

“Bulgarian Real Estate Fund”

Q3/2008 Summary Report



30 October 2008

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1 Overview of the Fund

The Bulgarian Real Estate Fund /BREF/ is an open-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 in mind the portfolio of BREF consist of 10 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 assets and market capitalization and holds an excellent reputation among local banks, property owners and the investment community, which is a sure sign for its experienced management and publicly approved results.

Stock Exchange	Ticker Symbol	Market Capitalization (30.09.2008)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 33,998,354	60,450,000

2 Portfolio

BREF contains 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

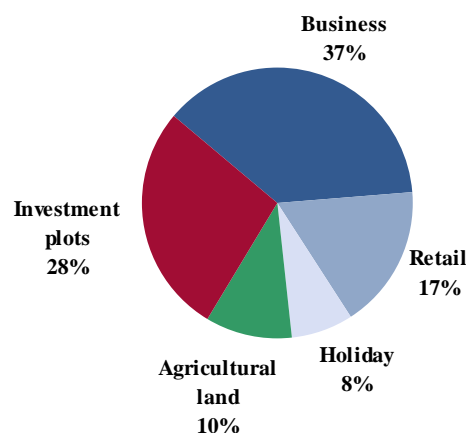
The main portfolio developments during the last quarter were influenced by the continuing construction works of the two office buildings in Sofia and the realized disposal of assets. In addition BREF acquired 2,609.2 dka of agricultural land in Central and Eastern Bulgaria. The Fund also officially came into a possession of 2 additional land plots part of the project Investment Land plots in Sofia - Ring Road. The highlights of the portfolio development during the last quarter were:

- Continuing construction of the two office buildings – current completion progress, Kambanite Business Center – 80%, Office building – G.M. Dimitrov – 90%.
- Receipt of payments in amount of EUR 25,293,647 according to the preliminary agreements for sale of projects Kambanite Business Center – retail part, Office building – G.M. Dimitrov project and project Investment land plots in Sofia – Mladost IV.
- Paying-off in advance the loans utilized in 2007 for investment in project Investment land plots in Sofia – Mladost IV and apartment house “Sequoia 2” – Borovetz.

The total amount of BREF’s investment projects was EUR 58.92 million in the end of the third quarter of 2008. We attribute the increase to the realized construction expenses for the two office buildings and the investments in new properties which altogether came to EUR 5,429 thousand and the decrease to the fully disposed 9 properties part of Investment land plots in Sofia – Mladost IV project in amount of EUR 8,053 thousand. The projects managed by BREF in the end of September 2008 were 10, focused in the regions and segments of the Bulgarian real estate market marked by the highest yields.

Figure 1: Investment allocation in types of market sector

Investment allocation in type of market sector



The Fund’s last quarter activity was directed towards realization of the already acquired projects, completion of the already mentioned projects disposal and investment in additional

agricultural land properties. The table below presents the projects which are segmented in accordance to their degree of completeness:

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

Project	Stage of the project	Size of project	Invested till 30.09.2008	Future investments
Completed projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,172	10,172	0
Agricultural land	renting out/acquisition	8,180	5,952	2,228
Projects in progress				
Kambanite Business Centre	under construction/ partly sold	19,429	15,708	3,721
Office building - G.M. Dimitrov	under construction/sold	8,692	6,325	2,367
Seaside Holiday Village	design approval pending	9,203	2,308	6,895
Apartment house "Sequoia2" - Borovetz	for sale	2,176	2,176	0
Pipeline projects				
Investment plots near Veliko Tarnovo*	change of regulation	261	262	n.a
Investment plots near Vidin*	change of regulation	301	301	n.a
Investment plots in Sofia - Ring road*	change of regulation	3,763	3,763	n.a
Investment plots in Sofia - Mladost IV*	change of regulation	11,950	11,950	n.a
Total		74,128	58,918	15,210

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

From the above-mentioned projects two are already realized and are currently operational. In regards to the agricultural land project the Fund continued to rent out the additional land plots and also continued with the acquisition of additional agricultural land plots concentrated in regions with high yield potential. The next group of projects consists of four projects which realization spans from design to completion of the future buildings. The retail part of Kambanite Business Centre project, the Office building on 14 G.M. Dimitrov Blvd. and the 9 properties part of Investment land plots in Sofia, Mladost IV projects are bound with preliminary agreements for sale and a larger part of the ownership is transferred to the buyers. The last four projects are in a stage of changing the regulation status and BREF envisages for part of them this process to be completed till the end of this year.

