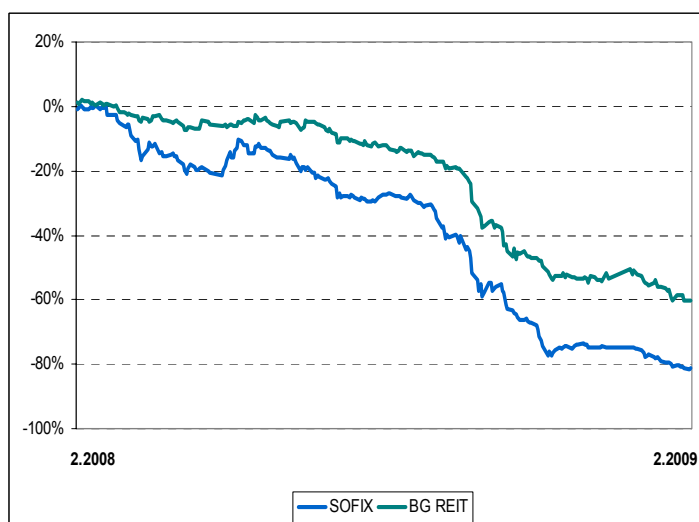


## Executive Summary



↪ Total market capitalization of the Bulgarian Stock Exchange - Sofia (BSE) declined by 53% for the period February 10, 2008 – February 10, 2009. The official index SOFIX lost almost 82%, and the broad BG40 was 78% down. For the same period the specialized index for companies investing in real estate BG REIT fell by 60%. The negative performance of BG REIT reflected the overall decline of the stock market and the problems in the real estate segment.

↪ As a result of the negative market trend in 2008 and the beginning of 2009 on February 10 most BG REIT components traded below their book value.

Index	Value 10.02.2008	Value 10.02.2009	Change Y/Y
SOFIX	1422.35	263.84	-81.45%
BG 40	405.60	88.40	-78.21%
BG TR 30	924.89	189.47	-79.51%
BG REIT	101.10	40.10	-60.34%

↪ In the end of 2008 the pressure of the global economic slowdown on the real estate market in Europe and Bulgaria intensified. The declining demand and tough credit conditions led to delay or cancellation of many new projects.

↪ January 31 was the deadline for public companies to release their unconsolidated Financial statements for Q4. Only half of the BG REIT components reported positive results for the period

### BG REIT : Components

Company	Price BGN 10.02.2008	Price BGN 10.02.2009	Change
AGROF(6AG)	1.260	0.750	-40.48%
ATERA (6A6)	2.010	1.000	-50.25%
AKTIV (5AX)	1.860	0.490	-73.66%
BMREIT(6BMA)	1.970	0.520	-73.60%
LAND (5BD)	1.230	0.510	-58.54%
ELARG(4EC)	2.360	0.510	-78.39%
EXPRO(5EX)	1.510	1.020	-32.45%
ICPD (4IC)	7.840	5.000	-36.22%
PARK (4PK)	1.300	0.620	-52.31%
FPP (6F3)	2.160	0.699	-67.64%
ALOFMI (6A7)	1.250	0.560	-55.20%
BREF (5BU)	1.910	0.780	-59.16%

↪ Eight REITs reported revaluation of assets in their Q4 financial statements. Four of them, mostly companies active in real estate development, reported negative revaluation.

↪ Stock prices of international companies with investment focus on Central and Eastern Europe, as well as peer stock market indices continued in negative direction

## Prices and Market Capitalization

**The total market cap of BG REIT components fell by almost 53% y/y**

In the beginning of February the total market capitalization of BSE fell by 52.69% compared to the year-ago period. Approximately the same decline was registered by the companies, included in BG REIT index – 52.60%. In February the shares of only two REITs traded above nominal value. For the full year 2008 five components (Agro Finance, Exclusive Properties, Elana ALOF, ALOFMI, FairPlay Properties and Advance Terrafund) made capital increases. Prices of all BG REIT components fell dramatically in the fourth quarter and changed the ranking of the largest REITs in view of capitalization. Elana ALOF, which ranked first in Q3 with market cap of BGN 59.7mn, lost almost 50% of its capitalization in the period November – February 2008. The annual decline reached 78%. Advance Terrafund, the third company in the Q3 ranking, now is the largest REIT in terms of capitalization (BGN 88.6mn). During the last three months its capitalization grew by 89% to BGN 85.1mn due to the capital increase. The annual decline is by only 3.89%. FairPlay Properties ranks third with market cap of BGN 39mn (decline of 26% since Q3 and 64.37% y/y). Bulgaria REF moved two places ahead due to the growth of capitalization by 14.7% to BGN 115.46mn.

