

“Bulgarian Real Estate Fund”

Annual Management Report 2007



March 2008

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1 Fund's Overview

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.

Over the course of the last three years BREF raised EUR 35.9 million of capital while investing more than EUR 57 million, approximately EUR 30 million of which were invested only in 2007.

The investments realized in 2007 were primarily targeted at investment land plots in Sofia and the construction of the two office buildings in Sofia. These investments shifted the portfolio focus from retail in 2006 to investment land plots in 2007, which still offer the highest potential for capital appreciation.

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, which is a sure sign for its competent management and publicly approved results.

Stock Exchange	Ticker Symbol	Market Capitalization (21.12.2007)	Shares Outstanding
Bulgarian Stock Exchange Sofia	BREF	EUR 64,596,871	60,450,000

2 Letter to the Shareholders

Dear Shareholders,

In 2006, BREF successfully raised EUR 25.75 million of capital, which was the necessary fuel needed to enhance our portfolio and provide for substantial growth. One year later we are happy to inform you that BREF utilized an optimal amount of the raised capital and as a result its investment portfolio grew more than 100% YoY. Going in more details, the invested funds during the year were allocated as follows: investment land plots (71%), construction (21%), holiday (7%), and agricultural land (2%). By adding these assets to our portfolio we believe that it considerably improved its focus on the most perspective real estate segments in Bulgaria.

The significant investments in 2007 laid the cornerstones of our strategy for future success and also increased the number of active projects to 10. One of the new projects, the land plots in Mladost IV, represents the largest yet undeveloped mass of properties across Business Park Sofia. The area was named “the most dynamically developing region in the city of Sofia” as over the last few years many commercial, office and residential projects have been taking place. Another key project was the land plot in Vidin, which location is exclusive in terms of proximity to the developing second bridge over the Danube River. The two office buildings under construction in Sofia and the holiday apartment house in Borovetz ski resort illustrate the most liquid assets of the Fund, which the Fund envisages to dispose of in 2008 and 2009.

In addition to the refinancing loan for the sale & leaseback project utilized in the end 2006, during the past year BREF took advantage of funding its current year acquisitions by additional investment loans. The Fund secured approximately EUR 20,160,000 of long-term debt in 2007, thus increasing the company leverage which will translate into higher returns for the shareholders in the next years.

Apart from acquisitions, in March 2007, BREF has realized its first disposition with the sale of the land banking project “Investment land plots near Sofia Airport”. We believe that we have achieved the highest possible price and as a proof of this statement serve the realized IRR of 112% and the higher distributable dividend in 2007. Also during the year, BREF signed two preliminary agreements for sale of properties. The first one was for the sale of the retail areas of Kambanite Business Centre and the other, for sale of 9 properties part of the land plots in Mladost IV project. The cumulative sale price of the two agreements was EUR 28.65 million.

Underlying the successful arrangements above, BREF portfolio and share price sustained no notable impact from the USA mortgage crisis which led to drastic drops of the stock indexes or liquid problems primarily of companies involved in the real estate sector. Exactly on the contrary, as a result of the large property revaluations and the realized profit from the disposed project, the NAV per share registered 37.2% uplift in comparison to the 2006 value. The share price increased even further with 55% YoY, or 17.8% above the NAV per share increase. The profit appointed for distribution also grew to reach EUR 775 thousand, increasing the dividend per share to EUR 0.0128, an

increase of 3.46 times. This year's financial results reaffirm BREF intentions to distribute progressive dividends and enhance shareholders' value through capital growth of its stocks.

The last part of 2007 and the first part of this year was a period marked by another key accomplishment - BREF signed two preliminary agreements for the sale of the office areas in Kambanite Business Centre and for the sale of the Office building located at "G.M. Dimitrov" Blvd., both negotiated for EUR 20.9 million and EUR 17.5 million respectively.

As the company enters 2008, it anticipates benefiting from the properties acquired in 2006 and 2007 which are bound with preliminary agreements for sale. Additionally the company plans to invest in new properties with high yield potential.

The support of our shareholders and their confidence in our future performance sets us to move in 2008 with even stronger enthusiasm for value creation.

This letter and the accompanying financial information contain forward-looking statements regarding future financial performance and events. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified in the Company's registration document.

Sincerely,

Nikolay Skarlatov
Executive Director
Bulgarian Real Estate Fund



3 Financial Highlights

Financials for the year ended December 31, 2007 (EUR '000)	2007	2006
Revenue		
Rental income	1,247	286
Net gains from property revaluations	15,115	1,844
Proceeds from sale of investment property	2,141	3
Total Revenues (in thousands)	19,156	2,732
Profit		
Earnings	14,910	2,104
Weighted average number of ordinary shares (in thousand)	60,450	43,687
Earnings per share (EPS)	0.247	0.048
Dividends		
Dividends	775	227
Common shares outstanding as of 31 Dec 2007 (in thousands)	60,450	60,450
Dividend per share (basic)	0.013	0.0038
Dividend per share (net of withholding tax 5%)	0.012	0.0036
NAV		
Net asset value	52,143	38,011
Net asset value per share	0.863	0.629
Property Portfolio		
Real estate assets, at cost (in thousands)	57,095	27,466
Real estate assets, book value (in thousands)	73,220	29,530
Total assets (in thousands)	85,844	45,486
Total debt (in thousands)	33,701	7,475
Debt to assets	0.39	0.16

4 Portfolio

4.1 Portfolio structure

The past 2007 marked the most dynamic period of the Fund, since its incorporation in result of which the investment portfolio increased significantly. The main highlights include:

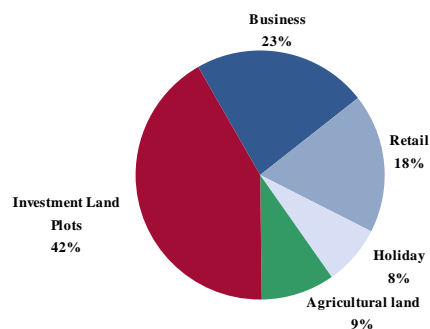
- BREF investments increased with more than 100% YoY by acquiring new properties and realization of the current ones.
- Transformation of the portfolio structure and shifting its focus on the highest performing segments of the real estate market.
- Start of the construction of a new office building in Sofia.
- Sale of the investment land plots near Sofia Airport.
- Signing of several preliminary agreements for sale of properties, which will impact the portfolio structure in the next year.

