



**Interim Activity Report of Advance TerraFund REIT
for the period between the 1st of January 2016 and the 31st of
December 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 31 December 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 thereof, 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	14,293	39,449
OPERATING COSTS	(6,682)	(5,699)
NET PROFIT FOR THE PERIOD	7,611	33,750
TOTAL ASSETS	238,113	236,859
TOTAL CURRENT LIABILITIES	7,228	15,428
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	3	-
RETAINED EARNINGS	99,836	92,910
TOTAL CAPITAL	228,360	221,431

	31.12.2016
Income from interest	172
Income for the sale of investment property	6,048
Income from rent and lease of investment property	7,736
Other income	337
OPERATING INCOME	14,293

	31.12.2016
Costs for hired services	6,248
Payroll costs	130
Financial costs	2
Loss on impairment of receivables	280
Other costs	22
OPERATING COSTS	6,682

- As of 31 December 2016 the investment property of the Company includes: agricultural land of approximately 221,885 decares amounting to BGN 186,587 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 201,036 thousand, including BGN 84,829 thousand revaluation at fair value.
- As of 31 December 2016 the Company has concluded for economic year 2016-2017 rental and leasing contracts for 163,141 decares, representing 76.99 % of the land purchased up to date. The average amount of the leasing/rental payment for the economic year amounts to BGN 39,08/dca.
- From the start of the reporting period until the end of 2016, the Company sold 15,168 decares of agricultural land at average price of BGN 1,318/dca.

- From the start of the reporting period until the end of 2016, the Company entered into sales agreements for 12,066 decares of agricultural land with deferred payment.

III. 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 estate 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 31 December 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.

IV. Information about material transactions concluded between related parties

The related party transactions, including the transaction value and the nature of the relations between the parties, are reported in the Interim Financial Statements for the relevant period.

The transactions are concluded in accordance with the normal course of trade.

Date: 27 January 2017

Executive Director:

/Radoslav Manolov/