

“Bulgarian Real Estate Fund”

Third Quarter Summary Report



30 October 2007

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1 Overview of the Fund

The Bulgarian Real Estate Fund /BREF/ is an open-ended a 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 mind the portfolio of BREF consist of 10 active projects spread all across various 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 (28.09.2007)	Shares Outstanding
Bulgarian Stock Exchange Sofia	BREF	EUR 71,705,619	60,450,000

2 Portfolio

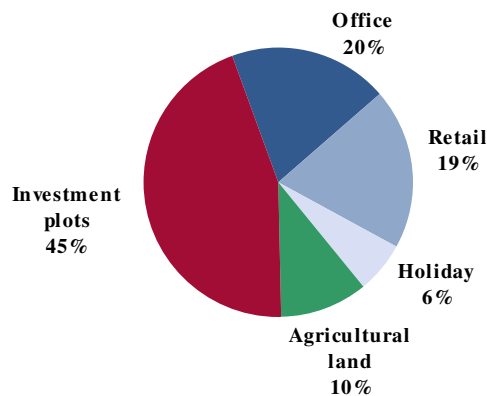
BREF contains numerous projects ranging in size, activity and geographical location. Our well diversified portfolio may provide some protection from the ups and downs of individual properties such as occupancy rates, defaults on rents, and downturns in industry sectors or local markets.

2.1 Portfolio Structure

In result of the high investment activity of the Fund, the project portfolio increases to EUR 52.9 million at the end of the third quarter from EUR 50.6 million at the end of the second quarter of 2007. Our latest project represents the acquisition of 40% of a five-floor apartment house consisting of 32 apartments and garages, located in the Borovetz resort, Samokov municipality, Sofia district area. The aim of the investment is to sell the purchased property during the coming winter season as separate holiday properties. Together with the latter acquisition in Borovetz, the investment projects managed and developed by the Fund add up to 10, all allocated in all main real estate market sectors.

Figure 1: Investment allocation in types of market sector

Investment allocation in type of market sector



The Fund's last quarter activity developed in two main directions: purchase of new properties and development of the current projects. The projects in the table below are segmented in accordance to their degree of completeness:

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

Project	Stage of the project	Size of project	Invested till 30.09.2007	Future investments
Completed projects				
"Mr. Bricolage" - sale and leaseback	operational management	10,172	10,172	0
Agricultural land	leasing in progress	5,624	5,386	239
Projects in progress				
Kambanite Business Centre	under construction	20,452	8,105	12,347
Office building - G.M. Dimitrov	under construction	7,823	2,217	5,606
Seaside Holiday Village	design approval pending	8,999	2,286	6,712
Apartment house "Sequoia2" - Borovetz	under construction	2,228	891	1,337
Pipeline projects				
Investment plots near Veliko Turnovo*	change of regulation	261	261	n.a
Investment plots near Vidin*	change of regulation	301	301	n.a
Investment plots in Sofia - Ring Road*	change of regulation	3,432	3,432	n.a
Investment plots in Sofia - Mladost IV*	change of regulation	19,877	19,877	n.a
Total		79,169	52,928	26,240

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

Two of the above-mentioned projects have already been completed and are currently operational. Although the Agricultural land project is still active, new investments are primarily made with the aim of re-grouping the currently owned land pieces. The next group consists of four projects in progress, which time period spreads from the design to final development of the future buildings. Kambanite Business Centre might also be considered as partially completed because the Fund already signed a preliminary contract for the sale of the retail areas. The rest of the projects in the table above are in stage of changing the regulation of the land. Their realization is envisaged in 2008.

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

Mr.Bricolage is a “sale and leaseback” project for two retail outlets of the French “Do-It-Yourself” retail chain Mr. Bricolage in Bulgaria. The stores are located in Sofia and Varna and are the two best performing assets of the retailer.

In February 2007, the two stores were certified for efficient energy use that will relieve the Fund from its obligation to pay property tax for a ten-year period, starting with 2008. The total rent amount for both buildings is EUR 90,147, which totals up to EUR 1,081,764 fixed revenue on a yearly basis for the next 10 years.

