



## Interim Activity Report of Advance TerraFund REIT for the First Half of 2016

### I. General background of the Company

Advance TerraFund REIT ("The Company") is a public joint-stock company established at the Constituent Assembly from 12 April 2005, with initial capital amounting to BGN 500 thousand, allocated into 500,000 shares with par value of BGN 1 each. After the establishment of the company, five subsequent increases of the capital of the Company have been carried out, and as of 30 June 2016 the capital of the Company amounts to BGN 85,110,091.

The Company was re-registered with the Trade Register of the Registry Agency under UIC 131418187.

The seat and management address of the Company are at 1 Zlatovruh Str., Sofia.

The Company's subject of activity is investment of funds raised through public offering of securities in real estate (securitization of real estate) through purchase of right of ownership and other material rights on real estate and building constructions and improvements to them, with the purpose of their management, rental, leasing, and/or sale.

Advance TerraFund REIT obtained license № 10-ДСИЦ/08.12.2005, issued on the basis of Decision № 452-ДСИЦ from 14 July 2005 of the Financial Supervision Commission.

The Company has a one-tier management system.

The Board of Directors (BD) of the Company is composed as follows:

Radoslav Iliev Manolov – Executive Director,  
Borislav Vitanov Petkov – Chairman of the BD; and  
Nencho Invanov Penev – Member of the BD.

The Company is represented and managed by its Executive Director Radoslav Manolov.

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

Key financial performance indicators:

INDICATOR	Current period	Preceding period
OPERATING REVENUES	4,743	3,713
OPERATING COSTS	(1,741)	(1,755)
NET PROFIT FOR THE PERIOD	3,002	1,958
TOTAL ASSETS	231,664	236,859
TOTAL CURRENT LIABILITIES	7,916	15,428
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
RETAINED EARNINGS	95,227	92,910
TOTAL CAPITAL	223,748	221,431

	30.06.2016
Income from interest	91
Income for the sale of investment property	828
Income from rent and lease of investment property	3,790
Other income	34
OPERATING INCOME	4,743

	30.06.2016
Costs for hired services	1,653
Payroll costs	65
Losses from subsequent evaluation of investment property	15
Financial costs	1
Other costs	7
OPERATING COSTS	1,741

- As of 30 June 2016 the investment property of the Company includes: agricultural land of approximately 231,905 decares amounting to BGN 196,500 thousand, property in urbanized territories of approximately 128 decares amounting to BGN 11,453 thousand and land in regulation of approximately 11 decares amounting to BGN 2,996 thousand, or a total of BGN 210,949 thousand, including BGN 91,665 thousand revaluation at fair value.
- As of the end of the six-month period the Company has concluded for economic year 2015-2016 rental and leasing contracts for 173,234 decares, representing

74.70 % of the land purchased up to date. The average amount of the leasing/rental payment for the economic year amounts to BGN 42,70/dca.

- From the start of the reporting period until the end of June 2016, the Company realised the sale of 1,139 decares of agricultural land at average price of BGN 1,358/dca.

## **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. The Company is influenced by the market environment, the liquidity of investments, the state of the investment property, as well as the changes in the effective legislation regulating the agricultural sector. Regarding the influence of market risks, 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 2016 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 to date, the Company has no exposure to currencies other than BGN and EUR.

The Company invests a minimum of 90% of its portfolio in land designated for agricultural purposes and up to 10% in land in urbanized territories. The agricultural land is exposed to low risk of changes in prices and rent. The potential reduction of the prices of agricultural land is favourable for the investment policy of the Company and the increase of the rental price as compared to the previous year increases 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 in order to limit the price risk.

## **III. Information about material transactions concluded pursuant to § 1, item 6 of the Additional Provisions to the Accountancy Act, pursuant to Art. 33, para 3 of Ordinance No 2/17 September 2003**

Advance TerraFund REIT concluded no material transactions pursuant to Art. 1, item 6 of the Additional Provisions to the Accountancy Act. The related party transactions are reported in the Interim Financial Statements.

Date: 28 July 2016

Executive Director:

/Radoslav Manolov/