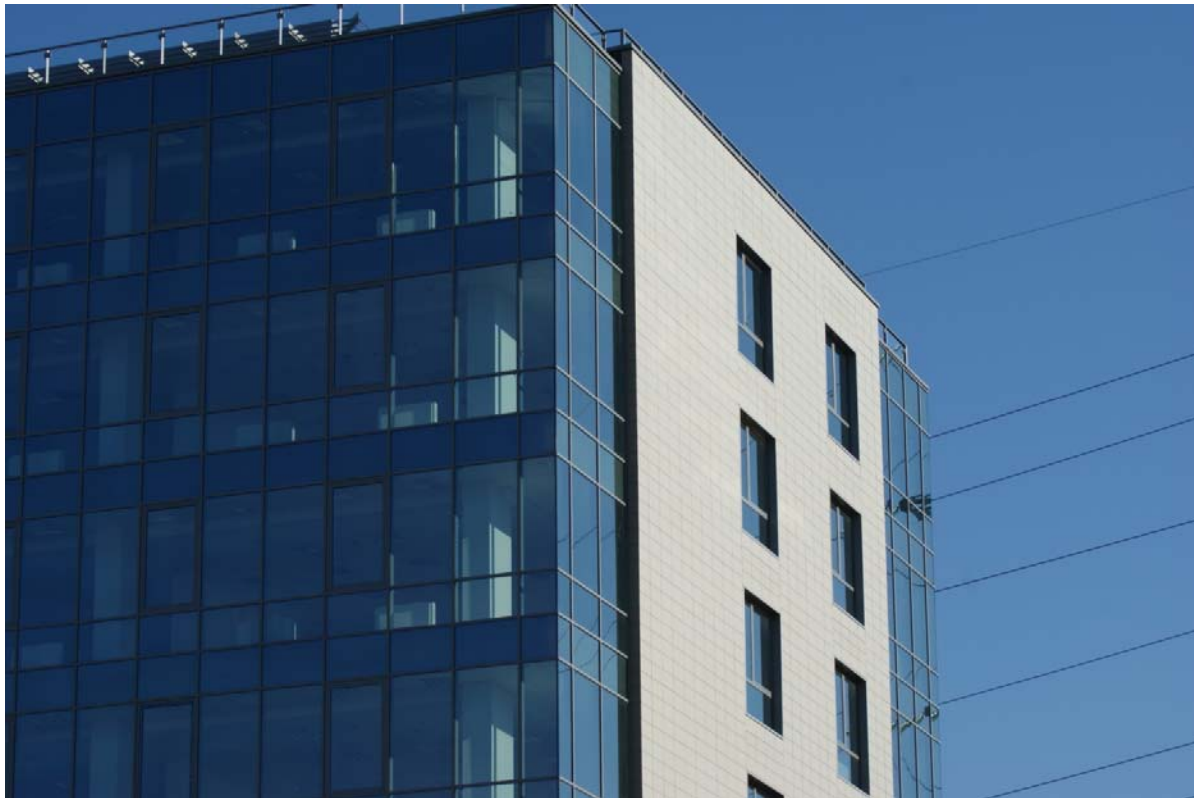


“Bulgarian Real Estate Fund”

Second Quarter Summary Report



15 September 2014

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1 Overview of the Fund

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

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

The principle investment objective of the Fund is to provide its shareholders with a combination of current income and long-term appreciation of the common stock value. To achieve the set targets, BREF implemented a strategy to acquire, develop, manage and lease properties that have superb potential for cash-flow growth and capital appreciation. With these objectives BREF constructed a portfolio of 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 (30.06.2014)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 16,442,840	60,450,000

