

INTERIM ACTIVITY REPORT

ELANA AGROCREDIT AD

01.07.2014 – 30.09.2014

I. Summarized information about the Company

"Elana Agrocredit" AD (the Company) was established by Decision № 1/07.06.2007 of the Sofia City Court. The Company was recorded in the register of companies under № 120278, Volume 1654, p. 131, Company case 8790/2007 with subject of activity: economic analysis and forecasting, consulting, evaluation, acquisition, management and sale of shares in other companies, as well as performing other commercial transactions and any other activity not prohibited by law.

The headquarters and registered office address of the Company are Sofia, PO Box 1000, №4 "Kuzman Shapkarev" str. The address for correspondence is Sofia, PO Box 1756, №5 "L. Stanchev" str., "Sopharma Business Towers", Tower B, fl.12.

Initially, the Company name was Elana Private Equity AD, but at the Shareholders' meeting of 19.10.2012 the name was changed to Elana Agrocredit AD.

At the same meeting the subject of activity of the Company was also decided to be changed, namely: "Provision of credit funds which are not raised through public deposits or other repayable funds and at your own risk, financial leasing, and any other similar activity not prohibited by law."

II. Important corporate events for the current interim period and cumulatively for the current financial year up to 30.09.2014.

1. Company management

1.1. General meetings of shareholders

During the reporting period, there were no Meetings of Shareholders held.

Annual General Meeting of Shareholders was held in the previous reporting period (on 30th of June) and the following resolutions were adopted:

1. The GMS adopts the Annual Activity Report of the Board of Directors for 2013.
2. The GMS adopts the Annual Activity Report of the Investor Relation Director for 2013.
3. The GMS adopts the Audit Report prepared by the independent auditor for the audit check of the Annual Financial Report 2013.
4. The GMS approves the Annual Financial Report of the Company for 2013.

5. The GMS does not accept the Board of Directors' proposal for the allocation of the financial result for 2013 and the non-allocated profit for 2011 and 2012.
6. The GMS adopts a resolution for appointment of registered auditor in relation to the audit and certification of the annual financial report of the Company for 2014 – the registered audit firm Grant Thornton Ltd.
7. The GMS releases the members of the Company's Board of Directors from responsibility for their activity in 2013.
8. The GMS adopts Remuneration Policy developed by the Board of Directors.
9. The GMS determines a monthly remuneration of the members of the Board of Directors in amount of three minimum wages for the period 2014/2015, until the date of the Annual GMS for 2014.
10. The GMS determines a management warranty of the members of the Board of Directors in amount of three gross monthly remunerations.
11. The GMS authorizes the Chairman of the Board Vladislav Rusev to conclude for the Company a Management Agreement with the Executive Director Gergana Kostadinova; the GMS authorizes the Executive Director Gergana Kostadinova to conclude for the Company Management Agreements with the rest members of the Board.
12. The GMS adopts a resolution to amend the Company's Statutes, as follows:
 - Art. 35 to be amended by adding a new paragraph – to read as follows:

(7) "Notwithstanding the rules of art.5 and art.6 the debt financing must not at any time exceed twice the amount of the Company's capital registered in the Commercial Registry."
 - §2 of the Final Provisions to be amended as follows:

"These Statutes are adopted by a resolution of the GMS held on 19th of October 2012 in Sofia and is amended by a resolution of the GMS held on 12th of February 2013, a resolution of the GMS held on 22nd of March 2013, a resolution of the GMS held on 30th of April 2013, and a resolution of the GMS held on 30th of June 2014."

1.2. Meetings of the Board of Directors

As of the end of the reporting period the Company has a one-tier management system. The Board of Directors (the Board) is composed as follows:

- Vladislav Rusev Rusev – Chairman;
- Petar Stoyanov Bozhkov – Deputy Chairman;
- Gergana Venchova Kostadinova – Executive Director and a member of the Board;

On 20.06.2014 the Board adopted a resolution to increase the Company capital under the conditions of art.196, par.1 and art.194, par.1 of Commercial Law, art.112 and the next of Public Offering of Securities Law and pursuant to the authorizing under art.35, par.5 of the Statutes – the Company's capital to be increased from 5 115 435 BGN up to 20 461 740 BGN by issuing of up to 15 346 305 new ordinary dematerialized shares with a nominal value of 1 BGN each and an issue price equal to 1.05 BGN. The capital increase will be made under the conditions of public offering after the publication of a prospectus confirmed by the Financial Supervision Commission. The company's capital will be increased only in case not less than 5 000 000 shares

with a nominal value of 1 BGN each and an issue price equal to 1.05 BGN each are issued and paid. In this case the capital will be increased only with the amount of the issued shares.

On 25.06.2014 the Board of Directors adopted a Prospectus for public offering of shares from the capital increase of Elana Agrocredit AD in relation to a resolution adopted on 20.06.2014.