2.2 Project – “Mr. Bricolage” – sale and leaseback

Mr.Bricolage is a “sale and leaseback” project for two retail outlets of the French “Do-It-Yourself” retail chain Mr. Bricolage in Bulgaria. The stores are located in Sofia and Varna and are the two best performing assets of the retailer.

In order to optimize the project return BREF refinanced 70% of its value through an investment loan – EUR 7 million from Bulgarian Post Bank in 2006.

The total rent amount for both buildings is EUR 90,147, which totals up to EUR 1,081,764 fixed revenue on a yearly basis for the remaining years of the contract.

There were no delays from the tenant in terms of rent payment in the current term. The Fund has made payments for all due amounts for insurance of both stores during the quarter. No damages or break-downs were registered during this period.

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	-
Monthly rent:	EUR 36,060	EUR 54,087	EUR 90,147
Rental agreement start:	August 17th, 2006	November 15th, 2006	-

2.3 Project – Agricultural land

In June 2008 BREF resumed the acquisition process of agricultural land in regions with high potential for future realization. This decision was taken on the basis of the increasing prices of such lands in Bulgaria.

In the past quarter BREF acquired a total of 2,609.2 dka of agricultural land properties, which increased significantly the total owned agricultural land properties - 39,247 dka. The total invested funds in the project reached EUR 5.9 million, with the average price per dka, including the acquisition costs going to EUR 150.8 per dka. Most of the purchased properties are III and IV category, with an average size of each plot of about 10-12 dka.

Also during the last quarter the Fund rented out additional 956 dka of agricultural land plots which increased the total rented land to 27,234 dka or 69.4% of the total owned land. The average rent price was EUR 7.33 per dka.

Project parameters:

Agricultural land	
Acquired area	39,247 dka
Investment	EUR 5.9 M
Acquisition price per dka	EUR 150.8
Leased area	27,234 dka
% of leased area	69.40%
Average annual rent per dka	EUR 7.33

2.4 Project – Kambanite Business Centre

Kambanite Business Centre is a large-scale development project for construction of a mixed-use building, offering class ‘A’ office and retail space. From a completion progress point of view, the building is 80% finished. The total realized construction costs until the end of September 2008 were around EUR 10.68 million.

Aside from progressing construction in the last quarter BREF terminated the preliminary agreement for sale of the office part of the building in amount of EUR 20,900,000 due to default of the side of the buyer to fulfill the contract engagements. This made BREF look for alternatives in renting out the office part of the building.

In the last quarter the ownership of the retail part of the building was entirely transferred to the new owner, in result of which, the Fund received the fifth installment payment in amount of EUR 4,260,000. The total amount of received installments under the preliminary agreement for sale of the retail part of the building until the end of September 2008 reached EUR 9,835,000. The last remaining installment, EUR 1,315,000, is to be received upon receipt of permission of use for the building.

Project parameters:

Kambanite Business Centre	
Plot area:	8,796 sq.m
Total built-up area:	31,400 sq.m
Office space and common area	16,335 sq.m
Retail and underground parking	15,065 sq.m

2.5 Project – Office Building - G.M. Dimitrov

G.M.Dimitrov office building is a development project of a modern class ‘A’ office building that will have two underground and ten aboveground floors. The project is located relatively close to the city centre, between two main boulevards, providing quick access to Sofia

downtown and Sofia International Airport. The site also enjoys great access to the public transportation.

The construction of the office building continued in the last quarter with the progress exceeding 90%. The fund expects the building to be granted with permission of use until the end of the year. The total construction costs of the building until September 2008 added up to EUR 4.64 million.

In the last quarter BREF transferred an additional 37.18% of the ownership of the building, in result of which received the next instalment under the contract – EUR 6,533,647. With the made payment the total utilized amount increased to EUR 10,319,167 and the transferred ownership of the building reached 58.97%.

