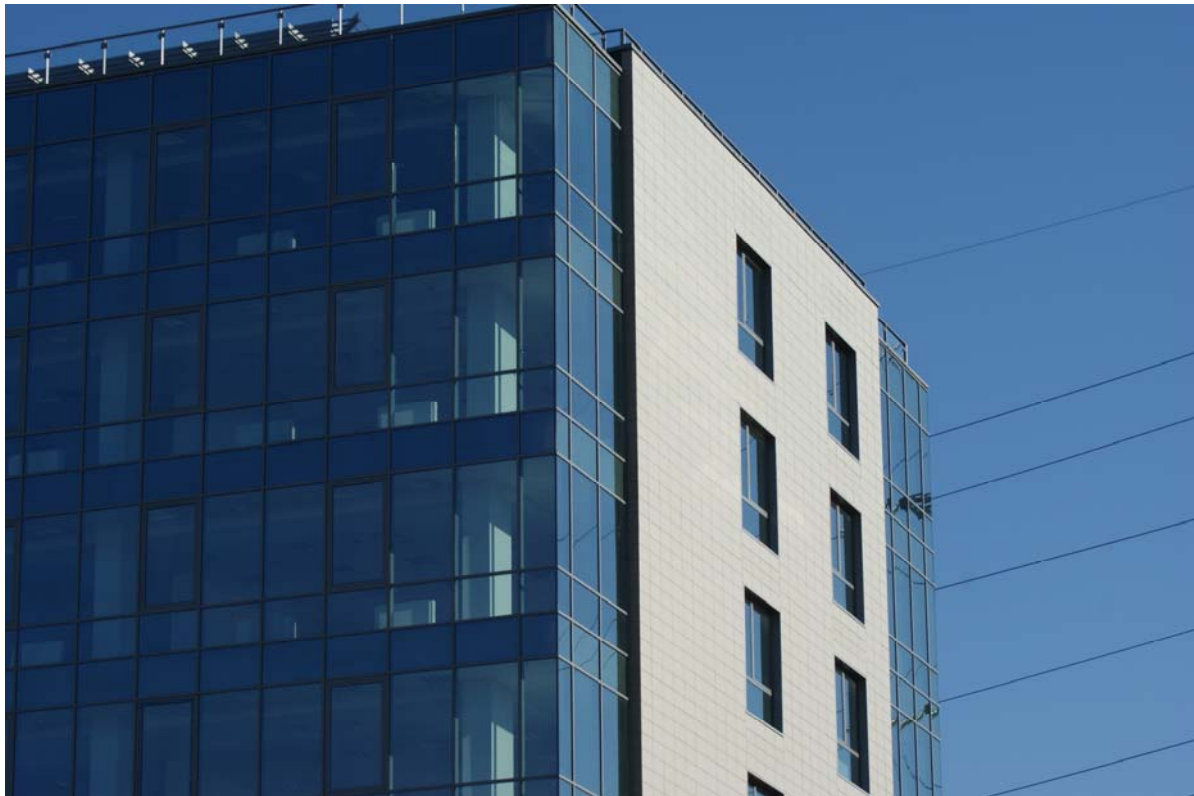


“Bulgarian Real Estate Fund”

Second Quarter Summary Report



15 August 2013

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1 Overview of the Fund

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

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

The principle investment objective of the Fund is to provide its shareholders with a combination of current income and long-term appreciation of the common stock value. To achieve the set targets, BREF implemented a strategy to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. With these objectives BREF constructed a portfolio of 8 active projects spread across all property sectors in Bulgaria, thus creating a well diversified and low risk portfolio.

Today, BREF is among the largest REITs in Bulgaria in terms of market capitalization and holds an excellent reputation among local banks, property owners and the investment community, a sure sign for its competent management and publicly approved results.

Stock Exchange	Ticker Symbol	Market Capitalization (30.06.2013)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 18,915,447	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

