

“Bulgarian Real Estate Fund”

Fourth Quarter Summary Report



26 February 2014

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1 Overview of the Fund

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

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

The principle investment objective of the Fund is to provide its shareholders with a combination of current income and long-term appreciation of the common stock value. To achieve the set targets, BREF implemented a strategy to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. With these objectives BREF constructed a portfolio of 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 (31.12.2013)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 16,442,840	60,450,000

2 Portfolio

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

2.1 Portfolio Structure

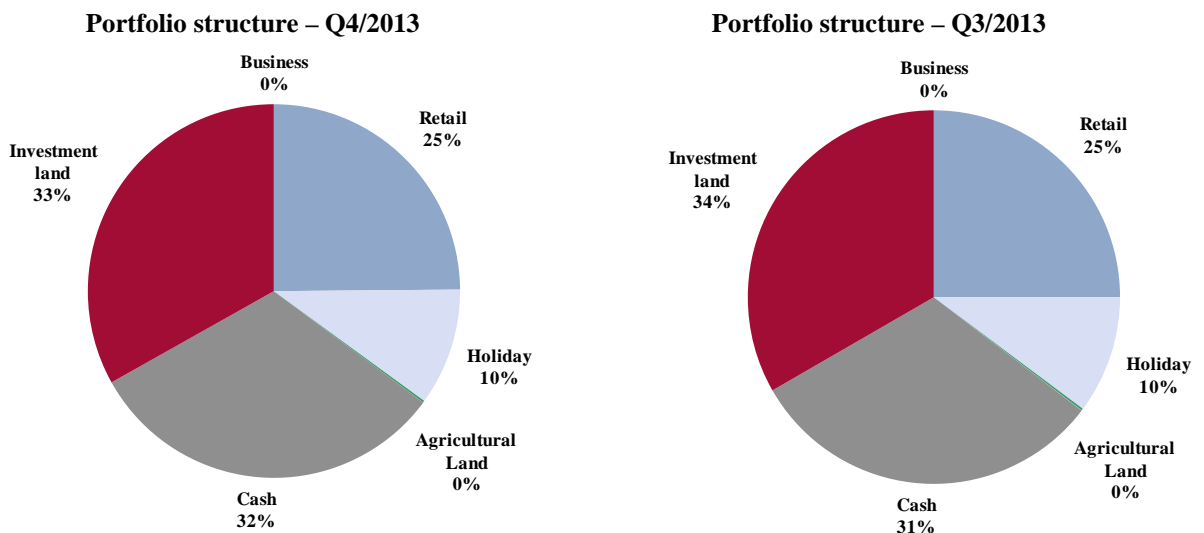
The only difference with the previous quarter in BREF’s portfolio structure is the increase by 1% of the share of cash and cash equivalents, which is on account of the investment properties. After the change the share of the investment properties remains the largest with 33%. The second with 32% share is the cash, followed from the retail properties with 25%.

The key highlights during the past quarter were as follows:

- Regulating land plots in Sofia – Ring road,
- Active marketing of the apartments and garages in apartment house Sequoia II – Borovetz,
- Conducting negotiations for acquisition of existing office building in Sofia,
- Assessment of investment opportunities on the office and residential markets in Sofia,
- Searching for new investment projects of BREF.

The projects managed by BREF as of the end of December 2013 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 31.12.2013	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,271	10,271	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	2,314	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*	suspended	2,465	2,465	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,664	10,664	n.a
Total		35,124	28,235	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 31st December 2013 is EUR 2.73 million.

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

Project parameters:

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

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

After the indexation in July 2013 the total monthly rent for the stores was increased up to EUR 92,400. The next rent indexation will happen at the beginning of 2014.

2.3 Project – Agricultural land

The total agricultural land owned by BREF as of the end of December 2013 is 455 dka, of which 323 dka are subject of litigation. The rented out lands are 149.1 dka or 33% from the total land. The average annual rental price is about BGN 40.39 per dka. The rents for the last agricultural year 2012/2013 are 100% collected.