2 Portfolio

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

2.1 Portfolio Structure

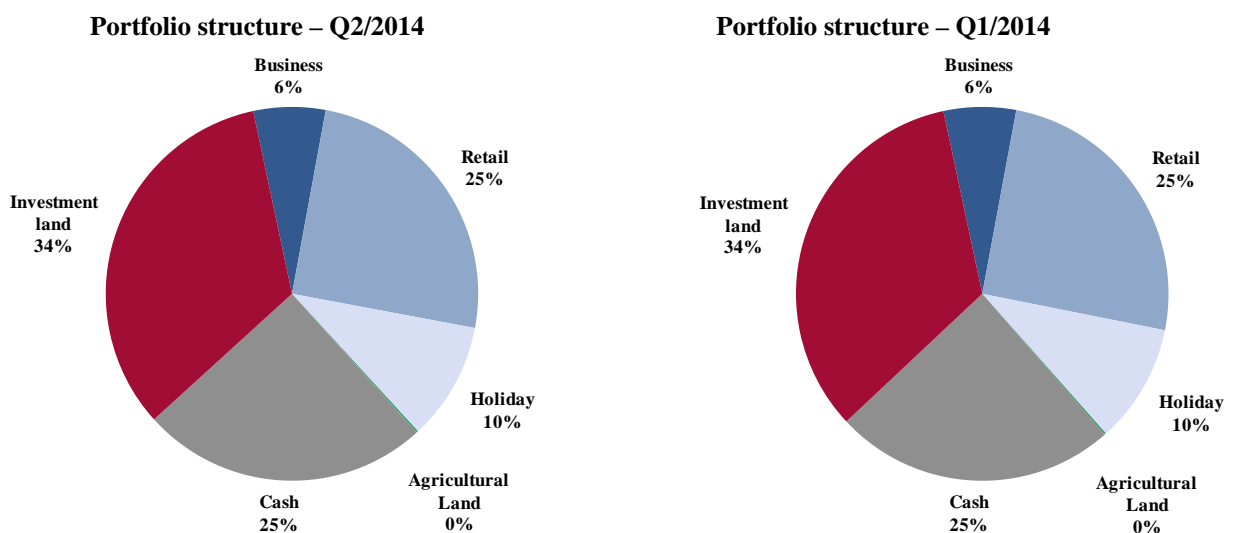
During the last quarter BREF's portfolio structure has not changed. At the end of the reporting period the share of the investment properties remains the largest with 34%. The second with 25% share are both the cash and the retail properties.

The key highlights during the past quarter were as follows:

- Current management of Office building 1B in Business Park Sofia;
- Start of the capital expenditures for Building 1B in Business Park Sofia;
- Active marketing of the apartments and garages in apartment house Sequoia II – Borovetz;
- Commence a new project for development of office building on the ring road plots in Sofia
- Assessment of investment opportunities on the office and residential markets in Sofia;
- Searching for new investment projects of BREF.

The projects managed by BREF as of the end of June 2014 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 three 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 30.06.2014	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	Operational management	10,271	10,271	0
Agricultural land	Operational management	60	60	0
Apartment house "Sequoia2" - Borovetz	for sale	1,891	1,891	0
Office building 1B - Business Park Sofia	Operational management	2,822	2,557	265
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*	design	2,488	2,488	n.a
Investment plots in Sofia - Mladost IV*	suspended	10,664	10,664	n.a
Total		37,963	30,809	265

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

From the above-mentioned projects "Mr. Bricolage" – sale and leaseback, Office building 1B in Business Park Sofia 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 Bulgaria at the amount of EUR 7 million. The non-paid principal on the loan as of 30th June 2014 is EUR 2.31 million.

In 2012 both rent agreements were 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.

In the quarter under review the Tenant paid regularly all due amounts for both stores and BREF timely paid all insurance bills.

2.3 Project – Agricultural land

The total agricultural land owned by BREF as of the end of the second quarter is 416.7 dka, of which 240.6 dka are subject of litigation. The rented out lands are 149.1 dka or 36% from the total land. The average annual rental price is about BGN 40.39 per dka.

Project parameters:

Agricultural land	
Total owned lands	417 dka
Investment	EUR 60,000
Acquisition price per dka	EUR 145

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. As of the end of June 2014 a total of seven apartments had been disposed of and a campaign for selling the rest of the apartments is in progress.