As a result of the high investment activity the project portfolio increased drastically and from EUR 27.46 million at the end of 2006, to 57.09 million at the end of 2007. This change represents an investment uplift of more than 107%.

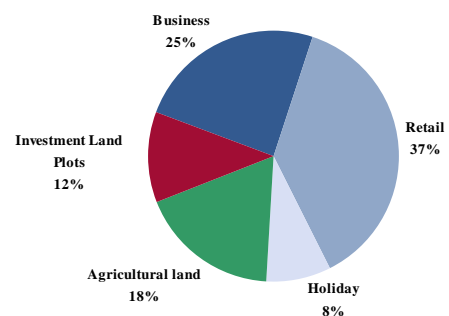
The largest share of the total portfolio is taken by the investment land plots, which share has grown from 12% at the end of 2006 to 42% at the end of 2007. This uplift is mostly on the account of the retail properties and the agricultural land, which decrease from 37% to 18% for the retail and from 18% to 9% for the agricultural land respectively. These drops are affected by the fact that the level of the investments significantly increased in 2007 with very minimal contribution to these two segments which decreased their relative share of the total portfolio.

Figure 1 Investment allocation in types of market sector for 2007 and 2006.

Allocation of Investments by market segment - 2007



Allocation of Investments by market segment - 2006



BREF initiated two new projects in the past year, namely: “Investment plots in Sofia - Mladost IV” and Apartment house “Sequoia 2” – Borovetz. Aside from acquisition of new properties the Fund continued the construction works of the two office buildings in Sofia, the first located on the Ring road, across Business Park Sofia, and the second located on “G.M. Dimitrov” Blvd. next to the ring of “Tzarigrasko Shousse” Blvd.

Also in 2007, BREF realized the disposition of its first project – “Investment plots near Sofia Airport”. The achieved return of the project 112% is an indicator itself of the successful management of the Fund.

After the acquisition of new properties and the sale of old towards the end of 2007, the Fund manages 10 projects in total, all of which are spread in the main segments of the real estate market. The table below presents BREF projects segmented in accordance to their project stage:

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

Project	Stage of the project	Size of project	Invested till 31.12.2007	Future investments
Completed projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,172	10,172	0
Agricultural land	leasing in progress	5,624	5,398	226
Projects in progress				
Kambanite Business Centre	under construction	18,918	9,956	8,962
Office building - G.M. Dimitrov	under construction	8,692	3,089	5,603
Seaside Holiday Village	design approval pending	9,203	2,308	6,895
Apartment house "Sequoia2" - Borovetz	permission to use	2,176	2,176	0
Pipeline projects				
Investment plots near Veliko Tarnovo*	change of regulation	262	262	n.a
Investment plots near Vidin*	change of regulation	301	301	n.a
Investment plots in Sofia - Ring road*	change of regulation	3,431	3,431	n.a
Investment plots in Sofia - Mladost IV*	change of regulation	20,003	20,003	n.a
Total		78,782	57,095	21,686

Two of the above-mentioned projects have already been completed and are currently operational. Although the Agricultural land project is still active, new investments are primarily made with the aim of re-grouping the currently owned land pieces. The next group consists of four projects in progress, which time period spreads from the design to final development of the future buildings. The rest of the projects in the table above are in stage of changing the regulation of the land. Their realization is envisaged in 2008.

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

In the second half of 2006, BREF concluded two “sale and leaseback” deals with the French “Do-It-Yourself” chain “Mr. Bricolage”. Situated in Varna and Sofia, the stores are two of the best performing branches of the retail area in the country.

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	-

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

The total monthly rent for the stores, which amounts to EUR 90,147, ensures the Fund generates stable yearly income of EUR 1,081,764 for a nine-year period.

Aiming to efficiently utilize the raised capital, in 2006 BREF refinanced 70% the acquisition cost with an investment bank loan from Bulgarian Post Bank in the amount of EUR 7 million.

In 2007 the two stores were certified for energy efficiency which will allow the Fund to apply for a relief of the property tax for a 10-year period, starting from 2008.

There were no delays from the tenant in terms of rent payments in the last year. The Fund has made payments for all due amounts for insurance and all due taxes of the both stores during the year under review. No damages or break-downs were registered during this period.

4.3 Project – Agricultural Land

In contrast with past years, the acquisition of new agricultural properties took place with slower rate mainly because the aim of the project shifter from acquisition of new properties to lending the purchased agricultural land back to farmers. The total new acquired properties in 2007 are 2,402.53 dka, for the amount EUR 406,988, which increases the total acquired agricultural land to 36,625.82, since the start of the project. Together with the 2007 acquisitions, the total invested funds in the “Agricultural Land” project are EUR 5.398 million. This means the average purchase price including acquisition costs is EUR 147.4 per dka. of agricultural land.

The acquired properties are concentrated in North Bulgaria in the region of Dobrich, Varna Razgrad, Shumen, Rousse, Targovishte, Lovech, Pleven, Veliko Tarnovo and Vratza, which have the image of the most fertile agricultural areas in Bulgaria. Most of the purchased properties are III and IV category, with an average size of each plot of about 10-12 dka.

The total amount of rented land plots increased to 18,408.6 dka in 2007. As a percentage 50.26% of the owned agricultural land was rented out by the end of the year, which drove the average rent price to increase from EUR 7.1 to EUR 7.58 per dka per year in the end of 2007. BREF continues to invest in new agricultural land properties, although the aim of this project almost entirely shifts from property acquisition to leasing the owned land pieces to farmers.

Project parameters:

Agricultural land	
Acquired area	36,625 dka
Investment	EUR 5.39 M
Acquisition price per dka	EUR 147.4
Leased area	18,409 dka
% of leased area	50.26%
Average annual rent per dka	EUR 7.58

4.4 Project – „Kambanite Business Center”

A major share of BREF investments in 2007 represent the construction costs of the two office projects in Sofia. The first one – “Kambanite Business Center” (KBC) is a mixed-use building with two underground and seven above-ground floors offering retail and office areas. The total built-up area of the project is 31,400 sq.m, 16,335sq.m. of which are office areas and 15,065 being retail areas, which include 2,825 sq.m. of underground parking. According to the preliminary estimations, the total project cost will reach EUR 18.92 million.

