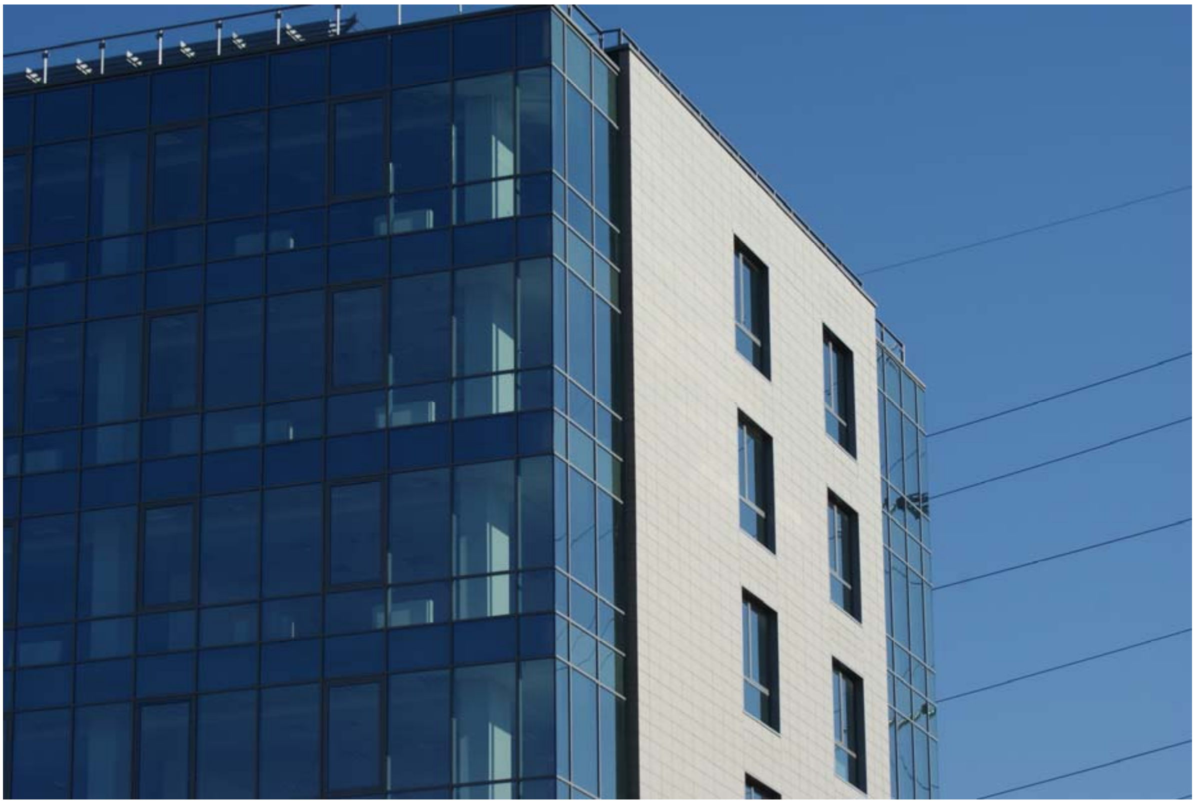
“Bulgarian Real Estate Fund”

Fourth Quarter Summary Report



Bulgarian Real Estate Fund

7 February 2013

Content

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 8 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 (31.12.2012)	Shares Outstanding
Bulgarian Stock Exchange Sofia	**5BU (BREF)**	**EUR 16,071,949**	**60,450,000**

2 Portfolio

BREF has engaged in numerous projects ranging in size, activity and geographical location. Our well 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