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	-

There were no delays from the tenant in terms of rent payment in the current term. The Fund has made payments for all due amounts for insurance and garbage tax of both stores during the quarter. No damages or break-downs were registered during this period.

2.3 Project – Agricultural land

As of September 2007, BREF has acquired over 36,610.84 dka of agricultural land, 355 dka of which were acquired in the third quarter of 2007. By adhering to the set rules to invest only in high-category land plots, the purchased land plots are situated predominantly in the Danube plain (northern Bulgaria). These are top agricultural locations in a wheat-growing area, known for the highly developed crop growing process and rich soils. The average size of the plots is about 10-12 decares and all of them are situated in close proximity to villages with deep tradition in agriculture. The total investment in this project until September 2007 is about EUR 5.38 million with an average price per dka of EUR 147.2.

As of September 2007, BREF has leased 20,323 decares to farmers, which makes up 55.51% of the total owned lands with an average lease price of EUR 6.67. The short-term aim of the project is to generate regular current income, by leasing the maximum amount of land plots to farmers for cultivation. As far as our long-term aim is concerned – the land is expected to appreciate in its value in the next five to seven years, so our initial investment is much likely to bring significant capital gains.

Project parameters:

Agricultural land	
Acquired area	36,610 dka
Investment	EUR 5.38 M
Acquisition price per dka	EUR 147.2
Leased area	20,323 dka
% of leased area	55.5%
Average annual rent per dka	EUR 6.67

During the last quarter, consistent with the strategy, the fund continued to purchase land with the aim to re-group the currently owned pieces. Apart from agricultural land acquisition, the Fund's management devoted resources towards leasing the land to farmers.

2.4 Project – Kambanite Business Centre

Kambanite Business Centre is a large-scale development project for construction of a mixed-use building, offering office and retail space.

The project is located at the foot of Vitosha Mountain, in the southern section of the Ring Road and is very close to Mladost IV residential area in Sofia. Its frontage is in the immediate proximity to Sofia's Ring Road and thus ensures quick and easy car accessibility through all main boulevards of the city. The area is a communicative and established office location in the outskirts of the capital.

The development of the project is progressing. Currently the second underground floor is under construction. The invested funds in this project were over EUR 8.1 million, at the end of September 2007. Only in this quarter the construction expenses were over EUR 628,000 expecting to increase in the future with the continuation of the construction works.

The inauguration of Kambanite Business Centre is scheduled for the end of 2008. Its projected cost, including the land plot, is estimated at EUR 20,452 million.

Project parameters:

Kambanite Business Centre	
Plot area:	8,796 sq.m
Total built-up area:	32,770 sq.m
Office space	16,772 sq.m
Retail and underground parking	15,928 sq.m
Total cost (land and construction)	EUR 20.452 M

In April 2007, BREF concluded a preliminary agreement for the sale at the stage of shell of KBC's retail part. The area of the retail part is 15,928 sq.m which comprises of showrooms and an underground parking. The negotiated sale price is EUR 11,150,000, payable in installments that are bound to the different construction stages of the building. The ownership on the property will be officially transferred after the completion of the shell construction not later than 1st April 2008, when the actual amount in the agreement is reported in the P&L statement.

2.5 Project – Office Building - G.M. Dimitrov

G.M.Dimitrov office building is a project for development of a modern class 'A' office building that will have two underground and ten aboveground floors.

The project is located relatively close to the city centre, between two main boulevards, providing quick access to Sofia downtown and Sofia International Airport. The site also enjoys great access to the public transport.

The actual construction of the building has started during the last quarter. The excavation works are completed and the foundations are laid. Towards the end of the last quarter the shell construction continues with the vertical elements of the first ground floor having been laid. The total construction costs until 30th September 2007 were about EUR 545,000.

Project parameters:

Office Building - G.M.Dimitrov	
Plot area	1,528 sq.m
Total built-up area	13,487 sq.m
Office space	9,876 sq.m
Retail space	640 sq.m

The invested funds in this project were EUR 2.21 million until September 2007. The building is expected to be tenant-ready by November 2008.

