

“Bulgarian Real Estate Fund”

First Quarter Summary Report



19 July 2016

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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 9 active projects spread across all property sectors in Bulgaria, thus creating a well-diversified and low risk portfolio.

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

Stock Exchange	Ticker Symbol	Market Capitalization (31.03.2016)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 17,493,698	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.

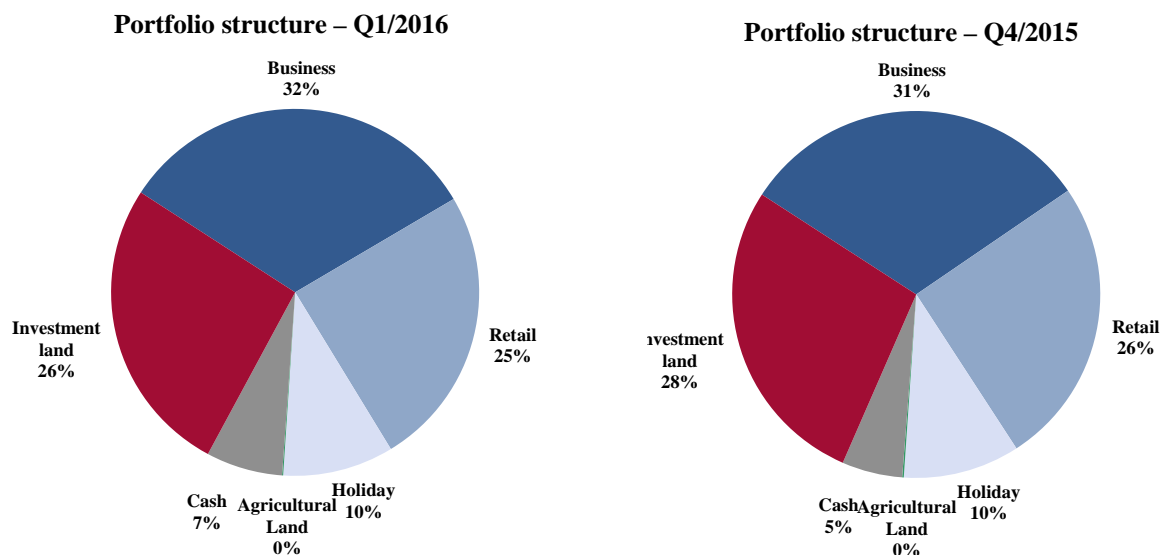
2.1 Portfolio structure

The major factors influencing the structure of the portfolio of the Company are the funds invested in the construction of the new office building at the Sofia ring road and the utilised funds under the new investment loan extended to BREF. As a result of these actions the share of the business properties continued to increase during the first quarter and the same trend was observed in the share of cash. Following the investments during the last reporting period, the share of business properties reached 32% and they have the largest share in the portfolio of the Company. The investment properties were second with 26% and the retail areas - third with 25%. During the next quarter the same factors are expected to continue to influence the portfolio of the Company and the share of the business properties to continue to grow. The key highlights during the past quarter were as follows:

- Organizing the construction works of Kambanite Office Building and organizing auction for facility manager of the completed building;
- Marketing the new office building and signing the first lease agreement;
- Securing bank loan for financing the construction works of the new building;
- Operational management of Building 1 in Business Park Sofia;
- Conducting negotiations and signing preliminary sale agreement for one of the properties in Mladost IV in Sofia;
- Performing reconstruction and expansion of Mr.Bricolage store in Varna;
- Assessment of new 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 March 2016 were nine, 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 five out of the nine projects. The table below presents the projects segmented in accordance to their degree of completion:

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

Project	Stage of the project	Size of project	Invested till 31.03.2016	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	operational management	10,555	10,555	0
Agricultural land	operational management	41	41	0
Apartment house "Sequoia 2" - Borovetz	for sale	1,825	1,825	0
Office building 1 - Business Park Sofia	operational management	7,595	7,572	23
Kambanite Office Building	in construction	10,364	6,199	4,165
Pipeline projects				
Seaside Holiday Village	suspended	9,203	2,324	0
Investment plots near Veliko Tarnovo*	suspended	230	230	n.a
Investment plots near Vidin*	suspended	301	301	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,672	10,672	n.a
Total		50,786	39,719	4,188

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

From the above-mentioned projects "Mr. Bricolage", Office building 1 in Business Park Sofia and Agricultural land are currently operational. Kambanite Office Building is in construction and Apartment house "Sequoia 2" 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 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 Bulgaria at the amount of EUR 7 million. The non-paid principal on the loan as of 31st March 2016 is EUR 727 thousand.

