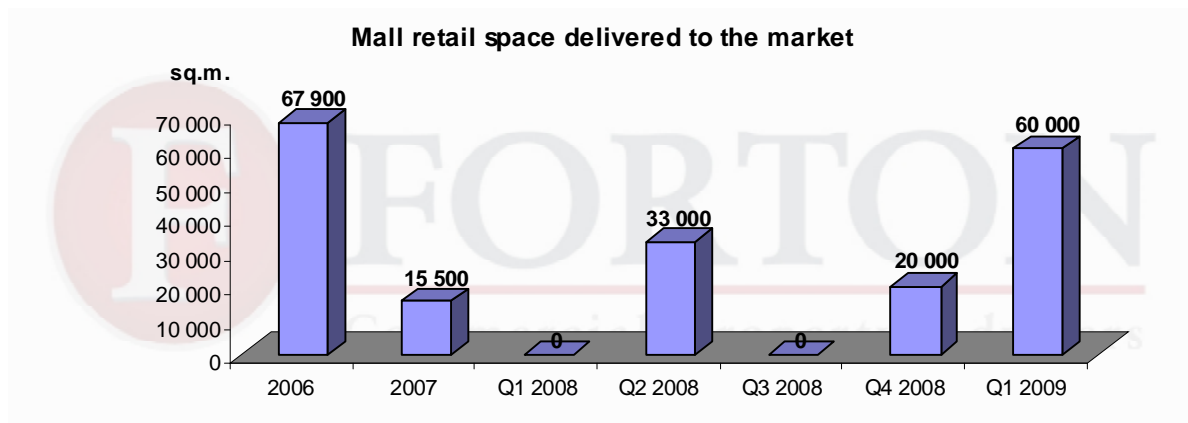


Retail market

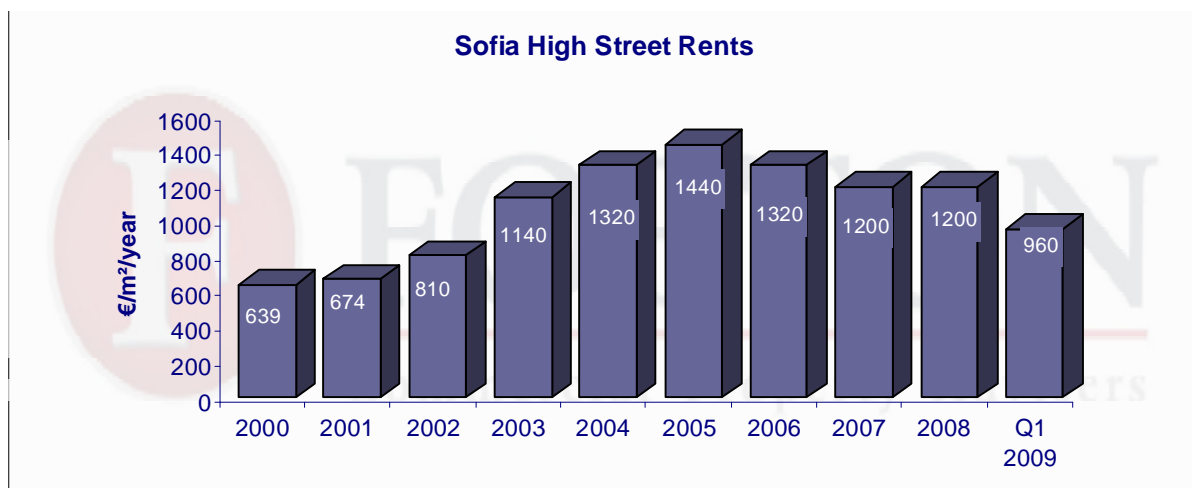
- High cost of capital and limited bank financing have affected all developers of retail centers in the country. Another two shopping center projects were put on hold for an indefinite period of time. Consequently the amount of total built-up area in the pipeline was reduced by 94,000 sq.m. Two shopping center projects were completed – Burgas Plaza (27,000 sq.m.) and Mall Plovdiv (22,000 sq.m.). In Q4 2008, there were 25 projects under construction, which is approximately 700,000 sq.m. of retail space. As at Q1 2009 construction works continue on 21 mall projects (558,575 sq.m.) around the country. These projects were started just before the impact of the financial crisis was felt.. Presently, there are five mall developments under construction in Sofia, which is 193,000 sq.m. of new retail space.