2.6 Project – Seaside Holiday Village

Seaside Holiday Village is a project for the development of a second-home type holiday village on the southern Black Sea coast. The complex will include 291 apartments with a selection of studio, 2-bedroom and 3-bedroom luxury apartments and one-family houses, all for sale. The wealth of the on-site facilities will include two spacious swimming pools, situated amidst professionally landscaped grounds, two restaurants, as well as retail and entertainment area.

BREF intends to sell the holiday properties "off-plan", which means that the Fund will begin to receive sale proceeds shortly after the construction starts.

Project parameters:

Seaside Holiday Village	
Plot area	28,758 sq.m
Total built-up area	17,963 sq.m
Total investment	EUR 8.9 M
Invested until June 2007	EUR 2.28 M

At the end of the third quarter of 2007 the Fund is still awaiting a preliminary design approval of the project from the local municipality. The total investment is projected to be EUR 8.9 million and the invested funds as per September 2007 were EUR 2.28 million.

2.7 Project – Apartment house “Sequoia 2” - Borovetz

At the end of September 2007 BREF acquired 40% of a luxury apartment house ‘Sequoia 2’ in Borovetz for the amount of EUR 0.89 million. The property is part of the Apartment complex "Sequoia Borovetz" and is situated in the oldest ski resort on the Balkan Peninsula - Borovetz. The resort itself is located 60 km south of Sofia and only 60 minutes away by car from the International Airport in Sofia. It offers great opportunities for winter and summer activities.

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 BOROVS project. The distance to the main road Borovetz-Plovdiv is only 30 meters.

The “Sequoia 2” building consists of 32 apartments situated on 5 floors and 9 garages. There is a great choice of apartments with a variety of rooms and sizes. Floorage varies between one bedroom, two bedroom, three bedroom and duplex apartments. The total built-up area of the apartment house is 3,527 sq.m.

Project parameters:

Apartment house "Sequoia 2" - Borovets	
Plot area	512 sq.m
Total built-up area	3,527 sq.m
Acquisition price per sq.m.	EUR 631 per sq.m
Invested until September 2007	EUR 0.89 M

The permission for use is expected to be granted at the end of 2007 along with the completion of the construction works. BREF intends to start selling the apartments immediately after they are ready to accommodate tenants.

2.8 Project – Investment plots near Veliko Turnovo

In 2006 BREF acquired a 203-decare, non-regulated land plots, through tender participation. The acquisition price was EUR 261,000 equalling to EUR 1.19 per sq.m. on average.

The properties are located near the town of Veliko Turnovo that is in the central part of northern Bulgaria. The District is a region with leading role as an industrial, transport-logistical, tourist, cultural and educational centre. The property is well-situated to take advantage of the strong growth prospects in the region.

The exclusive location of the land plots makes it quite suitable for development of hypermarket stores or warehouses. However, since the land plots are not regulated and their statute is “agricultural land”, any future development on them requires, first and foremost, the land regulation. That is why BREF has started the rezoning procedure, which is expected to be completed until the end of the year.

Project parameters:

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

Due to the “non-regulated” statute of the land plots, the Fund has already filed documents for the rezoning procedure. Any last period activity is solely tied to aiding the municipal administration with whatever needed to streamline the rezoning procedure.

2.9 Project – Investment plots near Vidin

In 2006 BREF won a tender for acquisition of an 86-decare non-regulated land plot, located near the city of Vidin. The acquisition price was EUR 301,000 or EUR 3.49 per sq.m., on average. Vidin is an important transportation centre in north-western Bulgaria. The city is bounded by the state borders - Danube River to the north and by Serbia state border to the west.

The land plot has a very strategic location. It is situated within 4 km from Vidin, on the road leading to the ferry port, which connects Western Europe with Bulgaria and Aegean Sea.

Project parameters:

Investment plots near Vidin	
Total plots' area	86,008 sq.m
Purchase price	EUR 0.3 M
Status	change of regulation

Similar to the investment land plots near Veliko Tarnovo project, the plot is not regulated and the Fund has already filed documents for the rezoning procedure. Any last period activity is again solely tied to aiding the municipal administration with whatever needed to streamline the rezoning procedure.

2.10 Project – Investment plots in Sofia – Ring Road

In the end of 2006 BREF acquired six neighbouring, not regulated land plots with total size of 17,237 sq.m., located in the outskirts of Sofia. The acquisition price was EUR 3.43 million equalling to EUR 199 per sq.m. on average.

