



**Interim Activity Report of Advance Terrafund REIT
for the period between the 1st of January 2019 and the 30th of
September 2019**

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 September 2019 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 Ivanov 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

Key financial performance indicators:

INDICATOR	Current period	Preceding period
OPERATING REVENUES	6,532	5,349
OPERATING COSTS	(3,179)	(2,699)
NET PROFIT FOR THE PERIOD	3,353	2,650
TOTAL ASSETS	254,434	253,676
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	17	17
RETAINED EARNINGS	121,377	118,363
TOTAL CAPITAL	249,915	246,901
TOTAL CURRENT LIABILITIES	4,519	6,775

	30.09.2019
Income from rent and lease of investment property	4,903
Income from sale of investment property	908
Income from interest	437
Revenue from options on deferred payment sales of property realized	177
Other income	107
OPERATING INCOME	6,532

	30.09.2019
Costs for hired services	3,044
Employee benefits expense	96
Provision expenses	20
Financial expenses	1
Other expenses	18
OPERATING COSTS	3,179

- As of 30 September 2019 the investment property of the Company includes: agricultural land of approximately 199,796 decares amounting to BGN 196,722 thousand, property in urbanized territories of approximately 71 decares amounting to BGN 3,067 thousand and land in regulation of approximately 62,176 decares amounting to BGN 11,099 thousand and investment properties held for sale of approximately 11,070 decares amounting to BGN 12,231 thousand, or a total of BGN 223,119 thousand, including BGN 102,585 thousand revaluation at fair value.
- As of 30 September 2019 the Company has concluded for economic year 2018-2019 rental and leasing contracts for 168,388 decares, representing 81.64 % of

the land purchased up to date. The average amount of the leasing/rental payment for the economic year amounts to BGN 38,36/dca.

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 September 2019 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.

Advance Terrafund REIT strictly adheres to its policy of investing in high-quality properties meeting the needs of developing modern agriculture and renting or leasing to first-class tenants under conditions favorable to the Company.

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 October 2019

Executive Director:

/Radoslav Manolov/