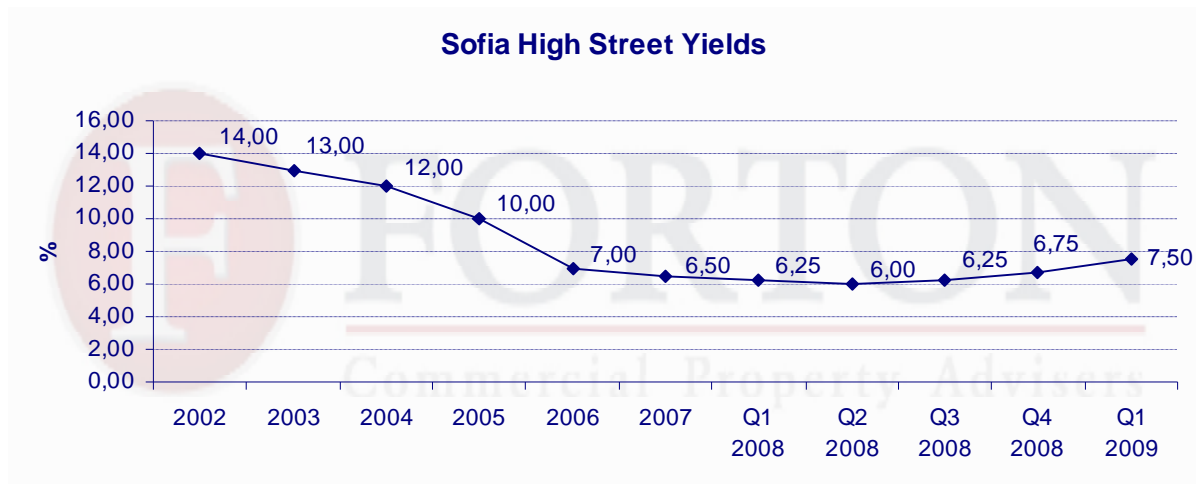
- The retail stock in mall developments is approximately 189,900 sq.m. Thus, the retail space in mall developments per 1,000 inhabitants has now reached 24.96 sq.m. In terms of this indicator Bulgaria is still lagging behind as compared to other countries from Central and Eastern Europe.
- Mall Plovdiv was opened in Q1 2009. It has 22,000 sq.m. of retail space, which consists of approximately 110 shops. The largest anchor is the food hypermarket chain "Piccadilly". The entertainment zone includes a cinema with 11 screens and a food court. The opening of the mall was also the final step of the sale of the property. GE Commercial Finance Real Estate and Quinlan Private acquired 50% of the project two years ago. The deal for the remaining stake was closed with the opening of the mall. The deal was finalized at an yield of around 7%. One of the reasons for this record low yield level is the fact that the deal was negotiated back in 2007.