The land plots are located right behind another BREF's property – Kambanite Business Centre site, near Sofia's Ring Road. 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 the land plots very suitable for development of a one-end residential complex, offering cosiness and high living standards.

Project parameters:

Investment plots in Sofia - Ring Road	
Total plots' area	17,237 sq.m
Purchase price	EUR 3.43 M
Status	change of regulation

Like the above described projects, the Fund has already started the rezoning procedure.

2.11 Project – Investment plots in Sofia - Mladost IV

In June 2007, BREF acquired 20 land plots with total area of 77,978 sq.m., located in Mladost IV residential area, Sofia. They are situated next to Business Park Sofia and most of them are neighbouring. The invested amount is EUR 19.87 million equalling to EUR 255 per sq.m.

The plots are well positioned for development of different projects – residential, administrative and hotels.

The Fund's land properties are situated on the southern section of Sofia's Ring Road in Mladost IV residential area, which is one of the largest residential districts in Sofia.

However, Mladost residential district, and in particular Mladost IV, is an area that has incurred the most intensive construction of real estate developments during the last several years, and many other projects are expected to take place in the next 2-3 years. Commercial Park Sofia will comprise a large shopping mall and, very likely, the first IKEA store in Bulgaria. Because of all these real estate developments, the area is becoming a new landmark in Sofia.

In September 2007, the Fund has acquired an additional land property nearby the other 20 land plots with a size of 1,275 sq.m., thus increasing the total amount of owned plots to 79,253 sq.m.

Project parameters:

Investment plots in Sofia - Mladost IV	
Total plots' area	79,253 sq.m
Purchase price	EUR 19.88 M
Status	change of regulation

BREF intentions to buy additional properties close-by aiming to form larger land plots for construction. In the near future, the Fund faces the regulation renewal procedure of the properties according to the latest structure plan of Sofia and development of preliminary project for their build-up.

3 Financial Highlights Q3 / 2007.

3.1 Summarized Financial Statements

During the last quarter the board of BREF took decision to change the accounting policy and perform asset revaluations on a quarterly basis, instead of annual one. This is the main reason for the reported changes in the financial result of the quarter under review. This new accounting policy will be used in the future and will respectively have an effect on the financial statements.

The following financial statements are created in full compliance with the Financial Supervision Commission standards and resemble the audited 2006 annual financial statements.

Table 2 – Balance sheet until 30th September 2007.

(All amounts in EUR '000)	30.09.2007	30.06.2007	31.12.2006
ASSETS			
Non-current Assets			
Investment and development properties	54,388	48,911	28,976
Property acquisition costs	3,997	2,303	490
Available for sale investments	15	15	15
Intangible assets	1	1	2
Furniture and fixtures	9	6	6
Total Non-current Assets	58,410	51,236	29,489
Current Assets			
Accounts receivable	156	139	46
Tax receivables	727	99	909
Prepayments	248	167	670
Other current assets	52	2	
Cash and cash equivalents	10,622	13,595	14,310
Deferred expenses	89	99	63
Total Current Assets	11,895	14,101	15,998
TOTAL ASSETS	70,305	65,337	45,487
EQUITY AND LIABILITIES			
Equity			
Share capital	30,908	30,908	30,908
Share premium	5,013	5,013	5,013
Retained earnings	6,429	2,346	2,092
Total equity	42,349	38,266	38,012
Non-current liabilities			
Interest bearing loan	24,645	24,796	6,987
Derivative financial instrument		10	10
Total Non-current liabilities	24,645	24,806	6,997
Current liabilities			
Current debt and accrued interest	1,072	7	3
Current part of non-current liabilities	459	304	
Payables to management company	204	372	142
Accounts payable	0	0	91
Property sale prepayments received	1,115	1,115	
Salaries payable	2	4	
Provisions for dividends due	227	227	227
Other liabilities	232	238	15
Total Current liabilities	3,310	2,266	478
Total liabilities	27,955	27,071	7,475
TOTAL EQUITY AND LIABILITIES	70,305	65,337	45,487

Table 3 – P&L statement for the 2nd and 3rd quarter and with capitalization from the start of 2007.

