“Bulgarian Real Estate Fund”

First Quarter Summary Report

Bulgarian Real Estate Fund

30 April 2009

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1 Overview of the Fund

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

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

The principle investment objective of the Fund is to provide its shareholders with a combination of current income and long-term appreciation of the common stock value. To achieve the set targets, BREF implemented a strategy to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. With these objectives in 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, which is a sure sign for its competent management and publicly approved results.

Stock Exchange	Ticker Symbol	Market Capitalization (31.03.2009)	Shares Outstanding
Bulgarian Stock Exchange Sofia	**BREF**	**EUR 25,035,151**	**60,450,000**

2 Portfolio

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

2.1 Portfolio Structure

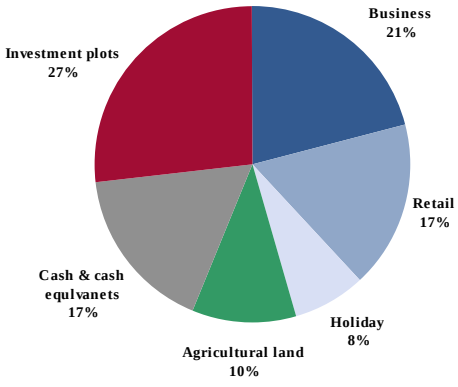
In 2008 BREF realized the largest disposition of assets since its inception in 2004. For the forthcoming 2009, the Fund will not undertake investments in new projects, apart from investments in completion of current projects and namely the office part of Kambanite Business Center project. On the basis of that the portfolio structure did not go through major changes. The increase of the business properties as a relative share of the portfolio was at the expense of the decrease of the cash & cash equivalents as a result of the payments for construction of the office part of KBC project during the quarter under review. The highlights of the portfolio development during the last quarter were:

- Completion of the construction works on the office part of KBC project and receipt of a permission of use.
- Acquisition of additional 298 dka of agricultural land, bought with the funds transferred to the brokers in the last year.

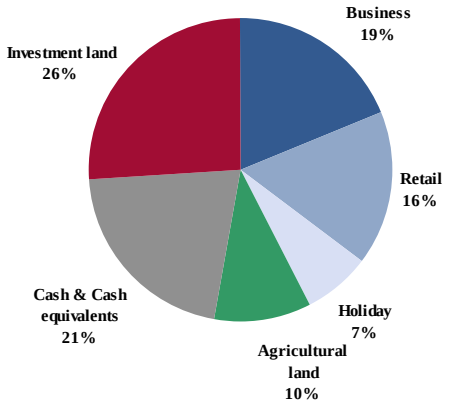
A major change in the portfolio structure of BREF in the last quarter came from the decrease in the cash & cash equivalents, which decrease in its most part was at the expense of the business properties. The invested funds in the continuing construction works of the office part of KBC project in the last quarter amounted to EUR 916 thousand. The projects managed by BREF in the end of March 2009 decrease to 9, after the disposition of the Office building –G.M. Dimitrov project in the end of 2008.

Figure 1: Investment allocation in types of market sector

Portfolio structure – Q1/2009



Portfolio structure – Q4/2008



The Fund's last quarter activity was directed towards realization of the office part of Kambanite Business Center project. The table below presents the projects which are segmented in accordance to their degree of completeness:

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

Project	Stage of the project	Size of project	Invested till 31.03.2009	Future payments
Completed projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,172	10,172	0
Agricultural land	renting out	6,264	6,264	0
Projects in progress				
Kambanite Business Centre - office part	Renting out / for sale	13,805	12,561	1,244
Seaside Holiday Village	suspended	9,203	2,308	0
Apartment house "Sequoia2" - Borovetz	for sale	2,227	2,227	0
Pipeline projects				
Investment plots near Veliko Tarnovo*	change of regulation	262	262	n.a
Investment plots near Vidin*	suspended	301	301	n.a
Invetstment plots in Sofia - Ring road*	change of regulation	3,822	3,822	n.a
Invetstment plots in Sofia - Mladost IV*	suspended	11,746	11,746	n.a
Total		57,802	49,663	1,244

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

Two of the above-mentioned projects, "Mr. Bricolage" – sale and leaseback and Agricultural land, have already been completed and are currently operational. Following the acquisitions of agricultural properties in the last year, the Fund suspended the future investments in the agricultural land project and shifted the project towards renting the owned properties out. The next group consists of three projects in progress, which time period spreads from the design to final development of the future buildings. The last four projects are in a stage of changing the regulation status and BREF envisages for part of them this process to be completed during this year.

