

“Bulgarian Real Estate Fund”

First Quarter Summary Report



30 April 2019

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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 the superb potential for cash-flow growth and capital appreciation. With these objectives BREF constructed a portfolio of 10 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 (31.03.2019)	Shares Outstanding
Bulgarian Stock Exchange Sofia	5BU (BREF)	EUR 33,830,178	34,641,925

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

In the first quarter of the year, there were no significant changes in the Company's portfolio.

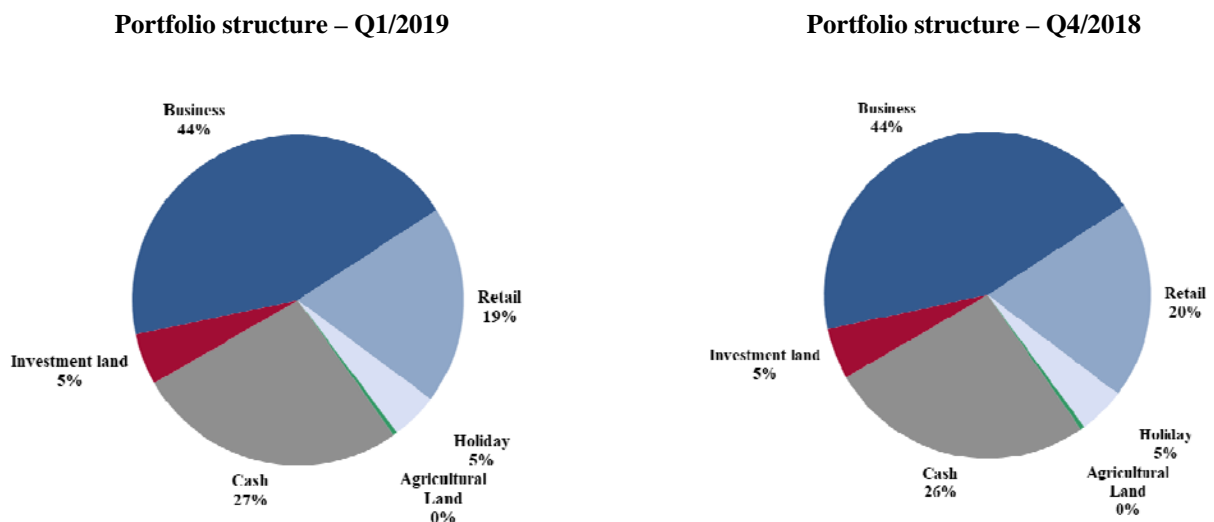
At the end of the period the business properties share is 44%. Followed by the trade properties with a share of 19% and the investment and vacation properties had a share of 5% each. The amount of cash retained its share of the previous quarter when it grew as a result of the company's capital increase and reached 27% of the total portfolio volume. The expectations for the next reporting periods, with the fortification of the construction activity of the new development project and the envisaged new investments in it, are the amount of the business properties to continue to increase at the expense of the cash.

The key highlights during the past quarter were as follows:

- Launch of the construction activities of the new office building in Sofia Tech Park.
- Conducting of construction auctions for the development of the office building in Sofia Tech Park;
- Start of the marketing campaign of the new project in Sofia Tech Park and conducting negotiations to conclude a lease with a potential tenant;
- Operational management of the Kambanite Office Building;
- Operational management and conducting of capital repairs in Building 1 in Business Park Sofia;
- Operational management of the properties leased to Mr.Bricolage;

The projects managed by BREF as of the end of March 2019 were ten, diversified in different sectors of the real estate market in Bulgaria.

