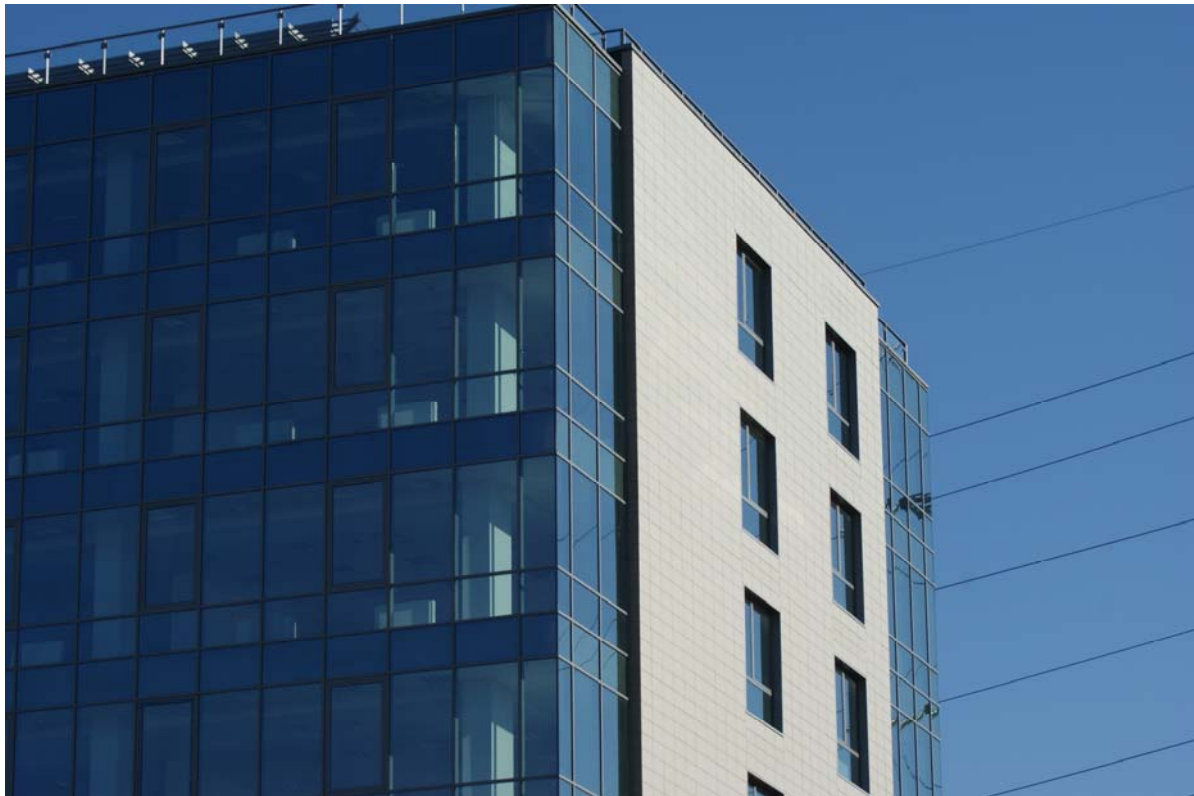


“Bulgarian Real Estate Fund”

Third Quarter Summary Report



8 November 2012

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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 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 (30.09.2012)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 16,999,177	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