2.2 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 the rest of the rent 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.

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 sundry & property taxes of the both stores during the period under review. No damages or break-downs were registered during this period.

2.3 Project – Agricultural land

In the last quarter the Fund rented out additional 2,213 dka of agricultural land plots, thus increasing the share of the rented out properties with 4.9% to 78.7% of the total owned properties. The average rent price also rose from EUR 8.25 per dka/per year to EUR 8.36 per dka/per year.

BREF acquired 298 dka of agricultural land plots during the quarter under review and increased the total amount of owned land to 40,633 dka. The total amount of invested funds in the project since its start in 2005 amounted to EUR 6,264 thousand, driving the average purchase price including the acquisition costs to EUR 154 per dka. Most of the purchased properties are III and IV category, with an average size of each plot of about 10-15 dka.

Project parameters:

Agricultural land	
Aquired area	40,633 dka
Investment	EUR 6.2 M
Acquisition price per dka	EUR 154
Leased area	31,978 dka
% of leased area	78.70%
Average annual rent per dka	EUR 8.4

2.4 Project – Kambanite Business Centre

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 31,331 sq.m, 16,266 sq.m. of which are office areas and 15,065 sq.m. being retail areas including 2,825 sq.m. of underground parking, which are already sold and are not an ownership of BREF anymore.

In the end of quarter under review the building is 55% rented out, which is the share of let areas to “Hewlett Packard Global Deliver Center Bulgaria”. The signed agreement is with a 10-year term with an option for renewal for another 10-year period. Currently BREF is in negotiations with other potential tenants for letting the remaining available office areas.

In April 2009 the construction works on the building were completed and the building was granted with a permission of use. The facility management of the Building was entrusted to “Alfa Property Management” JSC. and up to the date of the report the procedures for getting the building fully operational were started.

Project parameters:

Kambanite Business Centre	
Plot area:	8,796 sq.m
Total built-up area:	31,331 sq.m
Office space and common area	16,266 sq.m
Retail and underground parking	15,065 sq.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, retail and entertainment center.

The Fund has already prepared the preliminary design, which was submitted in the local Municipality for approval. The preliminary calculations set the total cost to EUR 9.2 million.

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.

In the next reporting periods BREF will follow closely the development of the conditions in the holiday real estate market, which will determine its future actions on the project.

Project parameters:

Seaside Holiday Village	
Plot area	28,758 sq.m
Total built-up area	17,963 sq.m
Total projected investment	EUR 9.2 M
Invested until March 2009	EUR 2.3 M

2.6 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 value of the entire building with total built-up area of 3527.3 sq.m. was EUR 2,227,304.9 (EUR 631 per 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 of the very centre of the resort and only 50 meters from the bottom Station of New Gondola which is part of SUPER BOROVETZ project. The distance to the main road Borovetz-Plovdiv is only 30 meters.

The Fund has sold one apartment so far, as in the last quarter BREF did not realize new sales in the apartment building.

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 616.8 per sq.m.
Investment	EUR 2.175.5 M

2.7 Project – Investment plots near Veliko Turnovo

The property 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 property is well-situated, which gives excellent opportunities to develop retail region, where large retail chains may establish franchise units.

In the last quarter the regulation renewal procedure was not completed, as the management of BREF expects for it to be finalized in short terms, after which the project will be suspended until more favourable market conditions arise.

Project parameters:

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

2.8 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.

Currently the activity of the Fund regarding the future development of the property was suspended upon 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	change of regulation

2.9 Project – Investment plots in Sofia – Ring Road

Another project with good potential for future development are the acquired properties in the vicinity of Vitosha, neighboring the KBC project. The total size of the acquired properties of BREF was 18,052 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 give the project excellent perspectives.