The terms of both rent agreements are up to December 2021 and in 2013 a rent indexation with the HICP index of 27 countries for the previous year was introduced.

Project parameters:

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

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

The tenant paid all amounts due for the rent of both stores in the last quarter. At the end of the prior year at the request of the tenant it was resolved that in 2016 the store in Varna would be expanded and reorganized. As a result of this decision in January 2016 a contract for the necessary construction works was signed and the extension itself was accomplished within the quarter, with a total amount of the investment of BGN 497 thousand. As a result of the

reorganization the amount of the rent stipulated in the rental agreement will be increased as of the second quarter of 2016.

2.3 Project – Agricultural Land

The total agricultural land owned by BREF as of the end of the first quarter is 283 dka, of which 107 dka are subject of litigation. The rented out lands are 43.5 dka or 15% from the total land. The average annual rental price is about BGN 50 per dka.

Project parameters:

Agricultural land	
Total owned lands	283 dka
Investment	EUR 41,000
Acquisition price per dka	EUR 144

2.4 Project – Apartment house “Sequoia 2” - Borovetz

In 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 3,527.30 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 and as of the end of December 2015 the sold apartments are nine. 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	27
Current Investment	EUR 1.82 M

2.5 Project – Office building 1 – Business Park Sofia

In 2014 BREF acquired 7,318 square meters of office areas and 68 parking spaces in Building 1 in Business Park Sofia, together with 64.45% shares of the land where the building is erected. All offices are situated in entrance B of the building. The total occupancy rate of BREF’s properties is 96.8%. The total price is EUR 7.2 million.

The programme of the Company dedicated to improvement of the infrastructure of the property and of the conditions of work in the building will span over the next year.

Project parameters:

Building 1 - Buisness Park Sofia	
Built-up area - offices	7,318 sq.m
Parking lots	68
Acquisition price	EUR 7.2 M
Occupancy rate	96.8%

2.6 Project – Office Building Kambanite

The company owns a land plot with an area of 10,671 square meters in the Malinova Dolina - Bunkera Villa Zone area, Sofia. Following the zoning of the property, in 2015 the Fund started

a project for construction of a multifunctional building of the highest class, which meets all criteria for green buildings and offers all amenities typical of such buildings.

According to the approved design, the total built-up area of the building will be 13,498 sq.m, of which the leasable office area will be 9,609 sq.m, the restaurant will have an area of 400 sq.m, and there will be 215 parking spaces, of which 74 in the underground parking. According to the preliminary plans, the building is expected to be commissioned by the end of 2016. According to the preliminary budget, the cost of the construction works will be approximately EUR 7.8 million.

In the end of March 2016 the new building was at a rough stage of construction and Act 14 was signed. Works are going on for the finishing in the new building and currently there is no delay from the schedule. In January 2016 a contract for bank financing of the construction in the amount of up to BGN 11 million was executed. At the end of February the first tranches from the new loan were utilised and the next amounts will be utilised according to the expenses on the construction of the building.

The first rental agreement for office premises in the new building was signed at the end of the period. The tenant is Konica-Minolta. The contract term is 5 years and the rented area is approximately 580 square meters. In addition, 21 parking spaces within the territory of the building were rented together with the office. Active negotiations are being held with other potential tenants who have demonstrated serious interest in the new building.