KBC is located at the foot of Vitosha Mountain, on the Southern section of the Ring road in immediate vicinity to Business Park Sofia. The project faces the Ring road facilitating the access to the building which will be further improved with the completion of the third stage of the Sofia underground projected in 2009-2010.

The shell construction works of KBC started in February 2007. At the end of the past year the shell construction continues with the first five above-ground floors completely finished. The total construction costs of the building until 31 of December 2007 are EUR 5.29 million. According to the preliminary plan the shell construction should be completed at the date of submission of the present report.

In April 2007, BREF concluded a preliminary agreement for the sale at the stage of shell of KBC’s retail part. The retail areas are the first two underground floors situated at the ground level of the Ring road. The area of the sold retail part is 15,065 sq.m, which comprises of showrooms and an underground parking. The negotiated sale price was EUR 11,150,000, payable in six installments, three of which in amount of EUR 2,230,000 were received during the last year.

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

Up until the preparation of the present report BREF signed another preliminary agreement for the sale of the office areas and the adjacent parking places. The total built area subject of the agreement is 15,809 sq.m. excluding the parking places and the adjacent areas. The total sale amount is EUR 20,900,000, payable in installments tied to the completion stages of the building.

4.5 Project – Office building – G.M. Dimitrov

The second project includes the construction of an office building at “G.M. Dimitrov” Blvd. near the ring of “Tzarigradsko Shousse” Blvd. The project envisages a 10-storey modern looking office building of the highest class A.

According to the design the total built-up area is to be 13,487 sq.m., 9,876 sq.m. of which office areas, 640 sq.m. retail and ground floor areas and 2,971 sq.m. underground parking areas. The preliminary agreements set the project cost around EUR 8.69 million.

After the administrative delay caused by the urban units of Sofia, the building permit was finally granted in June 2007 and the shell construction started in the beginning of September 2007. According to the construction schedule the building should be completed in the end of 2008.

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

Towards the date of the preparation of the present report the shell construction works carry on with the slab of the first above-ground floor completed and the vertical elements of the second above-ground floor having been laid. The total project costs at 31 December 2007 add up to EUR 1.42 million.

The Fund expects the shell construction to be almost completed until the present report is submitted to the FSC.

4.6 Project – Seaside Holiday Village

The third project in progress 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, retail and entertainment center.

In June 2006 BREF acquired regulated land plot with total area of 28,758 sq.m. The land plot is situated in Tzarevo municipality, in the town of Lozenetz, Bourgas region. The property is located in close proximity to the coastal line.

Towards the end of the year the Fund prepared the preliminary agreement and submitted it for approval in the local municipality. According to the project the total built-up area should be 17,963 кв.м., 11,112 sq.m. of which apartments, 4,574 sq.m. studios, 1,279 кв.м. house type

units and 998 sq.m retail and entertainment areas. The preliminary calculations set the total cost to 9.2 million.

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 December 2007	EUR 2.3 M

After the approval of the preliminary design by the local civil administration, the Fund will develop the technical and the entire construction design of the Seaside Holiday project.

4.7 Project – Apartment house “Sequoia 2” – Borovetz

In 2007 the Fund acquired “Sequoia 2”- an apartment house located in the oldest ski resort in Bulgaria – Borovetz. The acquisition of the building was realized during the last quarter of 2007, and the purchase was entirely financed with a bank loan from Bulgarian Post Bank. The total price of the entire building with a built-up area of 3,527.3 sq.m, was EUR 2.176 million or EUR 631 per sq.m. (Incl. acquisition costs).

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 only 50 meters from the bottom Station of New Gondola which is part of SUPER BOROVIETZ project. The distance to the main road Borovetz-Plovdiv is only 30 meters.

Project parameters:

Apartment house "Sequoia 2" - Borovetz	
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 2.18 M

In November 2007 the building was granted permission for use and since the beginning of 2008 the Fund has undertaken active actions towards its disposal.

4.8 Project – Investment land plots near Veliko Turnovo

Except current projects, BREF has pipeline developments which have excellent potential for development of attractive investment projects.

The first group of properties 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 District is a region with leading role as an industrial, transport-logistical, tourist, cultural and educational centre. The properties are well-situated to take advantage of the strong growth prospects in the region.

Project parameters:

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

In 2007 the fund prepared the necessary paperwork for changing the land status and the procedure was almost completed until the end of 2007. The expectations of the management are

for it to be fully finished in the middle of 2008. BREF will start the development of the preliminary design of the retail and warehouse areas immediately after the land status is changed.

4.9 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 which is currently under construction.

BREF intends to construct a logistic center which will process the loads traveling through European Transportation Corridor №4 from Europe to Asia.

Project parameters:

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

After the completion of the acquisition procedure of the property in January 2007, the Fund subtracted a company which will prepare the paperwork for the regulation procedure. At the end of 2007 the regulation proposal was ready. After the change of regulation takes place, the Fund envisages starting the design of the future warehouse areas.

4.10 Project – Investment plots in Sofia – Ring road

The next project with good potential for future development is the acquisition of investment plots in the foot of Vitosha, right behind the project under construction – Kambanite Business Center.

Apart from the first three plots purchased in 2006, in the beginning of 2007 the Fund acquired another three with a total size of 6,900 sq.m. The total acquisition cost excluding the acquisition costs was EUR 1.48 million. Together with the land plots acquired in the previous year BREF, in the end of 2007 owns a mass of land with size of 17,237 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. All these make the land plots very suitable for development of a one-end residential complex, offering cosiness and high living standards.

Project parameters:

Investment plots in Sofia - Ring Road	
Total plots' area	17,237 sq.m
Purchase price	EUR 3.43 M
Status	change of regulation

Alike the properties in Vidin and Veliko Tarnovo, after the acquisition in the beginning of 2007 BREF started the rezoning procedure.

As of 31 December 2007 the Fund has submitted the proposal for changing the land status in the local urban authorities. After the change of regulation takes place, the Fund envisages starting the design of the future business and residential areas.