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.

During the past quarter no apartments were sold. As of the end of December 2013 a total of seven apartments had been disposed of and a campaign for selling the rest of the apartments is in progress.

Project parameters:

Apartment house "Sequoia 2" - Borovetz	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Apartments left for sale	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.

Project parameters:

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

2.6 Project – Investment plots near Veliko Turnovo

The property is located near the city of Veliko Turnovo where the Fund acquired unregulated land plots with total size of 203,248 sq.m. The land is well-situated, which gives excellent

opportunities to develop industrial or retail premises, where large retail chains may establish franchise units.

Currently the activity of the Fund regarding the future development of the property is suspended until more favorable market conditions arise. Meanwhile during the last year due to an interest from a local farmer part of the property was temporarily rented as agricultural land.

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

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

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

Project parameters:

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

2.8 Project – Investment plots in Sofia – Ring Road

Within the period 2006 – 2007 the Fund acquired six land plots in the vicinity of Vitosha Mountain, neighboring the already realized KBC project. The total size of the acquired properties was 18,052 sq.m. After the sale in 2011 of some of the plots 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 completed the procedure for regulating the plots remained ownership of BREF after the KBC deal. According to the new regulation the property belong to zone “Oz2” with the corresponding building parameters for this type of area.

Project parameters:

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

2.9 Project – Investment plots in Sofia - Mladost IV

BREF is owner of 17 land plots situated on Sofia’s Ring Road in its crossing point with “Alexander Malinov” Blvd., to the west of Business Park Sofia. After some sales during the past years currently the total area owned by BREF is 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 / 2013.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statement by quarters during 2013.

Table 3 – Balance sheet as of 31st December 2013, 30th September 2013, 30th June 2013 and 31st March 2013.

(All amounts in EUR '000)	31.12.2013	30.09.2013	30.06.2013	31.03.2013
ASSETS				
Non-current Assets				
Investment property	25,423	25,372	25,372	25,372
Cost for acquisition of fixed assets	7	7	7	7
Plant and equipment	2	2	2	3
Total Non-current Assets	25,432	25,382	25,382	25,382
Current Assets				
Investment property held for sale	1,211	1,223	1,223	1,223
VAT receivable	0	0	0	0
Trade receivable	126	386	351	182
Cash and cash equivalents	13,073	12,842	14,885	15,197
Deferred expenses	5	3	3	5
Total Current Assets	14,414	14,454	16,462	16,606
TOTAL ASSETS	39,847	39,836	41,844	41,988
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	125	637	1,494	1,301
Total equity	36,049	36,560	37,417	37,225
Non-current liabilities				
Interest bearing loan	1,864	2,084	2,299	2,511
Derivative financial instrument	164	188	215	252
Total Non-current liabilities	2,028	2,272	2,514	2,764
Current liabilities				
Current part of non-current liabilities	867	856	845	834
VAT payable	5	25	7	41
Payables to management company	69	71	93	148
Payables to the personnel and SIC	1	2	2	2
Provisions for dividends due	776	0	920	920
Trade and Other current liabilities	53	51	46	55
Total Current liabilities	1,770	1,004	1,913	2,000
Total liabilities	3,798	3,276	4,426	4,764
TOTAL EQUITY AND LIABILITIES	39,847	39,836	41,844	41,988

Table 4 – P&L statement by quarters and accumulated since the beginning of 2013

(All amounts in EUR '000)	Q4 - 2013	Q3 - 2013	Q2 - 2013	Q1 - 2013	2013
Income from sale of assets	-	-	-	-	-
Rental income	279	278	272	271	1100
Revenue from interest and other financial revenues	188	176	186	192	742
Other financial income	25	27	37	38	126
Other Income	39	22	1	6	68
Total Revenue	530	503	496	508	2,036
Interest expense	(40)	(44)	(46)	(49)	(179)
Management fees	(137)	(140)	(140)	(139)	(555)
Materials expense	(1)	(1)	(1)	(1)	(4)
BOD and employees salaries expense	(14)	(15)	(14)	(15)	(58)
Other expenses	(73)	(78)	(102)	(85)	(338)
Total expenses	(265)	(278)	(303)	(289)	(1,135)
Profit/(loss) for the period	265	225	193	219	901
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 diluted	0.004	0.004	0.003	0.004	0.015

3.2 Liquidity

Table 5 – Liquidity ratios by quarters in 2013.

