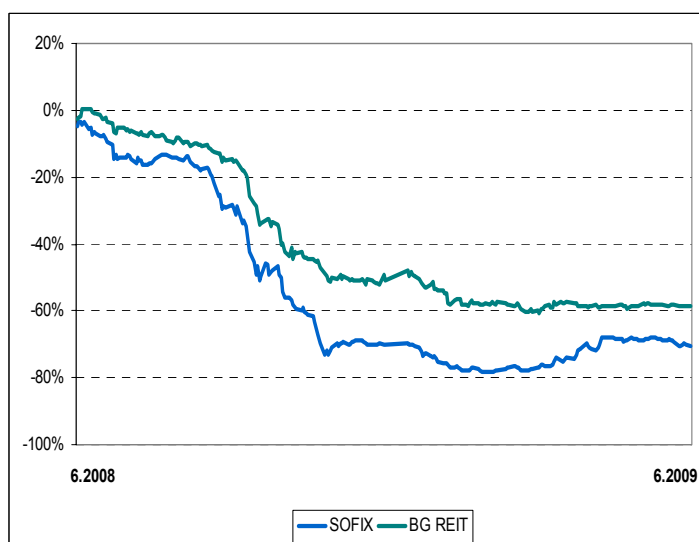


## Executive Summary



↳ The persisting problems in the real estate segment and the uncertainty about the consequences of the global crisis for the Bulgarian economy had a negative impact on REIT shares. BG REIT, the specialized index of the Bulgarian Stock Exchange - Sofia (BSE) for companies investing in real estate was the worst performer of all official BSE indices after the release of Q1 2009 interim financial statements. REIT shares were slightly affected by the positive market tendency that began in March.

↳ Institutional investors led by QVT Fund and Allianz Bulgaria took control of Elana ALOF after the last capital increase. Later the company was renamed to Elarg ALOF and shareholders replaced the company which manages Elarg's properties.

↳ Orco Property Group, the Luxemburg-based investment company with a real estate portfolio of EUR 2.2bn in Central Europe, filed for a court protection from creditors and announced an accelerated strategic restructuring plan.

Index	Value 23.06.2008	Value 23.06.2009	Change Y/Y
SOFIX	350.37	1135.82	-69.15%
BG 40	100.45	306.46	-67.22%
BG TR 30	262.76	770.02	-65.88%
BG REIT	39.75	93.12	-57.31%

## BG REIT : Components

Company	Price BGN 23.06.2008	Price BGN 23.06.2009	Change
AGROF(6AG)	1.30	0.85	-34.62%
ATERA (6A6)	1.90	0.97	-48.95%
AKTIV (5AX)	1.59	0.45	-71.70%
BMREIT(6BMA)	1.73	0.45	-73.99%
LAND (5BD)	1.25	0.43	-65.60%
ELARG(4EC)	2.23	0.70	-68.61%
EXPRO(5EX)	1.42	0.79	-44.37%
ICPD (4IC)	8.27	4.75	-42.56%
PARK (4PK)	1.09	0.62	-43.12%
FPP (6F3)	1.36	0.38	-72.06%
ALOFMI (6A7)	1.38	0.70	-49.28%
BREF (5BU)	1.68	0.79	-52.98%

↳ April 30 was the deadline for public companies to release their financial statements for Q1, and May 30 was the deadline for the unconsolidated reports. Intercapital Property Development (ICPD) and Aktiv Properties were the only BG REIT components which released consolidated financial results. According to the Bulgarian legislation, REITs may invest up to 10% of their capital in a servicing company.

↳ ICPD will distribute dividend per share of BGN 1.1562, BREF – BGN 0.479, FairPlay Properties – BGN 0.13, Bulland Investments – BGN 0.012 and Aktiv Properties – BGN 0.006.