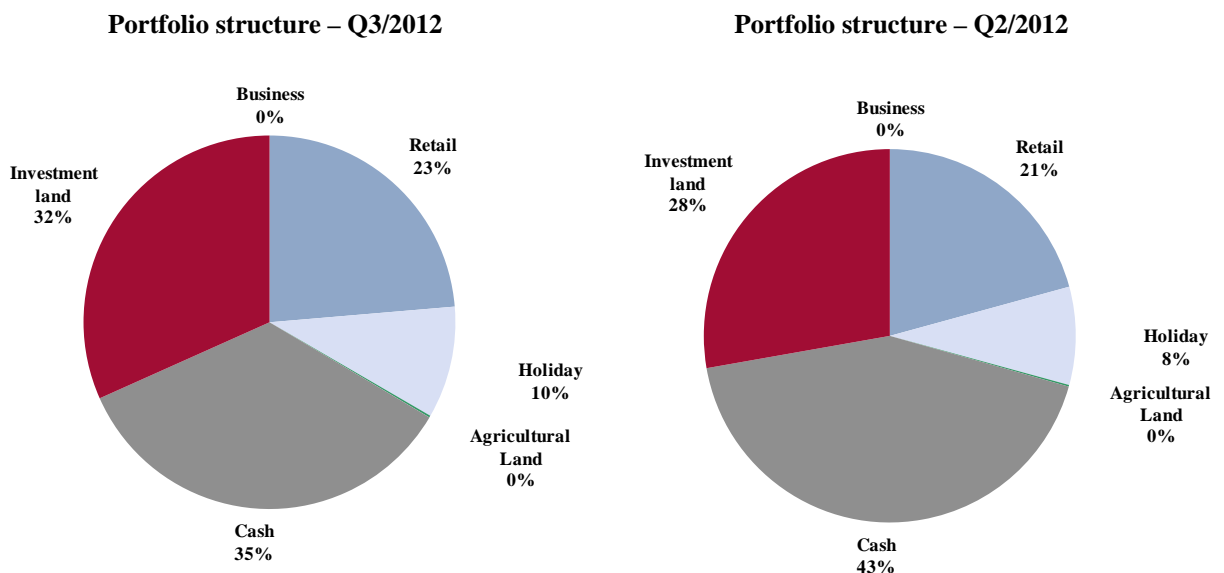
The payment of 2011 dividend in July and as a result the decrease of the cash is the reason for the change of BREF's portfolio structure in the third quarter. After absolute values of the investments in the other real estate sectors remain constant the share of the cash decreases from 43% to 35%, while the shares of investment land, retail and business properties increase by 4% for the first type of properties and by 2% for the other two types. 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 September 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 30.09.2012	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,220	10,220	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
Investment plots in Sofia - Ring road*	change of regulation	2,465	2,465	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,664	10,664	n.a
Total		35,073	28,177	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 Seaside 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 30th September 2012 is EUR 3.74 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 Dverie-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 August due to the heavy rains the entrance roof of Sofia store was damaged and in September it was repaired. The damage is covered by the insurance policy of the store, so the expenses will be covered by the insurance company. In addition in the end of the third quarter were started 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 until the end of the year. 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.

2.3 Project – Agricultural land

The total agricultural land owned by BREF as of the end of September 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 October 2012 were collected 78.5% from the receivables for 2010/2011 and 32% 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 bottom Station of New Gondola which is part of SUPER BOROVTZ project.

During the past quarter no apartments were sold. As of the end of September 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 properties 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. In the period the new regulation was 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 September 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. During the past quarter the new structural plan was 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 Q3 / 2012.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statements for the first three quarters of 2012.

Table 3 – Balance sheet as of 30th Sep 2012, 30th June 2012 and 31st Mar 2012.

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

Table 4 – P&L statement for the first three quarters and accumulated since the beginning of 2012.

(All amounts in EUR '000)	Q3 - 2012	Q2 - 2012	Q1 - 2012	Jan-Sep 2012
Income from sale of assets	0	0	0	0
Rental income	272	271	274	818
Revenue from interest and other financial revenues	215	331	309	855
Other financial income	11	8	5	23
Other Income	0	1	4	4
Total Revenue	497	611	591	1,700
Value of sold assets	0	0	0	0
Interest expense	(55)	(58)	(64)	(177)
Management fees	(141)	(140)	(140)	(420)
Materials expense	(1)	(2)	(4)	(6)
BOD and employees salaries expense	(13)	(13)	(13)	(39)
Other expenses	(52)	(50)	(81)	(183)
Total expenses	(261)	(262)	(302)	(825)
Profit/(loss) for the period	236	349	289	874
Weighted average number of shares in the quarter (in thousands)	60,450	60,450	60,450	60,450
Earnings per share - basic and diluted	0.004	0.006	0.005	0.014

3.2 Liquidity

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

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

During the third quarter the Fund distributed the 2011 dividend voted on in the course of the year, resulting in a significant increase of all liquidity ratios. The improvement is due to the considerable reduction of current liabilities by 83.7% vs. only a 27.7% decrease in current assets. An additional improvement in the liquidity ratios is reported as well as from rental income from the Mr.Bricolage shops and from interest income on deposits. BREF's general liquidity has remained high as evident also from the ratios per the table above. The current liquidity ratio rose 4.4 times to reach 13.31, while the quick and cash liquidity ratios rose 4.3 times up to 12.24 and 11.66 respectively.

The ratios are expected to remain approximately within the same ranges in the next quarter where a small increase may be realised from rental income and deposit interest income.

■ Internal sources of liquidity

The internal liquidity sources were significantly reduced in the third quarter of 2012, the main reason being again the 2011 dividend paid during the period.

○ **Short-term (current) assets**
Table 5A – Current assets as of 30th September 2012, 30th June 2012 and 31st March 2012.