(All amounts in EUR '000)	Q3 - 2007	Q2 - 2007	Capitalised 01- 09mth / 2007
Rental income	303	306	915
Income from sale of assets		30	2,140
Net gains from fair value adjustments	4,404		4,404
Revenue from interest and other financial revenues	142	126	377
Total Revenue	4,849	462	7,836
Interest expense	(416)	(118)	(627)
Materials and external services expense	(327)	(268)	(1,042)
BOD and employees salaries expense	(5)	(5)	(14)
Value of sold assets		(23)	(1,756)
Depreciation expense	(1)		(1)
Other expenses	(17)	(26)	(59)
Total expenses	(766)	(439)	(3,499)
Profit/(loss) for the period	4,083	22	4,337
Weighted average number of shares in the quarter (in thousands)	60,450	60,450	60,450
Earnings per share - basic and dilluted	0.068	0.0004	0.072

3.2 Liquidity

The investment activities realized until September 2007 continued to affect the liquidity of the Fund thus bringing it to a normal level, which affirms the adequate utilization of funds. Although the reported liquidity is well down in comparison with the high values from the beginning of the year, the Fund maintains a stable level of liquidity which guarantees the normal realization of the set investment program. During quarter under review BREF continues to invest resources in the two office buildings in progress located in Sofia. Apart from the construction the Fund finalized the acquisition of 40% of a luxury apartment house in Borovetz. The acquisition was financed with an investment loan from Bulgarian Post Bank amounting to EUR 1 million. In the next periods the liquidity of BREF will depend on the proportion of the received funds from the sale of the retail areas in Kampanite Business Centre and the payments made for the construction of the two office buildings in Sofia. Additional sources of liquidity will derive from the VAT Tax return at the year's end and future proceeds from the sale of apartments of the building in Borovetz resort.

Table 4 – Liquidity ratios until 30th September 2007.

Liquidity Ratios	30.09.2007	30.06.2007	31.12.2006
Current ratio	3.59	6.22	37.00
Quick ratio	3.57	6.18	33.37
Cash ratio	3.21	6.00	29.97

■ Internal sources of liquidity

BREF has at its disposal significant in terms of size internal sources of liquidity. A detailed breakdown and analysis can be seen in the table below and the following paragraphs.

Table 5 – Sources of liquidity until 30th September 2007.

Liquidity sources	thousand EUR
Current Assets	
Accounts receivable from clients and suppliers	156
Value added tax receivable	727
Prepayments	248
Other current assets	52
Cash and cash equivalents	10,622
Deferred expenses	89
Total Current Assets	11,895
Current liabilities	
Current debt and accrued interest	1,072
Payables to management company	204
Current part of non-current liabilities	459
Property sale prepayments received	1,115
Provisions for dividends due	227
Other liabilities	234
TOTAL CURRENT LIABILITIES	3,310

○ Short-term (current) assets

The largest share, around 89% of the short-term assets represent the cash and cash equivalents available in the bank accounts of the Fund. The source of these funds is the equity of the Fund, the received prepayments of property sold and the received loans from Bulgarian Post Bank amounting to EUR 26 million.

Another large source of liquidity is the VAT Tax return. The VAT amounts on the construction payments of the two office buildings during the quarter, which will be re-collected after the tax audit from the NRA, are also part of this amount.

The calculated revenues from the leased agricultural land lie ahead in the form of accounts receivable from clients and suppliers for the ending 2006/2007 agricultural year. The prepayments mainly constitute of the made payments for the construction of the two office buildings in Sofia during the third quarter.

The management of BREF expects the sum of the current assets to drop down in parallel with the realization of the envisaged investment plans of the Fund in the coming months.

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

The highest share or 33.7% of the current liabilities at the end of September 2007 take the received prepayments of the sale at the stage of shell of the retail areas of the Kambanite Business Centre project. The received prepayments will increase after each future payment from the side of the buyer. According to the reporting methodology of these types of sales, the amount will be reported as a liability of the Fund until the complete transfer of the property to its new owner. After that moment, the amount will be shown in the P&L statement and will be subtracted from the total liabilities.

