses. This item of expenses kept its level, as during the past quarter only the regular monthly fee, payable by BREF to the managing company, was recorded under it. The amount of the fee is expected to remain unchanged during the next quarter.

The expenses on interest, amounting to 8.91%, come next and they include paid and accrued interest under the loan and expenses under the interest swap utilised under the Mr. Bricolage loan. This entry recorded a decline, which was a result of the decrease of the outstanding principal under the utilised loan. The amount of the interest payments is expected to continue its decrease in the reporting periods, until the complete repayment of the loan under the Mr. Bricolage project.

The expenses are expected to grow during the next reporting period, provided that such an increase will be related to the newly purchased offices in Building 1 in Business Park Sofia, and in case of negative balance from revaluation of properties at the end of the year.

■ Financial result

During the third quarter of 2014 the Company realised a profit of EUR 63 thousand, provided that the main contributor to this recorded decrease was the higher expenses related to properties and the lower income from interest. The change in the financial result in the next quarter will depend mainly on the generated income from rent, recorded revaluation of assets at the end of the year and the incurred operating expenses related to the management of the available properties.

Table 11 – Financial result by quarters and accumulated since the beginning of 2014.

Financial Result	Q3 - 2014	Q2 - 2014	Q1 - 2014	2014
Revenues	419	453	475	1,347
Expences	(356)	(305)	(337)	(998)
Net profit/loss for the period	63	148	138	349

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.001.

Results per share (EUR '000)	Jan-Sep 2014**	2013	2012	2011
Earnings	349	862	879	5,758
Earnings per share (EPS)	0.006	0.014	0.015	0.095
Net asset value (NAV)	36,393	36,045	37,006	37,047
Common shares outstanding	60,450	60,450	60,450	60,450
NAV per share	0.602	0.596	0.612	0.613
Dividend per share	0.0000	0.0122	0.0152	0.1089
Share fair value*	0.602	0.609	0.627	0.722

* Share fair value = NAV per share + Dividend per share

** Net asset value for 2014 is per non-audited financial statements, while for 2011-2013 according to audited financial statements

According to the non-audited financial statements of the Fund, the net asset value per share (NAV) at the end of September 2014 increased from EUR 0.596 per share to EUR 0.602 per share. This increase is due to the realized by the Company profit for the period.

■ Potential risks

The main risks which reflect and will continue to reflect on the activity of BREF are thoroughly described in the Registration document of the Fund (Part II of the IPO document), approved by the Financial Supervision Commission of Bulgaria in March 2005. Since then the following changes in the associated risks occurred:

Market Risk

The properties owned by BREF are subject to market risk associated with the unclear future of the real estate market in Bulgaria. This could lead to realizing a lower sale price on the properties in the portfolio as well as low liquidity of the assets set for disposition. The management of BREF considers that the Fund is subject to such a risk, baring in mind the investment properties in its property portfolio. Despite that the owned properties are well diversified in different segments and regions in Bulgaria and therefore they offer favourable conditions for good return in the future.

Interest rate risk

As of the end of September 2014, considering the investment bank loan of the Fund, it is exposed to interest rate risk regarding possible changes in the interest rate levels. In order to minimize this risk BREF has concluded a contract for interest swap according to which it exchanges a floating for a fixed interest rate. The Fund is in constant contact with the creditor bank regarding optimization of the interest payments.

Foreign currency risk

The management of BREF considers that the fund's exposure to foreign exchange risk is minimal due to the fact that the majority of foreign transactions are denominated in Euro, which is currently fixed at BGN 1.95583 for 1 EUR.

Liquidity risk

The company is exposed to liquidity risk with regard to paying off its current liabilities. At current, the Fund has enough available funds to finance its operative and investment activity. Considering the funds deposited in bank accounts and the current rental income, the Fund believes that it has enough liquid sources to cover its needs and there is no necessity to borrow from external sources.

Construction risk

Provided that the construction works being carried out by BREF are minimal at the moment and all past construction has been completed, the Fund considers that it is not exposed to this kind of risk.

4 Share performance

The shares of Bulgarian Real Estate Fund ADSIC registered a slight change of 2% during the last the year, and the change since the beginning of the year was 5.26%. However, the growth in the price of the shares during the first quarter was almost 21%. The fluctuation of the performance of the shares in the middle of the year can be explained with the increased systemic risk for Bulgaria as a result of the attempts to shake the bank system in the country and the political crisis that followed. Furthermore, in June Bulgarian Real Estate Fund distributed dividend of BGN 0.0239 per share, which also, although minimally, adversely affected the shares.

In comparison, during the first nine months of 2014 the SOFIX index increased by 9.25% and BGREIT, the index reflecting the performance of the companies investing in real estates, being a better benchmark for the Bulgarian Real Estate Fund, realised a profit of 11%.

The start of the year was good for the investors on the Bulgarian Stock Exchange, however the resignation of the government and the scheduled elections ahead of schedule in early October quickly lead to vanished profitability of the most liquid shares, while others went deeply in the red.

By the end of the year the performance on the Bulgarian stock market will greatly depend on the ability to form a working government and to undertake adequate measures to solve the problem with Corporate Commercial Bank.

Summarized trading details for the 52 week period – 1st October 2013 – 30th September 2014:

- Opening Price – BGN 0.550 (1 October 2013)
- Closing Price – BGN 0.560 (30 September 2014)
- Highest Price – BGN 0.720 (12 March 2014)
- Lowest Price – BGN 0.493 (27 June 2014)
- Total Trading Volume – 14,849,94 shares
- Turnover for the period – BGN 8,185,848 (EUR 4,185,358)
- Weighted average price – BGN 0.551
- Market Capitalisation (30.09.2014) – BGN 33,852,000 (EUR 17,308,253)

**BREF Share Price Performance
(01.10.2013 - 30.09.2014)**