- Finishing works on the interior of Burgas Plaza are at the final stage. The opening of the mall is scheduled for the end of April this year. The shopping mall has 27,000 sq.m. of retail space. Carrefour is the biggest anchor tenant opening its first discount hypermarket in Bulgaria. The total area of the hypermarket is 12,000 sq.m.
- A number of discounters are entering the Bulgarian market. Carrefour is the main anchor tenant in the Carrefour mall on Tsarigradsko shosse blvd. in Sofia. It is expected to open by the end of Q4 2009 or at the beginning of 2010. The other two discounters entering the market are Lidl, which is building their first hypermarket in Lovech and Penny Market which started construction of a logistics base in Elin Pelin.
- The construction works on the site of Mall Ruse are under way. The future development is located on a land plot of 60,000 sq.m. and the GLA is approximately 35,000 sq.m.. The future mall will also have a parking lot for 1,000 vehicles. According to the investors' statement the project should be finished by Q2 2010.
- Finishing works on Mega Mall Ruse are close to completion. The project offers 18,000 sq.m. of retail space, which includes an entertainment zone - bowling, games and kids area. The main anchor tenant is the hypermarket chain Piccadilly. The project is expected to open in the first half of 2010.
- Rough construction works on the first mall development in Gabrovo have been finished. Mall Gabrovo includes 15,000 sq.m. of retail space and is expected to open in Q2/Q3 2009.
- Construction works on Terra Center in Gabrovo have been completed. The retail center offers more than 8,000 sq.m. of retail space with a parking lot for 120 vehicles. Anchor tenants in the new developments are the hypermarket chain Piccadilly, DM, Deichmann and New Yorker. Terra Center is due to open in Q3 2009.
- Varna Towers shopping centre, expected to open in the autumn of 2009, signed a lease contract with the Slovenian retail company Mercator. This will be the first Mercator's hypermarket in Varna and one of the first in Bulgaria. Varna Towers is expected to be finished in Q4 2010. TBA of the retail space is 52,000 sq.m. and the office area is 18,000 sq.m. The retail GLA is projected to be approximately 22,000 sq.m.
- Retail Park Plovdiv was fully opened in this quarter. This is the first operating retail park in Bulgaria. It has 26 400 sq.m. of retail space and an open-air car parking for 450 cars. The major anchor tenant in the park is BauMax leasing a retail space of 13 100 sq.m. The retail park managed to attract prominent tenants such as DM, Deichmann, Sport Depot, Technomarket and the hypermarket chain Piccadilly.

- The new active entries on the local retail market are DM and Deichmann. Both brands are represented in the new retail park in Plovdiv. At the end of April 2009 both Deichmann and DM will also open a store in Burgas Plaza. DM is expected to be among the most active brands on Bulgarian drugs retail market in the next several years. The company announced plans to open drug stores in all towns having a population higher than 100,000 people.
- The hypermarket chains Piccadilly and Billa are entering the market segment of small convenient stores. Piccadilly has already opened two shops of this kind. Thus both brands are targeting customers, who prefer daily shopping of food and beverages close to their home.
- The German discounter Lidl will soon open its first shop in Lovech. The retailer also plans to build a hypermarket on a land plot of 10,000 sq.m. in Storgozia neighbourhood in Pleven. To facilitate its future operations Lidl will set up a logistics base in the outskirts of Sofia.
- Kaufland expanded its chain of food hypermarkets to Burgas. This is the 21st hypermarket opened by the German discounter.
- AIKO opened its first furniture store and showroom outside Sofia. The new development is located in Stara Zagora and has a total built-up area of 12,000 sq.m.
- Prime high street rents in Sofia have decreased to approximately EUR 80 per sq.m./month for the most desirable spots at Vitosha Blvd. Secondary retail streets rents range from 35 to 75 €/sq.m./month. Nevertheless many retailers find it difficult to cope with the rental levels in the face of the decreasing consumer spending. Consequently, some of the most desirable spots were available for rent in Q1 2009 for the first time in over four years. Vacancy rates have risen along secondary retail streets.



- Prime high street yields rose in Q1 2009 to 7,50% - 8,00% from 6,75% at the end of 2008.



- Prime rental levels in shopping centers for non-anchor tenants remain in the range of EUR 20-45 per sq.m., but at the current situation more and more retailers find it difficult to pay their leases. Some of the operating shopping centers consider a temporary review of the rental levels for 2009.
- Prime shopping center yields achieved by investment transactions are still around 7.5%, but the last two deals (Mall Varna, Mall Plovdiv) were negotiated in 2006-2007. Currently the investors are looking for yields of around 10.0% for the main cities in Bulgaria and even higher for the secondary towns.