In 2009 BREF expects the regulation procedure to be completed, after which the future development of the project will be suspended upon more favorable market conditions arise.

Project parameters:

Investment Plots, Sofia - Ring road	
Total plots' area	18,052 sq.m
Purchase price	EUR 3.8 M
Status	rezoning procedure

2.10 Project – Investment plots in Sofia - Mladost IV

In 2007 BREF acquired 21 land plots with a total size of 79,253 sq.m situated on Sofia's Ring road in its crossing point with "Alexander Malinov" Blvd, to the west of Business Park Sofia. The total acquisition price was EUR 19,312 thousand or EUR 243.67 per sq.m excluding the acquisition costs.

In the third quarter of 2008 the Fund finalized the preliminary agreed sale of 9 properties of the purchased properties with a total size of 31,908 sq.m, for the amount of EUR 17,500,000 or EUR 548 per sq.m. After the sale the fund remains in ownership of 12 properties with a total size of 47,345 sq.m

In 2008 the municipality of Sofia initiated a procedure for preparation and approval of new structural plan for the area, which will delay the investment intentions of the Fund for the period after the approval of the new structural plan.

Project parameters:

Investment Plots, Sofia - Mladost IV district	
Total plots' area at the end of 2008	47,345 sq.m
Purchase price	EUR 11.75 M
Status	rezoning procedure

3 Financial Highlights Q1 / 2009.

3.1 Summarized Financial Statements

The following financial statements are created in full compliance with the Financial Supervision Commission standards and resemble the audited 2008 annual financial statements.

***Table 2** – Balance sheet until 31st of March 2009 and 31st December 2008*

(All amounts in EUR '000)	31.03.2009	31.12.2008
ASSETS		
Non-current Assets		
Investment property	38,985	38,967
Plant and equipment	15	15
Intangible assets	4	1
Total Non-current Assets	**39,004**	**38,983**
Current Assets		
Trade receivable	1,646	1,566
VAT receivable	409	-
Amounts due from brokers	70	98
Investment property held for sale	15,104	14,185
Cash and cash equivalents	10,107	13,145
Other current assets	56	41
Total Current Aseets	**27,392**	**29,035**
TOTAL ASSETS	**66,396**	**68,018**
EQUITY AND LIABILITIES		
Equity		
Share capital	30,907	30,907
Share premium	5,016	5,016
Retained earnings	6,292	6,287
Total equity	**42,215**	**42,210**
Non-current liabilities		
Interest bearing loan	5,565	5,695
Derivative financial instrument	367	234
Total Non-current liabilities	**5,932**	**5,929**
Current liabilities		
VAT payable	-	871
Current part of non-current liabilities	674	666
Payables to management company	1,386	1,376
Trade payavles	1,361	2,134
Provisions for dividends due	14,812	14,812
Other current liabilities	16	20
Total Current liabilities	**18,249**	**19,879**
Total liabilities	**24,181**	**25,808**
TOTAL EQUITY AND LIABILITIES	**66,396**	**68,018**

***Table 3** – P&L statement until 31st of March 2009 and 31st December 2008*

(All amounts in EUR '000)	Q1 - 2009	Q4 - 2008
Income from sale of assets	-	6,690
Rental income	343	349
Revenue from interest and other financial revenues	203	191
Other Income	6	57
Total Revenue	**552**	**7,287**
Interest expense	(74)	(118)
Management and success fees	(161)	(512)
BOD and employees salaries expense	(13)	(11)
Loss on financial instruments	(147)	(360)
Value of sold assets	-	(5,084)
Net loss from value adjustments	-	(2,677)
Other expenses	(152)	(977)
Total expenses	**(547)**	**(9,739)**
Profit/(loss) for the period	**5**	**(2,452)**
Weighted average number of shares in the quarter (in thousands)	**60,450**	**60,450**
Earnings per share - basic and dilluted	**0.000**	**(0.041)**

3.2 Liquidity

The current liquidity ratio of Bulgarian Real Estate Fund remained relatively similar to the one reported in the end of 2008. We attribute this fact to the proportional decrease of the current assets and current liabilities during the period.