## Prices and Market Capitalization

**The total market cap of BG REIT components fell by further 48.4% y/y**

Since 23 June 2008 the market capitalization of BG REIT components plunged by 48.4%. For the same period the total capitalization of BSE-Sofia fell by 51.56%. In the first half of 2009 REIT share prices remained at their lowest levels despite the positive momentum on BSE and world markets that began in March. For the period 23 December 2008 – 23 June 2009 SOFIX was down by 2.31%, BG 40 by 6.83% and BG TR 30 by 3.69%. The main loser for this period was BG REIT with a decline of 18.09%. Investor's reluctance and apathetic attitude to REIT shares led to further declines of market capitalization. There were no capital increases in the first six months of 2009.

Advance Terrafund and BREF are still the largest REITs in view of market cap, followed by Elarg (previously named Elana ALOF). FairPlay Properties lost its third position due to the steep price decline in the current quarter.

## Prices and Market Capitalization

Company	Prices 23.06.2008	Market Cap. (BGN'000) 23.06.2008	Prices 23.06.2009	Market Cap. (BGN'000) 23.06.2009
Advance Terrafund	1.90	83 706	0.97	82 557
Bulgaria Real Estate Fund	1.68	101 556	0.79	47 756
Elarg Agricultural Land Opportunity Fund	2.23	133 167	0.70	41 801
Agro Finance	1.30	20 979	0.85	27 387
Intercapital Property Development	8.27	39 894	4.75	22 914
FairPlay Properties	1.36	75 922	0.38	21 214
Agricultural Land Opportunity Fund Mel Invest	1.38	19 381	0.70	19 573
Benchmark Real Estate Fund	1.73	40 473	0.45	10 528
Aktiv Properties	1.59	31 368	0.45	8 878
Exclusive Property Park	1.42	11 357	0.79	7 467
Bulland Investment	1.09	10 595	0.62	6 026
	1.25	16 273	0.43	5 598

## BG REIT: Assets

### In Q1 Advance Terrafund is still the largest REIT in terms of assets

In the end of 2008 most REITs made negative revaluations and some companies disposed of significant assets under management. So far in 2009 no BG REIT component has reported revaluation of assets. In Q3 2009 Advance Terrafund is still the largest REIT in view of assets, but BREF and Elarg fell behind FairPlay Properties. The main reason for the decline of BREF's assets was the investment properties, which were BGN 5.8mn lower than in the end of 2008. Elarg's assets remained almost unchanged in Q1. Despite the slightly lower total assets of FairPlay Properties the company is now the second largest BG REIT component.

## BG REIT: Assets

Company	Assets(BGN'000) 31.03.2008	Assets (BGN'000) 31.12.2008	Assets(BGN'000) 31.03.2009	% Change Y/Y
Advance Terrafund	94 522	162 870	162 374	71.78%
FairPlay Properties	112 314	137 086	136 455	21.49%
Bulgaria Real Estate Fund	179 040	138 753	129 859	-27.47%
Elarg Agricultural Land Opportunity Fund	150 124	91 868	92 054	-38.68%
Benchmark Real Estate Fund	47 133	60 653	65 195	38.32%
Intercapital Property Development	64 646	62 095	61 858	-4.31%
Agro Finance	26 319	50 854	50 772	92.91%
Agricultural Land Opportunity Fund Mel Invest	16 002	32 993	33 207	107.52%
Aktiv Properties	36 455	31 340	31 323	-14.08%
Bulland Investment REIT	16 511	17 250	17 353	5.10%
Park	16 435	16 938	16 871	2.65%
Exclusive Property	22 573	14 349	14 674	-34.99%

## BG REIT: Net profit and book value

### FairPlay Properties has the lowest P/E and P/B multiples

Six BG REIT components reported net loss for the last 12 months. After the release of Q1 results, FairPlay Properties has the lowest P/E ratio: 1.71. On the opposite side is Intercapital Property Development (ICPD) with P/E of 5.17. The calculations are made on LTM (Last Twelve Month) basis. Adjusted net profit of ICPD and Aktiv Properties are calculated from their consolidated financial statements.