Project parameters:

Office Building Kambanite	
Built-up area	13,498 sq.m
Leasable office area	9,609 sq.m.
Parking lots	215
Construction budget	EUR 7.8 M
Status	in construction

2.7 Project – Seaside Holiday Village

The project envisages the construction of Seaside Holiday Village on the Bulgarian shore. 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 economic crisis, the current market conditions in the holiday resort sector and the large supply of properties on the Bulgarian Seacoast, BREF suspended the project.

Project parameters:

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

2.8 Project – Investment land plots near Veliko Turnovo

In 2006 the Company purchased properties with a total area of 203,249 sq.m. located on the main Sofia - Varna road, at a distance of 5 km from the town of Veliko Tarnovo. The properties constitute agricultural land and are still not zoned. In 2015 the Company sold part of the properties with total area of 24,445 sq.m. for BGN 220 thousand. After this sale the remaining properties owned by BREF have a total area of 178,804 sq.m. Meanwhile the Fund temporarily has rented out the properties as agricultural land.

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

Project parameters:

Investment Plots near Veliko Turnovo	
Total plots' area	178,804 sq.m
Purchase price	EUR 0.23 M
Status	suspended

2.9 Project – Investment plots near Vidin

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

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

Project parameters:

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

2.10 Project – Investment plots in Sofia – Mladost IV

BREF is the owner of 15 properties, located on the Ring Road of Sofia, at its intersection with Alexandar Malinov Boulevard, westwards, opposite Business Park Sofia. The total area of the properties owned under this project is 33,105 sq.m. This area is as a result of the new development plan for the territory, which entered in force in 2014, the official document for which were received by the Company within the last year. According to the plan the old properties of the Fund were replaced by new ones of the same value, with new construction parameters, new borders and area. The new development parameters are building intensity ratio 3.5 and building density 60%. Thus, after the transformation, BREF is left with properties with a total area of 33,105 sq.m., out of which 25,132 sq.m. zoned and 7,973 sq.m. unzoned, intended for green areas.

During the last quarter the Company executed a draft agreement for the sale of one of the zoned land plots with an area of 3,616 square meters. The agreed price is EUR 250/m². The sale was completed in the end of April 2016. After the sale the Company owns 29,489 square meters, out of which 21,516 square meters are zoned and the unzoned land constitutes grass areas.

Investment Plots, Sofia - Mladost IV district	
Total plots' area	33,105 sq.m
Purchase price	EUR 10.67 M
Status	suspended

3 Financial Highlights Q1/ 2016

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statement for the first quarter of 2016.

Table 3 – Balance sheet as of 31st March 2016 and 31st December 2015.

(All amounts in EUR '000)	31.03.2016	31.12.2015
ASSETS		
Non-current Assets		
Investment property	31,268	31,267
Cost for acquisition of fixed assets	3,964	2,803
Plant and equipment	1	-
Intangible assets	1	1
Restricted cash	-	360
Total Non-current Assets	35,234	34,431
Current Assets		
Investment property held for sale	778	778
Other financial assets	360	-
Trade receivable	67	59
Cash and cash equivalents	2,504	1,795
Other current assets	231	52
Deferred expenses	15	10
Total Current Assets	3,955	2,693
TOTAL ASSETS	39,189	37,124
EQUITY AND LIABILITIES		
Equity		
Share capital	30,908	30,908
Share premium	3,244	3,244
Retained earnings	437	205
Total equity	34,588	34,357
Non-current liabilities		
Interest bearing loan	1,845	-
Total Non-current liabilities	1,845	-
Current liabilities		
Current part of non-current liabilities	863	964
VAT payable	43	2
Payables to management company	594	697
Payables to the personnel and SIC	1	5
Provisions for dividends due	822	822
Trade and Other current liabilities	433	277
Total Current liabilities	2,755	2,768
Total liabilities	4,601	2,768
TOTAL EQUITY AND LIABILITIES	39,189	37,124

Table 4 – P&L statement for the first quarter of 2016 and for the fourth quarter of 2015