The rest of the coefficients measuring the overall liquidity reported a slight decrease in comparison with the end of 2008, mostly due to the decrease of the cash & cash equivalents which was on the account of the increase of the value of the investment properties held for sale and the increase of the trade receivables.

The liquidity of the Fund for the current year will depend in its most part to the payment of the dividends due for 2008, the proceeds from the yielding assets in the portfolio as well as the remaining payments on the agreements for sale of the retail part of the KBC project and the Office building – G.M. Dimitrov project.

***Table 4** – Liquidity ratios until 31st March 2009.*

Liquidity Ratios	31.03.2009	31.12.2008
Current ratio	1.50	1.46
Quick ratio	0.67	0.75
Cash ratio	0.55	0.66

Internal sources of liquidity

BREF continued to have significant internal sources of liquidity at its disposal in the first quarter of 2009.

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

***Table 5A** – Sources of liquidity until 31st of March 2009.*

Liquidity souces	31.03.2009	31.12.2008
Current Assets		
Trade receivable	1,646	1,566
VAT receivable	409	-
Amounts due from brokers	70	98
Investment property held for sale	15,104	14,185
Cash and cash equivalents	10,107	13,145
Other current assets	56	41
Total Current Assets	**27,392**	**29,035**

The main part of the current assets 55% took the “investment property held for sale” account. The account constituted of the Fund’s properties for which there were a decision to be set for sale, namely: the office part of Kambanite Business Center project and apartment house in Borovetz.

The second large source of liquidity was the “cash and cash equivalents” account, in amount of EUR 10,107 thousand. The reported decrease as compared with the previous period we attribute to the invested funds in construction of KBC office part and payment of the due VAT.

The next significant source of liquidity was the “trade receivables” in amount of EUR 1,646 thousand. This account is comprised of the amounts receivable according to the agreements for sale of the retail part of KBC project and Office building – G.M. Dimitrov project, which amount is net of doubtful debt allowances on trade receivables set by BREF. The rent receivables from agricultural land and accrued interest on the deposits of the Fund were also included in thus account.

Among other accounts in the current asset structure was “VAT receivable account” in amount of EUR 409 thousand. We attribute the increase in this account to the large amount of cash payments than cash proceeds during the period under review.

The management of BREF expects the amount of the current assets to report a decrease with the payment of the due dividend to the shareholders for the fiscal 2008 and also with the remaining payments on the construction of the office part of KBC project, as the mentioned decrease in current assets is expected to be limited by the proceeds from rent on the let properties and the proceeds from trade receivables.

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

Table 5B *– Sources of liquidity until 31st of March 2009.*

Liquidity souces	31.03.2009	31.12.2008
Current liabilities		
VAT payable	-	871
Current part of non-current liabilities	674	666
Payables to management company	1,386	1,376
Trade payavles	1,361	2,134
Provisions for dividends due	14,812	14,812
Other current liabilities	16	20
TOTAL CURRENT LIABILITIES	**18,249**	**19,879**

The largest share 81.2% of the current liabilities in the end of March 2009 took the "Provisions for dividends due" account in amount of EUR 14,812. The exact amount for dividend distribution would be voted on the General Assembly, which is to be held later in the year.

The "Payables to the management company" account remained at relatively similar amount to the one reported in the previous year. The account itself was comprised of the payables due to the Management Company for quality retentions of the construction companies in the two development projects of BREF in Sofia, the servicing and success fees due to the Management Company and liability to the real estate agent for the sale of Office – G.M. Dimitrov project, sold in the end of 2008.

The next share of 7.5% in the current liabilities structure was taken by the account "Trade payables" which was mainly formed by: the liabilities of the Fund on the terminated contract for sale of the office part of KBC in 2008 in amount of EUR 1,200 thousand and other trade payables associated with the activity of the Fund.

The "Current part of non-current liabilities" remained at relatively similar value to the one reported at the end of 2008. The account was formed alone by the current part of the non-current liabilities on the investment loan utilized for the acquisition of the Mr. Bricolage stores.

In the next reporting periods BREF expects the current liabilities to drop in result of the payment of the due dividend by the Fund for 2008 and the accrued liabilities to the Management Company for the quality retentions of the construction companies.