On 23 June 2009 ICPD was the only index component that traded above book value. The most undervalued companies according to the P/B ratio were Aktiv Properties, FairPlay Properties and Benchmark REF, all of them with ratios in the 0.27 – 0.28 range.

## BG REIT: Net profit and book value

Company	EPS (LTM adjusted)	P/E 23.06.2009	Book value 31.03.2009	P/B 23.06.2009
Intercapital Property Development	0.92	5.17	3.83	1.24
Exclusive Property	-	-	1.19	0.67
Agro Finance	0.17	4.96	1.36	0.62
Agricultural Land Opportunity Fund Mel Invest	0.06	12.29	1.17	0.60
Advance Terrafund	-	-	1.89	0.51
Bulgaria Real Estate Fund	0.20	3.95	1.55	0.51
Elarg Agricultural Land Opportunity Fund	-	-	1.68	0.42
Park	-	-	1.67	0.37
Bulland Investment	0.06	6.95	1.29	0.33
Benchmark Real Estate Fund	-	-	1.63	0.28
FairPlay Properties	0.22	1.71	1.41	0.27
Aktiv Properties	-	-	1.67	0.27

## BG REIT: Solvency

### Park and Bulland Investments did not reported bank loans

ICPD kept its aggressive capital structure and preserved its relatively high return on equity. FairPlay Properties also reported relatively high return on equity, but it was accomplished with moderate debt levels.

Agro Finance was the company with the highest interest coverage ratio. The lower the ratio, the more the company is burdened by debt expense. If a company's interest coverage ratio is below 1.5, its ability to satisfy interest expenses may be questionable. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to meet interest expenses. Park and Bulland Investments did not report bank loans and therefore interest expenses in their financial statements. ALOFMI reported bond obligation, but no interest expenses were included in the income statements for the last twelve months. If the negative results of Benchmark REF and Exclusive Property persist, these companies will be significantly burdened by interest expenses.

## BG REIT: Solvency

Company	Debt-to-equity	Financial leverage	Interest coverage	ROE
Intercapital Property Development	2.42	3.42	2.98	23.96%
FairPlay Properties	0.59	1.59	5.54	15.81%
Bulgaria Real Estate Fund	0.65	1.65	4.85	12.94%
Agro Finance	0.17	1.17	12.65	12.59%
Agricultural Land Opportunity Fund Mel Invest	0.00	1.00	n/a	4.87%
Bulland Investment	0.01	1.01	n/a	4.79%
Advance Terrafund	0.05	1.05	3.84	-
Park	0.03	1.03	n/a	-
Elarg Agricultural Land Opportunity Fund	0.21	1.21	4.10	-
Aktiv Properties	0.03	1.03	9.11	-
Benchmark Real Estate Fund	0.47	1.47	-	-
Exclusive Property	0.80	1.80	-	-

## BG REIT: ROE – DuPont Decomposition

### Agro Finance has the highest net profit margin

We use the original DuPont decomposition of ROE because in our opinion the extended version is not appropriate for Bulgarian REITs since they are exempt from corporate tax and therefore the tax burden ratio (the first component of the extended DuPont decomposition) is irrelevant. Net income and sales are adjusted on LTM basis. There is a distortion in the sales figures because some companies include revaluation in the calculation of total sales, but due to the negative developments of the real estate market in 2008 many companies reported negative revaluation. Assets turnover ratio is important mainly for those BG REIT components which are active in development and sale of properties. Agro Finance is the company with the highest net profit margin, but its line of business as an agricultural REIT is the reason for the lower assets turnover ratio. The diversified REIT BREF has the highest asset turnover ratio, which combined with a high profit margin and moderate financial leverage leads to relatively high return on equity.