Figure 1. Investment allocation in types of market sector



In the past quarter, the Company's activity was mainly directed towards managing six projects. The table below presents the projects segmented based on their degree of completion:

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

Project	Stage of the project	Historical value	Balance sheet value 31.03.2019	Future investments
Current projects				
"Mr. Bricolage" - sale and leaseback	operational management	10,446	11,742	
Agricultural land	for sale	58	257	
Investment plots near Veliko Tarnovo*	for sale	192	624	0
Apartment house "Sequoia 2" - Borovetz	for sale	1,627	726	
Office building 1 - Business Park Sofia	operational management	7,441	9,613	0
Kambanite Office Building	operational management	8,967	11,496	
Office building Sofia Tech Park	in construction	5,628	5,585	33,234
Pipeline projects				
Seaside Holiday Village	suspended	2,254	2,041	
Investment plots near Vidin*	suspended	301	631	0
Investment plots in Sofia - Mladost IV*	suspended	4,817	1,781	0
Total		41,732	44,496	33,234

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

From the above-mentioned projects, Doverie-Bricolage Shopping Centers, Office Building 1 in Business Park Sofia and Office Building Kambanite are in a stage of ongoing management. Residential building "Sequoia 2" - Borovets, Project Agricultural Land and Investment properties near Veliko Tarnovo are in the process of selling and the office building in Sofia Tech Park is in the construction phase. The next group consists of projects in the pipeline or suspended and there is no progress in their development. Such projects are Investments plots near Vidin and those located in Sofia in Mladost IV district.

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

The start of the Mr. Bricolage project was in 2006. The investment is of the kind "sale and leaseback", the subject of which are the two stores in the chain Mr.Bricolage located in the city of Varna in Mladost district and in Sofia on Tsarigradsko shosse Blvd.

In 2016 the loan used to finance the project is fully repaid and from 2017 the received cash resource from the rental income entirely remains in the Company.

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.

During the first quarter of the year, the lease agreements were regularly serviced.

2.3 Project – Agricultural Land

The total agricultural land owned by BREF as of the end of the first quarter of the year is 404 dka. The rented out lands are 191.1 dka or 47% of the total land. The average annual rental price is approximately EUR 25.56 per dka. At the end of the period, the Board of Directors of the Fund decided to sell the properties in case of interest from a potential buyer.

Project parameters:

Agricultural land	
Total owned lands	404 dka
Investment	EUR 58,000
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 center of the resort.

As of the end of March 2019, the total quantity of sold apartments was twelve and one garage. The sales campaign for the remaining properties in the building continues.

Project parameters:

Apartment house "Sequoia 2" - Borovetz	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Apartments left for sale	24
Current Investment	EUR 1.63 M

2.5 Project – Office building 1 – Business Park Sofia

In 2014 BREF acquired 7,318 square meters of office space and 68 parking spaces in Building 1 at 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. As of the end of March 2019, the company’s properties have a 100% occupancy rate. The main tenants in the building are Atos IT Solutions and Services EOOD, EXL Service Bulgaria EAD, C3i Europe EOOD.

The renovation of the foyer of the building was completed in the course of the first quarter.

Project parameters:

Building 1 - Buisness Park Sofia	
Built-up area - offices	7,318 sq.m
Parking lots	68
Acquisition price	EUR 7.5 M
Occupancy rate	100.0%

2.6 Project – Office Building Kambarite

The development of the company’s last office building was completed in 2016. The property is situated on a plot of land with an area of 10,671 sq.m. located at the Malinova Dolina - Bunkera Villa Zone area, Sofia. The commercial name of the building is Kambarite Green Offices. The building has a total built-up area of 13,205 sq.m., of which the leasable office area and related

premises occupy 9,356 sq.m. and the restaurant has an area of 420 sq.m. There are 214 parking spaces, of which 74 are in the underground parking area.

As of the end of March, the building was leased to 91.27%. The main tenants in the building are Addeco Bulgaria EOOD with 6,902.31 square meters, Survey Sampling Bulgaria EOOD with 912.76 sq.m. and Konica Minolta with 845.90 sq.m. The total number of leased parking spaces is 160, of which 51 are in the underground parking area. The tenant of the restaurant area is Victoria G 2011 EOOD. Negotiations are being held with other potential tenants who have demonstrated an interest in the new building.

In 2016, the Company secured a bank loan for financing the project construction amounting to EUR 5.62 million with Eurobank Bulgaria AD. By the end of March 2019, the outstanding principal amounts to EUR 4.47 million. The terms of the loan are described in article 3.3 below.