Liquidity sources	30.09.2012	%	30.06.2012	%	31.03.2012
Current Assets					
Investment property held for sale	1,373	8.02%	1,373	5.80%	1,373
Trade receivable	736	4.30%	1,229	5.18%	1,580
Cash and cash equivalents	15,009	87.66%	21,092	89.01%	20,682
Other current assets	0	0.00%	0	0.00%	0
Deferred expenses	4	0.02%	3	0.01%	5
Total Current Assets	17,123	100.00%	23,697	100.00%	23,640

The total current assets decreased by 27.7% down to EUR 17,123 thousand vs. EUR 23,697 thousand as of the previous quarter. The main reason for the reduction is the smaller amount of cash and cash equivalents. The general structure of assets changed slightly with cash and cash equivalents keeping the highest share though reduced to 87.66% vs. an increase mostly in investment property held for sale. In turn, the latter ranked second, rising from 5.8% to 8.02%. This share includes the book value of residential building “Sekvoja 2” in the Borovets resort.

The trade receivable and interest ranked third, falling from 5.18% down to account for 4.3% of current assets. This is due to the settlement of receivables from the sale of KBC at the amount of EUR 0.7 million. They were received by the Fund from an escrow account in the beginning of July and during the past quarter were reported as cash and cash equivalents. Other key receivables reported in the same item are interest receivable on deposits, rent receivable and receivables on property sales performed during the past reporting periods.

Current assets are expected to rise slightly during the next quarter, mainly due to receipt of deposits interest income and rental income.

 ○ **Short-term (current) liabilities**
Table 5B – Current liabilities as of 30th September 2012, 30th June 2012 and 31st March 2012.

Liquidity sources	30.09.2012	%	30.06.2012	%	31.03.2012
Current liabilities					
Current part of non-current liabilities	812	63.13%	802	10.17%	793
VAT payable	26	2.03%	8	0.10%	32
Payables to management company	93	7.19%	152	1.93%	152
Payables to the personnel and SIC	1	0.04%	1	0.01%	3
Provisions for dividends due	0	0.00%	6,581	83.46%	6,581
Trade and Other current liabilities	355	27.61%	341	4.32%	405
Total Current Liabilities	1,287	100%	7,885	100%	7,966

Significant changes in the structure and absolute amount of current liabilities occurred following the 2011 dividend distribution. The total liabilities decreased by 83.68% to amount to EUR 1,287 thousand at the third quarter end. Upon release of the provision for the 2011 dividend due, the shares of all other current liability items in the Fund’s balance sheet rose but the proportion among them remained relatively the same as compared to the previous quarter.

The highest share of 63.13% is represented by interest accrued and the current part of the principal of the investment loan used by BREF for Mr.Bricolage project. The slight increase in this item is due to the growing amount of monthly principal instalments for the loan used. 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 current liabilities ranked second with a share of 27.61%. Their amount has remained relatively the same over the different reporting periods, the main entries being provisions related to old transactions in immovable property and court disputes for agricultural land. No significant change in this item is expected to take place in the following reporting period.

The amount of payables to the management company ranked next. The decrease therein is due to the outstanding management fees paid to the company during the period. The rest payables to the company concern construction guarantees in relation to the building of Kambani Business Centre.

The amount of current liabilities is expected to rise during the next reporting period since an accrual for the 2012 dividend distribution will be made.

■ 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

As of the end of September 2012, the long-term capital of the Fund, equity and external financing, accounts for an increase by about EUR 33 thousand to amount to EUR 40,849 thousand. This change is due mainly to the profit reported for the quarter, its effect being mitigated by the repayment of investment loan principal by BREF during the period.

The increased amount of equity and reduction of long-term borrowings changed the capital structure showing a decrease in the share of attracted capital down to 7.2% compared to 7.7% as of the previous quarter end. The allocation between equity and attracted external financing is demonstrated by the figures below.