- **External sources of liquidity**

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

Considering the significant amount of available funds in the end of March 2009, BREF has sufficient financial resources to meet its operational needs for the rest of the year. In the rest of 2009 the Fund will concentrate its activity predominantly in managing the yielding projects of the Fund, such as Kambanite Business Center – office part, Mr. Bricolage stores and the rented part of the agricultural land owned by the Fund as this will also allow BREF to wait and see the future development of the market conditions before making any investments in the rest of the pipeline projects.

3.3 Capital resources

In the end of March 2009 the long term capital of the Fund, equity and external, amounted to EUR 47,780 thousand, which represented a decrease of EUR 125 thousand in comparison with

the end of 2008. The reason for that decrease we attribute to the lower value of the non-current liabilities in result of the paid-off principal during the quarter.

The structure of the long-term capital remained similar in comparison with the structure reported in the previous quarter which regasrding current economic conditions pre-determines the stability of the Fund and facilitates the utilization of additional external financing. The allocation between equity and long-term liabilities is shown in the figure 2 below.

Figure 2: *Allocation between equity and external financing*

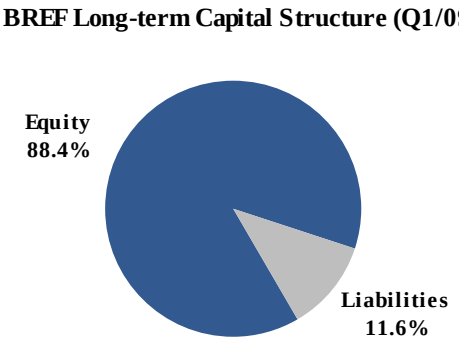


Table 6 *– Leverage ratios*

Leverage ratios	31.03.2009	31.12.2008
Debt-to-Equity	0.57	0.61
Non-Current Assets-to-Equity ratio	0.92	0.92
Long-term-Debt-to-Non-Current-Asset ratio	0.14	0.15

Equity

During the last quarter the equity of the Fund increased with EUR 5 thousand to reach EUR 42,215 thousand. We attribute the increase solely to the realized net profit for the period in amount of EUR 5 thousand.

Table 7 *– Total equity for Q1/2009 and for year ended 2008.*

Equity (in thousands)	31.03.2009	31.12.2008
Share capital	30,907	30,907
Share premium	5,016	5,016
Retained earnings	6,292	6,287
Total equity	**42,215**	**42,210**

External financing

BREF did not acquire any new loans during the quarter under review; as in the period the Fund paid all due payments on the investment loan utilized for the acquisition of the „Mr. Bricolage" project.

Capital expenses during the next periods under review

The investment strategy of the Fund for the rest of 2009 will be exclusively directed towards the realization of the current development project and their management, as a main share of the future investment costs will be the remaining payments on the construction of the office part of the KBC project.

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 prepared to use loan financing.

3.4 Assets structure

The asset amount of BREF reported a slight decrease with 1% in comparison with the end of 2008 to reach EUR 66,396 thousand. We attribute the drop in the total assets to the lower balance sheet value of the current assets in result of the paid liabilities during the quarter under review.

Table 8 *– Asset structure*

Asset structure (thousand EUR)	31.03.2009	% share	31.12.2008	% share
Non-current assets incl.	**39,004**	**59%**	**38,983**	**57%**
- total property	*38,985*	59%	*38,967*	57%
Current assets incl.	**27,392**	**41%**	**29,035**	**43%**
- VAT receivable	*409*	0.6%	-	0.0%
- accounts receivable	*1,646*	2.5%	*1,566*	2.3%
- investment property held for sale	*15,104*	23%	*14,185*	21%
- cash and cash equivalents	*10,107*	15%	*13,145*	19%
TOTAL ASSETS	**66,396**	**100%**	**68,018**	**100%**

The main change in the asset structure was influenced by the decrease of the current assets and more specifically the cash & cash equivalents which fall we attribute to the realized investments in construction seen by the increased share of the investment property held for sale and to the payment of the VAT payable both of which took place during the quarter under review.

The other accounts in the asset structure kept a relatively similar share of the asset structure in comparison with the previous quarter, as only the VAT receivable reported an increase in its relative share.