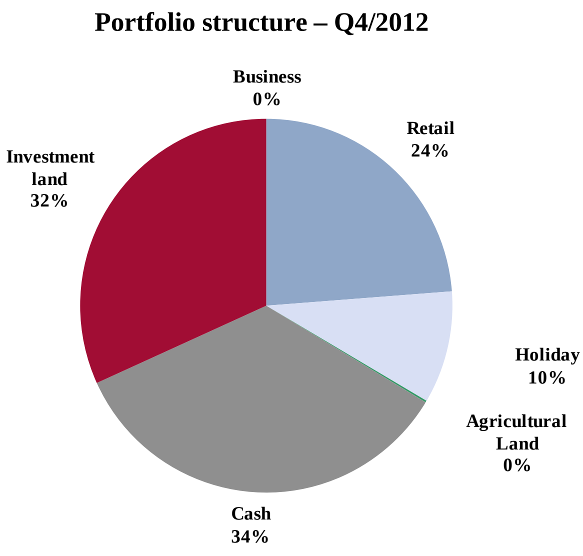
In the fourth quarter of 2012 the structure of BREF's portfolio remained unchanged. The only difference with the previous quarter is the decreased by 1% the share of cash and cash equivalents, which is in benefit of the retail properties. After the change the share of the cash remains the largest with 34%. The second with 32% share are the investment properties, followed from the retail properties with 24%. In the next quarter the portfolio structure will remain unchanged, unless new investment projects are started.

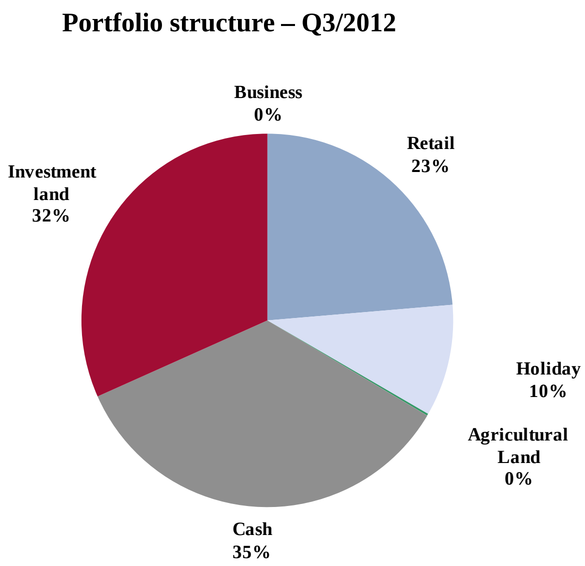
The key highlights during the past quarter were as follows:

- Prolonging the terms of the lease agreements for Mr.Bricolage stores;
- Carrying out planned repairs of the "Mr. Bricolage" stores situated in Sofia and Varna;
- Regulating land plots in Sofia – Ring road;
- Active marketing of the apartments and garages in apartment house Sequoia II – Borovetz;
- Assessment of investment opportunities on the office and residential markets in Sofia.

The projects managed by BREF as of the end of December 2012 were eight, 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 three out of the eight 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 31.12.2012	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,228	10,228	0
Agricultural land	Operational management	66	66	0
Apartment house "Sequoia2" - Borovetz	for sale	1,891	1,891	0
Pipeline projects				
Seaside Holiday Village	suspended	9,203	2,308	0
Investment plots near Veliko Tarnovo*	suspended	262	262	n.a
Investment plots near Vidin*	suspended	301	301	n.a
Invetstment plots in Sofia - Ring road*	change of regulation	2,465	2,465	n.a
Invetstment plots in Sofia - Mladost IV*	suspended	10,664	10,664	n.a
Total		35,080	28,185	0

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

From the above-mentioned projects "Mr. Bricolage" – sale and leaseback 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 Seasde Holiday Village in Lozenetz, Investments plots near Veliko Tarnovo and Vidin, and in Sofia on the Ring road and 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 EFG Bulgaria at the amount of EUR 7 million. The non-paid principal on the loan as of 31st December 2012 is EUR 3.55 million.

After the negotiations held in the third quarter, in October BREF and Dverie-Brico signed annex for prolonging the current terms of the rent agreements. The new terms of both rent agreements for the stores in Sofia and Varna were prolonged until December 2021. From July 2013 a rent indexation is introduced. The indexation index will be HICP 27 countries for the previous year, published by EUROSTAT. The rent for the additional five year term will be reduced with 10% compared with the last indexed rent for 2016. Since 2013 the tenant Doverie-Brico AD will undertake the waste disposal and pay 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 total monthly rent for the stores until June 2013 will remain EUR 90,147, after which the monthly rent will be increased with the inflation index HICP 27 countries, published by EUROSTAT for 2012.