Liquidity Ratios	31.12.2013	30.09.2013	30.06.2013	31.03.2013
Current ratio	8.14	14.39	8.61	8.30
Quick ratio	7.46	13.18	7.97	7.69
Cash ratio	7.39	12.79	7.78	7.60

Following the significant rise during the prior reporting period, in the fourth quarter the liquidity indexes returned to their normal levels of the last several reports. This change is due to the provisions set aside for dividends for 2013 that were missing in the report at the end of the third quarter. Those provisions are on account of the current year profit, which increases the current liabilities and directly influences the liquidity ratios. Following the change, the ratios are still quite high, the current liquidity reaching 8.14, and the absolute liquidity 7.39. The liquidity ratios are expected to decrease in the next reporting period, after the start of a new project.

■ Internal sources of liquidity

In the fourth quarter of 2013 the internal sources of liquidity, as reported above, saw increase in the liabilities and decrease in the assets. Those changes are a result of the accrual of provisions for dividends for 2013 and the expenses incurred during the reporting period.

○ Short-term (current) assets

Table 5A – Current assets by quarters in 2013.

Liquidity sources	31.12.2013	%	30.09.2013	%	30.06.2013	31.03.2013
Current Assets						
Investment property held for sale	1,211	8.40%	1,223	8.46%	1,223	1,223
VAT receivable	0	0.00%	0	0.00%	0	0
Trade receivable	126	0.87%	386	2.67%	351	182
Cash and cash equivalents	13,073	90.70%	12,842	88.85%	14,885	15,197
Deferred expenses	5	0.03%	3	0.02%	3	5
Total Current Assets	14,414	100%	14,454	100%	16,462	16,606

The total amount of the short-term assets decreased by 0.28%, reaching EUR14,414 thousand by the end of the period. The general structure of the assets is changing and the share of the commercial receivables and interests is decreasing completely on account of the cash. The reported change in the amount of the funds is a result of the due interest payments under short-term deposits received during the period. After the last changes the funds stand at EUR13,073 thousand and continue to have the greatest share of the current assets, 90.7%.

The investment properties are second and their value decreases by some EUR 12 thousand, reaching EUR 1,211 thousand. The new balance under this account, where the book value of the residential building “Sequoia 2” in Borovets resort is recorded, is lower as a result of the revaluation of assets made by the end of the year.

The commercial receivables and interest are third, having a share of 0.87% by the end of the quarter. The major reason for their decrease is the received interest under short-term deposits of the Fund, accumulated during prior periods, which is capitalised in the funds. Other major receivables under this item are leasehold receivables and receivables on advance payments under repair contracts from previous reporting periods.

The amount of the current assets is expected to remain the same or to decrease with the start of a new project in the next reporting periods.

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

Table 5B – Current liabilities by quarters in 2013.

Liquidity sources	31.12.2013	%	30.09.2013	%	30.06.2013	31.03.2013
Current liabilities						
Current part of non-current liabilities	867	48.99%	856	85.23%	845	834
VAT payable	5	0.29%	25	2.49%	7	41
Payables to management company	69	3.87%	71	7.03%	93	148
Payables to the personnel and SIC	1	0.03%	2	0.15%	2	2
Provisions for dividends due	776	43.85%	0	0.00%	920	920
Trade and Other current liabilities	53	2.98%	51	5.09%	46	55
Total Current Liabilities	1,770	100%	1,004	100%	1,913	2,000

In the last quarter the total amount of the short-term (current) liabilities increased by 76.3%, reaching EUR 1,770 thousand. The reason for this change, as indicated above, is the accrual of provisions for dividends for 2013. This act leads to material change in the structure of the current liabilities, provided that the share of the provisions for dividends records a significant increase as compared to Q3, and this is fully on account of the short-term loans and on account of the commercial liabilities and the liabilities to the managing company.