Project parameters:

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

2.5 Project – Office building 1B – Business Park Sofia

Within the first quarter BREF acquired 3,532 square meters of office areas situated on six floors of Building 1B in Business Park Sofia and 25.33% shares of the land on which the building is erected. The current occupancy level of the acquired office areas is 75%. The purchase price of the property is EUR 2.5 million without VAT. The building was commissioned in 2005 and in the last two years the building undergone major repair of most of the acquired office premises.

In order to improve the facilities offered to the current and future tenants in the second quarter were started the planed repairs of the premises. Till the end of the reporting period was increased the secured energy supply for the building and a new diesel generator was ordered and later on in July installed. At the same time the Fund was negotiating for renting out the empty office floor, which will be followed by the needed repairs of the premises.

Building 1B - Buisness Park Sofia	
Built-up area - office part	3,532 sq.m
Acquisition price	EUR 2.5 M
Occupancy rate	75%
Anchor tenant	Unify

2.6 Project – Seaside Holiday Village

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

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

Project parameters:

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

2.7 Project – Investment plots near Veliko Turnovo

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

Currently the activity of the Fund regarding the future development of the property is suspended until more favorable market conditions arise. Meanwhile during the quarter the Fund had some preliminary talks with potential tenant farmer, who temporarily to rent the property as agricultural land.

Project parameters:

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

2.8 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

2.9 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. After the consolidation of the

properties the total size of the acquired proprieties was 18,052 sq.m. After the sale in 2011 of some of the plots BREF remain owner of 10,671 sq.m., which in the end of the last year were put into regulation.

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 last quarter BREF started a new project for development of an office building on the already regulated land plots. According to the preliminary calculation the future development will have 10,000 sq.m. TBA over the ground and will offer high quality office premises covering all needs of its tenants.

Project parameters:

Investment Plots in Sofia - Ring Road	
Total plots' area	10,671 sq.m
Purchase price	EUR 2.48 M
Status	design
Buit-up area over the ground*	10,000 sq.m.

*Preliminary estimation

2.10 Project – Investment plots in Sofia - Mladost IV

BREF is owner of 16 land plots situated on Sofia’s Ring Road in its crossing point with “Alexander Malinov” Blvd., to the west of Business Park Sofia. After some sales during the past years currently the total area owned by BREF is 41,490 sq.m.

Since 2008 Sofia Municipality has been performing 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. During the third quarter is expected the court to announces its final decision regarding the raised objection, and if it is negative the new master plan of the district will be put into force.

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 / 2014.

3.1 Summarized Financial Statements

The following financial statements are based on non-audited financial statement for the second quarter of 2014.

Table 3 – Balance sheet as of 30th June 2014 and 31st March 2014.

(All amounts in EUR '000)	30.06.2014	31.03.2014
ASSETS		
Non-current Assets		
Investment property	27,936	27,936
Plant and equipment	1	1
Total Non-current Assets	27,937	27,937
Current Assets		
Investment property held for sale	1,211	1,211
Trade receivable	308	713
Cash and cash equivalents	10,214	9,928
Deferred expenses	5	8
Total Current Assets	11,738	11,860
TOTAL ASSETS	39,675	39,797
EQUITY AND LIABILITIES		
Equity		
Share capital	30,908	30,908
Share premium	5,016	5,016
Retained earnings	407	259
Total equity	36,330	36,182
Non-current liabilities		
Interest bearing loan	1,418	1,642
Derivative financial instrument	121	141
Total Non-current liabilities	1,539	1,783
Current liabilities		
Current part of non-current liabilities	890	880
VAT payable	12	36
Payables to management company	70	67
Payables to the personnel and SIC	1	2
Provisions for dividends due	740	740
Trade and Other current liabilities	92	107
Total Current liabilities	1,805	1,832
Total liabilities	3,344	3,615
TOTAL EQUITY AND LIABILITIES	39,675	39,797

