



Interim Activity Report of Advance Terrafund ADSIC for the period between 1 January 2021 and 31 December 2021

I. General background of the Company

Advance Terrafund ADSIC ("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 2021 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 Zlatovrah 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 ADSIC obtained license № 10-DSIC/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	28,023	12,519
OPERATING COSTS	(10,960)	(5,196)
NET PROFIT FOR THE PERIOD	17,063	7,323
TOTAL ASSETS	256,634	249,254
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	41	39
RETAINED EARNINGS	124,649	108,475
TOTAL CAPITAL	253,211	237,035
TOTAL CURRENT LIABILITIES	3,423	12,219

	31.12.2021
Income from sale of investment property	20,986
Income from rent and lease of investment property	6,801
Income from interest	162
Other income	74
OPERATING INCOME	28,023

	31.12.2021
Costs for hired services	10,344
Impairment losses on receivables	235
Employee benefits expense	125
Financial expenses	6
Other expenses	250
OPERATING COSTS	10,960

As of 31 December 2021 the investment properties of the Company include: agricultural lands with an area of approximately 178,089 decares worth BGN 183,457 thousand, properties in urban areas with an area of approximately 61 decares worth BGN 1,076 thousand, agricultural lands held for sale with area 149 decares worth BGN 150 thousand or a total of BGN 184,683 thousand including BGN 77,331 thousand revaluation to fair value.

As of 31 December 2021 the Company has concluded for economic year 2021-2022 rental and leasing contracts for 143,620 decares, which constitute 80.58% of the land purchased so far. The average amount of the leasing/rental payment for the economic year amounts to BGN 41.73/dca.

During the past period the Company realized direct sales of 39,198 decares of agricultural lands.

On July 26, 2021. Advance Terrafund ADSIC sold for 2,100.00 EUR (two million and one hundred thousand euros) its entire share in the specialized subsidiary Project Vrazhdebna EOOD, which was established on July 6, 2021 with a non-monetary contribution, having as subject the right of ownership of the Company over two real estates, located in the city of Sofia, Kremikovtsi district, Vrazhdebna district.

On 12 March 2021 the Act on Special Investment Purpose Companies and on Securitization Companies /SIPCSC/ was promulgated in the State Gazette, issue 21. Pursuant to § 11 the new Act repeals the Act on Special Investment Purpose Companies /SIPC/, which has been in force until now.

After the enforcement on March 16, 2021 of the SIPCSC, the functioning of Advance Terrafund ADSIC will be fully regulated by its provisions. The expectations of the Company are that the newly adopted SIPCSC will not lead to significant changes in the activities of Advance Terrafund ADSIC in the future.

III. Major risks and uncertainties facing the Issuer during the remainder of the financial year

In 2021, the country continues to experience an emergency epidemic situation in connection with the spread of COVID-19, which imposes restrictive measures in some sectors of the economy.

The company expects the legislative, economic and medical measures taken in the country, including the started vaccination of the population, to have a positive impact on the normalization of economic life.

At this stage, there are no terminated contracts with suppliers and clients of the Company, and no delayed cash receipts and payments as a result of the pandemic situation.

Apart from the above, Advance Terrafund ADSIC is exposed to the common risks facing all public companies and economic entities in the real estate segment. The Company is influenced by the land 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.

The company carries out its investment activity by selling concentrated own land and at the same time investing in agricultural land. The current situation related to the restrictions due to COVID-19 continues to affect the supply of agricultural land on the market, which is the reason for the less purchased properties during the reporting

period. The limited supply is the reason for the emerging trend in 2021 of increased interest from farmers and other investors to purchase agricultural land, which provides an opportunity for the Company to realize revenues from property sales.

The financial assets and investments as at 31 December 2021 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 rents.

Advance Terrafund ADSIC 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: 28 January 2022

Executive Director:

/Radoslav Manolov/