



Interim Activity Report of Advance TerraFund REIT for the First, Second, Third and Fourth Quarters of 2009

I. Information about important events and their influence on the results in the Financial Statements

Advance TerraFund REIT (the Company) is a public joint-stock company established at Foundation Meeting held on 12 April 2005 with initial capital amounting to BGN 500,000 divided into 500,000 shares with nominal value of BGN 1 each. The Company was re-entered into the Commercial Register at the Registry Agency under UIC 131418187. The Company has its seat and management address at 1 Zlatovrah Street, Region of Lozenets, Sofia. As of the incorporation of the Company in 2005, the Company performed five subsequent increases of the capital and its capital as at 31 March 2009 amounts to BGN 85,110,091.

- The investment property as at 31 March 2009, having total value of BGN 112,592 thousand, includes agricultural land of approximately 263,034 decares of total value of BGN 89,821 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 19,022 thousand and regulated real property of approximately 11 decares of value of BGN 3,749 thousand, including revaluation up to fair value of BGN 35,535 thousand.
- As of the beginning of the reporting period till the end of June 2009, the Company realized sales of agricultural land of 797 decares at prices between BGN 500 and 550 per decare.
- At the end of the first quarter of the year, the Company had rental and lease agreements for 180,087 decares, representing 68.47% of the land purchased as at such date, concluded for 2008-2009 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 20 per decare and the total amount to be received from rent and leases is BGN 3,096,000. For 2008-2009 financial year, the Bulgarian Export Insurance Agency EAD insures the receivables from rent and leases. The campaign for renting and leasing continues until the end of May when the time limit for submission of applications by agricultural producers for subsidies along the line of direct payments for arable land expires.
- The investment property as at 30 June 2009, having total value of BGN 119,116 thousand, includes agricultural land of approximately 281,659 decares of total value of BGN 96,345 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 19,022 thousand and regulated real property of approximately 11 decares of value of BGN 3,749 thousand, including revaluation up to fair value of BGN 33,535 thousand.

- At the end of the second quarter of the year, the Company had rental and lease agreements for 196,223 decares, representing 69.67% of the land purchased as at such date, concluded for 2008-2009 financial year.
- The investment property as at the end of the third quarter of 2009, having total value of BGN 124,570 thousand, includes agricultural land of approximately 298,472 decares of total value of BGN 101,799 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 19,022 thousand and regulated real property of approximately 11 decares of value of BGN 3,749 thousand, including revaluation up to fair value of BGN 35,535 thousand.
- At the end of the third quarter of the year, the Company had rental and lease agreements for 200,603 decares, representing 67.21% of the land purchased as at such date, concluded for 2008-2009 financial year.
- The investment property as at the end of the fourth quarter of 2009, having total value of BGN 130,562 thousand, includes agricultural land of approximately 316,558 decares of total value of BGN 107,791 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 19,022 thousand and regulated real property of approximately 11 decares of value of BGN 3,749 thousand, including revaluation up to fair value of BGN 35,535 thousand.
- At the end of the fourth quarter of the year, the Company had rental and lease agreements for 206,482 decares, representing 65% of the land purchased as at such date, concluded for 2009-2010 financial year.

II. Major risks and uncertainties facing the Issuer during the remainder of the financial year

Advance TerraFund REIT is exposed to the common risks facing all public companies and economic entities in the real property segment, i. e. market environment – the agricultural land market environment in particular, the liquidity of investments and the comparatively low level of investment property use. The Company expects no material effect of such risks as the agricultural land market becomes more and more dynamic and liquid and the market relations in the segment are stimulated through subsidies for agricultural producers.

The financial assets and investments as at the ends of the first, second, third and fourth quarters of 2009 are denominated in BGN and EUR and, due to the operating currency board and the fixed BGN/EUR exchange rate, no currency risk exists. As at the date of preparation of this Interim Activity Report, the Company has no exposure to currencies other than BGN and EUR.

The Company invests a minimum of 75% of its portfolio in land designated for agricultural purposes and up to 25% in land in urbanized territories. The agricultural land is exposed to low risk of changes in prices and rent. The increased risk in the segment affects mainly real properties designated for building and is a result of the global financial crisis. The current situation cannot have any material negative effect on the financial position and operating results of the Company. Nevertheless, the Company

has undertaken measures for reduction of the share of land in urbanized areas to limit the price risk.

III. Information about material related party transactions

During the reporting period, Advance TerraFund REIT concluded no material related party transactions.

Date: 27 January 2010

Executive Director:

/Radoslav Manolov/