Project parameters:

Office Building - G.M.Dimitrov	
Plot area	1,528 sq.m
Total built-up area	13,487 sq.m
Office space	9,876 sq.m
Retail space	640 sq.m

2.6 Project – Seaside Holiday Village

Seaside Holiday Village is a project for the development of a second-home type holiday village on the southern Black Sea coast. The complex will include 291 apartments with a selection of studio, 2-bedroom and 3-bedroom luxury apartments and one-family houses, all for sale. The wealth of the on-site facilities will include two spacious swimming pools, situated amidst professionally landscaped grounds, two restaurants, as well as retail and entertainment area.

BREF decided to freeze the project for developing the holiday village in result of the more negatively developing market conditions in the holiday real estate segment stemming of the credit crunch and the oversupply of properties on the Bulgarian seacoast,.

In the next periods the Fund will closely monitor the development in this segment which will determine its subsequent actions in this project.

Project parameters:

Seaside Holiday Village	
Plot area	28,758 sq.m
Total built-up area	17,963 sq.m
Total investment	EUR 9.2 M
Invested until September 2008	EUR 2.3 M

2.7 Project – Apartment house “Sequoia 2” - Borovetz

In the end of 2007 BREF became an owner of “Sequoia 2” apartment house (with total built-up area of 3527.3 sq.m) located in the oldest ski resort in Bulgaria – Borovetz. The acquisition price of the building was EUR 2,227 thousand (EUR 631 per sq.m), including EUR 101 thousand for the land plot.

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 of the very centre of the resort and near the bottom Station of the New Gondola which is part of the SUPER BOROVIETZ project. The distance to the main road Borovetz-Plovdiv is only 30 meters.

In the last quarter BREF transferred the ownership of the sold apartment to the new owner and received the remaining amount under the preliminary agreement for sale. In regards to the rest

of the sales and in the light of the coming winter season BREF plans active advertising campaign which will reinforce the efforts of the Fund to realize the building.

Project parameters:

Apartment house "Sequoia 2" - Borovets	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Acquisition price per sq.m.	EUR 631 per sq.m.
Invested until December 2007	EUR 2.227 M

2.8 Project – Investment plots near Veliko Turnovo

After the acquisition of 203-decare, non-regulated land plots in 2006, BREF started a procedure of changing the land status.

The properties are located near the town of Veliko Turnovo that is in the central part of northern Bulgaria. The District is a region with leading role as an industrial, transport-logistical, tourist, cultural and educational centre. The property is well-situated to take advantage of the strong growth prospects in the region.

The procedure of changing the land status was completed and the Fund expects to receive the official documents in short terms, after which will initiate the preliminary researches and feasibility studies of the future construction possibilities.

Project parameters:

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

2.9 Project – Investment plots near Vidin

BREF is an owner of a 86-decare non-regulated land plot, located near the city of Vidin. The city is an important transportation centre in north-western Bulgaria and is bounded by the state borders - Danube River to the north and by Serbia state border to the west. The project has excellent perspectives for developing industrial and warehouse areas.

The investment land plot is not regulated and the Fund has already started the rezoning procedure. Any last period activity is entirely tied to streamline the rezoning procedure steps.

Project parameters:

Investment plots near Vidin	
Total plots' area	86,008 sq.m
Purchase price	EUR 0.3 M
Status	change of regulation

2.10 Project – Investment plots in Sofia – Ring Road

In the end of 2006 BREF acquired six neighbouring, not regulated land plots with total size of 17,237 sq.m., located in the outskirts of Sofia. The acquisition price was EUR 3.43 million equalling to EUR 199 per sq.m. on average.

The land plots are located right behind another BREF's property – Kambanite Business Centre site, near Sofia's Ring Road. 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. All these make the land plots very suitable for development of administrative and residential buildings offering high business and living standards.

In the last quarter the Fund finalized the acquisitions of two additional land plots neighbouring the ones already owned, with total size of 815 sq.m. for the amount of EUR 182,450, or EUR 223.9 per sq.m. excluding the acquisition costs.

The first stage of the rezoning procedure was completed and the second one commenced. After the full regulation process is finalized the Fund will start the preliminary design of the future residential and administrative buildings.