Project parameters:

Office Building Kambanite	
Built-up area	13,498 sq.m
Leasable office area	9,583 sq.m.
Parking lots	2.14
Construction budget	EUR 8.96 M
Occupancy rate	91.27%

2.7 Project – Office building Sofia Tech Park

In 2017 after winning the tender organized by Sofia Tech Park AD, Bulgarian Real Estate Fund REIT has acquired the construction right in Zone 2 of the development plan of the Sofia Tech Park.

Under the agreement, the total purchase price for the construction right is BGN 9,652,000 (4,934,989 EUR), which amount has been fully paid by the Company. According to the final agreement, BREF acquired the right to build a multifunctional administrative-service building with a built area of 4,395 sq.m., a total built-up area of up to 35,000 sqm, underground parking on two levels with a total built-up area of up to 16,000 sq.m. The area on which the granted construction right will be realized is 8,140 sq.m. Under the provisions of the agreement, the Company is obliged to complete the building construction within 5 years from the date of the acquisition of the construction right. Another requirement in the contract is that no less than 30% of the office space should be used by companies that have research and development activities in the specified focal areas of the park and meet the definition of a high-tech company or a medium-tech company according to the statistical information of EUROSTAT.

After the acquisition of the construction right, the Company also signed a design contract with A & A Architects OOD for the development of the new building project. During the last quarter of 2018, the Company received a construction permission № 336 / 04.11.2018 with the following parameters: Total built-up area above ground 34,998.88 sq.m. and a total built-up area of 50,761.38 sq.m.

Over the past quarter, construction work has begun. By the end of the reporting period, the building is at the excavation stage.

According to the preliminary estimates of the Company, the expected value of the new building's construction is about EUR 33 million. Initially, the financing of the new project will be realized from the capital increase and at a later stage - with borrowed funds.

The marketing campaign of the project was launched in this quarter. Designing a website and promotional materials are planned. Also during the period, negotiations have begun with the first potential tenant in the building.

2.8 Project – Seaside Holiday Village

The project envisages the construction of Seaside Holiday Village on the Bulgarian shore. The project has been planned to be a gated community, which will consist 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

2.9 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 accomplished a transaction for the sale of part of the properties with an area of 24,445 sq. m. and in May 2016 second transaction for the sale of another 30,250 sq. m. was executed. After the two sales, the remaining properties owned by BREF have a total area of 148,554 sq. m. Meanwhile, the Fund temporarily has rented out the properties as agricultural land.

At the end of the reporting period, the Company decided that the properties would be sold at the presence of potential buyers.

Project parameters:

Investment Plots near Veliko Turnovo	
Total plots' area	148,554
Purchase price	EUR 0.19 M
Status	suspended

2.10 Project – Investment plots near Vidin

In 2006 BREF won in a tender procedure, executed by the Ministry of Defense, a land plot with a 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

2.11 Project – Investment plots in Sofia – Mladost IV

The start of the project was in 2007 when the company purchased properties with a total area of 79,253 sq.m. In 2008, 31,908 sqm was sold and later another 4,166 sqm were also sold. After the execution of the sales and following the change in DDP, the Company remains the owner of

16,018 sq. m., of which 8,045 sq. m. in regulation, and the remaining area outside of regulation, designated for green spaces.

Project parameters:

Investment Plots, Sofia - Mladost IV district	
Total plots' area	16,018 sq.m
Purchase price	EUR 4.8 M
Status	suspended

3 Financial Highlights Q1/ 2019

3.1 Summarized Financial Statements

The following financial statements are based on the non-audited financial statement for the first quarter of 2019.