Another large sum, EUR 1,072,000, is the liability of the Fund on the obtained short-term loan for the purchase of the apartment building in Borovetz and the accrued interest on all investment loans obtained by BREF.

The current liabilities of the principal payments of the long-term loans received from Bulgarian Post Bank continue the upward trend and will keep the same direction in the future with the expiration of the grace period of the .The current part of non-current liabilities is EUR 459,000 at the end of September 2007.

The other constant large unit in the liabilities side is the Payables to the management company which amount to EUR 204,000. In its larger part this sum represents the liabilities tied to expenses with the realization of the investment projects of the Fund and in more specifics the construction of the Kambanite Business Centre and the office building on "G.M. Dimitrov" blvd.

The amount of EUR 227,000, which the Board of BREF took decision to distribute to the shareholders, still takes part of the liabilities. The dividend will be distributed until the end of the year, which will decrease the current liabilities.

- **External sources of liquidity**

The external sources of liquidity are the common stock and the three bank loans, which are thoroughly explained in point 3.3 of the Capital resources.

Considering the additional external financing obtained in June and September, BREF has a significant financial resource, which is expected to fully cover this year's liquidity needs. In case that projection changes, the Fund has full readiness to obtain the necessary financing either through a capital raise or through external financing from local and foreign bank institutions.

3.3 Capital resources

The capital structure of the Fund, equity and borrowed capital, reaches EUR 68,453 thousand which is an uplift of 8% in comparison to the previous quarter where this amount was EUR 63,376 thousand, deriving mainly from the new loan obtained from Bulgarian Post Bank and the significant appreciation of the assets. The equity amount still represents a larger share of the capital structure, which pre-determines the stability of the Fund and the ability to easily obtain additional external financing. On the other hand the slightly larger share of liabilities gives basis for a larger leverage, which results in better return on equity. During the period under review BREF improves its debt-to-equity ratio to 84:100 compared to 80:100 in the

second quarter of 2007. This indicates that the Fund delivers a higher return on the borrowed capital exceeding its cost. The allocation between equity and external financing is shown below.

Figure 2: Allocation between equity and external financing

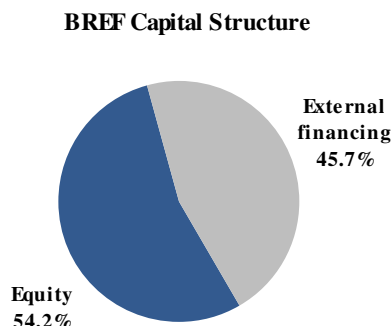


Table 4 – Leverage ratios

Leverage ratios	till 30.09.07	till 30.06.07	till 31.12.2006
Debt-to-Equity	0.84	0.80	0.23
Non-Current Assets-to-Equity ratio	1.38	1.34	0.73
Debt-to-Asset ratio	0.40	0.41	0.16

■ Equity

During the third quarter of 2007, the equity of the Fund marks its largest increase in comparison to the beginning of the year. This change is mainly coming from the assets appreciation which positively affects the financial result for the quarter. As you can see from the table below the Total Equity makes an 11,4% uplift from the beginning of the year in result of the increased retained earnings.

Table 5 – Total Equity until September 2007

Equity (in thousands)	30.09.2007	30.06.2007	31.12.2006
Share capital	30,908	30,908	30,908
Share premium	5,013	5,013	5,013
Retained earnings	6,429	2,346	2,092
Total equity	42,349	38,266	38,012

■ External financing

The Fund obtained two loans from Bulgarian Post Bank during the last quarter in order to finance its investment activity, one of which was acquired with the aim to take part in the auction for a property in Plovdiv. Later the auction was won by another contestant and BREF paid off the entire loan amount during the period under review. The second loan as already mentioned in this document was obtained to finance the acquisition of 40% of the apartment house in Borovetz. It has a 2-month term, after which it will be replaced with a new long-term loan. The details of the loan are as follows:

- Loan amount – EUR 1,000,000
- Interest – 3M EURIBOR + 1.65%
- Maturity – 30th November 2007
- Collateral – properties of the Fund

Bearing in mind the latter loans, the Total External financing add up to EUR 26.1 million until September 2007 registering a raise of 4% when compared second quarter data of EUR 25.1

million. The Total External financing allows the Fund to keep a higher leverage and in the same time remain eligible beneficiary for future external financing.