(All amounts in EUR '000)	Q1 - 2016	Q4 - 2015
Income from sale of assets	-	-
Rental income	519	509
Revenue from interest and other financial revenues	1	2
Other financial income	9	11
Other Income	9	251
Total Revenue	538	773
Value of sold assets	-	-
Interest expense	(18)	(16)
Management fees	(129)	(132)
Materials expense	(1)	(2)
BOD and employees salaries expense	(18)	(29)
Loss from fair value adjustments	-	-
Other expenses	(141)	(209)
Total expenses	(307)	(388)
Profit/(loss) for the period	232	385
Adjusted weighted average number of shares in the quarter (in thousands)	20,150	20,150
Earnings per share - basic and diluted	0.011	0.019

3.2 Liquidity

Table 5 – Liquidity ratios as of 31st March 2016 and 31st December 2015.

Liquidity Ratios	31.03.2016	31.12.2015
Current ratio	1.44	0.97
Quick ratio	1.15	0.69
Cash ratio	0.91	0.65

After the utilisation of funds under the new investment loan and despite the continuing construction of the new office building of the Company, the liquidity ratios increased during the last quarter. After the last changes the current and quick liquidity ratios increased above 1, reaching 1.44 and 1.15 respectively. The cash liquidity ratio also increased and its value at the end of the quarter was 0.91. During the next reporting period, with the additional utilisation of funds under the extended bank loan, the liquidity ratios are expected to approximate 1.

■ Internal Sources of Liquidity

The internal sources of liquidity demonstrated multidirectional movement during the last quarter. The short-term assets increased, while the short-term liabilities decreased. The increasing cash in the assets and the decreasing short term liabilities on the investment loans were the reason for those changes.

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

Table 5A – Current assets as of 31st March 2016 and 31st December 2015.

Liquidity sources	31.03.2016	%	31.12.2015	%
Current Assets				
Investment property held for sale	778	19.66%	778	28.87%
Other financial assets	360	9.10%	0	0.00%
Trade receivable	67	1.71%	59	2.20%
Cash and cash equivalents	2,504	63.30%	1,795	66.63%
Other current assets	231	5.84%	52	1.92%
Deferred expenses	15	0.39%	10	0.38%
Total Current Assets	3,955	100%	2,693	100%

With the utilisation of the funds under the investment loan of the Company and accordingly with the increase of cash the total amount of the current assets of the Fund increased during the last quarter. By the end of the period their amount increased to 46.85%, reaching EUR 3,955 thousand. The overall structure of the current assets is changing and the main reason for this is the changed amount of cash and the transfer of financial assets of the Company from the long-term to the current assets. The cash again has the largest share, which at the end of the quarter was EUR 2,504 thousand and their share of the current assets was 63.30%. During the last reporting period, with the progress of the construction of the new building, they will continue to decrease, however with the utilisation of the funds under the investment loan they will recover their amount.

The investment properties remained second, with a share of 19.66% and their amount remained without change from the end of the year. The book value of the residential building Sequoia 2 in Borovets resort is recorded in this item.

The Other Financial Assets item was next with 9.10%. This entry contains the amount of the fixed term deposit of the Fund, expiring in January 2017 and transferred from the long-term to the current assets.

The Other current assets item also recorded a major increase during the last quarter. The main entry under this item was the assessed VAT refundable, accrued in the course of the construction works of the new building. The item is expected to demonstrate variable behaviour, which will mainly depend on the VAT refunded by the state for prior periods.

The trade receivables and interest increased their amount as compared to the prior quarter, provided that this item contained mainly current receivables from tenants and accrued interest under deposits. The recorded increase was a result of the additionally accrued interests under deposits and outstanding invoices by some of the tenants in Building 1 in Business Park Sofia. Changes are not expected during the next reporting period.

The total amount of the current assets during the next reporting periods will mainly depend on the funds spent on the construction of the new office building of the Company, the accomplished property sales and utilised new funds from the investment loan extended to BREF.

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

Table 5B – Current liabilities as of 31st March 2016 and 31st December 2015.