Table 3 – Balance sheet as of 31 March 2019 and 31 December 2018

(All amounts in EUR '000)	31.03.2019	31.12.2018
ASSETS		
Non-current Assets		
Investment property	42,321	43,201
Cost for acquisition of fixed assets	597	388
Plant and equipment	2	3
Intangible assets	1	2
Total Non-current Assets	42,920	43,594
Current Assets		
Investment property held for sale	1,607	726
Trade receivable	235	236
Cash and cash equivalents	15,989	15,822
Deferred expenses	42	31
Total Current Assets	17,873	16,815
TOTAL ASSETS	60,793	60,409
EQUITY AND LIABILITIES		
Equity		
Share capital	17,712	17,712
Share premium	30,361	30,361
Retained earnings	6,069	5,499
Total equity	54,142	53,572
Non-current liabilities		
Interest bearing loan	3,859	4,012
Total Non-current liabilities	3,859	4,012
Current liabilities		
Current part of non-current liabilities	605	600
VAT payable	60	13
Payables to management company	104	191
Payables to the personnel and SIC	1	1
Provisions for dividends due	1,765	1,765
Trade and Other current liabilities	257	255
Total Current liabilities	2,792	2,825
Total liabilities	6,651	6,837
TOTAL EQUITY AND LIABILITIES	60,793	60,409

Table 4 – P&L statement by quarters

(All amounts in EUR '000)	Q1 - 2019	Q4 - 2018
Income from sale of assets	-	21
Rental income	921	897
Other Income	7	1,298
Total Revenue	929	2,216
Value of sold assets	-	(21)
Interest expense	(37)	(38)
Management fees	(134)	(137)
Materials expense	(12)	(19)
BOD and employees salaries expense	(20)	(30)
Other expenses	(156)	(182)
Total expenses	(359)	(426)
Profit/(loss) for the period	570	1,790
Adjusted weighted average number of shares in the quarter (in thousands)	34,642	34,642
Earnings per share - basic and diluted	0.016	0.052

After the capital increase, the total number of the Company's shares was increased to 34,642 thousand, taking the profit for the first quarter of 2019 to the new number of shares yielding 1 share of 0,016 EUR.

3.2 Liquidity

Table 5 – Liquidity indicators for BREF as of 31.03.2019 and 31.12.2018

Liquidity Ratios	31.03.2019	31.12.2018
Current ratio	6.40	5.95
Quick ratio	5.83	5.69
Cash ratio	5.73	5.60

In the past quarter, the liquidity ratios registered an increase compared to the previews reporting period. The change in liquidity during the period is mainly due to the increase in cash which is a result of higher rental income and the transfer of investment properties from long-term to current assets. The current liquidity ratio had increased to 6.40, and quick and cash liquidity ratios had reached 5.83 and 5.73 respectively.

In the next reporting period, the costs for the development of the new investment project in Sofia Tech Park are forthcoming, so it is expected that the Company's liquidity will decrease.

■ Internal Sources of Liquidity

During the first quarter of 2019, the internal sources of liquidity registered an increase of the short-term assets and a decrease in the short-term liabilities. The basis for these changes is the transfer of property in current assets and the decrease of payables to related parties in liabilities.

Short-term (current) assets
Table 5A – Current assets as of 31.03.2019 and 31.12.2018.

Liquidity sources	31.03.2019	%	31.12.2018	%
Current Assets				
Investment property held for sale	1,607	8.99%	726	4.32%
Trade receivable	235	1.31%	236	1.40%
Cash and cash equivalents	15,989	89.46%	15,822	94.09%
Deferred expenses	42	0.24%	32	0.19%
Total Current Assets	17,873	100%	16,815	100%

The total amount of the Company's current assets increased slightly compared to the previous reporting period and reached EUR 17,873 thousand. In the past quarter, the main changes in current assets are in the value of cash and cash equivalents, also in investment properties held for sale.

The overall structure of current assets remained unchanged, with money and short-term deposits remaining the first with a share of 89.46%. During the next reporting period, the cash at hand to the Company is expected to decrease as a result of the expenses that will be incurred in connection with the new project of the company in Sofia Tech Park.

In second place with a share of 8.99% were the investment properties, which value had increased compared to the previous reporting period. The article includes the properties, part of the residential building "Sequoia 2" in Borovets and the investment properties in Veliko Tarnovo, as well as the agricultural lands. In the next reporting period, unless there are new sales of properties, the article is expected to retain its value.

Next, with 1.31%, were trade receivables and interest. They remain almost the same as the previous reporting period. These articles include receivables from tenants, which are paid monthly. No significant change in the receivables is expected in the following reporting period.