## Prices and Market Capitalization

Company	Market Cap. (BGN'000) 10.02.2008	Market Cap. (BGN'000) 14.11.2008	Market Cap. (BGN'000) 10.02.2009	% Change Y/Y
Advance Terrafund	88 553	46 832	85 110	-3.89%
Bulgaria Real Estate Fund	115 460	41 106	47 151	-59.16%
FairPlay Properties	109 512	52 866	39 022	-64.37%
Elana Agricultural Land Opportunity Fund	140 930	59 716	30 455	-78.39%
Agro Finance	20 334	32 220	24 165	18.84%
Intercapital Property Development	37 820	32 707	24 120	-36.22%
Agricultural Land Opportunity Fund Mel Invest	17 555	23 768	15 659	-10.80%
Benchmark Real Estate Fund	46 088	22 108	12 165	-73.60%
Aktiv Properties	36 694	14 796	9 667	-73.66%
Exclusive Property	12 077	14 367	9 641	-20.17%
Bulland Investment Park	16 012	10 011	6 639	-58.54%
Park	12 636	9 234	6 026	-52.31%

## BG REIT: Assets

### In Q4 Advance Terrafund is the largest REIT in terms of assets

Negative revaluations and occasional sales of assets resulted in lower asset base of six BG REIT components (Advance Terrafund, Elana ALOF, BREF, Aktiv Properties, Park, and Exclusive Property) in Q4 2008 compared to the previous quarter. Five companies reported lower assets compared to the end of 2007.

There are no replacements in the ranking of largest REITs, but it is noticeable that assets managed by Advance Terrafund marked 14.13% decline compared to Q3 because of lower cash and cash equivalents. The company announced that revaluation of assets will be included in the annual audited financial statement for 2008. Elana ALOF reported 4.74% q/q decline of Q4 assets, which is contributed mainly to sales of land. In Q3 Elana ALOF sold investment properties for BGN 3.93mn. The negative revaluation of assets led to lower asset base for BREF. The decrease is by 0.97% q/q and 17.27% y/y.

Agro Finance, ALOFMI, and Advance Terrafund marked the highest annual increases of asset base. All of them made capital increases in 2008.

