



Interim Activity Report of Advance Terrafund REIT
for the period between the 1st of January 2020 and the 30th of
June 2020

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 June 2020 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 Iliiev 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	4,056	4,595
OPERATING COSTS	(1,972)	(2,020)
NET PROFIT FOR THE PERIOD	2,084	2,575
TOTAL ASSETS	254,334	253,118
SHARE CAPITAL	85,110	85,110
SHARE PREMIUM	43,411	43,411
OTHER RESERVES	25	25
RETAINED EARNINGS	112,062	109,978
TOTAL CAPITAL	240,608	238,524
TOTAL CURRENT LIABILITIES	13,726	14,594

	30.06.2020
Income from rent and lease of investment property	3,317
Income from sale of an investment in a subsidiary	268
Income from sale of investment property	207
Income from interest	195
Other income	69
OPERATING INCOME	4,056

	30.06.2020
Costs for hired services	1,732
Employee benefits expense	63
Expenses for provisions	18
Financial expenses	1
Other expenses	158
OPERATING COSTS	1,972

In March 2020 Advance Terrafund REIT sold for EUR 1,064,900 (one million sixty-four thousand nine hundred and one hundred euros) all its equity interest in its subsidiary, ATERA 1 EOOD, which was incorporated in February 2020, with capital, formed by a non-monetary contribution, with the subject of the right of ownership of real estate in the town of Stara Zagora, Zheleznik quarter.

As of 30 June 2020 the investment property of the Company includes: agricultural land of approximately 206,316 decares amounting to BGN 202,438 thousand, property in urbanized territories of approximately 71 decares amounting to BGN 2,906 thousand and land in regulation of approximately 51,526 decares amounting to BGN 8,104 thousand and investment property held for sale of approximately 363 decares amounting to BGN 422 thousand or a total of BGN 213,870 thousand, including BGN 94,526 thousand revaluation at fair value.

As of 30 June 2020 the Company has concluded for economic year 2019-2020 rental and leasing contracts for 163,487 decares, representing 79.24 % 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 the past period, the Company has realized a deferred payment sale of 371 decares of agricultural land.

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

The new 2019 coronavirus, called "severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2)," was discovered in China and spread there in late 2019 and early 2020. The same virus causes the disease associated with it, called "COVID-19". The virus subsequently spread from China worldwide, and in early March 2020, the WHO officially announced the spread of the SARS-CoV-2 virus and the disease caused by it " COVID-19 " for a pandemic. On 13 of March, 2020, the National Assembly of the Republic of Bulgaria declared a state of emergency in the country due to the coronavirus and increased anti-epidemic measures and restrictions were introduced. On May 14, 2020, after the expiration of the state of emergency, an emergency anti-epidemic situation was declared in the country by a decision of the Council of Ministers.

The management takes all recommended measures to limit the spread of the infection, including by informing employees about the implementation of certain measures, providing protective equipment and disinfectants, restricting travel, limiting access of outsiders, promoting work from home.

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 state of emergency introduced in the country and the ensuing emergency anti-epidemic situation.

As the situation develops extremely rapidly, it is practically impossible to make a reliable and measurable assessment of the potential impact of the pandemic on the Company's activity, the market liquidity and the fair value of the Company's assets.

The management will continue to monitor the situation and take all necessary measures to reduce the possible consequences.

Apart from the above, 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 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.

Regarding the land market, the Company expects there to be no significant turmoil, despite the emergency and thanks to the subsidization of farmers in the country. The agricultural land market will continue to diminish its dynamics and liquidity, and market relations related to renting agricultural land will prevail.

The financial assets and investments as at 30 June 2020 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 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: 28 July 2020

Executive Director:

/Radoslav Manolov/