Liquidity sources	31.03.2016	%	31.12.2015	%
Current liabilities				
Current part of non-current liabilities	863	31.30%	964	34.84%
VAT payable	43	1.56%	2	0.06%
Payables to management company	594	21.56%	697	25.20%
Payables to the personnel and SIC	1	0.02%	5	0.18%
Provisions for dividends due	822	29.84%	822	29.71%
Trade and Other current liabilities	433	15.72%	277	10.01%
Total Current Liabilities	2,755	100%	2,768	100%

During the last quarter the total amount of the short-term liabilities slightly decreased by 0.44%, reaching EUR 2,755 thousand at period-end. The recorded changes lead to decrease of the liabilities to the managing company and the due payables under the investment loans of the Fund on one hand and on the other they lead to increase of the trade and other obligations. These changes lead to the corresponding change in the structure of the current liabilities, i.e. decrease of the share of the first two types of receivables and increase of the share of the second type of receivables. Following these changes, the payables due in the next one year under both loans of the Company kept again the largest share of 31.30% of the current liabilities and, unlike prior periods, they recorded decrease in their total value. The recorded change was a result of the investment loan under the Mr. Bricolage project expiring at the end of the year and the smaller payments in comparison with the first loan for the construction of the new building. The tendency is expected to continue until the end of this year and it will reverse its development when the Fund will have only one loan again.

At the second place, accounting for 29.84% of the short-term liabilities, were the provisions for dividends for the financial 2015, amounting to EUR 822 thousand. The calculated amount represents 90% of the transformed financial result, determined in compliance with art. 10 of the Special Purpose Vehicles Act. The final amount to be distributed as a dividend for 2015 will be determined at the regular General meeting of the shareholders at which the financial results for 2015 will be put to vote.

The payables to the managing company, acting as a manager of the construction of the new building, were next, amounting to 21.56%. The observed decrease was a result of the paid current obligations to the companies hired for the construction of the new building of the Fund. Other major payables under this item included retained amounts on account of the construction companies, serving as a performance bond.

The trade and other liabilities increased their amount and their share in the current liabilities increased to 15.72%. The main reasons for the recorded increase were the liabilities related to the reconstruction and extension of the Mr. Bricolage store in Varna and the recorded advance payment by the buyer under the preliminary agreement for the sale of a land plot from the investment properties in Mladost 4, Sofia. During the next reporting period the liabilities were repaid and the sale of the property was completed and hence the amount of the trade and other liabilities is expected to decrease.

During the next reporting period the slight decrease of the total value of the current liabilities is expected to continue.

■ External Sources of Liquidity

The external sources of liquidity are the equity and the investment loans as described in detail in section 3.3. Capital resources.

For the purpose of the ongoing projects the Company will use, apart from the available own financial resources, funds from the new bank loan, for which the Company signed an agreement in January 2016. In connection with the distribution of the available funds for the

implementation of projects, BREF will focus its operation on the construction of the new building, repairs and refurbishment of the buildings in use and seeking new investment projects.

3.3 Capital resources

At the end of March 2016 the long-term capital of the Company, both equity and borrowed, recorded increase of 6.05% to EUR 36,433 thousand. The change was a result of the utilisation of the first tranches under the new loan of the Fund, thus borrowed funds were again recorded in the structure of the capital resources. During the next reporting periods with the utilisation of new funds under the investment loan the share of the borrowed funds is expected to continue to increase. The distribution between equity and borrowed funds for the last two quarters is presented in the figures below.

