



Interim Activity Report of Advance TerraFund REIT for the Second Quarter of 2012

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 30 June 2012 amounts to BGN 85,110,091.

- The investment property of the Company as at 31 March 2012, having total value of BGN 155,824 thousand, includes agricultural land of approximately 290,037 decares of total value of BGN 140,414 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 12,319 thousand and regulated real property of approximately 11 decares of value of BGN 3,091 thousand, including revaluation up to fair value of BGN 60,009 thousand.
- From the beginning of the reporting period till the end of March 2012, the Company realized sales of agricultural land of 12,512 decares at an average price of BGN 914 per decare.
- At the end of the first quarter of the year, the Company had rental and lease agreements for 234,213 decares, representing 80.75% of the land purchased as at such date, concluded for 2011-2012 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 27.02 per decare. The 2011-2012 campaign for renting and leasing continued until the end of May 2012.
- The investment property of the Company as at 30 June 2012, having total value of BGN 152,626 thousand, includes agricultural land of approximately 282,653 decares of total value of BGN 137,216 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 12,319 thousand and regulated real property of approximately 11 decares of value of BGN 3,091 thousand, including revaluation up to fair value of BGN 56,748 thousand.

- From the beginning of the reporting period till the end of June 2012, the Company realized sales of agricultural land of 28,663 decare at an average price of BGN 900 per decare
- At the end of the second quarter of the year, the Company had rental and lease agreements for 227,861 decare, representing 80.62% of the land purchased as at such date, concluded for 2011-2012 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 27.02 per decare.

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 30 June 2012 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 80% of its portfolio in land designated for agricultural purposes and up to 20% in land in urbanized territories. The agricultural land is exposed to low risk of changes in prices and rent due to the interest of agricultural producers and other investors in real properties therein. The potential reduction of the prices of agricultural land is favourable for the investment policy of the Company and the fixed increases of the rental price as compared to the previous year increase the profitability of the investments. The increased risk in the segment affects mainly real properties designated for building construction and is a result of the global financial crisis. This situation has no 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 except for the ones reported in the Interim Financial Statements.

Date: 17 July 2012

Executive Director:

/Radoslav Manolov/