4.11 Project – Investment plots in Sofia – Mladost IV

The largest project of BREF in terms of invested amount during the year was the acquisition of 20 land plots with a total size of 77,978 sq.m. located immediately next to the Ring road in its crossing with “Aleksandar Malinov” blvd. This mass of land plots represents the largest yet undeveloped area near Business Park Sofia, a region experiencing the highest construction activity over the last couple of years. Additionally in September 2007 the Fund acquired another property, 1,275 sq.m in size which increased the total size of the owned properties to 79,253 sq.m. The total price was EUR 20 million (EUR 253.4 per sq.m.) including the acquisition expenses. The excellent building parameters allow BREF to develop residential, office and hotel areas.

In the last quarter of 2007, BREF signed a preliminary agreement for the sale of 9 of the owned properties with a total size of 31,908 sq.m for the amount of EUR 17,500,000, (EUR 549 per sq.m), payable in several instalments. The first instalment amounting to EUR 2,000,000 was already received in the last quarter of 2007, with the next one, EUR 1,000,000 also received after the balance sheet date. The rest of the agreed amount is payable with the legal transfer of the ownership on the property in August 2008.

After the sale takes place, the Fund will be in possession of 12 properties with a total size of 47,345 sq.m., which regulation status is to be renewed within the next year.

4.12 Project – Investment plots near Sofia Airport – Sold

As a result of the changed market situation BREF reached a decision to sell the land plots near Sofia Airport with a total size of 14,533 sq.m, purchased in 2005.

In March 2007 the transfer of the ownership was completed, which marked the sale of the first project of BREF’s portfolio. After the realized disposition, the management of the Fund is confident that the achieved return was the most favorable for its shareholders. This sale directly associates with the higher distributable net dividend for 2007 of EUR 0.012 per share.

The parameters of the realized disposition are as follows:

- **Purchase price** (incl. acquisition costs) – EUR 681,037 (EUR 46.8 per sq.m.)
- **Sale price** – EUR 2,110,185 (EUR 145 per sq.m.)
- **Profit** – EUR 1,429,148
- **Project return** – 112.5% (yearly average for the period 08/2005 – 02/2007)

5 Selected Financial Data

5.1 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.

Balance Sheet for the year ended 31.12.2007 and for the year ended 31.12.2006

(All amounts in EUR '000)	31.12.2007	31.12.2006
ASSETS		
Non-current Assets		
Investment property	37,139	15,943
Development property	8,426	11,854
Furniture and fixtures	8	5
Intangible assets	1	1
Available for sale investments	12	15
Derivative financial instrument	126	0
Restricted deposit	9,817	0
Total Non-current Assets	55,529	27,818
Current Assets		
Investment property held for sale	27,655	1,733
Value added tax receivable	726	909
Amounts due from brokers	98	467
Interest and rental income receivable	152	47
Prepayments	88	202
Cash and cash equivalents	1,596	14,310
Total Current Assets	30,315	17,668
TOTAL ASSETS	85,844	45,486
EQUITY AND LIABILITIES		
Equity		
Share capital	30,907	30,907
Share premium	5,016	5,016
Net unrealized gains reserve	(6)	(3)
Retained earnings	16,226	2,091
Total equity	52,143	38,011
Non-current liabilities		
Interest bearing loan	26,430	6,987
Derivative financial instrument	0	10
Total Non-current liabilities	26,430	6,997
Current liabilities		
Advanced received	4,230	0
Interest bearing loans	1,270	0
Management fee payable	707	122
Amounts due from brokers	1	20
Provisions for dividends due	775	227
Other payables	288	109
Total Current liabilities	7,271	478
Total liabilities	33,701	7,475
TOTAL EQUITY AND LIABILITIES	85,844	45,486

P&L statement for the year ended 31.12.2007 and for the year ended 31.12.2006

(All amounts in EUR '000)	2007	2006
Interest income	517	499
Rental income	1,247	286
Net gain on derivative financial instrument	136	0
Proceeds from sale of investment property	2,141	3
Net gain on available for sale investments	0	100
Net gains from fair value adjustments to investment and development properties	15,115	1,844
Total Revenue	19,156	2,732
Interest expense	(1,061)	(3)
Management and success fees	(841)	(411)
Directors' fees and Board expenses	(11)	(9)
Employee benefit costs	(7)	(6)
Carrying amount of investment properties sold	(1,764)	(4)
Net loss on derivative financial instrument	0	(10)
Foreign exchange loss	(3)	0
Other expenses	(559)	(185)
Total expenses	(4,246)	(628)
Profit/(loss) for the period	14,910	2,104
Weighted average number of shares in the quarter (in thousands)	60,450	43,687
Earnings per share	0.247	0.048

5.2 Financial Results per Share

Results per share (EUR '000)	31.12.2007	31.12.2006
Earnings	14,910	2,104
Earnings per share (EPS)	0.247	0.048
Net asset value (NAV)	52,143	38,011
Common shares outstanding	60,450	60,450
NAV per share	0.863	0.629
NAV per share increase	37.2%	20.9%
Dividend per share	0.013	0.004
Fair value	0.875	0.633

The combination of income returns from dividends and capital gains from net asset value appreciation resulted in higher results per share for 2007. Surpassing the growth reported in 2006, 20%, the NAV per share increased with 37.2% on an annual basis. We attribute this favourable increase to the high investment activity, capital expenditures during the year and the large asset revaluations coming from property appreciation.

Earnings per share also rose as a direct result of the higher earnings in 2007. Several factors influenced the earnings during the year but among the more significant are the large asset revaluations EUR 15.11 million and the proceeds from sale of investment property near Sofia Airport EUR 2.11 million.

The management expects to see a significantly increase in the net asset value in the coming year, as an effect of the projected completion and exit of the two of the largest projects of the Fund – Kambanite Business Center and Office building – G.M. Dimitrov.

According to the Law on Special Investment Purpose Companies, the Fund is obliged to distribute at least 90% of its annual net profits as adjusted by the effects of all transactions with investment properties carried out throughout the year and exclusive of the fair value adjustments for investment properties. The recognized provision for distribution in 2007 was EUR 775 thousand, which amounts to dividend per share net of withholding tax of EUR 0.012, registering a 3.46 times increase.

5.3 Results of Continuing Operations

■ Revenues

The total revenues multiplied 7 times as compared to 2006 and reach EUR 19.15 million in 2007.