Figure 2: Allocation between equity and external financing

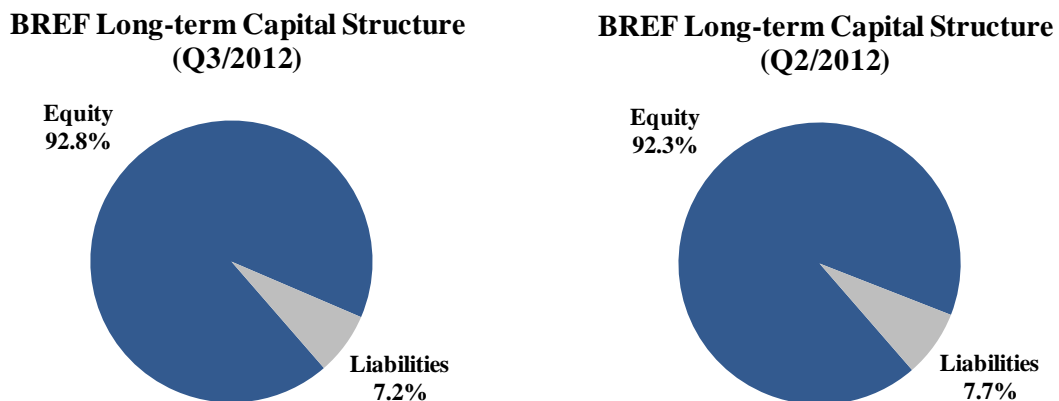


Table 6 – Leverage ratios

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

As of the end of September 2012 the equity of BREF amounted to EUR 37,921 thousand showing an increase by 0.63% compared to the previous quarter. The increase is fully due to the profit realised for the period, at the amount of EUR 236 thousand, resulting from interest accrued on bank deposits.

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

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

■ External financing

During the past quarter the Fund paid regularly the instalments due on the investment loan used to finance the Mr. Bricolage project. The loan principal outstanding as of the end of September 2012 totals EUR 3.74 million. The term of the loan is by December 2016. No new investment loans were utilised during the quarter under review.

■ Capital expenses during the next periods under review

The Fund's investment strategy for 2012 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 total assets of BREF as of the end of 2012 decreased by 13.41% down to EUR 42,454 thousand compared to the previous quarter when they amounted to EUR 49,030 thousand. The reduction is due mainly to the 2011 dividends of EUR 6.54 million paid out during the quarter.

Table 8 – Asset structure

Asset structure (thousand EUR)	30.09.2012	% share	30.06.2012	% share	31.03.2012
Non-current assets incl.	25,331	59.67%	25,332	51.67%	25,331
- total property	25,321	59.64%	25,321	51.64%	25,321
Current assets incl.	17,123	40.33%	23,697	48.33%	23,640
- trade receivable	736	1.73%	1,229	2.51%	1,580
- investment property held for sale	1,373	3.23%	1,373	2.80%	1,373
- cash and cash equivalents	15,009	35.35%	21,092	43.02%	20,682
Total assets	42,454	100%	49,030	100%	48,971

As a result of the payments made during the reporting period, the current assets decreased by 27.7% to amount to EUR 17,123 thousand. That movement led to a change in the overall asset structure where the share of current assets fell to 40.33%, while that of non-current assets increased up to 59.67%.

Due to the changes in cash and cash equivalents, the structure of current assets altered as well. Trade receivables and investment property increased at account of cash and cash equivalents. Nevertheless, with their 87.66% share, cash and cash equivalents continued representing the highest portion of current assets.

The Fund's expectations are that the asset structure at the yearend will be affected by annual revaluation of assets and deposit interest received.

3.5 Financial Results

The BREF's operations during the third quarter of 2012 focused mainly on ongoing management of Mr.Bricolage project, on effective management of free funds and collection of rental income from previous years.

■ Revenue from operations

Revenue from operations for the quarter under review amounted to EUR 497 thousand accounting for a decrease of around 18.58% compared to the previous quarter. The key reason for that result is the lower revenue from interest on deposits accrued during the third quarter.

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

Revenue (in thousand EUR)	Q3 - 2012	Q2 - 2012	Q1 - 2012	Jan-Sep 2012
Income from sale of assets	0	0	0	0
Rental income	272	271	274	818
Revenue from interest and other financial revenues	215	331	309	855
Other financial income	11	8	5	23
Other Income	0	1	4	4
Total revenue	497	611	591	1,700

Rental income accounted for the highest share of 55% during the past quarter. The level of that income remained relatively the same where the small change was due to variations in the amount of agricultural rents accrued. Revenue reported for the quarter was realised mostly on 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 43%. The reported reduction is due to the lower amount of available cash in short-term bank deposits and respectively, lower interest accrued.

The expectations are that rental and interest income will remain relatively the same during the next quarter and therefore, no significant changes in total revenue are anticipated.

■ Expenses from operations

During the past quarter, the total expenses of BREF were maintained at the level of the previous quarter. The expense structure was preserved the same as well with slight movements reported due to small variations in both directions for the different types of expenses.