Project parameters:

Investment Plots near KBC project	
Total plots' area	18,052 sq.m
Purchase price	EUR 3.6 M
Status	rezoning procedure

2.11 Project – Investment plots in Sofia - Mladost IV

In 2007 BREF acquired 21 properties with a total area of 79,253 sq.m., located in Mladost IV residential area, Sofia, situated next to Business Park Sofia, the Fund initiated their regulation renewal procedure. The total acquisition price including the acquisition costs was EUR 20,003,272.26, (EUR 252.39 per sq.m.)

In the last quarter BREF completed the sale of the 9 of the land plots and received the last amount of EUR 14,500,000 of the EUR 17,500,000 preliminary agreement and also transferred 100% of the ownership on the properties. After the sale the Fund remains in ownership of 12 land plots with total size of 47,345 sq.m.

BREF initiated the preliminary research for regulation change on some of the investment land plots. The properties are envisaged for development of residential, administrative and hotel buildings.

Project parameters:

Investment Plots, Sofia - Mladost IV district	
Total plots' area	47,345 sq.m
Purchase price	EUR 11.95 M
Status	rezoning procedure

3 Financial Highlights Q3 / 2008.

3.1 Summarized Financial Statements

The following financial statements are created in full compliance with the Financial Supervision Commission standards and resemble the audited 2007 annual financial statements.

Table 2 – Balance sheet until 30th September 2008 and 30 June 2008

(All amounts in EUR '000)	30.09.2008	30.06.2008
ASSETS		
Non-current Assets		
Investment and development property	40,881	39,772
Property acquisition costs	352	55
Machinery and equipment	2	2
Available for sale investments	-	11
Intangible assets	1	1
Restricted deposit	-	9,817
Derivative financial instrument	109	242
Furniture and fixtures	14	15
Total Non-current Assets	41,359	49,915
Current Assets		
Accounts receivable	1,914	321
Value added tax receivable	-	381
Prepayments	243	142
Other current assets	61	38
Investment property held for sale	15,827	38,896
Cash and cash equivalents	12,167	3,989
Deferred expenses	64	102
Total Current Assets	30,276	43,869
TOTAL ASSETS	71,635	93,784
EQUITY AND LIABILITIES		
Equity		
Share capital	30,908	30,908
Share premium	5,016	5,009
Retained earnings	23,704	19,966
Total equity	59,628	55,882
Non-current liabilities		
Interest bearing loan	5,897	23,558
Derivative financial instrument	-	-
Total Non-current liabilities	5,897	23,558
Current liabilities		
Current debt and accrued interest	17	74
Current part of non-current liabilities	642	2,498
Payables to management company	2,622	1,205
Accounts payable	1,200	8
Property sale prepayments received	3	9,761
Taxes payable	1,609	6
Provisions	12	787
Other liabilities	5	5
Total Current liabilities	6,110	14,344
Total liabilities	12,008	37,902
TOTAL EQUITY AND LIABILITIES	71,635	93,784

Table 3 – P&L statement until 30th of September 2008 and 30th June 2008

(All amounts in EUR '000)	Q3 - 2008	Q2 - 2008
Income from sale of assets	35,383	3,816
Rental income	317	326
Income from financial instruments	-	230
Revenue from interest and other financial revenues	204	175
Net gains from fair value adjustments	368	520
Other Income	99	-
Total Revenue	36,371	5,067
Interest expense	(316)	(433)
Materials and external services expense	(4,349)	(761)
BOD and employees salaries expense	(12)	(13)
Loss on financial instruments	(118)	(2)
Value of sold assets	(27,478)	(1,282)
Depreciation expense	(1)	(1)
Other expenses	(359)	(99)
Total expenses	(32,633)	(2,592)
Profit/(loss) for the period	3,739	2,476
Weighted average number of shares in the quarter (in thousands)	60,450	60,450
Earnings per share - basic and diluted	0.062	0.041

3.2 Liquidity

In the third quarter of 2008 in complete contrast to the reported diminishing trend in the last several quarters, the current liquidity of BREF marked uplift. The main reason behind this change came from the realized sales during the period, in result of which the Fund received significant cash proceeds. In addition BREF paid-off in advance part of its long-term debt during the reported period. Therefore as a result of the above-stated two reasons the current liabilities decreased in their prepayment and current part of non-current liabilities part. Also for the same reason, realized sales during the period current asset decreased in their investment property held for sale part.

