



Index	Value 24.08.2009	Value 24.08.2010	Change Y/Y
SOFIX	458.41	385.11	-15.99%
BG 40	127.76	109.5	-14.29%
BG TR 30	341.48	290.41	-14.96%
BG REIT	48.13	40.65	-15.54%

## BG REIT : Components

Company	Price BGN 24.08.2009	Price BGN 24.08.2010	Change
AGROF(6AG)	0.99	0.97	-2.32%
ATERA (6A6)	1.11	1.08	-2.70%
BMREIT(6BMA)	0.39	0.33	-15.38%
LAND (5BD)	0.50	0.49	-3.18%
ELARG(4EC)	0.94	0.56	-40.57%
EXPRO(5EX)	0.80	0.75	-6.88%
PARK (4PK)	0.67	0.65	-3.29%
TBIRE (4PY)	0.68	0.62	-8.15%
FPP (6F3)	0.34	0.36	4.65%
BREF (5BU)	0.29	0.33	13.99%

↪ The Bulgarian Stock Exchange – Sofia (BSE) changed the composition of the market index for securitization of real estate companies - BG REIT. Intercapital Property Developments (ICPD) and Balkan and Sea Properties replaced BenchMark Real Estate Fund, Bulland Investments, Exclusive Property, Park and Prime Property. These changes became effective on September 20. Only the new components of BG REIT are included in the following report.

↪ In Q3 2010 FairPlay Properties concluded 90 sales of apartments in the holiday complexes ‘Santa Marina’, Sozopol, and ‘St. Ivan Rilski’, Bansko. The company posted total sales of BGN 19.8mn; 89% of them were from sales of apartments, and the remaining 11% were from rents and maintenance fees. For the nine months of 2010 FairPlay Properties REIT signed new sales agreements for 139 apartments in ‘Santa Marina’ with TBA 10 700 sq. m. estimated at BGN 29.38mn excluding VAT.

↪ Bromak EOOD, a major shareholder of Corporate Commercial Bank, acquired 21.63% of Agro Finance for BGN 7mn or BGN 1.02 per share. Agro Finance is one of the largest companies for securitization of agricultural land with more than 13 000ha. For the period January-September Agro Finance posted 46% growth of revenues.

↪ ICPD, one of the new components in BG REIT, was the first double listed Bulgarian company. In August ICPD made a capital increase for BGN 3.6mn and the new shares were listed on the stock exchanges in Sofia and Warsaw. More than BGN 2mn of the new capital came from Polish investors.

## Prices and Market Capitalization

### Advance Terrafund is the largest BG REIT component

Prices of some BG REIT components dropped sharply in the beginning of November after Landsbanki Luxembourg SA sold a large stake of its portfolio in Bulgarian securities. Among the affected companies were Advance Terrafund, FairPlay Properties and ICPD.

Advance Terrafund, a company for securitization of agricultural land, was the largest REIT in the index, but its market capitalization plunged by 17% since September 2009. Balkan and Sea Properties was the largest component for securitization of real estate but transaction with its shares were infrequent and its price held steady for the last twelve months.

ICPD issued 1 187 849 new shares in its capital increase in August, which were listed on the stock exchanges in Sofia and Warsaw.

## Prices and Market Capitalization

Company	Prices 16.11.2009	Market Cap. (BGN'000) 16.11.2009	Prices 16.11.2010	Market Cap. (BGN'000) 16.11.2010
Advance Terrafund	1.35	115 069	1.12	95 068
Balkan and Sea Properties	11.82	63 036	12.30	65 596
ELARG	0.86	51 236	0.57	34 277
Agro Finance	0.96	31 028	1.00	32 220
Bulgaria Real Estate Fund	0.34	20 613	0.38	22 911
FairPlay Properties	0.58	32 155	0.39	21 772
Intercapital Property Developmnet	3.25	15 678	1.35	8 115

## BG REIT: Assets

### Advance Terrafund posted the highest total assets

Although Advance Terrafund's assets declined by 3.65% for the last twelve months, this company posted the highest assets among BG REIT components. FairPlay Properties was the largest REIT for securitization of real estate, but its total assets were 6.39% lower than in the year-ago period. Bulgaria REF, the third company in this ranking, posted 21.3% decline of total assets due to negative revaluations of investment properties and the distribution of BGN 29mn as dividend in the last quarter of 2009.

Among the new BG REIT components, total assets of ICPD soared by 15.83% on higher value of investment properties. Balkan and Sea Properties was the smallest index component with assets of BGN 30.8mn.