In addition in the end of the third quarter and during the fourth quarter were performed planned repairs of the roof and of some of the installations on both stores in Varna and in Sofia. It is expected these repairs to be completed in the first quarter of 2013. According to the clauses of the signed in October annexes the expenses for capital repairs and for replacement of amortized technical installations of the stores up to fixed amount will be taken equally by the tenant and the Fund. According to the original agreement these expenses were entirely on BREF's account. Furthermore in the last quarter a new maintenance plan was started, which is expected to prolong the life of the facilities.

2.3 Project – Agricultural land

The total agricultural land owned by BREF as of the end of December 2012 is 455 dka, of which 323 dka are subject of litigation.

The Fund's last quarter activity was mainly directed towards collecting the rental receivables for the agricultural 2010/2011 and 2011/2012 years. As a result as of December 2012 were collected 81.1% from the receivables for 2010/2011 and 92% from the receivables for 2011/2012.

The intentions of the Fund for the next quarters are to manage on a daily basis the remaining lands and to sell part of them, if there is an interest from potential buyers.

Project parameters:

Agricultural land	
Total owned lands	455 dka
Investment	EUR 66,000
Acquisition price per dka	EUR 145

2.4 Project – Apartment house "Sequoia 2" - Borovetz

In the end of 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 3,527.3 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 and only 50 meters from the future bottom Station of New Gondola which is part of SUPER BOROVETZ project.

During the past quarter no apartments were sold. As of the end of December 2012 a total of seven apartments have 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	29
Current Investment	EUR 1.89 M

2.5 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.

In the next reporting periods BREF will monitor closely the development of the conditions in the holiday real estate market, which will determine its future actions on the project.

Project parameters:

Seaside Holiday Village	
Plot area	28,758 sq.m
Project built-up area	17,963 sq.m
Invested until 2012	EUR 2.3 M

2.6 Project – Investment plots near Veliko Turnovo

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

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

Project parameters:

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

2.7 Project – Investment plots near Vidin

Another property with high perspective for future development owned by BREF is the land plot with total size of 86,008 sq.m. located near Vidin. The property was won in a tender procedure executed by the Ministry of Defense in October 2006.

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 new bridge over the Danube River, currently under construction.

Currently the activity of the Fund regarding the future development of the property was 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

2.8 Project – Investment plots in Sofia – Ring Road

Another project with good potential for future development is the acquired property in the vicinity of Vitosha Mountain, neighboring the already realized KBC project. The total size of the acquired proprieties is 18,052 sq.m. After the sale, together with Kambanite Business Centre, of some of the plots in 2011 BREF remain owner of 11,081 sq.m.

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 quarter the Fund continued its efforts to regulate the plots remained ownership of BREF after the KBC deal. The new regulation is approved by the Metropolitan Expert Counsel and remains the final approval by Sofia Municipality Counsel, after which will be done the second final public announcement of the new regulation.

Project parameters:

Investment Plots in Sofia - Ring Road	
Total plots' area	11,081 sq.m
Purchase price	EUR 2.47 M
Status	rezoning procedure

2.9 Project – Investment plots in Sofia - Mladost IV

BREF is owner of 17 land plot 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 as of the end of December 2012 the total area of the owned land plots is 42,190 sq.m.

In 2008 Sofia Municipality has started new rezoning procedure of the whole district, which has postponed the investment intentions of BREF until the procedure is over. Currently the new structural plan is announced for second final time, but due to objection raised by one of the current owners the procedure is stopped until this objection is rejected.

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 Q4 / 2012.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statements by quarters for 2012.

