

## Interim report on the activities of Advance Terrafund REIT for the first and second quarter of 2008

### I. Information on important events and their impact on the results in the financial statement

Advance Terrafund REIT ("the Company") is a public joint stock company established in 2005 at its Meeting of Incorporation on 12 April 2005 with an equity capital in the amount of BGN 500,000 divided into 500,000 shares with a par value of BGN 1 each. The company was registered by the Sofia City Court on 26 April 2005 and was entered in the Commercial Companies Register of the Sofia City Court under Company Case File No.4785/2005, Lot Number 92950, Volume 1216, Register I, Page 149. The Company's domicile and registered address is: No.57 Hristo Botev blvd, City of Sofia.

- On 31 March 2008, Advance Terrafund REIT concluded a contract for an investment loan in the amount of EUR 15,000,000 (fifteen million) with the London Branch of the National Bank of Greece for refinancing the loan liabilities of Advance Terrafund REIT to the Sofia Branch of ING Bank N.V. in the amount of BGN 8,000,000 (eight million) and for financing the purchase of agricultural and urban land. The interest on this loan is accrued at an interest rate equal to the 1-month EURIBOR rate plus a surcharge of 2.50 (two point fifty) basis points per annum.
- As at the end of the first quarter of the year, the Company has concluded rental contracts for fiscal year 2007-2008 for renting out 133,500 dka which is equal to 61% of the land purchased so far. The average rental remuneration is 14 BGN/dka and the total receivable amount from rentals is BGN 1,852,000. For the current year 2007-2008, the receivables from rentals are insured by the Bulgarian Export Insurance Agency (BEIA). The campaign for renting out land continues till the end of May, when the deadline for submission of applications by the agricultural producers for subsidies under the mechanism for direct payments for cultivated areas expires.
- As at the end of the second quarter of the year, the Company has concluded rental contracts for fiscal year 2007-2008 for renting out 141,800 dka which is equal to 62% of the land purchased so far. The average rental remuneration is 14 BGN/dka and the total receivable amount from rentals is BGN 1,985,000 for the current year 2007-2008.

- By virtue of Resolution No.788-E of 16 July 2008, the Financial Supervision Commission approved a prospectus for an initial public offering of securities to be issued in the amount of BGN 66,084,087 divided into 66,084,087 ordinary, dematerialized, registered, transferable shares with a par value of BGN 1 (one) each and an issuing value of BGN 1.90 each. These shares will be issued as a result of an increase of the equity capital of Advance Terrafund REIT in accordance with a decision adopted at a session of the Board of Directors held on 17 June 2008.

## **II. Main risks and uncertainties facing the issuer over the remainder of the fiscal year**

Advance Terrafund REIT is exposed to the general risks pertinent to all public companies and business entities in the real estate sector, namely the market situation, and in particular the agricultural land market situation, the liquidity of the investments, the relatively low utilization rate of the investment properties. The company's expectations are for the impact of these risks not to be significant because the market of agricultural land is getting ever more dynamic and liquid and the market relations in this sector are being increasing supported and encouraged by subsidizing the agricultural producers.

## **III. Information on big transactions concluded between related parties**

There are no big transactions concluded between Advance Terrafund REIT and parties related thereto over the period under consideration.

Date: 22 July 2008

Executive Director:

/Radoslav Manolov/