BREF Revenue (in thousand EUR)	2007	% share	2006	% share
Interest income	517	3%	499	18%
Rental income	1,247	7%	286	10%
Net gain on derivative financial instrument	136	1%	0	0%
Proceeds from sale of investment property	2,141	11%	3	0%
Net gain on available for sale investments	0	0%	100	4%
Net gains from fair value adjustments to investment and development properties	15,115	79%	1,844	67%
Total revenue	19,156	100%	2,732	100%

o Gains from Fair Value Adjustments

The largest share of the revenues 79% similar to 2006 comprised of the large asset revaluations of BREF's portfolio which multiplied 8.2 times in 2007. We attribute the increase primarily to the significantly higher amount of the properties included in our portfolio and expect this tendency to keep its pace for 2008 due the progress of the construction works of the two office projects in Sofia and the asset appreciation of the most accretive properties – investment land plots and agricultural land.

o Proceeds from Sale of Investment Property

The next large source of revenues was the proceeds from sale of investment properties amounting to EUR 2.14 million. Formed primarily from the sale of the 7 land plots near the Sofia Airport EUR 2.11 million and the sale of other properties to a much lesser extent, this account marked a significant increase as compared to 2006.

o Rental Income

Another source of income in 2007 was the rental income amounting to EUR 1.24 million. We attribute the main contribution to the rental income increase to the entirely received yearly rent EUR 1.08 million of the sale & leaseback project “Mr. Bricolage”. Since the contract was signed in late November 2006, the Fund was able to receive only a part of the yearly income in 2006. BREF expects this amount to keep a relatively constant value in the next years.

Income from renting agricultural land also increased 4 times and for 2007 reached EUR 165 thousand. The grounds for this change were the higher rents per dka of agricultural land in 2007 and the large amount of rented agricultural properties in the end 2006. Bearing in mind the increasing prices of agricultural land in Bulgaria and the direct subsidies given to farmers from the EU, the Fund expects to increase its rental income from agricultural land in the next years.

o Interest Income

The last significant source of income was the interest income. Although the amount remains similar to the 2006 values due to the large amount of funds kept in bank deposits BREF expects these incomes to decrease in result of the utilization of the available funds for acquisition of new properties.

BREF expects the revenues and in more detail the proceeds from sale of investment property to increase significantly in 2008 as an effect of the reported revenue of the KBC project and the sale of the 9 plots of the “Investment plots in Sofia – Mladost IV” project.

■ Expenses

In parallel with the revenues growth, expenses also rose 6.7 times and amount to EUR 4.24 million.

BREF Expenses (in thousand EUR)	2007	% share	2006	% share
Interest expense	(1,061)	25%	(3)	0%
Management and success fees	(841)	20%	(411)	65%
Directors' fees and Board expenses	(11)	0%	(9)	1%
Employee benefit costs	(7)	0%	(6)	1%
Carrying amount of investment properties sold	(1,764)	42%	(4)	1%
Net loss on derivative financial instrument	0	0%	(10)	2%
Foreign exchange loss	(3)	0%	0	0%
Other expenses	(559)	13%	(185)	29%
Total expenses	(4,246)	100%	(628)	100%

o Carrying amount of investment properties sold

As indicated in the table above the main share 42% of the expenses in 2007 comprised of the carrying amount of the 7 properties near Sofia Airport sold in March 2007. For 2008 BREF expects a significant increase of this account due the projected disposition of projects bound with preliminary agreements for sale.

o Interest expense

Interest expenses made a noteworthy increase when compared to 2006 values and reach EUR 1.06 million in the end of 2007. We attribute the raise to the larger amount of debt utilized during the year. Also it should be noted that the Fund has not used any external financing until December 2006.

o Management and success fees

Similar to the result in 2006, the management and success fees represent a large share 20% of the total expenses in 2007. The higher value of this account came as a result of the larger net asset value reported throughout 2007, which directly affected the fees paid to the management company. BREF expects this amount to gradually rise in 2008 in parallel with the increase in the net assets.

o Other expenses

The last significant share of the expenses is the other expenses account which includes the taxes and fees of the acquired properties, fees for real estate intermediaries and other operating expenses of the Fund. We expect the amount of these expenses to be affected directly by the higher fair value of the owned properties and the following fees and property taxes.

■ Net Earnings

Financial Result	2007	2006
Revenues	19,156	2,732
Expences	(4,246)	(628)
Profit for the period	14,910	2,104

The realized profit for 2007 amounted to EUR 14.9 million which is 7 times higher than the previous year. The main contribution for this significant change is the large asset revaluations and the proceeds from the sale of the 7 properties near Sofia Airport.

BREF expects to report higher earnings for 2008 in result of the sale of Kambanite Business Center and the 9 properties part of the “Investment land plots in Sofia – Mladost IV” project.

5.4 Liquidity

The overall liquidity of BREF decreased 8.9 times in 2007, as compared to the previous year. We attribute the change to the high utilization of available equity invested in new projects and construction of current ones. According to the coefficients shown in the table below the Fund reported relatively good level of current liquidity. Only the quick ratio marked a significant decrease which was a result of the restricted bank deposit in amount of EUR 9.82 million reported as long term asset. The latter was used as collateral for a part of the acquired loans. BREF is ready to relieve the restriction and utilize the deposit if necessary by changing the collateral unit.

Another factor attributing to the decreased liquidity was the amount of the received advances for the sale of the retail part of the KBC project – EUR 2.23 million and the first installment for the sale of 9 properties part of the “Investment land plots in Sofia – Mladost IV” project – EUR 2.0 million, which increases the current liabilities.

We expect the liquidity of the Fund to improve after the transfer of the next installments according to the preliminary agreements for sale of the above-mentioned properties. Partly offsetting the expected liquidity improvement would be the upcoming payments associated with the construction of the two office buildings and any new investments undertaken by the Fund. Nevertheless we believe that the net cash coming from operational projects will continue to be adequate in meeting the operating requirements of the Fund in both the short-term and the long-term period.

Table 2 – Liquidity ratios for the year ended 2007 and for the year ended 2006.

Liquidity Ratios	31.12.2007	31.12.2006
Current ratio	4.17	36.96
Quick ratio	0.37	33.34
Cash ratio	0.22	29.94

■ Internal Sources of Liquidity

During the past year Bulgarian Real Estate Fund increased its internal sources of liquidity almost twice in comparison with 2006.

○ Current Assets

Table 3A – BREF’s current assets for the year ended 2007.