***Table 3** – Balance sheet as of 31st December 2012, 30th September 2012, 30th June 2012 and 31st March 2012.*

(All amounts in EUR '000)	31.12.2012	30.09.2012	30.06.2012	31.03.2012
ASSETS				
Non-current Assets				
Investment property	25,372	25,321	25,321	25,321
Cost for acquisition of fixed assets	0	1	1	
Plant and equipment	9	9	10	9
Deferred expenses	0	0	0	0
Total Non-current Assets	**25,381**	**25,331**	**25,332**	**25,330**
Current Assets				
Investment property held for sale	1,223	1,373	1,373	1,373
VAT receivable	9	0	0	0
Trade receivable	656	736	1,229	1,580
Cash and cash equivalents	14,851	15,009	21,092	20,682
Other current assets	0	0	0	0
Deferred expenses	5	4	3	5
Total Current Aseets	**16,744**	**17,123**	**23,697**	**23,640**
TOTAL ASSETS	**42,125**	**42,454**	**49,030**	**48,970**
EQUITY AND LIABILITIES				
Equity				
Share capital	30,908	30,908	30,908	30,908
Share premium	5,016	5,016	5,016	5,016
Retained earnings	986	1,998	1,762	1,413
Total equity	**36,910**	**37,921**	**37,685**	**37,336**
Non-current liabilities				
Interest bearing loan	2,721	2,927	3,131	3,332
Derivative financial instrument	290	319	329	337
Total Non-current liabilities	**3,011**	**3,246**	**3,460**	**3,669**
Current liabilities				
Current part of non-current liabilities	823	812	802	793
VAT payable	1	26	8	32
Payables to management company	149	93	152	152
Payables to the personnel and SIC	4	1	1	3
Provisions for dividends due	1,025	0	6,581	6,581
Trade and Other current liabilities	203	355	341	405
Total Current liabilities	**2,205**	**1,287**	**7,885**	**7,966**
Total liabilities	**5,216**	**4,533**	**11,345**	**11,635**
TOTAL EQUITY AND LIABILITIES	**42,125**	**42,454**	**49,030**	**48,971**

***Table 4** – P&L statement by quarters and accumulated since the beginning of 2012.*

(All amounts in EUR '000)	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012	2012
Income from sale of assets	0	0	0	0	0
Rental income	273	272	271	274	1090
Revenue from interest and other financial revenues	222	215	331	309	1077
Other financial income	29	11	8	5	52
Other Income	193	0	1	4	197
Total Revenue	**716**	**497**	**611**	**591**	**2,416**
Value of sold assets	0	0	0	0	0
Interest expense	(52)	(55)	(58)	(64)	(229)
Management fees	(142)	(141)	(140)	(140)	(562)
Materials expense	(1)	(1)	(2)	(4)	(7)
BOD and employees salaries expense	(15)	(13)	(13)	(13)	(54)
Loss from fair value adjustments	(138)	0	0	0	(138)
Loss on financial instruments	0	0	0	0	0
Other expenses	(355)	(52)	(50)	(81)	(538)
Total expenses	**(703)**	**(261)**	**(262)**	**(302)**	**(1,528)**
Profit/(loss) for the period	**13**	**236**	**349**	**289**	**888**
Weighted average number of shares in the quarter (in thousands)	**60,450**	**60,450**	**60,450**	**60,450**	**60,450**
Earnings per share - basic and dilluted	**0.000**	**0.004**	**0.006**	**0.005**	**0.015**

3.2 Liquidity

Table 5 *– Liquidity ratios as of 31st December 2012, 30th September 2012, 30th June 2012 and 31st March 2012.*

Liquidity Ratios	31.12.2012	30.09.2012	30.06.2012	31.03.2012
Current ratio	7.59	13.31	3.01	2.97
Quick ratio	7.04	12.24	2.83	2.80
Cash ratio	6.74	11.66	2.68	2.60

At the end of the year the Fund set aside provisions for the dividends due for 2012. The accrual amounted to 100% of the distributable amount pursuant to the requirements of the law. This act increased by over 70% the current liabilities in the Company's balance sheet and was the main reason for the substantial decrease in the liquidity ratios. Despite the decrease, the Fund's total liquidity remained high, which is also demonstrated by the ratios in the table above. The current liquidity ratio dropped by 43% to 7.59, while the quick and cash liquidity ratios dropped by approximately 42% to 7.04, respectively to 6.74.

During the next quarter the ratios are expected to remain relatively unchanged, with a slight increase potentially expected from the income from rent and interest income from deposits.

Internal sources of liquidity

During the fourth quarter of 2012 the internal sources of liquidity decreased with the main reason being the revaluations of the investment properties done at the end of the year and the write-off of an old receivable from real estate transaction.

