



Interim Report on the Activity of Advance Terrafund REIT for the first and second quarters of 2010

I. Information about important events and their effect on the results in the financial statement

Advance Terrafund REIT ("the Company") is a public joint-stock company established at the Constituency Assembly from 12 April 2005, with initial capital amounting to BGN 500 thousand distributed into 500,000 shares with par value of BGN 1 each. The Company is re-registered in the Trade Register of the Registration Agency under UIC 131418187. The seat and management address of the Company is 1 Zlatovruh Str., Sofia. After the establishment of the Company five subsequent capital increases have been carried out and as of 30 June 2010 it amounts to BGN 85,110,091.

- As of 31 March 2010 the investment property of the Company includes: agricultural land of approximately 320,038 decares amounting to BGN 103,693 thousand, property in the process of regulation of approximately 128 decares amounting to BGN 18,081 thousand and land in regulation of approximately 11 decares amounting to BGN 3,276 thousand, or a total of BGN 125,050 thousand, including BGN 28,901 thousand revaluation to fair value.
- On 05.03.2010 a preliminary contract for sale of 216 decares of agricultural land at BGN 525 per decare was signed
- As of the end of the first quarter of the year the Company has concluded for economic year 2009-2010 rental and leasing contracts for 238,068 decares, representing 74,39% of the land purchased up to the current moment. The average amount of the leasing/rental payment for the economic year amounts to BGN 20.63 per decare. The receivables from rent and leasing payments for economic year 2009-2010 are insured by Bulgarian Export Insurance Agency EAD (BEIA). The rent and leasing campaign for economic year 2009-2010 will continue to the end of May 2010.
- As of 30 June 2010 the investment property of the Company includes: agricultural land of approximately 328,223 decares amounting to BGN 106,302 thousand, property in the process of regulation of approximately 128 decares amounting to BGN 18,081 thousand and land in regulation of approximately 11 decares amounting to BGN 3,276 thousand, or a total of BGN 127,729 thousand.
- On 21.06.2010 the Company signed a preliminary contract for the sale of 1,456 decares of agricultural land at a price of BGN 510 per decare, under which an

advance was received amounting to BGN 74 thousand. The deadline for signature of a final contract for the sale of the above property is 30 August 2010.

- As of the end of the second quarter of the year the Company has concluded for economic year 2009-2010 rental and leasing contracts for 250,372 decares, representing 76.28 % of the land purchased up to the current moment or 79.11% of the agricultural land at the start of the year. The average amount of the leasing/rental payment for the economic year amounts to BGN 20.52 per decare. The receivables from rent and leasing payments for economic year 2009-2010 are insured by Bulgarian Export Insurance Agency EAD (BEIA). The rent and leasing campaign for economic year 2009-2010 will continue to the end of May 2010.
- With a decision made at the regular annual general assembly of the shareholders as of 30 June 2010 the Company allocated dividend amounting to BGN 3,181 thousand (BGN 0.03738 per share).
- As of 01.07.2010 the service fee has been reduced, by elimination of the charge of 1.5% on an annual basis from the difference between the revaluation cost and the acquisition price of the investment properties due to the servicing company.

II. Key risks and uncertainties facing the issuer during the rest of the financial year.

Advance Terrafund REIT faces the common risks relevant to all public companies and economic bodies in the sector of real estate, namely the conjuncture of the market and more specifically the agricultural land market, the liquidity of the investments, the comparatively low use of the investment property. The expectations of the Company are that the influence of these risks will not be considerable as the agricultural land market becomes increasingly more dynamic and liquid, and the market relations in the sector are encouraged through subsidies for the agricultural producers.

As of 30 June 2010 the financial assets and investments are denominated in BGN and EUR and under the conditions of an established currency board in the country the exchange rate of the BGN to the EUR is fixed and does not create currency risks. Currently the Company has no exposures in currencies different than BGN and EUR.

The Company invests a minimum of 80% of its portfolio in land designated for agricultural use and up to 20% in land in urbanized areas. The land with agricultural designation is exposed to low risks from changes in prices and rents. The potential reduction of the prices of agricultural land is favorable for the investment policy of the Company, and the fixed increases of the rental price by 20% as compared to the previous year increase the profitability of the investments. The increased risk in the sector affects mainly real estate designated for construction and results from the global financial crisis. The present situation cannot pose a serious negative effect on the financial state and results from the activity of the Company; nevertheless it has undertaken measures for reduction of the share of property in urbanized territories with the aim of limiting the price risks.

III. Information about significant transactions between related parties.

For the quoted period there are no major transactions between Advance Terrafund REIT and its related parties, other than those indicated in the interim financial statements.

Date: 29 July 2010

Executive Director:

/Radoslav Manolov/