Liquidity sources	EUR ('000)	% Share	EUR ('000)	% Share
Current Assets				
Investment property held for sale	27,655	91%	1,733	10%
Value added tax receivable	726	2%	909	5%
Amounts due from brokers	98	0%	467	3%
Interest and rental income receivable	152	1%	47	0%
Prepayments	88	0%	202	1%
Cash and cash equivalents	1,596	5%	14,310	81%
Total Current Assets	30,315	100%	17,668	100%

The main reason attributing for the increased amount of the current assets was the balance sheet values of the KBC project and the 9 properties part of the “Investment plots in Sofia – Mladost IV” project expressed as investment property held for sale, for which BREF signed preliminary agreements for sale. Investment property held for sale takes 91% of the total current assets and is expected to rise with the completion of the construction works on the KBC project.

The second source of liquid funds was the cash and cash equivalents available at BREF bank accounts. The sources of this account were BREF’s equity, the received advances and the working (overdraft) loan acquired from Bulgarian Post Bank – EUR 2.9 million. At 31 December 2007 the Fund has utilized EUR 0.58 million of the overdraft loan.

Another liquidity source was the value added tax receivable in the amount of EUR 1.42 million. The rest of the current assets interest and rental income receivable were made of the accrued interest and the agricultural land rent receivable in the end of 2007.

The latter two accounts stand for the paid advantages to brokers for acquiring new properties and the construction prepayments for the two office buildings in Sofia.

We expect the current asset amount to increase in parallel with the installment payments according to the preliminary agreement for the sale of the KBC project.

○ **Current liabilities**

Table 3B – BREF's current liabilities for the year ended 2007.

Liquidity sources	EUR ('000)	% Share	EUR ('000)	% Share
Current liabilities				
Advanced received	4,230	58%	0	0%
Interest bearing loans	1,270	17%	0	0%
Management fee payable	707	10%	122	26%
Amounts due from brokers	1	0%	20	4%
Provisions for dividends due	775	11%	227	47%
Other payables	288	4%	109	2%
Total Current Liabilities	7,271	100%	478	100%

The received advances of the preliminary agreements for the sale of the KBC project and the 9 properties part of the “Investment land plots in Sofia – Mladost IV” project represent the largest share 58% of the current liabilities in 2007. In 2006 this account was nil since the Fund had not signed any preliminary agreement for sale. For the coming 2008, we expect the advances received to increase with each future payment from the side of the buyers and then to decrease when the actual transfer on the ownership takes place.

The next share in the current liabilities structure 17% was taken by the interest bearing loans. The interest bearing loans comprised of the current part of non-current liabilities, the working (overdraft) loan and the accrued interest on all loans acquired by BREF.

Interest bearing loans increased significantly in 2007, influenced by the utilized amount of the working loan and the current part of the principal of the “Mr. Bricolage” investment loan.

Another main source of liabilities is the management fee payable which amount to EUR 707 thousand. The increase in this amount was as a result of the success fee due to the management company for the sale of the 7 properties near Sofia Airport and the increase in the management fee associated directly with the larger amount of BREF net assets.

The provisions for dividends due take a significant share of the current liabilities and amount to EUR 775 thousand, including withholding tax which is 3.42 times higher than the amount reported in 2006. We attribute the increase primarily to the sale of the 7 properties near Sofia Airport. The exact amount of the distributable dividend will be approved on the annual board meeting, when the 2007 financial statements are accepted.

Other payables account which increased more than twice in 2007 consists of liabilities tied to different property deals.

BREF expects uplift in the current liabilities in result of the increase of the advances received from the sale of the KBC project, which are directly tied to its construction progress.

■ **External Sources of Liquidity**

The external sources of liquidity are the equity and the three bank loans, which are thoroughly explained in point 3.3 of the Capital resources.

Considering the additional external financing obtained at the end of 2007, BREF has a significant amount of financial resource, which is expected to fully cover next year's liquidity needs. In case that projection changes, the Fund has full readiness to obtain the necessary

financing either through a capital raise or through external financing from local and foreign bank institutions.

5.5 Capital Expenditures

In the end of 2007 the long term capital of the Fund, equity and borrowings reached EUR 78.57 million, which marked an increase of 75% or EUR 33.56 million as compared to 2006. This was mainly influenced by the new acquired loans from Bulgarian Post Bank and the large net gains from fair value adjustments. In 2007 the equity amount continued to represent a larger share of the capital structure, which pre-determined the stability of the Fund and the ability to easily obtain additional external financing. On the other hand the higher share of liabilities contributed for a favorable leverage, which resulted in improved return on equity. The debt-to-equity ratio increased to 0.65 in the end of 2007 as compared with 0.20 in the end of 2006 in result of the new acquisitions in 2007 financed entirely by debt. The current leverage level reflects the goal of the Fund to optimize the return on the raised capital.

Figure 2: Allocation between equity and external financing

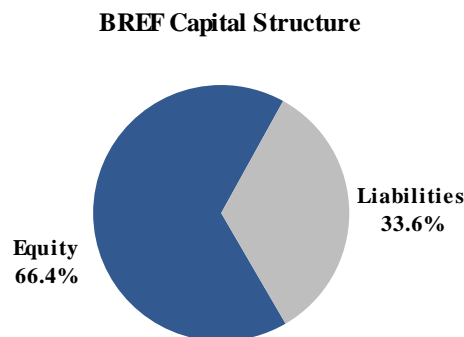


Table 4 –Leverage ratios

Leverage ratios	31.12.2007	31.12.2006
Debt-to-Equity	0.65	0.20
Non-Current Assets-to-Equity ratio	1.06	0.73
Long-term Debt-to-Long-term Asset ratio	0.48	0.25

■ Equity

BREF's equity in the end of 2007 reported an increase of 37% and amounted to EUR 52.14 million in comparison with EUR 38.01 million in the end of 2006. We attain the uplift to the net gains from fair value adjustments of BREF's assets, which reflected the retained earnings for 2007. BREF did not raise additional equity in 2007.

Table 5 – Total Equity for the year ended 2007 and for the year ended 2006.

Equity (EUR '000)	31.12.2007	31.12.2006
Share capital	30,907	30,907
Share premium	5,016	5,016
Net unrealized gains reserve	(6)	(3)
Retained earnings	16,226	2,091
Total equity	52,143	38,011

As shown in the table above the increased equity was mainly influenced by the retained earnings EUR 16.2 million, which were subtracted with the amount for provisions for dividends.