■ **Capital expenses during the next periods under review**

The investment strategy of the Fund is entirely directed towards realization of the current projects in the short-term, so a large part of the funds are to be invested in the two office buildings in Sofia located on the ring road and G.M. Dimitrov blvd. According to our projections the expected expenses of these two projects for 2007 and 2008 are between EUR 19 – 20 million.

The Fund envisages utilizing its current capital resources and if there is a necessity to realize a new capital raise or use loan financing for the forthcoming investment projects in 2007 and 2008. We do expect that with the projects progress and the subsequent increase of the assets, the amount of the liabilities will go up to reach the optimal ratio between equity and liabilities. Our expectations are also in the direction that the cost of liabilities will decrease as the time passes.

3.4 Assets structure

The Fund's assets increase with EUR 4,967 thousand (7,6%) and reach EUR 70,305 thousand at 30th September 2007. The basis of this favorable increase is a result of the asset revaluations made at the end of the period under review.

Table 6 – Asset structure

Asset structure (thousand EUR)	30.09.2007	% share	30.06.2007	% share
Non-current assets incl.	58,410	83%	51,236	78%
- total property	58,385	83%	51,214	78%
Current assets incl.	11,895	17%	14,101	22%
- prepayments	248	0.4%	167	0.3%
- cash and cash equivalents	10,622	15%	13,595	21%
TOTAL ASSETS	70,305	100%	65,337	100%

The Non-current assets continue to increase as a share of the Total Assets in comparison with the Current assets, from EUR 51,236 thousand (78%) in the second quarter to EUR 58,410 thousand (83%) in the third quarter. Completely in line with the projections the share of the Current assets decreases mainly due the decline of the cash and cash equivalents with EUR 2,973 thousand invested in current projects under construction actively managed by BREF.

The management envisages the amount and the share of the total property to go up as part of Total Assets during the next periods.

3.5 Financial Results

BREF's main activities during the third quarter were the construction of the two office buildings in Sofia, the management of the already leased properties and the purchase of new ones. Compared to the last quarter the Profit is significantly higher mostly in result of the revaluations of the Fund assets.

■ **Revenue from operations**

During the period under review the Total Revenues amount to EUR 4,849 thousand.

Table 7 – Realized revenues during the 2nd and 3rd quarter and with capitalization from the beginning of 2007.

BREF Revenue (in thousand EUR)	Q3 / 2007	Q2 / 2007	Capitalised from year start
Rental revenue	303	306	915
Income from sale of assets	0	30	2,140
Net gains from fair value adjustments	4,404	0	4,404
Revenue from interest and other financial revenues	142	126	377
Total revenue	4,849	462	7,836

The total revenues from the beginning of the year add up to EUR 7,836 thousand which significantly exceeds the management projections. During the period under review, the revenues are mainly constituted of net gains from fair value adjustments in the amount of EUR 4,404 thousand. The second place in the revenues structure is taken by the rental revenues from the two Mr. Bricolage retail stores and revenues from the leased agricultural land. The amount of these revenues keeps a relatively fixed rate which is expected to be similar in the future.

Revenues from interest and other financial operations deriving from the large amounts in bank deposits are also an essential part of the revenues during this quarter and increases with 13% from EUR 126 thousand to EUR 142 thousand. We expect a future down turn in the interest revenues due the decrease of the free cash resources from the active investment strategy of BREF.

■ Expenses from operations

In parallel with the revenues, the expenses increase on the basis of the higher amounts of interest on the loans obtained by the Fund.

Table 8 – Realized expenses for the 2nd and 3rd quarter of 2007 and with capitalization from the beginning of 2007.