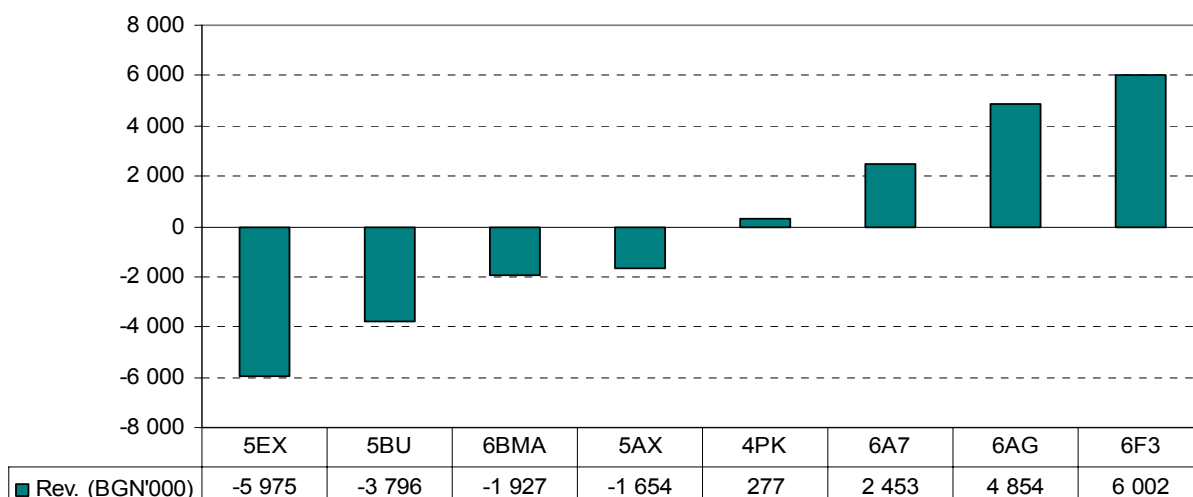
## BG REIT: Assets

Company	Assets(BGN'000) 31.12.2007	Assets (BGN'000) 30.09.2008	Assets(BGN'000) 31.12.2008	% Change Y/Y
Advance Terrafund	93 535	189 672	162 870	74.13%
Elana Agricultural Land Opportunity Fund	152 760	156 519	149 106	-2.39%
Bulgaria Real Estate Fund	167 717	140 106	138 753	-17.27%
FairPlay Properties	84 990	118 891	137 086	61.30%
Intercapital Property Development	66 992	58 901	66 693	-0.45%
Benchmark Real Estate Fund	47 592	54 052	60 653	27.44%
Agro Finance	21 687	50 367	50 854	134.49%
Agricultural Land Opportunity Fund Mel Invest	16 087	32 781	32 993	105.09%
Aktiv Properties	36 813	35 404	31 323	-14.91%
Bulland Investment	16 538	17 020	17 250	4.31%
Park	16 289	17 092	16 938	3.98%
Exclusive Property	22 821	22 460	14 349	-37.12%

**Eight companies reported revaluation of assets**

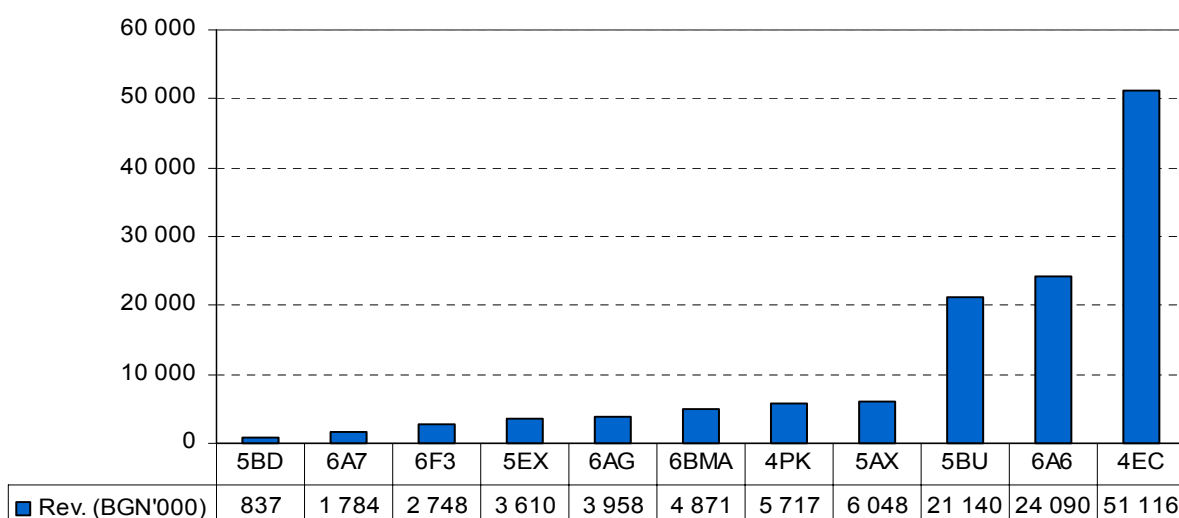
Only six BG REIT components reported net profit in the last quarter of 2008 but the results were weaker than in the end of 2007. Eight companies reported revaluation of assets for the period (all REITs are obliged to revalue assets annually and to report it in the annual audited financial statements). Exclusive property, BREF, Benchmark RE and Aktiv Properties reported negative revaluation in their financial statements:

**Revaluation revenues/expenditures Q4 2008 (BGN'000)**



In the end of 2007 all components reported revaluation revenues. Revaluations were the major source of revenues for companies investing in agricultural land :

**Revaluation revenues/expenditures Q4 2007 (BGN'000)**



## BG REIT: Net profit and P/E

### FairPlay Properties, Bulland, BREF and Aktiv will distribute dividends

After the release of the financial statements for the fourth quarter of 2008 six companies have negative P/E ratios. ALOFMI has the highest ratio: 10.87 and FairPlay Properties the lowest: 2.84 (calculated with 10.02.2009 closing prices). The cumulative P/E ratio for BG REIT index was 6.20 (calculated by BSE-Sofia).