The forecasts for the next quarters are the asset structure to remain similar, as the investment property held for sale is expected to increase at the expense of the cash & cash equivalents. More significant changes are expected to occur with the payment of the due dividends for 2008.

3.5 Financial Results

BREF's activity in the first quarter of 2009 was mainly directed towards the management of the Kambanite Business Center project.

Revenue from operations

During the period under review the Total Revenues amount to EUR 552 thousand. The main reason behind the lower value of the total revenue as compared to the fourth quarter of 2008 was the fact that BREF did not realize any income from sale of assets.

Table 9 *–Revenues for the 1st quarter of 2009 and the 4th quarter of 2009.*

BREF Revenue (in thousand EUR)	Q1 - 2009	Q4 - 2008
Revenue from interest and other financial revenues	203	191
Rental revenue	343	349
Income from sale of assets	-	6,690
Other Income	6	57
Total revenue	**552**	**7,287**

The "Rental revenue" account represented the main share 62% of the total revenue structure for the first quarter of 2009. The latter comprised of the realized proceeds from rent of the Mr. Bricolage stores in Sofia and Varna in amount of EUR 270 thousand and the rent from agricultural land in amount of EUR 73 thousand.

The other significant share in the total revenue structure took the revenues from interest and other financial revenues in amount of EUR 203 thousand, thus reporting a 12% increase in comparison with the end of 2008. We attribute the increase mainly to the higher interest rates on the bank deposit products given by Bulgarian banks.

BREF expects a slight increase of the total revenues in the next reporting periods due to the forecasted increase in rental revenue resulting from the rent proceeds from the office part of the KBC building , as well as to the additionally rented out agricultural properties throughout Bulgaria.

Expenses from operations

In the past quarter the expenses were in amount of EUR 547 thousand. We attribute the decrease of the expenses as well as the decrease of the revenue above to the lack of sale of assets during the quarter.

***Table 10** – Realized expenses for the 1st quarter of 2009 and the 4th quarter of 2008.*

BREF Expenses (in thousand EUR)	Q1 - 2009	Q4 - 2008
Interest expense	(74)	(118)
Management and success fees	(161)	(512)
BOD and employees salaries expense	(13)	(11)
Value of sold assets	-	(5,084)
Net loss from value adjustments	-	(2,677)
Loss on financial instruments	(147)	(360)
Other expenses	(152)	(977)
Total expenses	**(547)**	**(9,739)**

The “Management and success fees” account in amount of EUR 161 thousand represented the main share of the total expenses structure. This account comprised of the management fees paid to the Management Company for the quarter. We attribute the decrease in comparison with the end of 2008 to the fact that in the quarter the Fund has not realized any sales of asset and thus was not bound to pay success fees to the Management Company as it was the case in the fourth quarter of 2008 when the sale of the Office building – G.M. Dimitrov took place.

The next main component of the total expenses was the “Other expenses” account which comprised of the external expenses and the property taxes and sundry fees on the owned properties as well as other operating expenses of BREF. The large decrease 84% in comparison with the fourth quarter of 2008 we attribute to the fact that no sales of assets were realized and therefore no local taxes and fees on the sales were levied.

Other account in the expenses structure was the “Loss on financial instruments” account which was formed by the negative net present value (NPV) of the interest swap associated with the investment loan utilized for financing “Mr. Bricolage” project, as the reason for the negative present value was the continuing fall of EURIBOR in the first quarter of 2009.

“Interest expense” account in amount of EUR 74 thousand reported a 37% fall in comparison with the end of 2008. The realized decrease we attribute to the fact that a larger part of the realized annuity payments of the Fund on the senior loan will be formed by paid-off principal and lesser by the interest payment.

Financial result

BREF realized a profit of EUR 5 thousand for the first quarter of 2009. In comparison with the results reported in the fourth quarter of 2008, the profit reported a downfall which we attribute mainly to the lack of sale of assets during the period under review.

BREF expects the amount of the net profit in the forthcoming reporting periods to increase in result of the realized rent proceeds from the office part of the KBC project.