The total amount of current assets in the subsequent reporting periods will mainly depend on realized rental income and the realized expenses for the construction of the new building in Sofia Tech Park.

 o **Short-term (current) liabilities**
Table 5B – Current liabilities as of 31.03.2019 and 31.12.2018

Liquidity sources	31.03.2019	%	31.12.2018	%
Current liabilities				
Current part of non-current liabilities	605	21.68%	601	21.26%
VAT payable	60	2.16%	13	0.47%
Payables to management company	104	3.74%	191	6.77%
Payables to the personnel and SIC	1	0.02%	1	0.02%
Provisions for dividends due	1,764	63.19%	1,764	62.45%
Trade and Other current liabilities	257	9.21%	255	9.03%
Total Current Liabilities	2,792	100%	2,825	100%

Over the past quarter the total amount of short-term liabilities registered a decrease of 1.18% compared to the previous reporting period and at 31.03.2019 reached EUR 2,792 thousand. The main reason for the change is the decrease in the liabilities to the managing company, which does not lead to a significant change in the structure of the liabilities.

The largest share of 63.19% of the current liabilities is of the Provisions for dividends article. The sum calculated in this manner represents 90% of the transformed financial result, determined in line with Art. 10 of the Special Purpose Vehicles Act. The final sum designated for

distribution as dividends for 2018 shall be determined at the regular General Meeting of Shareholders (GMS) when the financial results for the year 2018 shall be put to the vote.

Next with a share of 21.68% is the article Current part of non-current liabilities. Their value amounted to EUR 605 thousand. The reported rise being due to the increasing payments under the repayment schedule on the principal of the loan. Expectations in the next reporting period are that this amount will continue to rise as the current principal is increasing.

Third, with a share of 9.21% of short-term liabilities are the Company's trade and other liabilities. The reported increase is due to new expenses of the Company. Key entries in this article are the Company's obligations under warranties received under lease and advance payments, which will be retained in the next reporting periods.

In fourth place with 3.74% are payables to the managing company which decrease slightly as of the previous period, as a result of paid outstanding management fees from previous periods. Another major part of the payables in this item are those related to the construction of the Sofia Tech Park building and, respectively, the retention money withheld from the contractors, which serve as a guarantee of good performance.

Substantial changes in current liabilities are not expected in the next quarter, with changes mainly occurring in trade payables and payable taxes.

■ External Sources of Liquidity

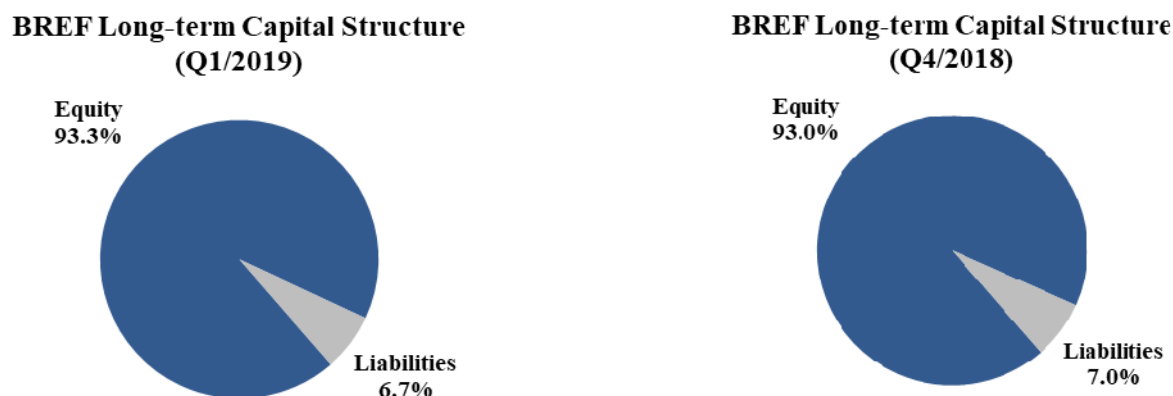
The external sources of liquidity are the equity and the investment loan as described in detail in section 3.3. Capital resources.