Besides the increased current liquidity ratio, BREF reported several times higher quick and cash ratios, which increase was an outcome of the tripled cash proceeds in results of the reported during the quarter sales. This determined the stability of the Fund and the opportunity for investments in short and mid-term plan.

The Fund expects the liquidity in the next quarters to depend directly on the made investments in properties and construction, as well as the future payments under the preliminary agreements for sale signed by BREF.

Table 4 – Liquidity ratios until 30th September 2008.

Liquidity Ratios	30.09.2008	30.06.2008
Current ratio	4.95	3.06
Quick ratio	2.36	0.35
Cash ratio	1.99	0.28

■ Internal sources of liquidity

BREF continued to have significant internal sources of liquidity at its disposal in the third quarter of 2008.

○ Short-term (current) assets

Table 5A – Sources of liquidity until 30th September 2008.

Liquidity sources	30.09.2008	30.06.2008
Current Assets		
Accounts receivable from clients and suppliers	1,914	321
Value added tax receivable	-	381
Prepayments	243	142
Other current assets	61	38
Investment property held for sale	15,827	38,896
Cash and cash equivalents	12,167	3,989
Deferred expenses	64	102
Total Current Assets	30,276	43,869

Despite the realized asset disposal the main part of the current assets 51.8% were again taken by the investment property held for sale. This account comprised of the balance sheet values of the properties set by the Fund for sale.

The other main source of liquidity 40.5% took up the cash and cash equivalents EUR 12,167 thousand. During the last quarter this account reported a triple growth in result of the realized sales.

The other significant account in the current asset structure was the accounts receivable which reported uplift in comparison with the second quarter. This change was mainly attributed by reporting the final installment EUR 1,315,000 under the preliminary agreement for sale of the retail part of KBC project as receivable. The remaining part of the accounts receivable was

made up of the agricultural land rent receivable, prepayments for the projects in construction and accrued interest on the deposits of the Fund.

The prepayments marked an increase of 71.5% in comparison with the second quarter to reach EUR 243 thousand. We attribute this change to the resumed acquisition of agricultural land and the following transfer of advances to the servicing companies.

The management of BREF expects the amount of the current assets to increase in the future in result of the sale payments and to decrease in parallel with the realization of the investment plans of the Fund.

- **Short-term (current) liabilities**

Table 5B – Sources of liquidity until 30th September 2008.

Liquidity sources	30.09.2008	30.06.2008
Current liabilities		
Current debt and accrued interest	17	74
Current part of non-current liabilities	642	2,498
Payables to management company	2,622	1,205
Accounts payable	1,200	8
Property sale prepayments received	3	9,761
Taxes payable	1,609	6
Provisions	12	787
Other liabilities	5	5
TOTAL CURRENT LIABILITIES	6,110	14,344

Following the expected sales of part of the properties bound with sale agreements and the resulting decrease in the property sale prepayment received, the payables to the management company took the largest share of the current liabilities 42.9% in the amount of EUR 2,622 thousand. This account was formed by BREF's due amounts to real estate agencies in relation to the sold properties, construction related liabilities of the office buildings in completion and the success fee due to the management company for the realized disposals.

The other main account in the structure of the current liabilities represented the taxes payable made up of the VAT received in the realized sales, as well as local fees and taxes due on the owned properties.

Significant increase was marked by the accounts payable in amount of EUR 1,200 thousand which amount was entirely formed by BREF's liability on the terminated preliminary sale agreement for the office part of the KBC project.

In the past quarter the due part of the "Current part of non-current liabilities" fell in result of the paid-off in advance two investment loans. In the end of September 2008 the due amount was EUR 642 thousand and BREF expects this account to increase gradually in the future with the upcoming larger principal payments on the "Mr. Bricolage" investment loan.

The provisions account decreased in the reported period mainly in result of the fully paid out due dividend for 2007 amounting to EUR 774,575 thousand. The entire amount of this account represented the agricultural land rent provision EUR 12 thousand.