Table 4 – P&L statement for the first two quarters and accumulated since the beginning of 2014

(All amounts in EUR '000)	Q2 - 2014	Q1 - 2014	2014
Income from sale of assets	0	21	21
Rental income	352	329	681
Revenue from interest and other financial revenues	82	99	180
Other financial income	19	23	42
Other Income	0	4	4
Total Revenue	453	475	928
Value of sold assets	0	(25)	(25)
Interest expense	(34)	(37)	(71)
Management fees	(135)	(135)	(270)
Materials expense	(2)	(3)	(4)
BOD and employees salaries expense	(18)	(16)	(34)
Other expenses	(116)	(122)	(238)
Total expenses	(305)	(337)	(642)
Profit/(loss) for the period	148	138	286
Weighted average number of shares in the quarter (in thousands)	60,450	60,450	60,450
Earnings per share - basic and diluted	0.002	0.002	0.005

3.2 Liquidity

Table 5 – Liquidity ratios as of 30th June 2014 and 31st March 2014.

Liquidity Ratios	30.06.2014	31.03.2014
Current ratio	6.50	6.47
Quick ratio	5.83	5.81
Cash ratio	5.66	5.42

Over the last quarter as a result of the refunded VAT under the transaction for the purchase of Building 1B in Business Park Sofia, the funds in the accounts of the Company recorded an increase, which improved all liquidity indexes. After the recorded improvements, the ratios are still high, the current liquidity reaching 6.50, and the cash liquidity 5.66. The ratios are expected to considerably improve over the next reporting period, after the repayment of the 2013 dividend.

■ Internal sources of liquidity

In the second quarter of 2014 the internal sources of liquidity saw a decrease both in the liabilities and in the assets. Those changes were a result of the start of the new project by the Fund during the prior period and the related payments to suppliers.

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

Table 5A – Current assets as of 30th June 2014 and 31st March 2014.

Liquidity sources	30.06.2014	%	31.03.2014	%
Current Assets				
Investment property held for sale	1,211	10.31%	1,211	10.21%
Trade receivable	308	2.62%	713	6.01%
Cash and cash equivalents	10,214	87.02%	9,928	83.71%
Deferred expenses	5	0.04%	8	0.06%
Total Current Assets	11,738	100%	11,860	100%

The total amount of the short-term assets dropped by 1.03%, reaching EUR 11,738 thousand by the end of the period. The total structure of the assets is changing, as the share of cash is increasing and the share of the commercial receivables and interest is decreasing. The reported change in the amount of the cash is a result of the VAT refund for a prior period and the rents received during the period. After the last changes the cash stands at EUR 10,214 thousand and continues to have the greatest share of the current assets, or 87.02%.

The investment properties are second and their value stays at EUR 1,211 thousand. The book value of the “Sequoia 2” residential building in Borovets resort is reflected under this item.

The Trade receivables and interest are third, having a share of 2.62% by the end of the quarter. The significant decrease of this item is a result of the transfer of VAT assessed during a prior period under the transaction for the purchase of Building 1B to the Cash item. Other major receivables under this item are the accrued interest under short-term deposits, receivables from leases and receivables under advance payments made under repair agreements from prior periods.

The cash is expected to drop during the next reporting periods, and such change will occur mainly as a result of the payment of the dividend payable for 2013.

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

Table 5B – Current liabilities as of 30th June 2014 and 31st March 2014.