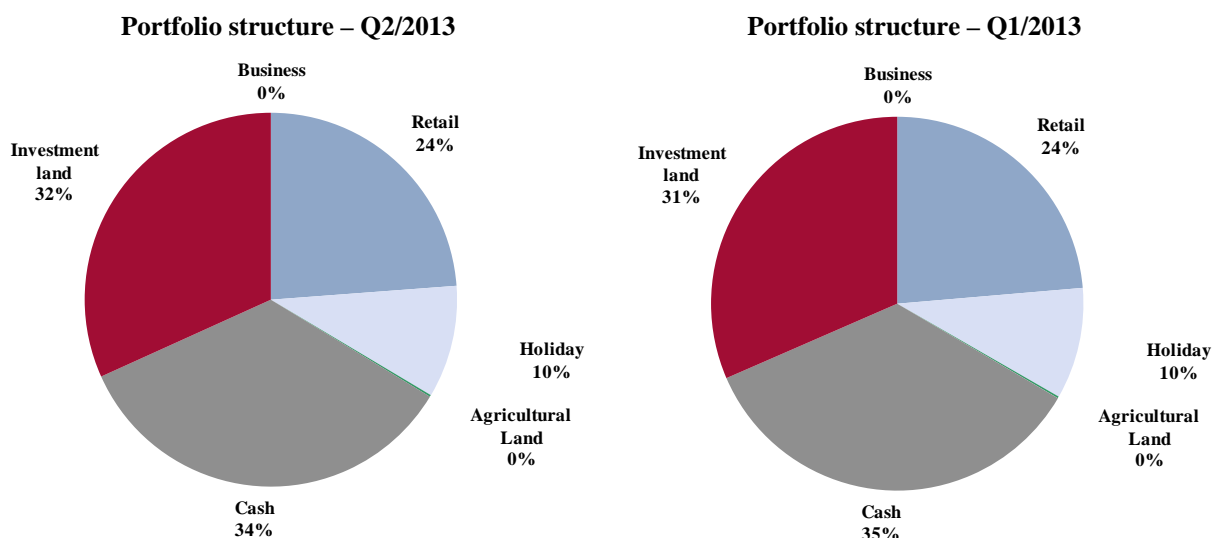
The only difference with the previous quarter is the decrease by 1% of the share of cash and cash equivalents, which is on account of the investment properties. After the change the share of the cash remains the largest with 34%. The second with 32% share are the investment properties, followed from the retail properties with 24%.

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,
- Participating in the initiative for building of road infrastructure up to the property on the seaside,
- 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 June 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 30.06.2013	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,266	10,266	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*	change of regulation	2,465	2,465	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,664	10,664	n.a
Total		35,118	28,229	0

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

From the above-mentioned projects "Mr. Bricolage" – sale and leaseback and Agricultural land are currently operational, as apartment house "Sequoia II" is set for sale. The next group consists of projects in the pipeline or suspended and currently there is no progress in their development. Such projects are Seaside Holiday Village in Lozenetz, Investments plots near Veliko Tarnovo and Vidin, and in Sofia on the Ring road and in Mladost IV district.

2.2 Project – "Mr. Bricolage" – sale and leaseback

In 2006, BREF concluded two "sale and leaseback" deals with the French "Do-It-Yourself" chain "Mr. Bricolage". The two stores are situated in Varna ("Mladost" residential area) and in Sofia ("Tsarigradsko shosse" Blvd).

Aiming to efficiently utilize the raised capital, in 2006 BREF refinanced 70% of the acquisition cost by means of an investment bank loan from Eurobank EFG Bulgaria at the amount of EUR 7 million. The non-paid principal on the loan as of 30th June 2013 is EUR 3.15 million.

As of 2012 the two rent agreements have 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.

On 1st of July 2013 the total monthly rent for the stores was indexed 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 June 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 36 per dka.

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 June 2013 a total of seven apartments have been disposed of and a campaign for selling the rest of the apartments is in progress.

Project parameters:

Apartment house "Sequoia 2" - Borovetz	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Apartments left for sale	29
Current Investment	EUR 1.89 M

2.5 Project – Seaside Holiday Village

The project envisages the construction of Seaside Holiday Village on the Bulgarian seaside. The project will be a gated community, which consists of residential, retail and entertainment areas. It will include 291 apartments, two swimming-pools, two restaurants, and a retail and entertainment center.

As a result of the world economic crisis, the current market conditions in the holiday resort sector and the large supply of properties on the Bulgarian Seacoast, BREF suspended the project.

During the last quarter owners of properties within the area started a campaign for building road infrastructure in the district. BREF also joined the initiative.

Project parameters:

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

2.6 Project – Investment plots near Veliko Turnovo

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

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

Project parameters:

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

2.7 Project – Investment plots near Vidin

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 was suspended until more favorable market conditions arise.

Project parameters:

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

2.8 Project – Investment plots in Sofia – Ring Road

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 continued its efforts to regulate the plots remained ownership of BREF after the KBC deal. The second final public announcement was completed and the last step before the new regulation to be put in order is the subject plots to be strike out of the agricultural fund.

