



Interim Activity Report of Advance TerraFund REIT for the Fourth Quarter of 2014

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, 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 December 2014 amounts to BGN 85,110,091.

- The investment property of the Company as at 31 March 2014 includes: agricultural land of approximately 227,477 decares of total value of BGN 151,091 thousand, properties in urbanized territories of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or having total value of BGN 165,679 thousand, including revaluation up to fair value of BGN 70,097 thousand.
- At the end of the first quarter of the year, the Company had rental and lease agreements for economic year 2013-2014 for 163,814 decares, representing 72.02% of the land purchased as to date. The average amount of the lease/rental payment for the financial year amounts to BGN 36.52 per decare.
- The investment property of the Company as at 30 June 2014 includes: agricultural land of approximately 219,643 decares of total value of BGN 146,641 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or having total value of BGN 161,229 thousand including revaluation up to fair value of BGN 66,004 thousand.
- At the end of the second quarter of the year, the Company had rental and lease agreements for 156,508 decares, representing 71.26% of the land purchased as at such date, concluded for 2013-2014 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 36.44 per decare.
- The investment property of the Company as at 30 September 2014 includes: agricultural land of approximately 210,922 decares of total value of BGN 140,468

thousand, properties in process of regulation of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or having total value of BGN 155,056 thousand including revaluation up to fair value of BGN 59,240 thousand.

- At the end of the third quarter of the year, the Company had rental and lease agreements for 151,966 decares, representing 72.05 % of the land purchased as at such date, concluded for 2013-2014 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 36.26 per decare.
- The investment property of the Company as at 31 December 2014 includes: agricultural land of approximately 217,476 decares of total value of BGN 146,297 thousand, properties in process of regulation of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or having total value of BGN 160,885 thousand, including revaluation up to fair value of BGN 58,729 thousand.
- At the end of the fourth quarter of the year, the Company had rental and lease agreements for 162,707 decares, representing 74.82% of the land purchased as at such date, concluded for 2014-2015 financial year. The average amount of the lease/rental payment for the financial year amounts to BGN 41.14 per decare.
- From the beginning of the reporting period till the end of December 2014, the Company realized sales of agricultural land of 31,462 decares at an average price of BGN 1,149 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 31 December 2014 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: 26 January 2015

Executive Director:

/Radoslav Manolov/