Liquidity sources	30.06.2014	%	31.03.2014	%
Current liabilities				
Current part of non-current liabilities	890	49.31%	880	48.02%
VAT payable	12	0.68%	36	1.95%
Payables to management company	70	3.88%	67	3.68%
Payables to the personnel and SIC	1	0.03%	2	0.11%
Provisions for dividends due	740	41.01%	740	40.40%
Trade and Other current liabilities	92	5.10%	107	5.83%
Total Current Liabilities	1,805	100%	1,832	100%

The total amount of the current liabilities dropped by 1.48% in the past quarter, reaching EUR 1,805 thousand. The reason for this change was the payment of the current liabilities to suppliers. Despite the change, the structure of the current liabilities remains the same, the biggest share of 49.31% being again that of the accrued interest and the current part of the principal of the investment loan utilised by the Fund under Mr.Bricolage Project. The weak growth in the absolute value of this item is a result of the increasing amount of the monthly payments under the principal of the utilised loan. This amount is expected to increase slowly over the following reporting periods, until the time of repayment of the liability under the only investment loan of BREF.

At the second place, accounting for 41.01% of the short-term liabilities, are the provisions for dividends for the financial 2013, amounting to EUR 740 thousand. The calculated amount represents 90% of the transformed financial result, determined in compliance with art. 10 of the Special Purpose Vehicles Act. The amount was put to voting by the General meeting of the shareholders of 29 May 2014 and is to be repaid during the third quarter.

The commercial and other receivables are third, accounting for 5.10%. Their amount is decreasing as a result of the payment of liabilities related to the annual closing of the reports of the Fund and property insurance payments.

The payables to the managing company come next. Their amount records a minor increase, the main part of the total liability being the amounts due under construction performance guarantees remaining after the construction of Kambani Business Centre.

The amount of the short-term liabilities is expected to considerably drop at the end of the next reporting period, after the payment of the 2013 dividend, which will change their structure.

■ 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 2014 the long-term capital of the Company, both equity and borrowed, recorded a decrease of 0.2% to EUR 37,748 thousand. The change is a result of the repaid principal of the investment loan of the Fund.

The past quarter saw again a decrease in the share of the borrowed capital, which reached 3.8%, as compared to 4.3% at the end of the preceding quarter. The distribution between equity and borrowed funds is presented in the figures below.

Figure 2: Allocation between equity and external financing

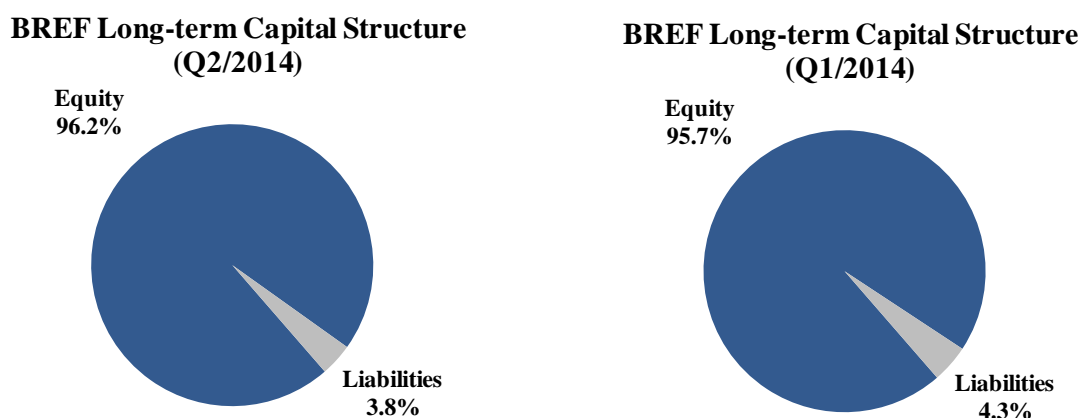


Table 6 – Leverage ratios

Leverage ratios	30.06.2014	31.03.2014
Debt-to-Equity	0.09	0.10
Non-Current Assets-to-Equity ratio	0.77	0.77
Long-term-Debt-to-Non-Current-Asset ratio	0.05	0.06

*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 2014 the equity of BREF is EUR 36,330 thousand, which represents an increase of 0.41% as compared to the prior quarter. The recorded increase is wholly due to the registered by the Company profit for the period.

Table 7 – Total equity as of 30th June 2014 and 31st March 2014.