Figure 2: Allocation between equity and external financing

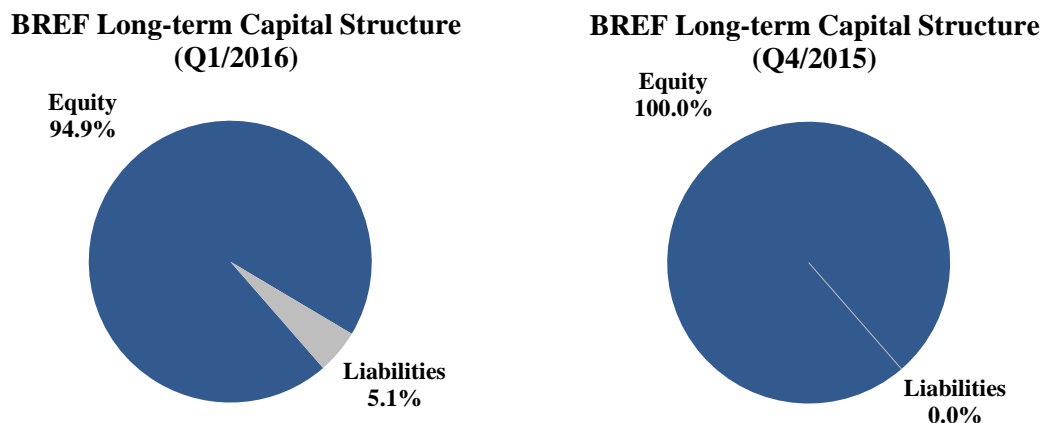


Table 6 –Leverage ratios

Leverage ratios	31.03.2016	31.12.2015
Debt-to-Equity	0.13	0.08
Non-Current Assets-to-Equity ratio	1.02	1.00
Long-term-Debt-to-Non-Current-Asset ratio	0.05	0.00

*The derivative financial instrument, the current part of non-current liabilities and other liabilities are excluded from the calculation of the above ratios.

■ Equity

At the end of March 2016 the equity of BREF is EUR 34,588 thousand, which represents an increase of 0.67% as compared to the prior quarter. The recorded increase is wholly due to the registered by the Fund profit for the period.

Table 7 – Total equity as of 31st March 2016 and 31st December 2015.

Equity (in thousands)	31.03.2016	31.12.2015
Share capital	30,908	30,908
Share premium	3,244	3,244
Retained earnings	437	205
Total equity	34,588	34,357

■ External financing

During the past quarter the Company signed a new bank loan agreement with Eurobank Bulgaria AD. The new loan is for 10 years and up to the amount of BGN 11 million. The purpose of the loan is to finance the construction of the new office building of the Fund situated

at Sofia Ring Road. The interest due under the loan is the 3-month Sofibor +3.1%. The grace period of the principal is one year. The utilization of the funds will be implemented in tranches, depending on the construction expenses made. For the past period the utilized funds are at the amount of BGN 3,911 thousand (EUR 2 million).

During the last quarter the Fund paid regularly the installments due on the other investment loan used to finance the Mr. Bricolage project. The loan principal outstanding as of the end of March 2016 totals EUR 727 thousand. The term of the loan is by December 2016.

■ Capital expenses during the next periods under review

The Fund's investment strategy for 2016 is focused mainly on constructing the new office building on the Ring Road in Sofia. In addition new capital expenditures are expected for Building 1 in Business Park Sofia, where repairs of the common parts are planned.

For financing its construction works in 2016 BREF intends to use the new bank loan as well as its currently available capital resources.

3.4 Asset structure

The value of the BREF assets by the end of Q1 increased by 5.56% to EUR 36,189 thousand, as compared to the end of the prior quarter when the amount of the assets was EUR 37,124 thousand. The recorded increase was a result of the utilized funds from the new bank loan sign during the quarter, which tendency is expected to continue during the next reporting periods.

Table 6 – Asset structure

Asset structure (thousand EUR)	31.03.2016	% share	31.12.2015	% share
Non-current assets incl.	35,234	89.91%	34,431	92.74%
- total property	31,268	79.79%	31,267	84.22%
- cost for acquisition of fixed assets	3,964	10.12%	2,803	7.55%
- other financial assets	-	0.00%	360	0.97%
Current assets incl.	3,955	10.09%	2,693	7.26%
- trade receivable	67	0.17%	59	0.16%
- investment property held for sale	778	1.98%	778	2.09%
- other financial assets	360	0.92%	-	0.00%
- cash and cash equivalents	2,504	6.39%	1,795	4.83%
Total assets	39,189	100%	37,124	100%

The structure of the assets also recorded a change. The main influencing factors are the increased cash and the transfer of the expiring fixed-term deposit of the Company from the long-term assets to the short-term assets. As a result of the changes, the share of the short-term assets increased on account of the long-term, and at period-end their share reached 10.09%, as compared to 7.26% at the end of the prior quarter. The long-term assets also increased, which was a result of the accumulated new expenses for the construction of the new building and the expenses on the reorganization of the Mr. Bricolage store in Varna. During the next quarter, along with the accumulation of more expenses on the construction, both the share of expenses on acquisition of FTA and the share of the long-term assets are expected to grow.