For the purpose of its ongoing projects, the Company has the financial resources that are sufficient to secure its operations over the next months. With regard to the development of the new investment project for an office building in Sofia Tech Park, along with the increased capital, the Fund plans at the next stage to take new borrowed funds.

3.3 Capital resources

At the end of March 2019 the total long-term capital, both equity and borrowed, marked a modest increase up to EUR 58,801 thousand. Over the past quarter, the long-term capital structure did not see any significant change, with the share of borrowed funds being 6.7% and its equity at 93.3%.

During the next reporting periods, along with the realization of new financial results it is expected, that the share of the own capital will continue to increase. The ratio between the own and external funds for the past three months are specified in the figures provided hereinafter below.

Figure 2: Allocation between equity and external financing

Table 6 – Leverage ratios

Leverage ratios	31.03.2019	31.12.2018
Debt-to-Equity	0.12	0.13
Non-Current Assets-to-Equity ratio	0.79	0.81
Long-term-Debt-to-Non-Current-Asset ratio	0.09	0.09

*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 2019, the equity of BREF is EUR 54,142 thousand, which represents an increase of 1.06% as compared to the prior reporting period. The recorded increase is wholly due to the profit realized by the Company for the period.

Table 7 – Total equity as of 31.03.2019 and 31.12.2018

Equity (in thousands)	31.03.2019	31.12.2018
Share capital	17,712	17,712
Share premium	30,361	30,361
Retained earnings	6,069	5,499
Total equity	54,142	53,572

In the first quarter of 2019, there was no significant change in the company's equity structure. At the end of the reporting period, only a change in the cumulative profit was observed.

■ External financing

During the first quarter of 2019, the Company has only one bank loan agreement concluded with Eurobank Bulgaria AD. The loan term is for 10 years and at the amount of BGN 11 million. The purpose of the loan is to finance the construction of the new office building of the Company situated at the Ring Road near Kampanite. The interest due on the loan is based on a reference interest rate PRIME + 3.1%. In the first quarter of 2019, the Company has regularly paid due instalments to the investment loan. The outstanding principal amount as of the end of the period was EUR 4.47 million.

■ Capital expenses during the next periods under review

After obtaining the construction permission of the new office building in Sofia Tech Park, the investment program of the Company in the next reporting periods will be mainly directed to the realization of the project. Following the development of the detailed projects and the execution of the main construction auctions, the final budget of the project is expected to be determined, which according to preliminary information is expected to exceed EUR 33 million without the value of the right of construction. To finance the project described above, the Company will use the new capital raised during the past year, and in addition, plans to use external financing.

For the other projects, capital expenditures are expected to be realized in the Bricolage store in Sofia where a replacement of some of the installations in the building is planned.

3.4 Asset structure

The amount of the BREF assets by the end of the first quarter increased by 0.64% to EUR 60,793 thousand, as compared to the end of the prior period, when the amount of the assets was EUR 60,410 thousand. The registered rise was mainly by the accumulated cash from rents used for the accumulated construction cost related to the construction of the new office building in Sofia Tech Park. In the next reporting period, with the realization of additional rental income, the assets are expected to continue to grow, as a more substantial change will be observed with securing external financing for the BREF investment program.

Table 6 – Asset structure

Asset structure (thousand EUR)	31.03.2019	% share	31.12.2018	% share
Non-current assets incl.	42,920	70.60%	43,594	72.16%
- total property	42,321	69.61%	43,201	71.52%
- cost for acquisition of fixed assets	597	0.98%	388	0.64%
Current assets incl.	17,873	29.40%	16,815	27.84%
- trade receivable	235	0.39%	236	0.39%
- investment property held for sale	1,607	2.64%	726	1.20%
- cash and cash equivalents	15,989	26.30%	15,822	26.19%
Total assets	60,793	100%	60,408	100%

In the first quarter of 2019, the structure of the Company's assets does not undergo substantial changes compared to the previous reporting period. There is increase in the share of short-term assets at the expense of long-term assets. The change comes as a result of the increase in the value of the investment properties held for sale and trading as a result of the decision to sell the investment properties in Veliko Tarnovo and the agricultural lands.