Equity (in thousands)	30.06.2014	31.03.2014
Share capital	30,908	30,908
Share premium	5,016	5,016
Retained earnings	407	259
Total equity	36,330	36,182

■ 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 2014 totals EUR 2.31 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 2014 is focused mainly on ongoing management of current projects, but new investment opportunities will be pursued as well.

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

3.4 Assets structure

The amount of the BREF assets by end-June 2014 dropped by 0.31% to EUR 39,675 thousand, as compared to the end of the prior quarter when the amount of the assets was EUR 39,797 thousand. The recorded decrease is a result of the payments during the period under the investment loan of the Fund and payments to suppliers.

Table 8 – Asset structure

Asset structure (thousand EUR)	30.06.2014	% share	31.03.2014	% share
Non-current assets incl.	27,937	70.42%	27,937	70.20%
- total property	27,936	70.41%	27,936	70.20%
Current assets incl.	11,738	29.58%	11,860	29.80%
- trade receivable	308	0.78%	713	1.79%
- investment property held for sale	1,211	3.05%	1,211	3.04%
- cash and cash equivalents	10,214	25.74%	9,928	24.95%
Total assets	39,675	100%	39,797	100%

Over the last quarter the structure of the assets remained the same, the long-term assets having the greatest share, accounting for 70.42%, with 29.58% for the short-term assets. The share of cash increased up to 25.74% and this change was completely on account of the trade receivables and interests as their share dropped to 0.78%.

3.5 Financial Results

The Company operation during the second quarter of 2014 was focused mainly on the management of the new investment project, the ongoing management of Mr. Bricole project, search for new investment projects and the efficient management of free cash.

■ Revenue from operations

During the reviewed quarter the accounted revenue was EUR 453 thousand, or 4.63% less than the prior quarter. The main reason for this was the recorded lowered revenue from interest and the absence of income from property sale.

Table 9 – Realized revenues by quarters and accumulated since the beginning of 2014.

Revenue (in thousand EUR)	Q2 - 2014	Q1 - 2014	2014
Income from sale of assets	0	21	21
Rental income	352	329	681
Revenue from interest and other financial revenues	82	99	180
Other financial income	19	23	42
Other Income	0	4	4
Total revenue	453	475	928

The greatest share, or 77.65%, during the past quarter was that of the income from rent. Their amount increased from EUR 329 thousand during the first quarter to EUR 352 thousand during the second, and the main reason for this is the income from rent from the new office building of the Fund. During the next reporting periods the amount is expected to keep the same level at least until the end of the year.

The revenue from interest, 18.06%, comes second. Its amount records a decrease, which is a result of the currently smaller cash resource available in the accounts of BREF and the lower interest rates for bank deposits.

The Other income item also records a decrease, since no new income was recorded during the past quarter.

During the next period the income from rents is expected to remain the same, while that from interest is expected to drop significantly.

■ Expenses from operations

In the last quarter the total expenses of BREF decreased by 9.70%, reaching EUR 305 thousand. The reason for such decrease is the absence of written off sold assets from the prior period and the decrease of expenses on interest.

Table 10 – Realized expenses by quarters and accumulated since the beginning of 2014.

Expenses (in thousand EUR)	Q2 - 2014	Q1 - 2014	2014
Value of sold assets	0	(25)	(25)
Interest expense	(34)	(37)	(71)
Management fees	(135)	(135)	(270)
Materials expense	(2)	(3)	(4)
BOD and employees salaries expense	(18)	(16)	(34)
Other expenses	(116)	(122)	(238)
Total expenses	(305)	(337)	(642)

In the second quarter of 2014 the largest share, 44.4%, of the expenses was that of the fee of the managing company. This item of expenses kept its level, as during the past quarter only the regular monthly fee, payable by BREF to the managing company, was recorded under it. The amount of the fee is expected to remain unchanged during the next quarter.