■ External sources of liquidity

The external sources of liquidity are the common stock and investment bank loan, which are explained in details in point 3.3 of the Capital resources.

Considering the available funds in the end of September 2008 and the expected sale receivables on the projects bound with preliminary agreements for sale, BREF continues to have at its disposal significant financial resources, which are expected to fully cover this year's liquidity needs. In case the investment plans of the Fund change in result of the initiation of new

projects, the management has full readiness to obtain the necessary financing either through a capital raise or through external financing from local and foreign bank institutions.

3.3 Capital resources

The long-term capital in the end of September 2008 was EUR 65,525 thousand which in comparison to the second quarter fell 17.5% or EUR 642 thousand. On one hand the source of this change in upward direction was the realized significant net income in the quarter and on the other hand in downward direction was the lower value of the long-term debt, a large part of which was paid-off during the quarter.

The capital structure changed significantly in comparison with the second quarter mainly due the increased share of the equity. In the light of the current market condition, such a structure pre-determines the stability of the Fund and the future easier utilization of additional external financing. During the period under review the debt-to-equity ratio decreased to 0.20 in comparison to 0.68 in the second quarter of 2008. The latter, as already mentioned in the present report, was a direct result of the paid-off in advance two investment loans during the period.

Figure 2: Allocation between equity and external financing

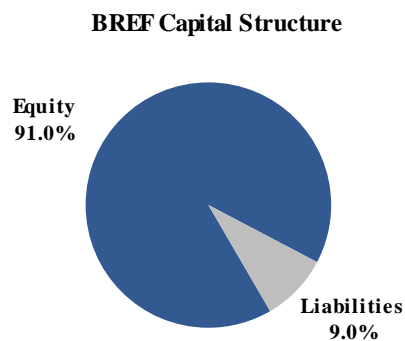


Table 6 – Leverage ratios

Leverage ratios	30.09.2008	30.06.2008
Debt-to-Equity	0.20	0.68
Non-Current Assets-to-Equity ratio	0.69	0.89
Long-term-Debt-to-Non-Current-Asset ratio	0.14	0.47

■ Equity

The equity of the Fund increased with 7% to EUR 59,627 thousand in the past quarter, and kept the incremental trend from the beginning of 2008. Similar to the first half of 2008, we attribute the increase mainly to the realized net income for the period EUR 3,739 thousand.

Table 7 – Total Equity until September 2008 and June 2008.

Equity (in thousands)	30.09.2008	30.06.2008
Share capital	30,908	30,908
Share premium	5,016	5,009
Retained earnings	23,704	19,966
Total equity	59,627	55,882

■ External financing

BREF had not acquired any new loans during the last quarter; however the Fund paid off ahead of schedule two of its investment loans utilized in 2007. The total amount of paid-off principal on the loans was EUR 19,301,000.

The first paid-off loan was utilized for financing the acquisition of the properties making up Investment land plots in Sofia, Mladost IV project.

- Loan amount – EUR 18,162,185.43 (Remaining principal up to 30.06.2008 – EUR 17,301,000)
- Term – 7 years
- Grace period – 18 months
- Interest – 3M EURIBOR + 1.65%
- Collateral – properties of the Fund in Sofia and deposit – BGN 19.2 million

The second paid-off loan was utilized for financing the acquisition of the apartment house “Sequoia 2” in Borovetz.

- Loan amount – EUR 2,000,000
- Term – 5 years
- Interest – 3M EURIBOR + 1.65%
- Grace period – 12 месеца
- Collateral – properties of the Fund in Sofia

■ Capital expenses during the next periods under review

The investment strategy of the Fund is entirely directed towards realization of the current projects in the short-term, so a large part of the funds are to be invested in the two office buildings in Sofia located on the Ring road and G.M. Dimitrov blvd. According to our projections the expenses of these two projects for the rest of 2008 will be around EUR 6 million. Except for construction the Fund invests in agricultural land and other investment land plots. The Fund plans utilizing its current capital resources and if there is a necessity to realize a new capital raise or use loan financing.