■ Long-term debt

During 2007 the Fund acquired two long-term loans in a total amount of EUR 20,162 thousand. In addition to the long term debt, towards the end of the year BREF negotiated a working (overdraft) loan amounting to EUR 2.9 million from the Bulgarian Post bank. The cumulative external financing at 31 December 2007 was more than EUR 27.7 million.

1) On 12 June 2007 BREF signed an agreement for an investment loan from the Bulgarian Post Bank with the aim to finance the acquisition of the 20 properties comprising the project “Investment land plots in Sofia – Mladost IV”. The details of the loan are as follows:

- Amount of the loan – EUR 18,162,185.43
- Term – 7 year
- Grace period of the principal – 18 months
- Payments – monthly payments after the expiration of the grace period.
- Interest – 3M EURIBOR + 1.65%
- Maturity – 12 June 2014
- Collateral – BREF’s properties and restricted deposit EUR 19.2 million.

2) The second investment loan acquired with the aim to purchase the apartment building in Borovetz and to pay off the short-term loan acquired to finance the purchase of the first 40% of the same building in September 2007. The details of the loan are as follows:

- Amount of the loan – EUR 2,000,000
- Term – 5 years
- Payments – monthly payments after the expiration of the grace period
- Interest – 3M EURIBOR + 1.65%
- Maturity – 21 November 2012
- Collateral – BREF’s properties and restricted deposit EUR 19.2 million.

3) The third loan was acquired in order to optimize the funding of BREF’s operational activity. The term of the contract is 3 months. The details of the loan are as follows:

- Amount of the loan – EUR 2,900,000
- Interest – 3M EURIBOR + 1.65%
- Maturity– 03 march 2008
- Collateral – BREF’s properties and restricted deposit EUR 19.2 million.
- Utilized Amount as of 31 December 2007 – EUR 580,429

■ Capital expenditures in 2008

BREF Investments	2007
Total projected investments	78,782
Invested until the end of 2007	57,095
Future investments	21,686
Funding available (Cash & Restricted deposit)	11,413
Funding needed	10,273

The investment strategy of the Fund will be primarily directed towards realization of the current projects in the short-term, thus 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 in 2008 should be approximately EUR 14.5 million.

We envisage utilizing the current cash available and the cash flow from the projects in disposal stage to finance BREF current projects. However, should a necessity for more funding arise BREF is ready to realize a new capital raise or use loan financing for the forthcoming investment projects in 2008. We do expect that with the projects progress and the subsequent increase of the assets, the amount of the liabilities will go up to reach the optimal ratio between equity and liabilities. Our expectations are also in the direction that the cost of borrowed funds will decrease as the time passes.

5.6 Asset structure

In 2007 the total assets of the Fund marked an uplift of EUR 40.3 million to reach EUR 85.8 million, which represented an 88.7% increase as compared to 2006. We attribute the significant increase of the total assets to the high investment activity of BREF in 2007 as a result of which only in 2007 the invested amount in acquisition of new and construction works of current projects was over EUR 30.3 million. The large asset revaluations also had significant impact on the total asset increase.

Table 6 – BREF’s asset structure for the year ended 2007 and for the year ended 2006.

Asset structure (EUR '000)	31.12.2007	% share	31.12.2006	% share
Non-current assets incl.	55,529	65%	27,818	61%
- total property	45,565	53%	27,797	61%
Current assets incl.	30,315	35%	17,668	39%
- prepayments	88	0.1%	202	0.4%
- Interest and rental income receivable	152	0.2%	47	0.1%
- Investment property held for sale	27,655	32.2%	1,733	3.8%
- cash and cash equivalents	1,596	2%	13,595	30%
Total assets	85,844	100%	45,486	100%

As indicated in the table above the asset structure kept relatively similar proportion as compared to 2006. The only significant change is marked by the “Investment land plots held for sale” which represented 32.2% share of the current assets in 2007. This change was in a result of the values of the KBC project and the 9 properties part of the “Investment land plots in Sofia – Mladost IV” project, both of which are bound with preliminary agreements for sale.

Although the total property decreased as a relative share of the total assets, 53% in 2007 compared to 61% in 2006, the total share of all real estate assets (current and non-current) increased to 85.2% of the total asset structure in 2007, 64.8% in the end of 2006.

The proportion of the cash and cash equivalents decreased with 89% in 2007 to reach EUR 1.59 million. We attain the fall of the cash and cash equivalents to the increase in investments in construction during the year and also to the restricted deposit which was reported as a non-current asset.

For 2008 we envisage the amount and therefore the share of the total properties to keep the same share, with the consideration that the cash and cash equivalents should increase with the completion of the construction works and the subsequent sale of the two office buildings in Sofia.

5.7 Estimates and Assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are

inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

5.8 Risks

The income, the profit and the value of the assets owned by the Fund might be unfavourably affected by various factors, specific for the investments in real estate: changes in the regulation, development exposure, market oversupply, increase in construction costs and interest rates, etc. The mentioned risks could lead to the Fund's inability to generate sufficient income to cover its expenses. This would have a negative impact upon the Fund's profit and respectively upon the dividends paid out to its stockholders, as well as upon the market price of the Fund shares.

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control investment transactions in a timely and accurate manner. These guidelines are reviewed annually by the Board of Directors to ensure that the Fund's guidelines are adhered to.

■ Risks related to the projects' development

The Fund investment strategy envisages that a considerable part of the raised equity and external financing is invested in real estate construction. Therefore, it runs a risk, related to the ability of the hired construction companies to complete the projects on time and within the set budget, also in compliance with the architectural plans, construction blueprints and regulations. Whether the delay in the execution is due to the contractor's fault or not, this could lead to abrogation of preliminary contracts for sale or rent and/or payment of damages. In order to minimize this risk BREF's management thoroughly investigates the construction companies considered as potential contractors and concludes contracts only with companies that are able to perform the assignment properly, on time and on budget. In addition, the Fund constantly monitors the ongoing construction and completion works.

■ Market risk

The Fund's investment properties are susceptible to market price risk arising from uncertainties about future prices and rental levels.