During the reporting period were held two meetings of the Board of “Elana Agrocredit” AD (on 06.08.2014 and 03.09.2014). Both of the meetings were related with letters of Financial Supervision Commission for corrections of the Prospectus which had been submitted for approval by the Commission.

The Prospectus was approved by Resolution 797-E of the Financial Supervision Commission from 18.09.2014.

2. Capital

At the beginning of Company’s activity the Capital was equal to 250 000 BGN.

On 12.02.2013, pursuant to Art.195 in conjunction with Art.192 of Commercial Law the capital of the Company was increased from 250 000 BGN to 700 000 BGN by issuing new 450 000 shares with a nominal value of 1 BGN each.

At the annual General Meeting of Shareholders held on 22.03.2013, the capital was decided to be increased from 700 000 BGN up to 15 700 000 BGN through the issuance and initial public offering (subscription) of up to 15 million new shares under the terms and conditions of the Public Offering of Securities Law as follows:

- Type of shares - ordinary, dematerialized, freely transferable, with one vote each and entitled to dividends and liquidation quota in proportion to the nominal value;
- Number of shares: 15 000 000;
- Nominal value of shares: 1 BGN;
- Total nominal value: 15 000 000 BGN;
- Issue price per share: 1 BGN;
- In case that the shares subscribed are less than the shares offered, but the shares subscribed and paid in full are at least 2 million shares, pursuant to Art.192a, para.2 of the Commercial Law the capital will be increased by the amount of the subscribed and paid shares.

The prospectus, which is submitted for consideration and approval in the Financial Supervision Commission was confirmed with decision № 506-E of 07.04.2013.

On 11.09.2013 was launched the initial public offering of shares of “Elana Agrocredit” AD. It was successfully completed on 10.11.2013, as of 16.11.2013 were recorded and paid 4 415 435 shares as a result of which the capital was increased to 5 115 435 BGN. The change was entered in the Commercial Register on 24.10.2013.

As of 30.09.2014 the capital is equal to BGN 5 115 435. On 20.06.2014 the Board adopted a resolution to increase it up to BGN 20 461 740 by issuing of up to 15 346 305 new ordinary

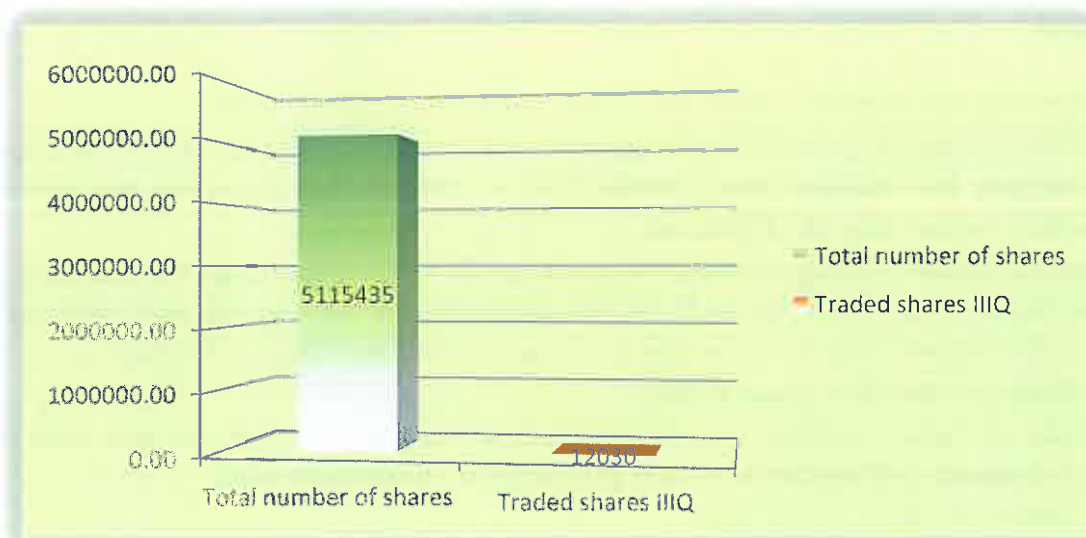
dematerialized shares with a nominal value of 1 BGN each and an issue price equal to 1.05 BGN. (p.1.2)

The Financial Supervision Commission approved the Prospectus for public offering of shares on 18.09.2014. The management of the Company is planning to start the capital increase on the base of the approved Prospectus in the beginning of 2015.

3. Shares

The shares of “Elana Agrocredit” AD have been traded on a regulated market since 22.11.2013 and they become one of the most actively traded shares on the Bulgarian Stock Exchange, sector- “Financial and Security Activities”, subsector – “Financial services activities, except insurance and pension funding.”

For the period the number of shares traded is 12 030 which are 0.24 % of the capital.



