



Interim Activity Report of Advance Terrafund ADSIC for the period between 1 January 2022 and 30 September 2022

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 30 September 2022 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 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-DSIC 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	5,020	23,397
OPERATING COSTS	(2,881)	(8,674)
NET PROFIT FOR THE PERIOD	2,139	14,723
TOTAL ASSETS	253,391	291,956
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	41	41
RETAINED EARNINGS	117,257	119,490
TOTAL CAPITAL	245,819	248,052
TOTAL CURRENT LIABILITIES	7,572	43,904

	30.09.2022
Income from rent and lease of investment property	4,569
Income from sale of investment property	253
Income from interest	19
Other income	179
OPERATING INCOME	5,020

	30.09.2022
Costs for hired services	2,770
Employee benefits expense	101
Financial expenses	3
Other expenses	7
OPERATING COSTS	2,881

As of 30 September 2022, the investment properties of the Company include: agricultural lands with an area of approximately 168,185 decares worth BGN 209,077 thousand, properties in urban areas with an area of approximately 61 decares worth BGN 1,015 thousand, agricultural lands held for sale with area 16,591 decares worth BGN 19,534 thousand or a total of BGN 229,626 thousand including BGN 112,274 thousand revaluation to fair value.

As of 30 September 2022, the Company has concluded rental and leasing contracts for economic year 2021-2022 for 143,638 decares, which constitute 77.74% of the land purchased so far. The average amount of the leasing/rental payment for the economic year amounts to BGN 41.67/dca.

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

Annual inflation in the country at the end of September 2022 reached a record high level, exceeding 18%. High inflation reduces the real yield from rents received under rental contracts and from interest on the company's deposits, but at the same time it leads to an increase in the price of agricultural land, which has a positive effect on the value of the company's land portfolio. Currently, the company does not expect high inflation to have a negative impact on its operations.

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 limited supply is the reason for the trend started in 2021 and continuing in 2022 of increased interest from farmers and other investors to buy agricultural land, which leads to a significant increase in the price per decare.

The financial assets and investments as at 30 September 2022 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 95% of its portfolio in land designated for agricultural purposes and up to 5% in land in urbanized territories.

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: 27 October 2022

Executive Director:

/Radoslav Manolov/