During this quarter the biggest share of 48.99% is again that of the accrued interest and the current part of the principal of the investment loan utilised by the Fund under the Mr.Bricolage project. The slight increase in the absolute value of this item is due to the increasing amount of the monthly payments on the principal of the loan. This amount is expected to slowly increase over the following reporting periods, until the time of repayment of the liability under the only investment loan of the Company.

At the second place, accounting for 43.85% of the short-term liabilities, are the provisions for dividends for the financial 2013, amounting to EUR 776 thousand. The calculated amount represents 90% of the transformed financial result, determined in compliance with art. 10 of the Special Purpose Vehicles Act. The final amount to be distributed as a dividend for 2013 will be determined at the General meeting of the shareholders at which the financial results for 2013 will be tabled for voting.

The liabilities to the managing company follow with 3.87%. Their value slightly decreases after the payment of the current operating expenses. The main part of the remaining due amounts constitute liabilities under construction performance guarantees concerning the construction of Kambani Business Centre.

They are followed by the commercial and other receivables. Their amount is almost the same, however in view of the general increase of the current liabilities their share records a decrease to 2.98%.

In the end of the next reporting period the value of the short-term liabilities is expected to remain approximately the same, provided that there may be some increase as a result of the gradual increase of the short-term liabilities under the investment loan.

■ 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.

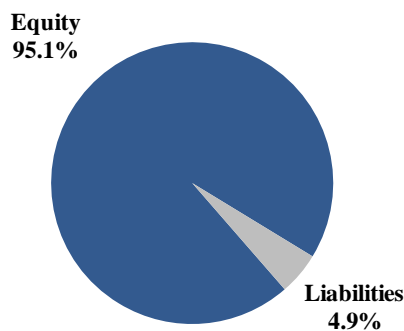
3.3 Capital resources

At the end of December 2013 the long-term capital of the Fund, both equity and borrowed capital, records a decrease of 1.9% to EUR 37,913 thousand. This change is a result of the provisions set aside for dividends for 2013 and of the repaid principal under the investment loan of the Company.

The past quarter saw again a decrease in the share of the borrowed capital, which reached 4.9%, as compared to 5.4% at the end of the prior quarter. The distribution between equity and borrowed funds is presented by the figures below.

Figure 2: Allocation between equity and external financing

BREF Long-term Capital Structure (Q4/2013)



BREF Long-term Capital Structure (Q3/2013)

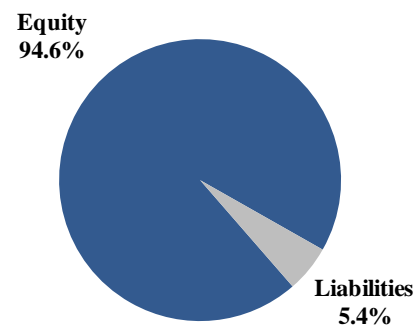


Table 6 – Leverage ratios

Leverage ratios	31.12.2013	30.09.2013	30.06.2013	31.03.2013
Debt-to-Equity	0.11	0.09	0.12	0.13
Non-Current Assets-to-Equity ratio	0.71	0.69	0.68	0.68
Long-term-Debt-to-Non-Current-Asset ratio	0.07	0.08	0.09	0.10

*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 2013 the equity of BREF is EUR 36,049 thousand, which represents a decrease of 1.4% as compared to the prior quarter. The recorded decrease is wholly due to the

accrued provision for dividends for 2013 in the amount of EUR 776 thousand, which is on account of the current year profit of the Company.

Table 7 – Total equity by quarters in 2013.