- **Short-term (current) assets**

Table 5A *– Current assets as of 31st December 2012, 30th September 2012, 30th June 2012 and 31st March 2012.*

Liquidity souces	31.12.2012	%	30.09.2012	%	30.06.2012	31.03.2012
Current Assets						
Investment property held for sale	1,223	7.30%	1,373	8.02%	1,373	1,373
VAT receivable	9	0.05%	0	0.00%	0	0
Trade receivable	656	3.92%	736	4.30%	1,229	1,580
Cash and cash equivalents	14,851	88.70%	15,009	87.66%	21,092	20,682
Deferred expenses	5	0.03%	4	0.02%	3	5
Total Current Assets	**16,744**	**100%**	**17,123**	**100%**	**23,697**	**23,640**

The total amount of the short-term assets decreased by 2.2% to EUR 16,744 thousand, compared to EUR 17,123 thousand during the previous quarter. The main reasons for this decrease were the lower size of the investment properties held for sale and the lower amount of cash. The total structure of the assets changed slightly with cash once again forming the largest part, which increased to 88.70%. The investment properties came second, marking a slight decrease from 8.02% to 7.30% as a result of the revaluations done at the end of the year. This share includes the book value of residential building “Sequoia 2” in the Borovetz resort.

Trade receivables and interest came third, marking a slight decrease to 3.92%. The main reason for the decrease thereof was the write-off of an old receivable from sale of real estate, which had been provisioned as uncollectible. This decrease is partly compensated by the additional interest on short term deposits accrued for the period, which is to be received after the expiry of the respective terms. Other main receivables accounted for in this item include rent receivables and receivables from property sales carried out during the past reporting periods.

During the next quarter the current assets are expected to slightly increase, with the main reason being the interest income from deposits and the rental income.

o Short-term (current) liabilities

***Table 5B** – Current liabilities as of 31st December 2012, 30th September 2012, 30th June 2012 and 31st March 2012.*

Liquidity souces	31.12.2012	%	30.09.2012	%	30.06.2012	31.03.2012
Current liabilities						
Current part of non-current liabilities	823	37.34%	812	63.13%	802	793
VAT payable	1	0.02%	26	2.03%	8	32
Payables to management company	149	6.75%	93	7.19%	152	152
Payables to the personnel and SIC	4	0.19%	1	0.04%	1	3
Provisions for dividends due	1,025	46.50%	0	0.00%	6,581	6,581
Trade and Other current liabilities	203	9.21%	355	27.61%	341	405
Total Current Liabilities	**2,205**	**100%**	**1,287**	**100%**	**7,885**	**7,966**

The set aside at the end of the year provisions for dividends due for 2012 in the amount of EUR 1,025 thousand, significantly changed the structure and the absolute value of the current liabilities. The total amount of the liabilities increased by 71.3% to EUR 2,205 thousand at the end of the fourth quarter. After the set aside provisions for the dividends due for 2012, the shares of the majority of other items in the current liabilities in the Company's balance sheet decreased.

The largest share, i.e. 46.5% of the current liabilities, belonged to the provisions for dividends due for the financial year 2012 which amounted to EUR 1,025 thousand. The calculated amount forms 100% of the adjusted financial result, determined according to art. 10 of the Special Investment Purpose Companies Act. The final amount to be distributed as dividends for 2012 shall be determined by the General Shareholders' Meeting, when the financial results for 2012 will be voted on. At the next General Shareholders' Meeting the Fund's Management also intends to propose for distribution an additional dividend amount obtained from the undistributed profit from previous years, which additional dividend may amount to not more than EUR 986 thousand in total.

The second largest share of 37.34% belonged to the interest accrued and the current part of the principal on the investment loan utilized by the Company on the Mr. Bricolage project. The slight increase in this item was due to the rising amount of the monthly payments on the principal of the loan. The expectations for the next reporting periods are this amount to rise smoothly till full settlement of the payable for the only investment loan of the Fund.

Trade and other payables came third at 9.21%. Their amount decreased by approximately 43% to EUR 203thousand at the end of the year. The reason for the decrease in the trade payables was the write-off at the end of the year of provisions for construction guarantees on Kamabani Business Centre and their recognition as revenues in the P&L statement, which guarantees expired at the end of the year. This item is not expected to undergo substantial change during the next reporting period.

The amount of payables to the management company ranked next. The registered increase was due to the unpaid yet administration fee for the last month of the year. The rest of the payables to the managing company were related to construction guarantees, left from the construction of Kambani Business Center.