Project parameters:

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

2.9 Project – Investment plots in Sofia - Mladost IV

BREF is owner of 17 land plot situated on Sofia's Ring Road in its crossing point with "Alexander Malinov" Blvd., to the west of Business Park Sofia. After some sales during the past years as of the end of June 2013 the total area of the owned land plots is 42,190 sq.m.

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

Project parameters:

Investment Plots, Sofia - Mladost IV district	
Total plots' area	42,190 sq.m
Purchase price	EUR 10.66 M
Status	suspended

3 Financial Highlights Q2 / 2013.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statement for the first and the second quarter of 2013.

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

(All amounts in EUR '000)	30.06.2013	31.03.2013
ASSETS		
Non-current Assets		
Investment property	25,372	25,372
Cost for acquisition of fixed assets	7	7
Plant and equipment	2	3
Deferred expenses	0	0
Total Non-current Assets	25,382	25,382
Current Assets		
Investment property held for sale	1,223	1,223
VAT receivable	0	0
Trade receivable	351	182
Cash and cash equivalents	14,885	15,197
Other current assets	0	0
Deferred expenses	3	5
Total Current Assets	16,462	16,606
TOTAL ASSETS	41,844	41,988
EQUITY AND LIABILITIES		
Equity		
Share capital	30,908	30,908
Share premium	5,016	5,016
Retained earnings	1,494	1,301
Total equity	37,417	37,225
Non-current liabilities		
Interest bearing loan	2,299	2,511
Derivative financial instrument	215	252
Total Non-current liabilities	2,514	2,764
Current liabilities		
Current part of non-current liabilities	845	834
VAT payable	7	41
Payables to management company	93	148
Payables to the personnel and SIC	2	2
Provisions for dividends due	920	920
Trade and Other current liabilities	46	55
Total Current liabilities	1,913	2,000
Total liabilities	4,426	4,764
TOTAL EQUITY AND LIABILITIES	41,844	41,988

Table 4 – P&L statement for the first two quarters and accumulated since the beginning of 2013

(All amounts in EUR '000)	Q2 - 2013	Q1 - 2013	Jan-Jun 2013
Income from sale of assets	-	-	-
Rental income	272	271	544
Revenue from interest and other financial revenues	186	192	378
Other financial income	37	38	75
Other Income	1	6	7
Total Revenue	496	508	1,004
Interest expense	(46)	(49)	(95)
Management fees	(140)	(139)	(278)
Materials expense	(1)	(1)	(2)
BOD and employees salaries expense	(14)	(15)	(29)
Loss from fair value adjustments	-	-	-
Other expenses	(102)	(85)	(188)
Total expenses	(303)	(289)	(592)
Profit/(loss) for the period	193	219	412
Weighted average number of shares in the quarter (in thousands)	60,450	60,450	60,450
Earnings per share - basic and diluted	0.003	0.004	0.007

3.2 Liquidity

Table 5 – Liquidity ratios as of 30th June 2012 and 31st March 2013.

Liquidity Ratios	30.06.2013	31.03.2013
Current ratio	8.61	8.30
Quick ratio	7.97	7.69
Cash ratio	7.78	7.60

During the past quarter all three liquidity indicators of the Company showed an improvement. The reason for this change is the higher relative decrease in the current liabilities (-4.37%) as compared to the decrease in the current assets (-0.86%). After the change the ratios remain high, with the current liquidity reaching 8.61 and the cash liquidity reaching 7.78. This trend is expected to continue over the next reporting periods, and after the payment of dividends for 2012 the liquidity ratios are expected to increase even further.

■ Internal sources of liquidity

During the second quarter of 2013 the internal liquidity sources registered a slight decrease, as reported above, resulting from the payment during the quarter under review of amounts payable as at the end of the previous reporting period.

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

Table 5A – Current assets as of 30th June 2012 and 31st March 2013.

Liquidity sources	30.06.2013	%	31.03.2013	%
Current Assets				
Investment property held for sale	1,223	7.43%	1,223	7.36%
VAT receivable	0	0.00%	0	0.00%
Trade receivable	351	2.13%	182	1.09%
Cash and cash equivalents	14,885	90.42%	15,197	91.51%
Deferred expenses	3	0.02%	5	0.03%
Total Current Assets	16,462	100%	16,606	100%

The total amount of the short-term assets marked a decrease by 0.86% and at the end of the period these amounted to EUR 16,462 thousand. The overall structure of the assets changed with the share of trade receivables and interest increasing entirely at the expense of cash. The registered change in cash results from the payment during the period under review of taxes payable for real estate properties and debts paid to the managing company. After the payments thus made the cash amounts to EUR 14,885 thousand and still holds the biggest share in the current assets amounting to 90.42%.