## BG REIT: Assets

Company	Assets(BGN'000) 30.09.2009	Assets (BGN'000) 31.12.2009	Assets(BGN'000) 30.09.2010	% Change Y/Y
Advance Terrafund	164 329	158 406	158 337	-3.65%
FairPlay Properties	137 554	133 142	128 769	-6.39%
Bulgaria Real Estate Fund	128 993	101 463	101 484	-21.33%
ELARG	92 028	89 542	91 188	-0.91%
Intercapital Property Developmnet	59 540	69 167	68 965	15.83%
Agro Finance	50 496	51 748	51 078	1.15%
Balkan and Sea Properties	30 841	30 841	30 319	-1.69%

## BG REIT: Solvency

### Two index components were free of bank debt

Advance Terrafund and Balkan and Sea Properties were free of bank debt. ICPD was highly leveraged and this led to higher profitability. The company made a successful capital increase in August and its plans for a new capital increase will further decrease its leverage. FairPlay Properties and Bulgaria REF also use significant debt but their operating results for Q3 covered the interest expenses.

## BG REIT: Solvency

Company	Interest coverage	Debt-to-assets	Financial leverage	Debt-to-equity
Advance Terrafund	n.a.	0.01	1.01	0.01
Agro Finance	2.97	0.11	1.12	0.12
Balkan and Sea Properties	n.a.	0.15	1.18	0.18
ELARG	1.40	0.24	1.31	0.31
Bulgaria Real Estate Fund	0.55	0.31	1.44	0.44
FairPlay Properties	1.15	0.44	1.80	0.80
Intercapital Property Developmnet	2.89	0.73	3.66	2.66

## BG REIT: ROE – DuPont Decomposition

### ICPD had the highest return on equity

Five out of seven index components posted positive return on equity for the last twelve months.

Despite the negative unconsolidated results in Q3 2010, ICPD reported significant net profit for the twelve-month period. Its high net profit margin, combined with high leverage and assets turnover led to return on equity of 33.2%. The largest portions of ICPD's net profit were from the period October-December 2009 and the lower sales revenues in the third quarter put at risk ICPD's future profitability.

Bulgaria REF and Advance Terrafund posted net loss for the last twelve months, but their results showed signs of improvement since the beginning of 2010.

## BG REIT: ROE – DuPont Decomposition

Company	Net income/Sales (net profit margin)	Sales/Assets (assets turnover)	Assets/Equity (financial leverage)	ROE
Intercapital Property Developmnet	1.21	0.07	3.66	33.22%
Agro Finance	0.29	0.05	1.12	1.60%
Balkan and Sea Properties	0.24	0.04	1.18	1.08%
ELARG	0.11	0.06	1.31	0.82%
FairPlay Properties	0.02	0.20	1.80	0.60%
Bulgaria Real Estate Fund	-	0.09	1.44	-
Advance Terrafund	-	0.04	1.01	-

## BG REIT: Return

### Five components posted positive profitability ratios

As already mentioned, the financial leverage used by ICPD helps the company to maximize return on equity. ICPD also has high return on sales due to high portions of financial revenues in net profit for Q3 2009. Agro Finance and Balkan and Sea Properties also posted high profitability ratios.

## BG REIT: Return

Company	Earnings Per Share (Trailing 12 Months)	Return on Sales	Return on Assets	Return on Equity
Intercapital Property Developmnet	1.08	121.27%	9.09%	33.22%
Agro Finance	0.02	29.41%	1.42%	1.60%
Balkan and Sea Properties	0.05	23.53%	0.92%	1.08%
ELARG	0.01	10.50%	0.62%	0.82%
FairPlay Properties	0.01	1.70%	0.33%	0.60%
Bulgaria Real Estate Fund	-	-	-	-
Advance Terrafund	-	-	-	-

## BG REIT: Cash Flows

### Only two companies posted positive net cash flows

Only Bulgaria REF and ICPD reported positive net cash flows for the period January-September 2010. FairPlay Properties had the highest operating cash inflows: BGN 11.35mn. Bulgaria REF, Balkan and Sea Properties, Elarg and Advane Terrafund also posted positive operating cash flows. Bulgaria REF had cash inflows from investing activities after sales of investment properties. ICPD was the only component with positive cash flows from financing activities.