3.4 Assets structure

The total assets of BREF went down with EUR 22,149 thousand (-24%) to reach EUR 71,635 in the third quarter. We attribute the fall of total assets mainly to the paid-off in advance investment loans. The cash and cash equivalents component rose in result of the realized sales.

Table 8 – Asset structure

Asset structure (thousand EUR)	30.09.2008	% share	30.06.2008	% share
Non-current assets incl.	41,359	58%	49,915	53%
- total property	41,233	58%	39,828	42%
Current assets incl.	30,276	42%	43,869	47%
- accounts receivable	1,914	2.7%	321	0.3%
- investment property held for sale	15,827	22%	38,896	41%
- cash and cash equivalents	12,167	17%	3,989	4%
TOTAL ASSETS	71,635	100%	93,784	100%

The main change in the asset structure was directed by the investment property held for sale, which decreased by 59.3% or EUR 23,069 thousand. The latter derived from the realized sales of properties during the period and the subsequent written-off assets.

Other significant change in the asset structure represented the triple increase of the cash and cash equivalents up to EUR 12,167 thousand. We attribute the increase again to the received

proceeds from the reported sales and the released restricted deposit of EUR 9,817 thousand serving as collateral on the paid-off loans.

The forecast for the next periods is the amount and subsequently the share of the current assets to increase as a result of the legal transfer on the ownership of the properties and the received cash in exchange and to decrease if investments in new properties are undertaken.

3.5 Financial Results

BREF's main activity in the third quarter was mainly directed in completing the signed preliminary agreements for sale, the construction of the two office buildings in Sofia, investments in agricultural land properties and management of the already completed properties.

■ Revenue from operations

During the period under review the total revenues registered a 7-fold to reach EUR 36,371 thousand.

Table 9 – Revenues for the 3rd and 2nd quarter of 2008

BREF Revenue (in thousand EUR)	Q3 - 2008	Q2 - 2008
Revenue from interest and other financial	204	175
Rental revenue	317	326
Income from sale of assets	35,383	3,816
Income from financial instruments	-	230
Net gains from fair value adjustments	368	520
Other Income	99	-
Total revenue	36,371	5,067

The reported revenues during the third quarter of 2008 rose 7 times to EUR 36,371 thousand, which mostly derived from the partial sale of the project office building G.M. Dimitrov, the sale of the retail part of KBC project, the sale of 9 part of Investment land plots in Sofia – Mladost IV project altogether in amount of EUR 35,383 thousand.

In comparison to the second quarter of 2008, the realized income from revaluations decreased to EUR 368 reflecting the changed market conditions in the real estate sector, where in the different segments some properties maintained their values, while in others some registered fall. The net gains from fair value adjustments were fully made up of the agricultural land properties revaluations.

The next account in the revenues structure was the rental revenues which included the rent of both “Mr.Bricolage” stores and the agricultural land rent payments. The value of these revenues kept relatively similar value to the one reported in the previous quarter.

Another significant share of BREF revenues represented the revenues from interest which again reported a stable growth of 17% in comparison with the values from the second quarter of 2008. We attribute this growth to the larger amount of available cash and cash equivalents and the better cash management of BREF.

BREF expects significant revenues in the next couple of months in result of the reported sale for the remaining part of the project Office building – G.M. Dimitrov.

■ Expenses from operations

The expenses increased 12.5 times in the last quarter to reach EUR 32,633 thousand. We attribute this mainly to the written off balance sheet value of the sold assets.

Table 10 – Realized expenses for the 3rd and 2nd quarter of 2008

BREF Expenses (in thousand EUR)	Q3 - 2008	Q2 - 2008
Interest expense	(316)	(433)
Materials and external services expense	(4,349)	(761)
BOD and employees salaries expense	(12)	(13)
Value of sold assets	(27,478)	(1,282)
Depreciation expense	(1)	(1)
Loss on financial instruments	(118)	(2)
Other expenses	(359)	(99)
Total expenses	(32,633)	(2,592)

In the past quarter the main share in the expenses structure was taken by the written off book value of the transferred properties and namely: the partial sale of the Office building – G.M. Dimitrov project, the entire sale of the 9 properties part of the Investment land plots in Sofia – Mladost IV project and the entire sale of the retail part of the Kambanite Business Center project.