The investment properties remain second, keeping their value and share in the current assets. This item takes into account the book value of the residential building “Sequoia 2” in Borovets Resort.

Trade receivables and interest come third and at the end of the quarter their share is 2.13%. The main reason for their increase was the interest on short-term deposits of the Company accrued during the period under review. Other key receivables accounted for in this item include leasehold receivables and receivables on advance payments under repair contracts from previous reporting periods.

During the subsequent reporting periods after the payment of the dividends for 2012 the current assets - and in particular the cash amount - are expected to decrease.

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

Table 5B – Current liabilities as of 30th June 2012 and 31st March 2013.

Liquidity sources	30.06.2013	%	31.03.2013	%
Current liabilities				
Current part of non-current liabilities	845	44.19%	834	41.69%
VAT payable	7	0.35%	41	2.04%
Payables to management company	93	4.87%	148	7.41%
Payables to the personnel and SIC	2	0.08%	2	0.08%
Provisions for dividends due	920	48.12%	920	46.01%
Trade and Other current liabilities	46	2.41%	55	2.76%
Total Current Liabilities	1,913	100%	2,000	100%

During the past quarter the total amount of the current liabilities decreased by 4.37% to EUR 1,913 thousand. The registered change results from the payment during the period under review of taxes payable for real estate properties and payables paid to the management company. The overall structure of the short-term liabilities remains unchanged with a slight increase in the shares of the short-term loans and the provision for the dividends payable for 2012. This increase is entirely at the expense of the payables to the management company.

The largest share, i.e. 48.12% of the current liabilities, belongs to the provisions for dividends payable for the financial year 2012 which amount to EUR 920 thousand. The amount thus calculated forms 90% of the transformed financial result, arrived at pursuant to Article 10 of the Special Investment Purpose Companies Act. After the dividends voted at the General Shareholders’ Meeting held on 15th July 2013 that amount increased to EUR 2,002 thousand.

The amount thus increased shall be reflected in the company’s balance sheet during the next quarter when the resolution to that effect was actually adopted.

The second largest share of 44.19% belongs to the interest accrued and the current portion of the principal on the investment loan utilized by the Company on Mr.Bricolage project. The slight increase in this item is due to the increasing amount of the monthly payments on the principal of the loan. This amount is expected to gradually increase over the subsequent reporting periods until the debt on the only investment loan taken out by the Company has been repaid.

The payables to the managing company come third at 4.87%. Their value decreased after the payment of the monthly administration fees due. The rest of the payables to the company were related to construction guarantees, left from the construction of the Kambani Business Center.

Trade and other payables come next in size. Their amount decreased to 2.41% reaching EUR 46 thousand at the end of the quarter. The reason for the decrease in trade payables was the payment during the quarter under review of old debts payable to suppliers of the Company.

During the next reporting period, after the higher amount of dividends for distribution, approved at the General Shareholders’ Meeting, has been accounted for, there will be an increase in the provision for dividends due, whereby the total amount of the current liabilities will increase.

■ 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.

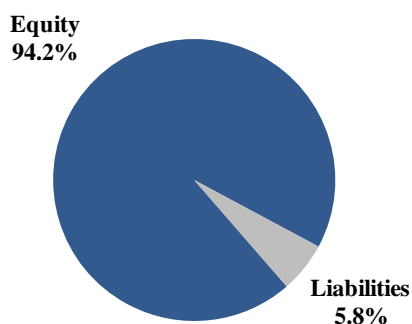
3.3 Capital resources

At the end of June 2013 the Company’s long-term capital, both equity and external financing, marked a slight decrease of 0.05% and reached EUR 39,716 thousand. This change was mainly due to the repayment of the principal of the Company’s investment loan and was partially offset by the profit registered during the quarter.

The share of the external financing, which reached 5.8% as compared to 6.3% at the end of the previous quarter, continued to decrease during the quarter under review. The distribution between equity and external financing is shown in the figures below.