During the next reporting period is expected the amount of the expenses for the acquisition of TFA to continue to increase, which will be at the expense of the funds in the current assets.

3.5 Financial Results

The activity of the Company in the first quarter of 2019 was mainly focused on the management of revenue-generating projects for the Company, and managing the development of the project in Sofia Tech Park.

Revenue from operations

In the period under review, the reported revenues amounted to EUR 929 thousand, which is a decrease of almost 58% compared to the previous quarter. The main reason for this decrease is

the fact that during the reporting period there were no accrued new net proceeds of revaluation of properties as at the end of 2018.

Table 9 – Revenue earned in the first quarter of 2019 and last quarter of 2018

Revenue (in thousand EUR)	Q1 - 2019	Q4 - 2018
Income from sale of assets	-	21
Rental income	921	897
Other Income	7	1,298
Total revenue	929	2,216

The biggest share of 99.23 % of the revenues during the first quarter of the year was the Rental income item. Their amount reaches BGN 921 thousand, the base of these changes being the rent indexation during the period, as well as revenues from the temporary leased unoccupied office space to one of the tenants in the Kambani Green Offices.

Second is the item Other income, where there is a significant change from the previous reporting period. The main reason for this change is the revaluations of properties at the end of last year, as in the first quarter of 2019 there are no such revaluations.

Expectations for the next quarter are that the total revenues will rise further, as the main reason for this will be an increase in the rental income. The change in revenues will be as a result of the forthcoming rental indexation under some other rental contracts and continuing temporary revenue from the vacant office space in Kambani Green Offices.

■ Expenses from operations

In the reported quarter the total expenses of BREF decreased by over 15.83% compared to the previous reporting period and at the end of the quarter reached EUR 359 thousand.

Table 10 – Realized expenses by quarters

Expenses (in thousand EUR)	Q1 - 2019	Q4 - 2018
Value of sold assets	-	(21)
Interest expense	(37)	(38)
Management fees	(134)	(137)
Materials expense	(12)	(19)
BOD and employees salaries expense	(20)	(30)
Other expenses	(156)	(182)
Total expenses	(359)	(426)

During the first quarter with largest share of 43.59% of the expenses are Company's Other expenses. The reported decrease is a result of reported lower costs associated with repairs and construction activities. The core expenses in this item are for taxes and fees related to real estate, for hired services on property management and maintenance, bank charges and other administrative costs. Through the following reporting periods it is expected that the amount of this article will remain on this level.

In second place with a 37.32% share by the expenses are the Management fees. There is reduction of the remuneration of the managing company, as a result of the new management contract, according to which the remuneration of MNI Ltd. amounts to 1% annually of the net assets of the Company. It is expected that in the following reporting periods the amount of this expense will remain within the limits of the previous period.

With a share of 10.26% are the Interest expenses and include the paid and accrued interest on the loan of the Company. This item shows a decrease compared to the previous period due to the

decreasing principal on the loan of the Company. In the next reporting period, interest expense is expected to continue to decrease with the decrease in loan payables.

Expectations for the next reporting period are that expenses will keep the levels from the previous quarter. Deviations can be observed in the article Other expenses related to payments for the company's properties.

■ Financial result

During the first quarter of 2019, the Company realized a profit within the amount of EUR 570 as the main contributions to the reported result are the rental income and lower costs compared to the previous quarter. In the next reporting period, with the expected increase in rental income, the Company's profit is expected to show a slight increase.

Table 11 – Financial result by quarters

Financial Result	Q1 - 2019	Q4 - 2018
Revenues	929	2,216
Expences	(359)	(426)
Net profit/loss for the period	570	1,790

The accounting profit divided by the adjusted average number of shares during the period gives the earning per share (EPS) of EUR 0.016, which take into account the increase in the number of shares.