Major international retailers in Bulgaria*

| | |
|------------------|---|
| Hypermarkets | Metro (11); HIT (2) Carrefour (1) |
| Food Retailers | Billa (41); Kaufland (21); Maxima (T Market) (29) Piccadilly (21) |
| Electronics | Technomarket (38); Technopolis (20) |
| DIY Stores | Mr Bricolage (10); Praktiker (9) |
| Furniture Stores | Como (1) AIKO (3) |

*the number in brackets shows the number of currently operating outlets

Existing Shopping Malls

| Shopping Malls | Ownership | GLA | Location | Completion |
|------------------------|--|--------|----------------|------------|
| Mall of Sofia | GE Commercial Finance Real Estate; Quinlan Private | 21 500 | Sofia | 2006 |
| City Center Sofia | Heitman European Property Partners III | 20 000 | Sofia | 2006 |
| Sky City | Fantastiko | 10 400 | Sofia | 2006 |
| Mall Varna | Miller Developments | 33 000 | Varna | 2008 |
| Pfohe Mall | Luke REIT | 15 500 | Varna | 2007 |
| Mall Plovdiv | GE Commercial Finance Real Estate; Quinlan Private | 22 000 | Plovdiv | 2009 |
| Park Mall Stara Zagora | Alexandra Group | 20 000 | Stara Zagora | 2008 |
| Burgas Plaza | Gort Holdings; Bridgecorp (Landmark Property Bulgaria) | 27 000 | Burgas | 2009 |
| Central Mall | European Convergence Property Company PLC | 16 000 | Veliko Turnovo | 2006 |
| Central Mall Pleven | Niya | 11 000 | Pleven | 2009 |

Shopping Malls Under Construction

| Shopping Center | Investor | GLA | Location | Completion |
|---------------------|---|--------|----------|------------|
| Carrefour Mall | Assos Capital Carrefour Bulgaria | 66 000 | Sofia | Q4 2009 |
| Serdika Center Mall | Sparkassen Immobilien and ECE Projektmanagement | 50 000 | Sofia | Q4 2009 |

| | | | | |
|---------------------------|------------------------------|--------|--------------|------------|
| Bulgaria Mall | Salamanca Capital, MRP Group | 33 000 | Sofia | 2010 |
| Mega Mall | Real 4 You | 24 000 | Sofia | Q4 2009 |
| DV South Mall | Kondor - 4 | 20 000 | Sofia | Q3 2009 |
| Varna Towers | Densy Stroy | 51 000 | Varna | Q4 2010 |
| Grand Mall | Orchid Developments | 41 000 | Varna | Q4 2009 |
| Galleria Varna | GTC (Global Trade Center) | 38 000 | Varna | 2010 |
| Galeria Plovdiv | Charlemagne Capital, Sienit | 40 000 | Plovdiv | Q2 2009 |
| Central Mall Markovo Tepe | Melina | 15 000 | Plovdiv | Q4 2009 |
| Sun City Centre | Sun City | 29 000 | Burgas | 2011 |
| Galleria Stara Zagora | GTC (Global Trade Center) | 27 000 | Stara Zagora | 2010 |
| Carrefour Shopping Centre | Carrefour | 14 575 | Stara Zagora | 2010 |
| Mall Pleven | Aladin Ltd | 20 000 | Pleven | Q4 2009 |
| Mall Rousse | Ocif and Cinema City | 35 500 | Rousse | 2010 |
| Mega Mall Rousse | Megachim | 20 000 | Rousse | Q3 2009 |
| Danube Mall | Marmeg | 15 000 | Rousse | 2009 |
| Shopping Centre | Trakia Trade | 15 000 | Kazanluk | 2009 |
| Terra Center | Terrachim | 10 000 | Gabrovo | Q3 2009 |
| Mall Gabrovo | Mall Gabrovo Ltd | 15 000 | Gabrovo | Q2/Q3 2009 |

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