## BG REIT: Cash Flows

Company	Cash Flows from Operations (BGN'000)	Cash Flows from Investing (BGN'000)	Cash Flows from Financing (BGN'000)	Net Cash Flows (BGN'000)
Bulgaria Real Estate Fund	1 708	1 835	-2 646	897
Intercapital Property Developmnet	-1 290	0	1 297	7
Balkan and Sea Properties	29	-32	0	-3
ELARG	235	656	-1 272	-381
FairPlay Properties	11 358	-32	-11798	-472
Agro Finance	-208	-1 290	-420	-1 918
Advance Terrafund	2 297	-6 425	-3184	-7 312

## Performance of Bulgarian and foreign REITs in Q3

BG REIT lost more than 20% since November 2009, while its peers in Austria, Turkey and the USA posted double-digit growth.

### BG REIT lost more than 20%

Index	16.11.2009	16.11.2010	% Change Y/Y
RX Reit Index (Germany)	694.72	691.64	-0.44%
ImmobilienATX (Austria)	154.27	170.58	10.57%
ISE REITS (Turkey)	27 743.35	33 527.60	20.85%
MSCI US REIT Index	589.42	711.05	20.64%
BG REIT	49.43	39.27	-20.55%

Prices of foreign REITs were stable in the past twelve months, reflecting the gradual improvement of their operations.

Atrium European Real Estate Limited, one of the leading real estate companies focused on shopping centre management and development in Central and Eastern Europe, announced that Fitch Ratings has upgraded its senior unsecured rating and Long-term Issuer Default Rating (“IDR”) by two levels from ‘BB-’ to ‘BB+’, with a ‘Stable’ outlook. Atrium’s Short-term IDR was affirmed as ‘B’.

CA Immobilien Anlagen AG reported its results for the first half of 2010. Net profit rose by 8% year on year to EUR 82.68mn. Operating profit reached EUR 73.5mn after a loss of EUR 21.1mn in first half of 2009. Net asset value per share stood at EUR 17.92.

Total revenues of Immofinanz Ag rose by 2.5% to EUR 183.7mn for the first quarter of fiscal 2011. Operating profit grew by 41.4% to EUR 167.2mn, including revaluation of EUR 61.2mn. One-off foreign exchange effects led to a reduction in net profit from EUR 136.2mn to EUR 59.mn. Operating cash flows improved in accordance with the Group’s strategy from EUR 21.2mn in the previous year to EUR 116.7mn.

## Performance of Bulgarian and foreign REITs in Q3

Company	Prices (BGN) 16.11.'09	Prices (BGN) 16.11.'10	Price change 16.11.'09/16.11.'10	P/B 16.11.'10	ROA Q3 2010
Agro Finance /6AG/	0.96	1.00	3.84%	0.71	1.42%
Advance Terrafund /6A6/	1.35	1.12	-17.38%	0.59	-
Balkan and Sea Properties /5H4/	11.82	12.30	4.06%	2.53	0.92%
Elarg /4EC/	0.86	0.57	-33.10%	0.49	0.62%
Intercapital Property Developments /4IC/	3.25	1.35	-58.46%	0.42	9.09%
FairPlay Properties /6F3/	0.58	0.39	-32.29%	0.29	0.33%
Bulgaria Real Estate Fund /5BU/	0.34	0.38	11.14%	0.29	-

Company	Prices (EUR) 16.11.'09	Prices (EUR) 16.11.'10	Price change 16.11.'09/16.11.'10	P/B 16.11.'10	ROA Q3 2010
Atrium European RE	4.71	4.35	-7.64%	1.05	2.24%
CA Immobilien	9.16	10.12	10.48%	4.11	1.83%
Immofinanz	2.78	2.92	5.00%	0.65	2.15%
ORCO Property Group	7.89	7.19	-8.87%	5.70	2.23%



## **Useful links:**

**Agro Finance:** <http://www.agrofinance.bg/>

**Advance Terrafund:** [http://www.karoll.net/en/?section=investirane\\_v\\_advance&id=32](http://www.karoll.net/en/?section=investirane_v_advance&id=32)

**Bulgaria Real Estate Fund:** <http://brefbg.com/>

**ELARG:** <http://www.elarg.bg>

**FairPlay Properties:** <http://www.fpp.bg/>

**Intercapital Property Developments:** <http://icpd.bg/>

**Bulgarian Stock Exchange – Sofia:** <http://www.bse-sofia.bg/>

**Financial Supervision Commission:** [www.fsc.bg](http://www.fsc.bg)

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