Figure 2: Allocation between equity and external financing

BREF Long-term Capital Structure (Q2/2013)



BREF Long-term Capital Structure (Q1/2013)

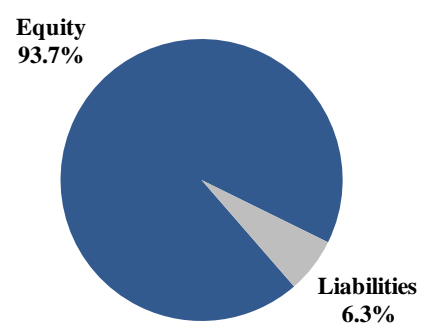


Table 6 – Leverage ratios

Leverage ratios	30.06.2013	31.03.2013
Debt-to-Equity	0.12	0.13
Non-Current Assets-to-Equity ratio	0.68	0.68
Long-term-Debt-to-Non-Current-Asset ratio	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 June 2013 the equity of BREF amounted to EUR 37,417 thousand, which constitutes an increase by 0.52% as opposed to the previous quarter. The registered increase was entirely due to the profit in the amount of EUR 193 thousand achieved during the past period.

Table 7 – Total equity as of 30th June 2012 and 31st March 2013.

Equity (in thousands)	30.06.2013	31.03.2013
Share capital	30,908	30,908
Share premium	5,016	5,016
Retained earnings	1,494	1,301
Total equity	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 June 2013 totals EUR 3.15 million. The term of the loan is by December 2016. No new investment loans were utilized during the quarter under review.

■ Capital expenses during the next periods under review

The Fund's investment strategy for 2013 is focused mainly on ongoing management of current projects, but new investment opportunities will be pursued as well.

BREF intends to use its currently available capital resources to support its present and future investment projects and to borrow funds only in case of a necessity.

3.4 Assets structure

At the end of June 2013 the amount of assets held by BREF decreased by 0.34% to EUR 41,843 thousand in comparison with the end of the previous quarter, when the value of the assets amounted to EUR 41,988 thousand. The registered decrease resulted mainly from the lower value of the short-term assets.

Table 8 – Asset structure

Asset structure (thousand EUR)	30.06.2013	% share	31.03.2013	% share
Non-current assets incl.	25,382	60.66%	25,382	60.45%
- total property	25,372	60.64%	25,372	60.43%
Current assets incl.	16,462	39.34%	16,606	39.55%
- trade receivable	351	0.84%	182	0.43%
- investment property held for sale	1,223	2.92%	1,223	2.91%
- cash and cash equivalents	14,885	35.57%	15,197	36.19%
Total assets	41,844	100%	41,988	100%

The registered decrease in the short-term assets was entirely due to the lower amount of cash, partially offset by the interest receivables accrued. Despite these changes, the total structure of the assets remains constant, with small changes only within the structure of the current assets. The share of the cash decreased, while the interest receivables increased as a result of the accrual of interest on bank deposits during the quarter under review.

3.5 Financial Results

The Company's activity during the second quarter of 2013 was mostly focused on the day-to-day management of Mr.Bricolage project and the efficient management of the available cash resources.

■ Revenue from operations

During the quarter under review the reported revenue amounted to EUR 496 thousand, which constitutes a decrease of appr. 2.3% as opposed to the previous quarter. The main reason for this result was the decrease in the interest income and the lower amount of the Other Income item.

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

Revenue (in thousand EUR)	Q2 - 2013	Q1 - 2013	Jan-Jun 2013
Income from sale of assets	0	0	0
Rental income	272	271	544
Revenue from interest and other financial revenues	186	192	378
Other financial income	37	38	75
Other Income	1	6	7
Total revenue	496	508	1,004

During the past quarter the largest share, appr. 54.85%, belonged to the rental income. The amount of this income stayed approximately constant, with the slight change being due to changes in the reported leasehold income from agricultural lands. The income registered during this quarter came mainly from the Mr. Bricolage project. Said income is expected to increase during the next reporting period as a result of the indexation of rents as of 1st July 2013.

The income from interest came second at appr. 37.53%. Its amount decreased because of the lower availability of cash in the Company's accounts and the decrease in interest on deposits.

In addition, there is a significant decrease in the Other Income item, resulting from the lack of one-time income, accrued during the previous quarter.

During the next quarter, after the indexation of the rents on the Mr. Bricolage project, the rental income is expected to increase, while the interest income is expected to remain relatively unchanged or slightly decrease.

■ Expenses from operations

During the past quarter the total expenses of BREF increased by 4.96% to EUR 303 thousand. This increase resulted from the expense for construction of partial road infrastructure as a part of the Seaside Holiday Village project and other administrative expenses related to the annual closing of the Company's accounts.