At the end of the next reporting period the amount of the current liabilities is expected to remain the same, with a potential increase during the second quarter of 2013, if the General Shareholders' Meeting decides on distributing an additional dividend from the undistributed profit from past years.

■ 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.

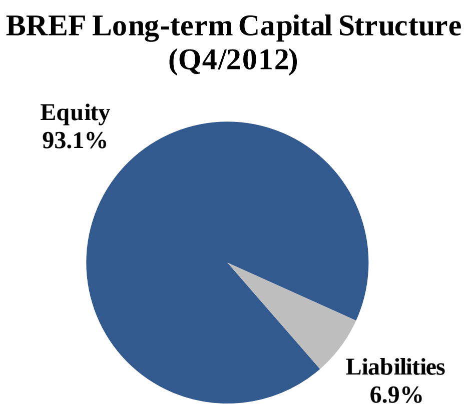
BREF has sufficient financial resources available to fully support its activity during the following months. From viewpoint of allocation of free resources for project implementation, BREF will focus mainly in searching for new investment projects and currently does not intend to attract new funds from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

3.3 Capital resources

At the end of December 2012 the Company's long-term capital, both equity and external financing, marked a decrease of 2.98% and reached EUR 39,631 thousand. This change was mainly due to the repayment of the principal of the Fund's investment loan and the provision made for dividends for 2012 which constitutes a decrease of the equity and an increase of the current liabilities.

The decreased value of the equity and the decrease in the long-term external financing changed the capital structure, with a decrease in the amount of external financing to 6.9% compared to 7.2% as of the previous quarter end. The allocation between equity and external financing is demonstrated by the figures below.

Figure 2: *Allocation between equity and external financing*



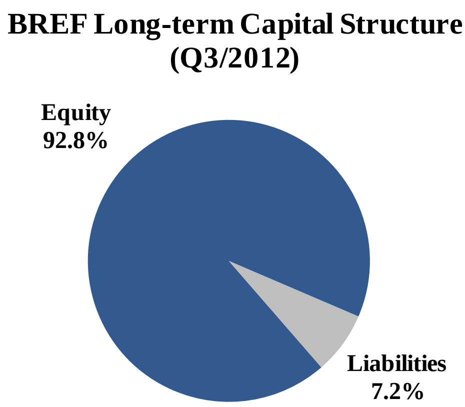


Table 6 *– Leverage ratios*

Leverage ratios	31.12.2012	30.09.2012	30.06.2012	31.03.2012
Debt-to-Equity	0.14	0.12	0.30	0.31
Non-Current Assets-to-Equity ratio	0.69	0.67	0.67	0.68
Long-term-Debt-to-Non-Current-Asset ratio	0.11	0.12	0.12	0.13

*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 December 2012 the equity of BREF amounted to EUR 36,910 thousand, which constituted a decrease by 2.7% compared to the previous quarter. The registered decrease was entirely due to the provision made for dividends for 2012 amounting to EUR 1,025 thousand.

Table 7 *– Total equity as of 31st December 2012, 30th September 2012, 30th June 2012 and 31st March 2012.*

Equity (in thousands)	31.12.2012	30.09.2012	30.06.2012	31.03.2012
Share capital	30,908	30,908	30,908	30,908
Share premium	5,016	5,016	5,016	5,016
Retained earnings	986	1,998	1,762	1,413
Total equity	**36,910**	**37,921**	**37,685**	**37,336**

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 December 2012 totals EUR 3.55 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 2013 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

At the end of December 2012 the amount of the total assets of BREF decreased by 0.77% to EUR 42,125 thousand in comparison to the end of the previous quarter, when the value of the assets amounted to EUR 42,454. The registered decrease resulted mainly from the revaluations of the real estates done at the end of 2012 and the write-off of an old receivable from real estate transaction.