The Other Expenses item is ranked second, accounting for 38.09% of the expenses. The largest share of this item is taken by the property taxes. Other significant expenses under this item include expenses for external property management services, bank charges, and other

administrative expenses. The decrease in this item is a result of the absence of the one-time expenses related to the acquisition of the new administrative building.

The expenses on interest, amounting to 11.07%, come next and they include paid and accrued interest under the loan and expenses under the interest swap utilised under the Mr. Bricolage loan. This entry records a decline, which is a result of the decrease of the outstanding principal under the utilised loan. The amount of the interest payments is expected to continue its decrease in the next quarters, until the complete repayment of the loan under the Mr. Bricolage project.

The expenses are expected to increase over the next reporting period, taking into account that the expenses on the improvements of Building 1B in Business Park Sofia account for the main part of such increase.

■ Financial result

During the second quarter of 2014 the Fund realised a profit of EUR 148 thousand, provided that the main contributor to this recorded increase was the higher income from rent and the lower expenses on interest. The change in the financial result in the next quarter will depend mainly on the realised income from rents and the incurred operating expenses related to the management of the new building.

Table 11 – Financial result by quarters and accumulated since the beginning of 2014.

Financial Result	Q2 - 2014	Q1 - 2014	2014
Revenues	453	475	928
Expences	(305)	(337)	(642)
Net profit/loss for the period	148	138	286

The accounting profit divided by the average number of shares during the quarter gives the earnings per share (EPS) of EUR 0.002.

Results per share (EUR '000)	Jan-June 2014**	2013	2012	2011
Earnings	286	862	879	5,758
Earnings per share (EPS)	0.005	0.014	0.015	0.095
Net asset value (NAV)	36,330	36,045	37,006	37,047
Common shares outstanding	60,450	60,450	60,450	60,450
NAV per share	0.601	0.596	0.612	0.613
Dividend per share	0.0122	0.0122	0.0152	0.1089
Share fair value*	0.613	0.609	0.627	0.722

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

** Net asset value for 2014 is per non-audited financial statements, while for 2011-2013 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 June 2014 increased from EUR 0.596 per share to EUR 0.601 per share. This increase is due to the realized by the Company profit for the period.

■ 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 June 2014, 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

The shares of Bulgarian Real Estate Fund ADSIC registered a slight change of 3% during the first half of the year. However, the growth in the price of the shares during the first three months was almost 21%. The drop in the second half of the period can be explained with the increased systemic risk for Bulgaria as a result of the attempts to shake the bank system in the country and the political crisis that followed. Furthermore, in June Bulgarian Real Estate Fund distributed dividend of BGN 0.0239 per share, which also, although, minimally, adversely affected the shares. In comparison, during the first six months of 2014 the SOFIX index increased by 12.20% and BGREIT, the index reflecting the performance of the companies investing in real estates, being a better benchmark of the Bulgarian Real Estate Fund, realised a profit of 6.68 %.

The year had a good start for the investors on the Bulgarian Stock Exchange, however the peace of the investors was disturbed as a result of the political and bank crisis. Some of the most liquid shares traded on the floor of the Bulgarian Stock Exchange quickly lost their profit gained in the beginning of the year, while others went deep in the red.

During the third quarter of the year we can expect a calm Bulgarian stock market in view of the coming parliamentary elections in October and the current summer period, which usually is not among the most active periods of the Bulgarian Stock Exchange.

Summarized trading details for the 52 week period – 1st July 2013 – 30th June 2014:

- Opening Price – BGN 0.600 (2 July 2013)
- Closing Price – BGN 0.532 (30 June 2014)
- Highest Price – BGN 0.720 (12 March 2014)
- Lowest Price – BGN 0.493 (27 June 2014)
- Total Trading Volume – 14,941,429 shares
- Turnover for the period – BGN 8,252,976 (EUR 4,219,680)
- Weighted average price – BGN 0.552
- Market Capitalisation (30.06.2014) – BGN 32,159,400 (EUR 16,442,840)

**BREF Share Price Performance
(01.07.2013 - 30.06.2014)**