## BG REIT: ROE – DuPont Decomposition

Company	Net income/Sales (net profit margin)	Sales/Assets (assets turnover)	Assets/Equity (financial leverage)	ROE
Intercapital Property Development	16.69%	0.42	3.42	23.96%
FairPlay Properties	36.28%	0.27	1.59	15.81%
Bulgaria Real Estate Fund	12.70%	0.62	1.65	12.94%
Agro Finance	72.06%	0.15	1.17	12.59%
Agricultural Land Opportunity Fund Mel Invest	42.84%	0.11	1.00	4.87%
Bulland Investment	0.00%	0.00	1.01	4.79%
Advance Terrafund Park	-	0.02	1.05	-
Elarg Agricultural Land Opportunity Fund	-	0.16	1.21	-
Aktiv Properties	-	0.03	1.03	-
Benchmark Real Estate Fund	-	0.01	1.47	-
Exclusive Property	-	0.00	1.80	-

## Performance of Bulgarian and foreign REITs in Q1

**The Austrian RE index fell by 61.11% y/y**

The Bulgarian specialized index BG REIT was outperformed by its peers in Germany, Turkey and the USA, which lost 36.28%, 9.55% and 51.89% respectively. The Austrian benchmark was the worst performer for the last year, losing 61.11%.

Index	23.06.2008	23.06.2009	% Change Y/Y
RX Reit Index (Germany)	494.7	776.36	-36.28%
Immobilien - ATX	85.43	219.65	-61.11%
ISE REITS	19 921.00	22 024.20	-9.55%
MSCI US REIT Index	408.37	848.75	-51.89%
BG REIT	39.75	93.12	-57.31%

Orco Property Group, which filed for protection from creditor's claims, announced a loss of EUR 390.56mn for the full year 2008 after a previous profit of EUR 87.51mn.

Atrium European Real Estate Limited reported a pretax loss of EUR 260mn in Q1 against a profit of EUR 5mn in the same period of 2008. The cash flow fell to EUR 16mn from EUR 2mn due to high interest expenses. For the same period CA Immobilien Anlagen AG reported loss before tax of EUR 51.8mn compared to earnings before tax of EUR 10.9mn a year ago.

Immoeast Immobilien Anlagen AG, another company with solid investments in the SEE region reported loss of EUR 1.405bn and announced that it exited its partnership with Austria's S+B Gruppe regarding their common projects in Romania, Poland, and Czech Republic.

## Performance of Bulgarian and foreign REITs in Q1

Company	Prices (BGN) 23.06.'08	Prices (BGN) 23.06.'09	Price change 23.06.'08/ 23.06.'09	P/B 23.06.'09	ROA Q1 2009
Agro Finance /6AG/	1.30	0.85	-34.62%	0.62	12.59%
Advance Terrafund /6A6/	1.90	0.97	-48.95%	0.51	-
Aktive Properties /5AX/	1.59	0.45	-71.70%	0.27	-
Benchmark Real Estate Fund /6BMA/	1.73	0.45	-73.99%	0.28	-
Bulland Investment /5BD/	1.25	0.43	-65.60%	0.33	4.79%
Elarg Agricultural Land Opportunity Fund /4EC/	2.23	0.70	-68.61%	0.42	-
Exclusive Property /5EX/	1.42	0.79	-44.37%	0.67	-
Intercapital Property Development /4IC/	8.27	4.75	-42.56%	1.24	23.96%
Park REIT /4PK/	1.09	0.62	-43.12%	0.37	-
FairPlay Properties /6F3/	1.36	0.38	-72.06%	0.27	15.81%
Agricultural Land Opportunity Fund Mel Invest /6A7/	1.38	0.70	-49.28%	0.60	4.87%
Bulgaria Real Estate Fund /5BU/	1.68	0.79	-52.98%	0.51	12.94%

Company	Prices (EUR) 23.06.'08	Prices (EUR) 23.06.'09	Price change 23.06.'08/ 23.06.'09	P/B 23.06.'09	ROA Q1 2009
Atrium European RE	6.34	2.81	-55.68%	0.30	0.71%
Immoeast(2008)	5.96	1.71	-71.31%	0.30	-
ORCO Property Group	37.25	6.09	-83.65%	0.20	-
CA Immo	13.00	5.65	-56.54%	0.30	1.25%

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