***Table 8** – Asset structure*

Asset structure (thousand EUR)	31.12.2012	% share	30.09.2012	% share	30.06.2012	31.03.2012
Non-current assets incl.	**25,381**	**60.25%**	**25,331**	**59.67%**	**25,332**	**25,330**
- total property	*25,372*	60.23%	*25,321*	59.64%	*25,321*	*25,321*
Current assets incl.	**16,744**	**39.75%**	**17,123**	**40.33%**	**23,697**	**23,640**
- trade receivable	*656*	1.56%	*736*	1.73%	*1,229*	*1,580*
- investment property held for sale	*1,223*	2.90%	*1,373*	3.23%	*1,373*	*1,373*
- cash and cash equivalents	*14,851*	35.26%	*15,009*	35.35%	*21,092*	*20,682*
Total assets	**42,125**	**100%**	**42,454**	**100%**	**49,030**	**48,970**

As a result of the changes in the assets, the value of the non-current assets increased by 0.19% and the total value of the current assets decreased by 2.2%. This change led to an alteration in the total asset structure, with the share of the current assets dropping to 39.75% and the share of the non-current assets rising to 60.25%.

During the quarter decrease in the values was observed in almost all current asset items, which however did not impact the current asset structure in any significant way. Once again the largest share of 88.70% belonged to the cash and cash equivalents, followed by the investment properties and trade receivables.

The Company expects the asset structure not to undergo substantial changes at the end of the first quarter of 2013, with a potential impact from the payment of the interest on short-term deposits and the rent obtained during the period.

3.5 Financial Results

The Company's activity during the fourth quarter of 2012 was mostly focused on ongoing management of Mr. Bricolage project, the efficient management of the available cash resources and the collection of rental receivables from past years.

Revenue from operations

During the quarter under review the reported revenue amounted to EUR 716 thousand, which constitutes an increase of approximately 44% compared to the previous quarter. The main reason for this result was the increase in other revenue, taking into account the write-off of provisions for construction guarantees on Kamabani Business Centre, which guarantees expired at the end of the year with no payment having been made under them.

***Table 9** – Realized revenues by quarters and accumulated since the beginning of 2012.*

Revenue (in thousand EUR)	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012	2012
Income from sale of assets	0	0	0	0	0
Rental income	273	272	271	274	1,090
Revenue from interest and other financial revenues	222	215	331	309	1,077
Other financial income	29	11	8	5	52
Other Income	193	0	1	4	197
Total revenue	**716**	**497**	**611**	**591**	**2,416**

Rental income accounted for the highest share of 38% during the past quarter. The amount of this income stayed approximately the same, with the slight change being due to variations in the amount of agricultural rents accrued. The revenue registered during this quarter came mainly from the Mr. Bricolage project, being constant over the year. It is expected that rental income will be maintained at the same level during the next reporting period as well.

Revenue from interest ranked second with around 31%. The amount of this income stayed approximately the same, with the slight increase being due to the better administration of the BREF's cash.

The rental income and the interest income are expected to remain relatively unchanged during the next quarter, while the other revenue item is expected to substantially decrease which will also lead to a decrease in total revenue.

Expenses from operations

During the past quarter the total expense of BREF increased significantly, with the largest impact being made by the net revaluations of assets and the increase in other expenses. This changes the expense structure as well, with the last two items holding a much larger share.

***Table 10** – Realized expenses by quarters and accumulated since the beginning of 2012.*

Expenses (in thousand EUR)	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012	2012
Interest expense	(52)	(55)	(58)	(64)	(229)
Management fees	(142)	(141)	(140)	(140)	(562)
Materials expense	(1)	(1)	(2)	(4)	(7)
BOD and employees salaries expense	(15)	(13)	(13)	(13)	(54)
Loss from fair value adjustments	(138)	0	0	0	(138)
Other expenses	(355)	(52)	(50)	(81)	(538)
Total expenses	**(703)**	**(261)**	**(262)**	**(302)**	**(1,528)**

During the fourth quarter of 2012 the largest share – 50.55% - of the expenses belonged to the Other Expenses item. The considerable increase was due to the write-off of an old receivable from sale of real estate, which had been provisioned as uncollectible. A further increase resulted from the repairs done on the Mr. Bricolage shops. The other big expenses under this account were the expenses for real estate tax and garbage tax as well as the expenses for external services, the expenses for bank fees and others.

The fees to the management company ranked second with a share of 20.22%. The expense remained almost the same as compared to the previous quarter, comprising only of the regular monthly fee BREF owed to the management company. It is expected that the fees to the management company will remain at the same levels during the next quarter.

