



**Interim Activity Report of Advance Terrafund REIT
for the period between the 1st of January 2019 and the 31st of
December 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 31 December 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	11,426	14,665
OPERATING COSTS	(5,962)	(3,888)
NET PROFIT FOR THE PERIOD	5,464	10,777
TOTAL ASSETS	255,150	253,676
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	25	17
RETAINED EARNINGS	123,488	118,363
TOTAL CAPITAL	252,034	246,901
TOTAL CURRENT LIABILITIES	3,116	6,775

	31.12.2019
Income from rent and lease of investment property	6,682
Income from sale of investment property	3,762
Income from interest	541
Revenue from options on deferred payment sales of property realized	195
Other income	246
OPERATING INCOME	11,426

	31.12.2019
Costs for hired services	5,560
Employee benefits expense	126
Impairment losses on receivables	187
Provision expenses	20
Impairment losses on disputed properties	16
Financial expenses	2
Other expenses	51
OPERATING COSTS	5,962

- As of 31 December 2019 the investment property of the Company includes: agricultural land of approximately 203,241 decares amounting to BGN 200,411 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 with area 214 decares amounting to BGN 197 thousand, or a total of BGN 214,774 thousand, including BGN 97,021 thousand revaluation at fair value.
- As of 31 December 2019 the Company has concluded for economic year 2019-2020 rental and leasing contracts for 163,524 decares, representing 80.37 % of the land purchased up to date. The average amount of the leasing/rental payment for the economic year amounts to BGN 39,96/dca.
- In 2019, the Company realized direct sales of 12,241 decares of agricultural land and sale with installment payments at the price of 1,343 decares of agricultural land.

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 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: 24 January 2020

Executive Director:

/Radoslav Manolov/