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

Expenses (in thousand EUR)	Q3 - 2012	Q2 - 2012	Q1 - 2012	Jan-Sep 2012
Value of sold assets	0	0	0	0
Interest expense	(55)	(58)	(64)	(177)
Management fees	(141)	(140)	(140)	(420)
Materials expense	(1)	(2)	(4)	(6)
BOD and employees salaries expense	(13)	(13)	(13)	(39)
Other expenses	(52)	(50)	(81)	(183)
Total expenses	(261)	(262)	(302)	(825)

In the third quarter of 2012, fees to the management company took up again the highest share of expenses. The expense was at the same amount as for the previous quarter but in the quarter under review, it comprised 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.

Interest expense ranked second with a share of 22.94%. They 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.

Other expenses took up the third place with a share of 19.77%. The slight increase in this category is due to repairs carried out at Mr.Bricolage stores. The highest expense per this account comprised real estate taxes and garbage charges. Other expenses booked in the account included such on hired services, bank charges and other.

■ Financial result

During the third quarter of 2012, the Company realised a profit of EUR 236 thousand, which resulted mainly to rental and interest income earned. The reported decrease in profit is due mainly to lower revenues from deposits. The expectations for the next reporting period is that the Fund's financial result will remain the same subject to the annual revaluation of assets at the yearend that will have some effect.

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

Financial Result	Q3 - 2012	Q2 - 2012	Q1 - 2012	Jan-Sep 2012
Revenues	497	611	591	1,700
Expences	(261)	(262)	(302)	(825)
Net profit/loss for the period	236	349	289	874

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.004, while the EPS for the first 9 months of 2012 totals EUR 0.014.

Results per share (EUR '000)	Jan - Sep 2012 ***	Jan - Sep 2012**	2011	2010	2009
Earnings	874	874	5,758	359	(2,260)
Earnings per share (EPS)	0.014	0.014	0.095	0.006	(0.037)
Net asset value (NAV)	36,738	37,921	37,047	37,870	38,735
Common shares outstanding	60450	60450	60,450	60,450	60450
NAV per share	0.608	0.627	0.613	0.626	0.641
Dividend per share			0.1089	0.0202	0.0201
Share fair value*	0.608	0.627	0.722	0.647	0.661

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

** Net asset value for Jan-Sep 2012 is per non-audited financial statements, while for 2009-2011 according to audited financial statements

*** Net asset value for Jan-Sep 2012 is according to management's estimate

According to management's estimate, NAV per share during the past reporting period decreased from EUR 0.613 per share to EUR 0.608 per share, or by 0.83% on annual basis. The basic reason for the reduction is the management's estimate of the value of assets, which would be reflected through the revaluation of assets at the yearend in case the valuation by the independent appraiser and auditors confirm the management's position. The reported decrease in the share fair value is due to the 2011 dividend distribution of EUR 6,581 thousand as set aside from the Fund's equity at the end of the prior year.

■ 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 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 value of shares of Bulgarian Real Estate Fund has fallen by 16.41% down to BGN 0.55 per share as of 30th September 2012. It should be noted, however, that the Fund's share performance reflects the 2011 dividend distribution. As of 18th June 2012, which was the last date for dealing in shares conferring a right to a dividend, the price per share of Bulgarian Real Estate Fund was BGN 0.695; as of 19th June 2012 one share was traded for BGN 0.45. The gross dividend was BGN 0.2129171 per share.

Generally, BGREIT, which is the performance index for companies investing in real estates, has marked the considerable increase of 57.66% from the year beginning till 30th September 2012. Special purpose investment companies concentrated the highest interest on the part of investors because of their stable financial statements, investment portfolio quality and practices of distributing attractive dividends. In comparison, the basic index of Bulgarian Stock Exchange-Sofia, SOFIX, accounted for a decrease by 0.45% for the nine-month period ending 30th September 2012.

The total number of traded shares of Bulgarian Real Estate Fund over the last year is 10,536,307 amounting to BGN 6,507,335. The weighted average price per share of the Fund for the last year is BGN 0.618. The market capitalisation of the Fund was BGN 33,247,550 as of 30th September 2012.

Summarized trading details for the 52 week period – 1st October 2011 – 30th September 2012:

- Opening Price – BGN 0.575 (3 October 2011)
- Closing Price – BGN 0.550 (28 September 2012)
- Highest Price – BGN 0.76 (22 March 2012)
- Lowest Price – BGN 0.45 (19 June 2012)
- Total Trading Volume – 10,536,307 shares
- Turnover for the period – BGN 6,507,335 (EUR 3,327,147)
- Weighted average price – BGN 0.618
- Market Capitalisation (30.09.2012) – BGN 33,247,550 (EUR 16,999,177)

**BREF Share Price Performance
(1.10.2011 - 30.09.2012)**