REITs are obliged by the law to distribute for dividends at least 90% of their net profit corrected with revaluation revenues/expenditures. FairPlay Properties will distribute BGN 0.125 per share and Bulland BGN 0.0157 per share. The net profit for distribution of BREF is BGN 30.2mn, and the net profit for distribution of Aktiv BGN 0.123mn. The exact dividend per share of these companies has not yet been defined.

## BG REIT: Net profit and P/E

Company	Net Profit Q4 2008 (BGN'000)	EPS Q4 2008	P/E 10.02.2009
Bulgaria Real Estate Fund	14 560	0.24	3.24
FairPlay Properties	13 744	0.25	2.84
Intercapital Property Development	6 030	1.25	4.00
Agro Finance	4 263	0.13	5.67
Agricultural Land Opportunity Fund Mel Invest	1 441	0.05	10.87
Bulland Investment	832	0.06	7.98
Park	-52	-	-
Aktiv Properties	-1 532	-	-
Advance Terrafund	-1 619	-	-
Elana Agricultural Land Opportunity Fund	-1 746	-	-
Benchmark Real Estate Fund	-5 939	-	-
Exclusive Property	-6 958	-	-

## BG REIT: Price/Book Value

### Most BG REIT components traded below their book value

On February 10 Intercapital Property Development and Exclusive Property were the only REITs with P/B ratios above 1.

Prices of all other BG REIT components remained under their book value. Elana ALOF, Aktiv Properties and Park had the lowest P/B ratios as at February 10.

On the same date the cumulative P/B of BG REIT was 0.52, compared to 0.69 on November 11.

## BG REIT: Price/Book Value

Company	BV Q4 2008	P/B 10.02.2009
Elana Agricultural Land Opportunity Fund	2.15	0.24
Aktiv Properties	1.54	0.32
Park	1.67	0.37
Bulland Investment	1.32	0.39
Benchmark Real Estate Fund	1.33	0.39
Agricultural Land Opportunity Fund Mel Invest REIT	1.17	0.48
FairPlay Properties	1.44	0.49
Advance Terrafund	1.87	0.54
Agro Finance	1.39	0.54
Bulgaria Real Estate Fund	1.43	0.55
Exclusive Property REIT	0.75	1.35
Intercapital Property Development	3.48	1.44

## BG REIT: Profit Margin and ROA

### FairPlay Properties and BREF are leaders in terms of profitability

Lower net profit resulted in much weaker ROA multiples of most REITs compared to Q4 2007. Profit margins also declined dramatically due to the negligible sales revenues. FairPlay Properties and BREF have the highest ROA multiples in Q4 2008: 10.03% and 10.49% respectively. Six BG REIT components have negative ROA and profit margins.

## BG REIT: Profit Margin and ROA

Company	ROA Q4 2007	Profit Margin Q4 2007	ROA Q4 2008	Profit Margin Q4 2008
Bulgaria Real Estate Fund	17.60%	77.95%	10.49%	14.75%
FairPlay Properties	13.09%	24.67%	10.03%	37.24%
Intercapital Property Development	10.79%	28.79%	9.04%	19.35%
Agro Finance	15.55%	84.58%	8.38%	77.92%
Bulland Investment	5.65%		4.82%	na
Agricultural Land Opportunity Fund Mel Invest	7.29%	61.35%	4.37%	51.59%
Park	35.17%	78.19%	-	-
Advance Terrafund	24.64%	89.78%	-	-
Elana Agricultural Land Opportunity Fund	31.11%	90.10%	-	-
Aktiv Properties	2.88%	24.81%	-	-
Benchmark Real Estate Fund	29.09%	67.28%	-	-
Exclusive Property	12.81%	8351.43%	-	-

## BG REIT: Financial Leverage

### ICPD and Exclusive Properties are using considerable debt financing

Intercapital Property Development and Exclusive Property have aggressive financial structures with D/E ratios above 1. Benchmark RE also uses considerable debt financing and its D/E ratio is 0.95. The leverage effect is highest for Intercapital Property Development, which ROE multiple is 35.88%. There is a noticeable tendency of increasing debt financing in Q4, which may be contributed to the limited sources of equity financing. In Q3 Intercapital Property Development had the highest D/E ratio (2.41), followed by Elana ALOF (0.23) and Park (0.06).