3.5 Financial Results

The operation of the Company during the first quarter of 2016 was focused mainly on the management of projects generating income for the Fund and the construction of the new building.

■ Revenue from operations

During the reviewed quarter the accounted revenue was EUR 538 thousand, or 30.31% less than the prior quarter. The main reason for this result was the lack of positive revaluations of assets of the Company accrued at the end of the year.

Table 9 – Realized revenues for the first quarter of 2016 and for the fourth quarter of 2015.

Revenue (in thousand EUR)	Q1 - 2016	Q4 - 2015
Income from sale of assets	-	-
Rental income	519	509
Revenue from interest and other financial revenues	1	2
Other financial income	9	11
Other Income	9	251
Total revenue	538	773

The greatest share, or 96.49%, during the past quarter was again that of the Income from Rent. Their amount increased as a result of the indexation of part of the rents at the beginning of the year. The income from rent is expected to increase slightly during the next quarter, as a result of the indexation of the remaining rental agreements.

The income from change in the value of the realized swap under the loan for financing of the purchase of the Mr. Bricolage stores was again next. The amount of this income is expected to drop with the coming of the end of the utilized loan.

The income from interest also kept its amount, provided that its amount is expected to continue to decrease with the spending of the available cash of the Company.

During the next quarter the income is expected to increase significantly which will be the result of the recording in the report of the transaction for the sale of a property from the group of properties in Mladost 4, Sofia, accomplished at the end of April.

■ Expenses from operations

During the last quarter the total expenses of BREF decreased by 20.84% mainly as a result of the smaller amount of the expenses on ongoing repair during the last quarter recorded in the Other Expenses item.

Table 10 – Realized expenses for the first quarter of 2016 and for the fourth quarter of 2015.

Expenses (in thousand EUR)	Q1 - 2016	Q4 - 2015
Value of sold assets	-	-
Interest expense	(18)	(16)
Management fees	(129)	(132)
Materials expense	(1)	(2)
BOD and employees salaries expense	(18)	(29)
Other expenses	(141)	(209)
Total expenses	(307)	(388)

In the first quarter of 2016 the largest share, or 45.83%, of the expenses was that of the Other Expenses item. The recorded decrease was a result from the smaller amount of the expenses made during the period for repair in the buildings of the Company. The expenses on reconstruction and extension of the Mr. Bricolage store in Varna were recorded as capital expenses and in connection thereto they were recorded as expenses on FTA in the long-term assets of the Company. Out of the remaining expenses recorded in this item the largest share was taken up by the property taxes. Other significant expenses under this account included

expenses for external property management services, bank charges, and other administrative expenses.

The fee of the managing company was second, accounting for 42.00% of the expenses. This item of the expenses remained at the same level, as in the prior quarter, which is expected as a trend in the future accounting periods.

The expenses on interest, amounting to 5.83%, were next and they included paid and accrued interest under both loans and expenses under the interest swap utilised under the Mr.Bricolage loan. This account recorded an increase, which was the result of the utilisation of funds under the new investment loan and accrual of additional interest under it respectively. During the next reporting periods after the utilisation of additional funds under the new investment loan of the Company these expenses are expected to continue to increase.

The change in the expenses in the next quarter will mainly depend on the change in the expenses on interest and the assessment of additional costs related to repairs in the properties of the Company.

■ Financial result

During the first quarter of 2016 the Company generated profit in the amount of EUR 232 thousand and the main contribution for the decrease was the income from revaluation at the end of the prior year, absent in the current period. The financial result during the next quarter will mainly depend on the generated income from rent and the accomplished sale of a property from the group of properties in Mladost 4 in Sofia.