The net loss from fair value adjustment of investment properties came third at 19.64%. According to the practice adopted by the Fund, revaluations of real estate are done once at the end of every calendar year, which is why this kind of expense will not be registered during the next quarter.

With a share of 7.35% interest expenses ranked next, which represented interest accrued and paid on the loan and expenses on the interest swap used under the loan for Mr.Bricolage. A reduction on that account was reported due to the decrease of the outstanding loan principal. It is expected that the amount of paid interest will continue decreasing during the forthcoming reporting periods till full repayment of the loan used for Mr.Bricolage project.

During the next quarter, as a result of the lack of revaluations and the write-off of other provisions, the total expense is expected to decrease.

Financial result

During the fourth quarter of 2012 the Company registered a profit in the amount of EUR 13 thousand, with the main contribution to the decrease in this result coming from the much larger increase in expenses as compared to revenue. The registered decrease in profit resulted mainly from the revaluations done during the quarter and the write-off of old uncollectible receivables from real estate transactions. During the next reporting period the financial result of the Company is expected to resemble the result from the third quarter of 2012.

***Table 11** – Financial result by quarters and accumulated since the beginning of 2012.*

Financial Result	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012	2012
Revenues	716	497	611	591	2,416
Expences	(703)	(261)	(262)	(302)	(1,528)
Net profit/loss for the period	**13**	**236**	**349**	**289**	**888**

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.0002, while the EPS for the entire 2012 totals EUR 0.0148.

Results per share (EUR '000)	2012**	2011	2010	2009
Earnings	888	5,758	359	(2,260)
Earnings per share (EPS)	0.015	0.095	0.006	(0.037)
Net asset value (NAV)	36,910	37,047	37,870	38,735
Commom shares outstanding	60450	60,450	60,450	60450
NAV per share	0.611	0.613	0.626	0.641
Dividend per share	0.0170	0.1089	0.0202	0.0201
Share fair value*	0.628	0.722	0.647	0.661

* Share fair value = NAV per share + Dividend per share
** Net asset value for 2012 is per non-audited financial statements, while for 2009-2011 according to audited financial statements

According to the non-audited financial statements of the Company, the net asset value per share (NAV) at the end of 2012 decreased from EUR 0.613 per share to EUR 0.611 per share, which constitutes an annual decrease of 0.41%. This decrease is caused by the reported net loss from fair value adjustment of investment properties and the write-off of provisions for uncollectible receivables.

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 Commision 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 December 2012, 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

Since the beginning of the year the shares of Bulgarian Real Estate Fund have registered a drop of 20.85% to BGN 0.52 per share as at 28th December 2012. However, it should be noted that the performance of the Fund's shares reflects the distribution of dividends by the Company from the profit for 2011. As at 18th June 2012, which was the last date for trade in dividend-bearing shares, the price of the shares of Bulgarian Real Estate Fund was BGN 0.695; as at 19th June 2012 one share was traded for BGN 0.45. The gross dividend amounts to BGN 0.2129171 per share.

In general, BGREIT, the index reflecting the performance of companies investing into real estate, marked a substantial increase of 60% during 2012. Special investment purpose companies registered the biggest interest from investors due to their stable financial statements, the quality of their investment portfolios and the practice of paying attractive dividends.

In 2013 a gradual renewal of investors' interest in shares listed on the Bulgarian Stock Exchange can be expected. Although the debt problems in Europe have not been resolved yet, there is a clear political will for the unity of the European Community to be preserved at all costs.

Summarized trading details for the 52 week period – 1st January 2012 – 31st December 2012:

- Opening Price – BGN 0.657 (4 January 2012)
- Closing Price – BGN 0.520 (28 December 2012)
- Highest Price – BGN 0.76 (22 March 2012)
- Lowest Price – BGN 0.45 (19 June 2012)
- Total Trading Volume – 7,943,014 shares
- Turnover for the period – BGN 4,684,515 (EUR 2,395,155)
- Weighted average price – BGN 0.59
- Market Capitalisation (31.12.2012) – BGN 31,434,000 (EUR 16,071,949)
- Price as of report date (30.01.2013) – BGN 0.587

BREF Share Price Performance (1.01.2012 - 31.12.2012)