***Table 11** – Financial result for the 1st quarter of 2009 and the 4th quarter of 2008.*

Financial Result	Q1 - 2009	Q4 - 2008
Revenues	552	7,287
Expences	(547)	(9,739)
Net loss for the period	**5**	**(2,452)**

Financial results per share

The NAV per share of the Fund increased with 0.01% to reach EUR 0.698 per share in the first quarter of 2009. We attribute the increase in the NAV to the realized profit for the first quarter of 2009 in amount of EUR 5 thousand. BREF's management forecasts an increase in the NAV in the coming reporting periods as a result of the expected rent proceeds from the office part of the KBC project and the receipt of the last payments on the agreements for sale of properties.

***Table 12** – Financial results per share*

Results per share (EUR '000)	Q1 - 2009	Q4 - 2008
Earnings	5	(2,452)
Earnings per share (EPS)	0.000	(0.041)
Net asset value (NAV)	42,215	42,210
Commom shares outstanding	60,450	60,450
NAV per share	0.698	0.698
NAV per share increase / decrease	0.01%	29.2%

Potential risks in the next quarter

The main risks which reflect and will continue to reflect 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 Commision 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 a market risk associated with the unclear development 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 experience low liquidity of the assets. The management of BREF considers that the Fund is subject to such a risk, baring in mind the investment properties segment of its property portfolio. Despite that the risk-associated properties are well diversified in different segments and regions in Bulgaria and therefore they offer favourable conditions for good return in the future.

4 Share performance

In the beginning of 2009 the overall fall of the shares traded on the Bulgarian Stock Exchange continued as in April 2009 stocks marked a 6 weeks rally after many investors thought the stock market reached the bottom in mid February, a position further reinforced by some positive macroeconomic signals from the U.S.

Despite the short-term gains BGREIT index, which BREF is a part of lost 8% in the first three months of 2009, and the fall of BREF shares for the same period accounted to only 2.4 %.The average annual weighted price of the Fund decreased from EUR 0.64 to EUR 0.53 in the end of March 2009.

Summarized trading details for the period 1st April 2008 – 31st March 2009:

- Opening Price – BGN 1.80 (1 April 2008)
- Closing Price – BGN 0.83 (31 March 2009)
- Highest Price – BGN 1.80 (1 April 2008)
- Lowest Price – BGN 0.62 (20 November 2008)
- Total Trading Volume – 12,071,008 shares
- Turnover for the period – EUR 12,485,184
- Weighted average price – BGN 1.03
- Market Capitalisation (31.03.2009) – EUR 25,035,151

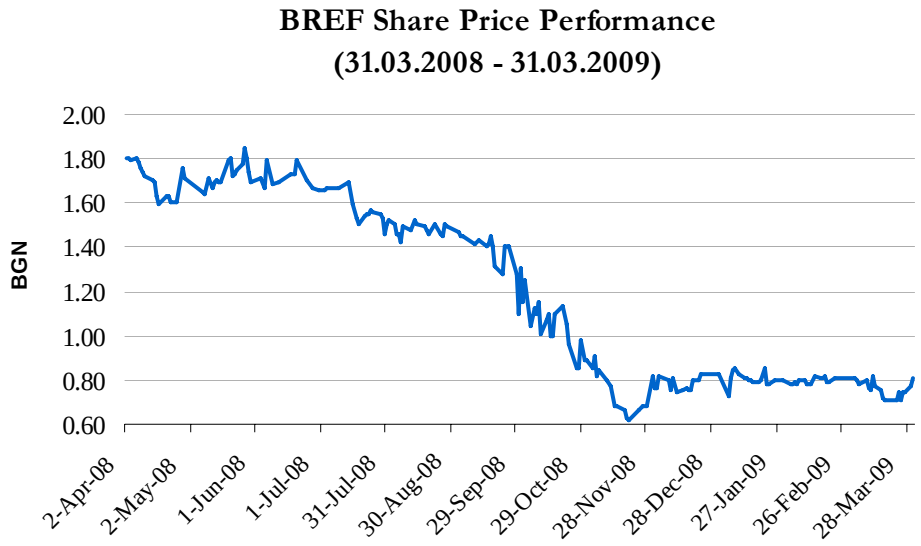



Figure 3 *– Financial results per share*