Equity (in thousands)	31.12.2013	30.09.2013	30.06.2013	31.03.2013
Share capital	30,908	30,908	30,908	30,908
Share premium	5,016	5,016	5,016	5,016
Retained earnings	125	637	1,494	1,301
Total equity	36,049	36,560	37,417	37,225

■ 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 2013 totals EUR 2.73 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

The amount of the BREF assets by end-December 2013 increases by 0.03% to EUR 39,847 thousand, as compared to the end of the prior quarter, when the amount was EUR 39,836 thousand. The recorded increase is mainly a result of the positive net revaluation of the assets at the end of 2013.

Table 8 – Asset structure

Asset structure (thousand EUR)	31.12.2013	% share	30.09.2013	% share	30.06.2013	31.03.2013
Non-current assets incl.	25,432	63.83%	25,382	63.72%	25,382	25,382
- total property	25,423	63.80%	25,372	63.69%	25,372	25,372
Current assets incl.	14,414	36.17%	14,454	36.28%	16,462	16,606
- trade receivable	126	0.32%	386	0.97%	351	182
- investment property held for sale	1,211	3.04%	1,223	3.07%	1,223	1,223
- cash and cash equivalents	13,073	32.81%	12,842	32.24%	14,885	15,197
Total assets	39,847	100%	39,836	100%	41,844	41,988

The increase in the value of the long-term assets leads to increase of their share in the general structure of the assets. On the other hand, there is a change in the structure of the short-term assets. As a result of the interest payments received in the quarter under short-term deposits, the share of the funds increases while that of the commercial receivables and interest decreases. A more significant change in the structure of the assets may be recorded in case a new investment project starts.

3.5 Financial Results

The Company's activity during the fourth quarter of 2013 was focused mainly on the ongoing management of the Mr. Bricolage project, identification of new investment projects and the efficient management of free cash resources.

■ Revenue from operations

During the reviewed quarter the income was EUR 530 thousand, or 5.49% more than the prior quarter. The main reason for this is the accounted positive revaluation of assets in the Other Income item and the increased income from interest.

Table 9 – Realized revenues by quarters and accumulated since the beginning of 2013.

Revenue (in thousand EUR)	Q4 - 2013	Q3 - 2013	Q2 - 2013	Q1 - 2013	2013
Income from sale of assets	0	0	0	0	0
Rental income	279	278	272	271	1,100
Revenue from interest and other financial revenues	188	176	186	192	742
Other financial income	25	27	37	38	126
Other Income	39	22	1	6	68
Total revenue	530	503	496	508	2,036

The largest share, or 52.56%, during the past quarter was that of the rental income. The amount of that income was the same as in the prior quarter, the main item here again being the income from the rent of the Mr. Bricolage stores.

The income from interest, 35.59%, comes second. Its amount records a minor increase, which is a result of the specific changes in the interest rates during the various terms of the short-term deposits.

In addition, there is an increase in the Other Income item, as a result of the accrued positive net revaluation of properties at the end of the year.

It is expected that the income from interest will decrease and there will be no property revaluation, as a result of which the total income of the company will decrease.

■ Expenses from operations

In the last quarter the total expenses of BREF decreased by 4.42%, reaching EUR 265 thousand. The reason for this decrease is the smaller amount of the expenses incurred under all items in the liabilities section of the income statement.

Table 10 – Realized expenses by quarters and accumulated since the beginning of 2013.

Expenses (in thousand EUR)	Q4 - 2013	Q3 - 2013	Q2 - 2013	Q1 - 2013	2013
Interest expense	(40)	(44)	(46)	(49)	(179)
Management fees	(137)	(140)	(140)	(139)	(555)
Materials expense	(1)	(1)	(1)	(1)	(4)
BOD and employees salaries expense	(14)	(15)	(14)	(15)	(58)
Loss from fair value adjustments	0	0	0	0	0
Other expenses	(73)	(78)	(102)	(85)	(338)
Total expenses	(265)	(278)	(303)	(289)	(1,135)

In the fourth quarter of 2013 the largest share, 51.64%, of the expenses is that of the fee of the managing company. The expenses decrease as a result of the decrease of the net assets of the Fund, to which the fee of the managing company is linked.