Table 11 – Financial result for the first quarter of 2016 and for the fourth quarter of 2015.

Financial Result	Q1 - 2016	Q4 - 2015
Revenues	538	773
Expences	(307)	(388)
Net profit/loss for the period	232	385

The accounting profit divided by the adjusted average number of shares during the quarter gives the earning per share (EPS) of EUR 0.011.

Results per share (EUR '000)	2016 **	2015	2014	2013
Earnings	232	1,027	(1,893)	862
Earnings per share (EPS)	0.011	0.051	(0.094)	0.043
Net asset value (NAV)	34,588	34,357	34,152	36,045
Adjusted common shares outstanding	20,150	20,150	20,150	20,150
NAV per share	1.717	1.705	1.695	1.789
Dividend per share	0.0408	0.0408	0.0000	0.0122
Share fair value*	1.757	1.746	1.695	1.801

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

** Net asset value for 2016 is per non-audited financial statements, while for 2013-2015 according to audited financial statements

According to the non-audited financial statements of the Fund, the net asset value per share (NAV) at the end of March 2016 stayed at EUR 1.717 per share.

■ Potential risks

The main risks which reflect and will continue to reflect on the activity of BREF are thoroughly described in the Registration document of the Fund (Part II of the IPO document), approved by the Financial Supervision Commission of Bulgaria in March 2005. Since then the following changes in the associated risks occurred:

Market Risk

The properties owned by BREF are subject to market risk associated with the unclear future of the real estate market in Bulgaria. This could lead to realizing a lower sale price on the properties in the portfolio as well as low liquidity of the assets set for disposition. The management of BREF considers that the Fund is subject to such a risk, baring in mind the investment properties in its property portfolio. Despite that the owned properties are well diversified in different segments and regions in Bulgaria and therefore they offer favourable conditions for good return in the future.

Interest rate risk

As of the end of March 2016, 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, due to the secured additional bank financing the Fund has enough available funds to finance its operative and investment activity.

Construction risk

Due to the start of the construction works on the new Kambanite Office Building and due to the risk of change in the price of materials, design, construction and delay of construction, or non-compliance with the preliminary design, we believe that the Fund will be also exposed to construction risk that may affect the profitability of BREF. In order to reduce the construction risk, the Company retained a company specialised in project management and will use online platforms to organise the construction bids.

4 Share performance

In the third quarter of 2016 the shares of Bulgarian Real Estate Fund ADSIC recorded increase of 9.06%, while on an yearly basis the price grew by 15.75%. The good performance of the shares during the prior year reflects the good development prospects for the company in view of its investment projects and intentions, as well as the overall recovery of the real estate market in Bulgaria during the past year.

The latter had an impact on the BGREIT index, which reflects the performance of the special purpose vehicles, by adding 3.06% to its value during the past quarter. The companies investing in real estates continue to generate the interest of investors and their shares are traditionally among the most traded on the floor of the Bulgarian Stock Exchange, Sofia.

Despite these favourable indexes the capital market performed poorly in the first three months of the year. The SOFIX index dropped by 3.16% reaching 446.35 points and the broad index BGBX 40 lost 3.71% of its value, reaching 89.38 points.

The major risk factors that the Bulgarian economy and in particular the public companies on the capital market face are related to the weak or absent economic growth in the EU – the major trade partner of Bulgaria, and to the insufficient short-term and long-term investments in Bulgaria.

Summarized trading details for the 52 week period – 1st April 2015 – 31st March 2016:

- Opening Price – BGN 1.464 (1 April 2015)
- Closing Price – BGN 1.698 (31 March 2016)
- Highest Price – BGN 1.700 (7 March 2016)
- Lowest Price – BGN 1.338 (26 June 2015)
- Total Trading Volume – 2,575,664 shares
- Turnover for the period – BGN 3,766,372 (EUR 1,925,715)
- Weighted average price – BGN 1.462
- Market Capitalisation (31.03.2016) – BGN 34,214,700 (EUR 17,493,698)

**BREF Share Price Performance
(01.04.2015 - 31.03.2016)**