## BG REIT: Financial Leverage

Company	D/E Q4 2008	ROE Q4 2008
Intercapital Property Development	2.97	35.88%
Exclusive Property	1.01	-
Benchmark Real Estate Fund	0.95	-
FairPlay Properties	0.71	17.15%
Bulgaria Real Estate Fund	0.61	16.86%
Elana Agricultural Land Opportunity Fund	0.16	-
Agro Finance	0.14	9.53%
Park	0.05	-
Aktiv Properties	0.03	-
Advance Terrafund	0.02	-
Bulland Investment	0.01	4.85%
Agricultural Land Opportunity Fund Mel Invest	0.01	4.40%



## Performance of Bulgarian and foreign REITs in Q4

### Sectoral indices fell across the board

The Bulgarian sectoral index BG REIT performed better than its analog in Austria, but was outperformed by the RE indices in Italy, Turkey and the US. For the period February 2, 2008 – February 2, 2009, BG REIT lost 60.34%, the Italian Index Milan R.E 43.89%, the Austrian Immobilien ATX 75.55%, the Turkish ISE REITS 54.02% and the US MSCI REIT lost 51.56%.

Index	10.02.2008	10.02.2009	% Change Y/Y
MIBREALH (Italy)	2169	1217	-43.89%
IATX (Austria)	214.95	52.55	-75.55%
ISE REITS (Turkey)	26 905.75	12 370.04	-54.02%
MSCI US REIT (USA)	816.41	395.46	-51.56%
BG REIT	101.10	40.10	-60.34%

Prices of European real estate companies with investment focus on Central and Eastern Europe and particularly Bulgaria continued in negative direction in Q4 and ended 2008 with dramatic loses. The problems with financing for new projects persisted. The dwindling profits of these companies reflected the downward tendency of real estate prices in some countries from the region.

## Performance of Bulgarian and foreign REITs in Q4

Company	Prices (BGN) 10.02.'09	Price change 10.02.'08/ 10.02.'09	P/E 10.02.'09	P/B 10.02.'09	ROE Q4 2008
Agro Finance /6AG/	0.750	-40.48%	5.67	0.54	9.53%
Advance Terrafund /6A6/	1.000	-50.25%	-	0.54	-
Aktive Properties /5AX/	0.490	-73.66%	-	0.32	-
Benchmark Real Estate Fund /6BMA/	0.520	-73.60%	-	0.39	-
Bulland Investment /5BD/	0.510	-58.54%	7.98	0.39	4.85%
Elana Agricultural Land Opportunity Fund /4EC/	0.510	-78.39%	-	0.24	-
Exclusive Property /5EX/	1.020	-32.45%	-	1.35	-
Intercapital Property Development /4IC/	5.000	-36.22%	4.00	1.44	35.88%
Park REIT /4PK/	0.620	-52.31%	-	0.37	-
FairPlay Properties /6F3/	0.699	-67.64%	2.84	0.49	17.15%
Agricultural Land Opportunity Fund Mel Invest /6A7/	0.560	-55.20%	10.87	0.48	4.40%
Bulgaria Real Estate Fund /5BU/	0.780	-59.16%	3.24	0.55	16.86%

Company	Prices (EUR) 10.02.'09	Price change 10.02.'08/ 10.02.'09	P/E 10.02.'09	P/B 10.02.'09	ROE Q4 2008
Atrium European RE	1.93	-75.13%	3.03	0.13	4.94%
Immoeast(2008)	0.84	-85.57%	4.00	0.08	2.63%
ORCO Property Group	6.85	-89.31%	-	5.27	-
CA Immo	2.60	-73.60%	5.42	0.12	3.31%

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