Results per share (EUR '000)	2019 **	2018	2017	2016
Earnings	570	3,281	2,742	2,147
Earnings per share (EPS)	0.016	0.095	0.136	0.107
Net asset value (NAV)	54,142	53,572	38,134	35,743
Adjusted common shares outstanding	34,642	34,642	20,150	20,150
NAV per share	1.563	1.546	1.893	1.774
Dividend per share	0.0509	0.0509	0.0174	0.0377
Share fair value*	1.614	1.597	1.910	1.812

* Fair value of share = NAV per share + Dividend per share

** The net value of assets for 2019 was based upon an unaudited report and for the period 2016-2018 in line with audited reports

The NAV per share, according to the unaudited statement of the Company, increased slightly from EUR 1.546 per share at the end of 2018 to EUR 1.563 per share at the end of the March 2019, the reported increase is a result of the realized profit during the past 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 Company is subject to such a risk, bearing in mind the investment properties in its property portfolio. Despite that the owned properties are well diversified in different segments and regions in Bulgaria and therefore they offer favorable conditions for a good return in the future.

Interest rate risk

As of the end of March 2019, considering the investment bank loan of the Fund, it is exposed to interest rate risk regarding possible changes in the interest rate levels. From 1 July 2018 Sofibor has been replaced with PRIME, which requires the Company to keep track of the expected changes to PRIME levels and if it is necessary to renegotiate the terms of the loan.

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 the moment it has enough free funds to finance its operations and, after the capital increase, has the necessary funds to implement its investment program.

Credit risk

The credit risk, or the risk arising from the opportunity that the Fund does not receive the financial assets in the agreed amount, is minimized by reaching financial relationships with various contractors with a high credit score. In order to secure its receivables under the operative lease agreements, the Company requires the tenants to provide a deposit or a bank guarantee. In addition, the receivables under the operating leasing are subject to continuous monitoring, as a result of which the exposure of the Company to non-collected receivables is minimized. The major credit risk to which the Company is exposed, related to the other financial assets (other than trade receivables), arises as a result of the deposits opened with the bank institutions.

Construction risk

Due to the start of a new project for the construction of an office building in Sofia 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 is also exposed to construction risk that may affect the profitability of BREF. In order to reduce the construction risk, the Company will retain a company specialized in project management and will use online platforms to organize the construction bids.

4 Share performance

In the first quarter of the year, the share price of Bulgarian Real Estate Fund REIT marks a slight increase of 2.16% in its stock price, as for most of the period the securities were traded in the range BGN 1.84 - 1.95. During the quarter a total of 342 deals were held with the company's shares on the Main Market of the Bulgarian Stock Exchange (BSE).

In the first quarter of 2019, after strong growth in recent years, the growth in the segment of exchange-traded companies with special investment purpose continued to slow down. In 2019, the stock index BGREIT, which monitors the sector's performance, grew by 0.3% to 116.27 points. In spite of their mixed stock market performance during the year, real estate investment companies (REIT's) continued to attract investor interest and remained one of the most traded on the BSE in the first quarter of 2019, both in terms of the number of deals and in terms of turnover.

Although the segment of SPVs ended the first quarter of 2019 with a positive result, the main stock index SOFIX finished the quarter with a decrease of 1.540% to 583.87.

Negative development was also observed in the volume of trade on the Bulgarian Stock Exchange. In the first quarter of 2019, the turnover of Regulated Market reached BGN 320.9 thousand, after 216 deals with 55 issues.

The main risk factors facing the Bulgarian economy and in particular public companies on the capital market are related to a potential slowdown in economic growth in Bulgaria and the EU – the country's main trading partner, as well as insufficient short- and long-term foreign investment in the country and in particular the BSE – Sofia.

Summarized trading details for the period 01.04.2018 - 31.03.2019:

- Opening Price – BGN 1.810 (03 April 2018)
- Closing Price – BGN 1.910 (29 March 2019)
- Highest Price – BGN 1.980 (20 August 2018.)
- Lowest Price – BGN 1.810 (03 April 2018)
- Total Trading Volume – 2,491,630 shares
- Turnover for the period – BGN 4,723,164 (EUR 2,414,915)
- Weighted average price – BGN 1.895
- Market Capitalization (31.03.2019) – BGN 66,166,077 (EUR 33,830,178)

**BREF Share Price Performance
(01.04.2018 - 31.03.2019)**