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

Expenses (in thousand EUR)	Q2 - 2013	Q1 - 2013	Jan-Jun 2013
Interest expense	(46)	(49)	(95)
Management fees	(140)	(139)	(278)
Materials expense	(1)	(1)	(2)
BOD and employees salaries expense	(14)	(15)	(29)
Loss from fair value adjustments	0	0	0
Other expenses	(102)	(85)	(188)
Total expenses	(303)	(289)	(592)

The fees to the managing company held the largest share in the second quarter of 2013, i.e. 46.04%. This expense item remained constant and no substantial change is expected for the next quarter.

The Other Expenses item came second among the expense items at 33.73%. Within this item the largest share is held by tax expenses related to real estate properties. The other significant expense amount under this account belongs to the expenses for external services, the expenses for bank fees and other expenses related to the management of the Company.

What comes next, with a share of 15.18%, is interest expenses which include paid and accrued interest on the loan and the expenses in connection with the interest rate swap used on the Mr. Bricolage loan. This amount showed a decrease as a result of the decrease in the unpaid principal of the loan taken out. During the subsequent reporting periods the paid interest amount is expected to keep decreasing until the loan on the Mr. Bricolage project is fully repaid.

At the end of the next reporting period the total expense amount is expected to decrease, with a potential increase, if new investment projects are initiated.

■ Financial result

During the second quarter of 2013 the Company registered a profit in the amount of BGN 193 thousand, with the main contribution to this result coming from the rental and interest incomes. During the next reporting period the financial result of the Company is expected to remain approximately the same or mark a slight increase as a result of the increase in rental income.

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

Financial Result	Q2 - 2013	Q1 - 2013	Jan-Jun 2013
Revenues	496	508	1,004
Expences	(303)	(289)	(592)
Net profit/loss for the period	193	219	412

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.007.

Results per share (EUR '000)	Jan - June 2013**	2012	2011	2010
Earnings	412	879	5,758	359
Earnings per share (EPS)	0.007	0.015	0.095	0.006
Net asset value (NAV)	37,417	37,006	37,047	37,870
Commom shares outstanding	60,450	60,450	60,450	60,450
NAV per share	0.619	0.612	0.613	0.626
Dividend per share***	0.0152	0.0152	0.1089	0.0202
Share fair value*	0.634	0.627	0.722	0.647

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

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

*** The dividend shown in the table equals the lower amount of dividend before the voted one on the last Shareholder's meeting, which is set on EUR 0.0331 per share.

According to the non-audited financial statements of the Company, the net asset value per share (NAV) at the end of June 2013 increased from EUR 0.612 per share to EUR 0.619 per share, which constitutes a half-year increase of 1.17%. This increase is due to the profit achieved during the last two quarters.

■ 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, bearing 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 June 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 line with the good performance of the Bulgarian stock market since the beginning of the year despite the political crisis in the country, the shares of Bulgarian Real Estate Fund registered an increase of 17.3% to BGN 0.612 as at 28th June 2013. During the past year the Fund's shares have registered an increase in value by 22.4%.

In general, BGREIT, the index reflecting the performance of companies investing into real estate, continues to register a good return, with an increase by 12.23% for the first six months of 2013. In this respect BREF's shares perform better than their benchmark index. Special investment purpose companies have attracted the most interest from investors over the past 2-3 years due to their stable financial statements, the quality of their investment portfolios and the practice of paying attractive dividends. The main benchmark index SOFIX has marked an increase of 36.64% during the first six months of 2013.

The good performance of Bulgarian indexes and the increased turnovers of the Bulgarian Stock Exchange since the beginning of the year can be explained by the good investment opportunities offered by the Bulgarian market and the gradual return of foreign investors. In the second half of 2013 and the beginning of 2014 this trend can be expected to hold. Although the debt problems in Europe have not been resolved yet and the Old Continent's economy has been performing unsatisfactorily, there is a tendency for a gradual return to economic growth.

Summarized trading details for the 52 week period – 1st July 2012 – 30th June 2013:

- Opening Price – BGN 0.500 (2 July 2012)
- Closing Price – BGN 0.612 (28 June 2013)
- Highest Price – BGN 0.623 (12 June 2013)
- Lowest Price – BGN 0.452 (13 July 2012)
- Total Trading Volume – 11,577,486 shares
- Turnover for the period – BGN 6,454,306 (EUR 3,300,034)
- Weighted average price – BGN 0.557
- Market Capitalisation (30.06.2013) – BGN 36,995,400 (EUR 18,915,447)

**BREF Share Price Performance
(1.07.2012 - 30.06.2013)**