The Other Expenses item comes next, accounting for 27.55% of the expenses. The largest share of this item is taken by the property taxes. Other significant expenses under this item include expenses for external services, bank charges, and other related to the company management. The decrease in this item is a result of the absence of the one-time expenses incurred during the prior quarter in connection with the administrative expenses under the various projects.

The expenses on interest, amounting to 15.03%, come third and they include paid and accrued interest under the loan and expenses under the interest swap utilised under the Mr. Bricolage project loan. This entry records a decrease, which is a result of the decrease of the outstanding

principal under the utilised loan. The amount of the interest payments is expected to continue its decrease in the following quarters, until the final repayment of the loan under the Mr. Bricolage project.

The total amount of the expenses is expected to remain the same, provided that a minor increase may occur in connection with the annual closing of the Company accounts and the related expenses.

■ Financial result

In the fourth quarter of 2013 the Company realised a profit of EUR 265 thousand, and the main contributor to this result is the income from rent and from interest. The change in the financial result in the next quarter will depend mainly on the realised income from rent and the incurred operating expenses related to the annual closing of the accounts.

Table 11 – Financial result by quarters and accumulated since the beginning of 2013.

Financial Result	Q4 - 2013	Q3 - 2013	Q2 - 2013	Q1 - 2013	2013
Revenues	530	503	496	508	2,036
Expences	(265)	(278)	(303)	(289)	(1,135)
Net profit/loss for the period	265	225	193	219	901

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.004.

Results per share (EUR '000)	2013**	2012	2011	2010
Earnings	901	879	5,758	359
Earnings per share (EPS)	0.015	0.015	0.095	0.006
Net asset value (NAV)	36,049	37,006	37,047	37,870
Common shares outstanding	60,450	60,450	60,450	60,450
NAV per share	0.596	0.612	0.613	0.626
Dividend per share	0.0128	0.0152	0.1089	0.0202
Share fair value*	0.609	0.627	0.722	0.647

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

** Net asset value for 2013 is per non-audited financial statements, while for 2010-2012 according to audited financial statements

According to the non-audited financial statements of the Fund, the net asset value per share (NAV) at the end of 2013 decreased from EUR 0.612 per share to EUR 0.596 per share. This decrease is due to the paid as dividend during the year the undistributed profit from previous years.

■ 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 December 2013, 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

In the last quarter of 2013 the shares of Bulgarian Real Estate Fund ADSIC decreased by as little as 3.79%. On a yearly basis, the shares of the Fund record a minor increase of 3.10%. It should be noted that in 2013 the company paid a dividend from the profit for 2012. The last date for trade with the right to dividend was 25 July 2013, when the price of a share was BGN 0.607. On the following day the shares closed at a price of BGN 0.559 per share. The paid dividend was BGN 0.06481 per share.

Generally, BGREIT, the index reflecting the performance of the companies investing in real estates, realised a good profit in 2013 increasing by 11.66%. In comparison, the base benchmark index on the Bulgarian Stock Exchange, SOFIX, registered an increase of 42.28% for 2013. The big difference in the realised income may be explained by the investor's preference to invest in companies operating in sectors other than real estates.

It can be expected that in 2014 the interest in the Bulgarian stock market by local and foreign investors will continue. The positive economic data and trends in Europe and USA entail a feeling of security at a global macroeconomic level.

Summarized trading details for the 52 week period – 1st January 2013 – 31st December 2013:

- Opening Price – BGN 0.516 (2 January 2013)
- Closing Price – BGN 0.532 (30 December 2013)
- Highest Price – BGN 0.623 (12 June 2013)
- Lowest Price – BGN 0.515 (2 January 2013)
- Total Trading Volume – 10,055,680 shares
- Turnover for the period – BGN 5,702,260 (EUR 2,915,519)
- Weighted average price – BGN 0.567
- Market Capitalisation (31.12.2013) – BGN 32,159,450 (EUR 16,442,840)

**BREF Share Price Performance
(01.01.2013 - 31.12.2013)**