○ Reduction in market prices

The Fund is expected to realize part of its profits through re-sale of the acquired real estate. Therefore the market prices of real estate would have a considerable impact on the profitability of the Fund. It is possible that a reduction in real estate prices might decrease the capital gain of the Fund, to negatively affect the cash dividend paid out to the investors and the Fund's shares price. The analysis we have carried out on the real estate market and its prospects gives us grounds to anticipate stable upward tendency in real estate prices in the medium-term, while the risk of significant decline in the prices over the long-term is comparatively low.

○ Reduction in rental levels

The profits of the Fund from lease of real estate depend on the rental rates in the respective real estate market sub-sectors. Any reduction in rental rates would negatively impact the profits of the Fund and respectively, rise in the rental rates would boost profits. This would affect negatively, respectively positively, the cash dividend paid by the Fund, all other things being equal. The Fund aims at decreasing the risk of potential rental rates reduction by entering into long-term lease agreements, as well as through investment diversification in various market sub-sectors.

■ Construction cost increase

As far as considerable part of the Fund's assets have to be invested in the construction of the new buildings, an increase in the prices of design, construction and installation works and construction materials will negatively affect the Fund's profitability. The Fund will try to minimize these expenses by holding procurement tenders for designers and main project contractors, as well as by consolidating a number of smaller orders into one larger order, also by entering into long-term frame agreements, turn-key construction contracts at pre-determined fixed prices, with the purpose of negotiating the most attractive prices while at the same time observing certain quality assurance criteria.

■ Financing resources

Since the amount required by the investment intentions of the Fund, exceeds its available capital, an additional amount of non-equity funds would have to be borrowed. The respective risk is related to the uncertainty whether the Fund would be able to draw the needed amount, either through bank loans, or through bond issuance. Presently, however, the Fund is financially stable and has a very good reputation among the Bulgarian banks, which are interested in cooperating with BREF.

■ Interest rates

The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The management of the Fund believes that the fair value of the cash and long term interest bearing loan does not differ significantly from their current carrying amounts. The Fund's exposure to the risk of changes in market interest relates primarily to the Fund's long term debt obligation, which is with floating interest rates. To manage this, the Fund enters into interest rate swap agreement, in which agrees to exchange monthly, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

6 Subsequent events

The following subsequent events occurred after the balance sheet date - 31 December 2007:

- **Completed sale of the office areas of the Kambanite Business Centre project** – on 24 January 2008 BREF signed a preliminary agreement for the sale of the office areas and open space parking, part of the KBC project. The agreed sale price was EUR 20.9 million (EUR 1,322 per sq.m.) payable in installments bound to the different stages of completion of the construction works.
- **Purchase and lease back of agricultural land** – BREF has rented out 4,260.255 dka of agricultural land in excess after the balance sheet date, which increased the overall percentage of rented land to 61.8%.
- **Completed sale of the project Office building – G.M. Dimitrov** – on 14 March 2007 BREF signed a preliminary agreement for the sale of the office building and the adjacent underground parking, located on 14 “G.M. Dimitrov” Blvd. The total sale price for the building with built-up area of 12,988 sq.m. was EUR 17.5 million (EUR 1,347 per sq.m.) payable in installments bound to the different stages of completion of the construction works.

7 Share performance

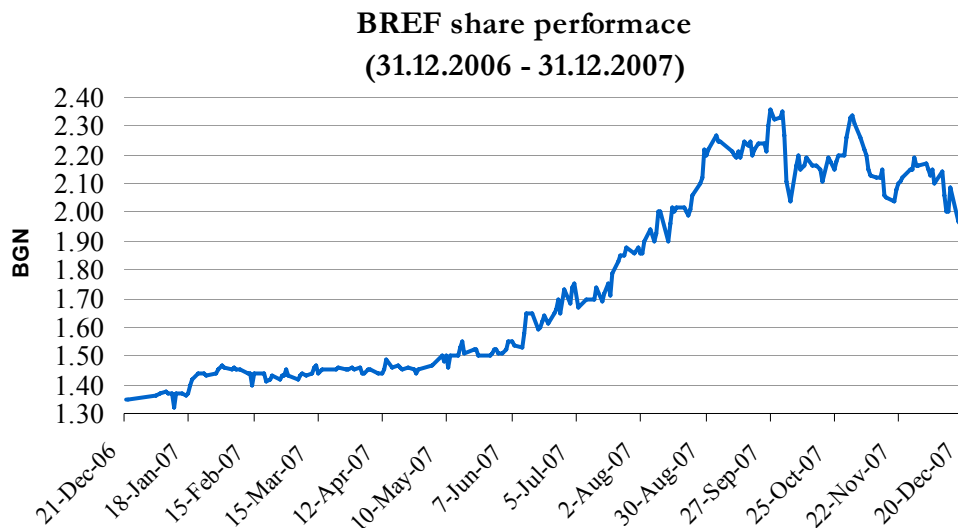
The share price performance of the Fund can be separated in two different periods. The first one was from January to September 2007 during which as a result of the new acquisitions, the realized dispositions and the favorable market conditions BREF price reached record values of BGN 2,50 per share.

The second period spreads throughout the entire fourth quarter of 2007. During the mentioned timeframe in result of the overall fall of the stocks traded on the Bulgarian Stock Exchange, BREF shares indicated a decrease in the range of 10%. Among the main reasons of the declining trend is the exit of foreign investors on some positions, the lack of liquidity and the higher caution of the market players all of which are directly associated with the U.S. mortgage crisis. On overall, the shares of the most traded companies fell in the range of 10-15%.

Summarized trading details for the period 21st December 2006 – 21st December 2007:

- Opening price – BGN 1.35 (21 December 2006)
- Closing price – BGN 2.09 (21 December 2007)
- Highest price – BGN 2.50 (26 December 2007)
- Lowest price – BGN 1.32 (11 January 2007)
- Total trading volume – 17,123,144 shares
- Turnover for the period – BGN 28,903,062 (EUR 14,777,901)
- Weighted average price – BGN 1.69
- Market Capitalization (31 December 2007) –EUR 64,596,871
- 1 year change: +55%

Figure 3 – Financial results per share



Although the general negative trend of the stock market, the shares of the Fund were traded in the range BGN 2.00 – 2.20 with the weighted average price increasing from BGN 1.54 in the third quarter to BGN 1.67 in the end of 2007. The total turnover increases 2.2 times in 2007 with the price increasing +55% for the same time period.