



**Interim Activity Report of Advance TerraFund REIT
for the period between the 1st of January 2018 and the 31st of
December 2018**

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 2018 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 registered office 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	7,660	36,796
OPERATING COSTS	(3,888)	(6,693)
NET PROFIT FOR THE PERIOD	3,772	30,103
TOTAL ASSETS	246,671	251,877
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	17	4
RETAINED EARNINGS	115,016	111,337
TOTAL CAPITAL	243,554	239,862
TOTAL CURRENT LIABILITIES	3,117	12,015

	2018
Income from interest	767
Income for the sale of investment property	254
Income from rent and lease of investment property	6,408
Other income	231
OPERATING INCOME	7,660

	2018
Costs for hired services	3,707
Payroll costs	128
Other costs	53
OPERATING COSTS	3,888

- As of 31 December 2018 the investment property of the Company includes: agricultural land of approximately 206,706 decares amounting to BGN 196,587 thousand, property in urbanized territories of approximately 71 decares amounting to BGN 3,550 thousand and land in regulation of approximately 62.176 decares amounting to BGN 11,679 thousand, or a total of BGN 211,816 thousand, including BGN 96,129 thousand revaluation at fair value.
- As of 31 December 2018 the Company has concluded for economic year 2018-2019 rental and leasing contracts for 161,797 decares, representing 78.27 % of the land purchased up to date. The average amount of the leasing/rental payment for the economic year amounts to BGN 39,82/dca.

- From the start of the year until the end of December 2018, the Company entered into sales agreements for 1,963 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 2018 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: 23 January 2019

Executive Director:

/Radoslav Manolov/