“Materials and external services expense” also took a significant share of the expenses 13.3%, which comprised of the success fee of the management company for the realized sales, the brokerage fee of the real estate agents for the sale of the properties and the regular servicing fees due to the management company

The next component of BREF expenses structure took the interest expenses in the amount of EUR 316 thousand. The expenses report a fall in comparison to the previous quarter, which is a direct effect of the decreased amount of debt used by the Fund.

The Other expenses rose to EUR 359 thousand due the local taxes and fees tied to acquisitions/disposals of properties and local taxes and fees accounted on the properties owned by BREF.

The total amount of the expenses in the coming months will comprise of the remaining written off part of the Office building – G.M. Dimitrov project, which is due to be transferred to the new owner, and construction related costs.

■ Financial result

BREF realized a profit of EUR 3,739 thousand for the third quarter of 2008. In comparison with the results reported in the second quarter of 2008, the profit marked an uplift of 50%. The reported increase in the net income was formed almost entirely by the realized sales of properties.

BREF expects significant amount of net income in the next quarters in result of the reported remaining profit on the sale of Office building – G.M. Dimitrov project.

Table 11 – Financial result for the 3rd and 2nd quarter of 2008

Financial Result	Q3 - 2008	Q2 - 2008
Revenues	36,371	5,067
Expences	(32,633)	(2,592)
Profit for the period	3,739	2,476

■ Financial results per share

The NAV per share of the Fund continued its upward trend and increased with 6.7% to reach EUR 0.986 per share in the third quarter of 2008. Again, we attribute the increase in the NAV to the significant realized profit for the third quarter of 2008. BREF's management expects NAV to follow the incremental trend in the next periods as a result of the expected profit on the remaining part of the Office building – G.M. Dimitrov project.

Table 12 – Financial results per share

Results per share (EUR)	Q3 - 2008	Q2 - 2008
Earnings ('000)	3,739	2,476
Earnings per share	0.062	0.041
NAV ('000)	59,627	55,882
NAV per share	0.986	0.924
NAV per share increase	6.7%	4.6%

■ Potential risks in the next quarter

The change in the current period is mainly in the direction of increasing the risk from a further decline in the real estate market and the worsened economical environment in the capital markets.

The principal risks which affect the main activity of BREF are thoroughly discussed in the 2007 Annual Report. Some of the more current risks that might be outlined are delays in payments from land lease lords and suppliers which will accelerate accounts receivable build up and negatively affect the liquidity of the Fund. Another construction related risk is a delay in the construction progress of the Kambanite Business Centre or the office building on G.M. Dimitrov Blvd., which will directly influence the installment payments which are to be received from the clients on a schedule tied to the construction stages. Having adequately pointed those potential risks, BREF's management has taken certain measures to completely minimize each one of them. In connection to accounts receivable build-up, The Fund conducts a strict collection policy which remains successful so far. In regards to ensuring the timely and quality construction work of Kambanite Business Center and the office building on G.M. Dimitrov Blvd., the management company has already restrained certain amounts payable to the companies executing the construction and finishing works.

4 Share performance

The world financial crisis struck the capital markets hardest in the past quarter, as the indices on the Bulgarian Stock Exchange plunged between 18%-34% registering series of record falls. the BGREIT index, which BREF is part of, registered the least fall between the BG indices – 18%

In the period July-September the traded shares of the Fund reported a significant decrease in the price and the turnover. The weighted average price for the last 12 months went down from BGN1.97 in the end of June 2008 to BGN 1.75 in the end of September 2008.

Summarized trading details for the period 1st October 2007 – 30th September 2008:

- Opening Price – BGN 2.33 (1 October 2007)
- Closing Price – BGN 1.10 (30 September 2008)
- Highest Price – BGN 2.35 (2 October 2007)
- Lowest Price – BGN 1.10 (30 September 2008)
- Total Trading Volume – 9,939,556 shares
- Turnover for the period – EUR 9,087,015
- Weighted average price – BGN 1.75
- Market Capitalisation (30.09.2008) – EUR 33,998,354

Figure 3 – Financial results per share