BREF Expenses (in thousand EUR)	Q3 / 2007	Q2 / 2007	Capitalised from year start
Interest expense	(416)	(118)	(627)
Materials and external services expense	(327)	(268)	(1,042)
BOD and employees salaries expense	(5)	(5)	(14)
Value of sold assets	0	(23)	(1,756)
Depreciation expense	(1)	0	(1)
Other expenses	(17)	(26)	(59)
Total expenses	(766)	(439)	(3,499)

As you can see from the table above interest expenses due by the Fund represent the main portion of the Total expenses. The amount marks a significant uplift, EUR 298,000 thousand or over 2.5 times, resulting from the increase of the externally acquired funds at the end of the 2nd quarter. Bearing in mind the newly obtained loans, BREF's management expects this amount to continue the upward trend but with a slower rate in the future.

Despite the slow rate, materials and external services expenses are also up. In their most part they represent rewards for the Management Company and expenses directly tied to the investment activity of the Fund. The expectations for these expenses are to remain relatively unchanged for the next period under review.

However the total expenses for the next periods will continue to increase in result of the current interest and investment expenses.

■ Financial result

The large profit shown in the P&L statement of the Fund almost entirely constitutes of the asset revaluations made during the third quarter of 2007. With a main contribution from the sale of property made in the first quarter and the asset revaluations, the capitalized Total Profit from the beginning of the year amounts to EUR 4,337 thousand.

Table 9 – Financial result for the 2nd and 3rd quarter and with capitalization from the beginning of 2007.

Financial Result	Q3 / 2007	Q2 / 2007	Capitalised from year start
Revenues	4,849	462	7,836
Expences	(766)	(439)	(3,499)
Profit for the period	4,083	22	4,337

The Fund's management expects the profit for the next periods to be similar to the one in the second quarter until the profit of the Kambanite Business Centre is actually recognized and the sale of apartments from the Apartment building in Borovetz realized.

■ Financial results per share

The NAV per share continues its strong performance and reaches EUR 0.73 per share up with 16% from EUR 0.63 in the last period under review. Earnings per share follow the same trend in a much faster pace to reach EUR 0.068 per share at the end of September 2007. The uplift in the NAV per share is due to the progressing construction works of the two office buildings and the resulting gains from asset revaluations.

All these figures set completely realistic expectations of much higher distributable profit in the next year and strongly affirm the management projections to distribute progressing dividends.

Table 10 – Financial results per share

Results per share (EUR)	Q3 / 2007	Q2 / 2007
Earnings ('000)	4,083	22
Earnings per share	0.068	0.0004
NAV ('000)	44,269	38,266
NAV per share	0.730	0.629

■ Potential risks in the next quarter

The principal risks which affect the main activity of BREF are thoroughly discussed in the 2006 Annual Report. Some of the more current risks that might be outlined are delays in payments from land lease lords and suppliers which will accelerate accounts receivable build up and negatively affect the liquidity of the Fund. A slow sale of the apartments in the apartment house in Borovetz might also be considered a potential risk as the faster this task is completed the less interest payments it will bear, immediately translating into a lower overall cost and higher profit margin. However BREF's management has adequately pointed out those risks and has taken certain measures to completely minimize and even remove each one of them. In connection to accounts receivable build-up The Fund conducts a strict collection policy which remains successful so far. Similar actions are taken in regard to the apartments sale in the complex building in Borovetz where BREF already started procedure of real estate sales agencies nomination.

4 Share performance

Currently BREF has 60,450,000 shares which are traded on the unofficial segment of the Bulgarian Stock Exchange. The high trading volume for the period and leading position among REITs in terms of market capitalization are as a result of the continuing strongly positive investor attitude towards BREF and the booming recent trends on the Bulgarian stock market. The strong market performance led to reaching the highest share price of BGN 2.50 and higher weighted average price of BGN 1.54 per share at the end of September 2007 in comparison with BGN 1.46 in the middle of 2007.

Summarized trading details for the period 2nd October 2006 – 30th September 2007:

- Opening Price – BGN 1.40 (02 October 2006)
- Closing Price – BGN 2.32 (28 September 2007)
- Highest Price – BGN 2.50 (26 September 2007)
- Lowest Price – BGN 1.32 (10 January 2007)
- Total Trading Volume – 14,713,171 shares
- Turnover for the period – EUR 11,558,822
- Weighted average price – BGN 1.54
- Market Capitalisation (28.09.2007) – EUR 71,705,619

Figure 3 – Financial results per share