The number of shares traded since 1st of January 2014 is 1 079 369, presenting 21.10 % from the Company capital.

4. Investment activity

Until the end of the reporting period the Company has invested **BGN 8 034 994.31** for the purchase of agricultural land in execution of lease agreements preliminary concluded with farmers.

Only in the third quarter of 2014 the Company has invested **2 214 820 BGN** under **97 deals** for the purchase of **455 agricultural land plots with total area of 3 191,445 dka**, in execution of lease agreements preliminary concluded.

The table below presents the results from the investment activity of Elana Agrocredit AD since the start during May 2013.

Period	Month	Number of deals	Number of financed land plots	Total area of the financed lands /dka/	Total amount of the deals /leva/	Average price leva/dka of the financed lands
2Q 2013	May	1	3	13,470	12,590.00	934.67
	June	2	7	37,734	20,611.95	546.24
3Q 2013	July	10	21	115,935	70,049.68	604.22
	Aug	10	32	150,991	85,341.88	565.21
	Sep	9	28	138,016	78,372.77	567.85
4Q 2013	Oct	4	53	396,877	302,641.49	762.56
	Nov	17	151	1036,479	622,805.28	600.89
	Dec	11	49	406,610	328,103.77	806.92
1Q 2014	Jan	11	33	258,216	176,774.44	684.60
	Feb	18	68	616,893	518,617.84	840.69
	March	43	292	2338,878	2,049,212.55	876.15
2Q 2014	April	35	206	1218,014	739,762.14	607.35
	May	37	110	663,851	429,316.80	646.71
	June	37	97	649,604	385,972.83	555.67
3Q 2014	July	25	163	1023,194	521,325.37	509.51
	Aug	28	124	838,63	717,599.41	855.68
	Sep	44	168	1329,621	975,896.11	733.97
Total:		344	1,605	11,233,013	8,034,994.31	715.30

The Company finances mainly estates with permanent use "field" or "cultivated area" which are the most liquid on the market, but also plans to finance individual agricultural projects as well, such as vineyards and other perennial crops. The table below is presenting the Company's properties which have been purchased until 30.09.2014 based on two main parameters for quality of land - permanent usage and category.

Period	Month	Permanent Usage		Average Category
		Farm Fileds	Others	
2Q 2013	May	100.00%	0.00%	3.48
	June	98.61%	1.39%	3.95
3Q 2013	July	97.36%	2.64%	3.57
	August	97.77%	2.23%	3.14
	September	93.17%	6.83%	4.05
4Q 2013	October	99.12%	0.88%	4.09
	November	98.29%	1.71%	4.45
	December	92.40%	7.60%	4.05
1Q 2014	January	100.00%	0.00%	4.62
	February	97.31%	2.69%	4.29
	March	96.92%	3.08%	4.16

2Q 2014	April	95,91% ^a	4,09% ^a	4,80
	May	92,00% ^a	8,00% ^a	4,38
	June	90,30% ^a	9,70% ^a	4,84
3Q 2014 r.	July	88,34% ^a	11,66% ^a	6,09
	August	90,02% ^a	9,98% ^a	4,76
	September	96,19% ^a	3,81% ^a	6,27
Total		95,45%^a	4,53%^a	4,77

Most agreements are for 10 years at fixed interest rate (10^o%) and repayment through annuity. After discussions with farmers from across the Country and analysis of the optimal time for contributions payment has been decided, regardless of the date of conclusion of the contract, the repayments under it to be made on 15th of September in the same year. Only the repayments under the contracts concluded after 1st of September must be made on 15th of September in the next business year.

All the contributions payable on 15.09.2013 in amount of **BGN 26 144.85** have been entirely paid within the terms required.

Until the end of the reporting period (30.09.2014) **BGN 837 309.27** have been paid of the lease contributions due on 15.09.2014 in total amount of BGN 908 798.87 i.e. the delay of payments under lease agreements is 7.87 % as of the end of the quarter. The delay is in the range of 1 to 15 days.

As of the date of submission of the present report the execution rate is 95.47 % and **BGN 867 649.05** were paid.

5. Relations with government bodies and institutions

On 03.12.2012 Elana Agrocredit AD is registered as a financial institution in the Financial Institutions Registry in Bulgarian National Bank.

On 26.06.2013 Bulgarian National Bank involved the Company in the Central Credit Registry.

The Company is registered in the Public Companies Registry by Resolution 829-PD of Financial Supervision Commission dated 07.11.2013.

6. Relations with other interested entities

Elana Agrocredit AD carries out its activity in cooperation with the following main partners:

6.1. Management company

According to a decision taken at the General Meeting of Shareholders of Elana Agrocredit AD the entire business management of the company is entrusted to Agromanagement OOD (management company). For this purpose an agreement dated 22 March 2013 was signed between Elana Agrocredit AD and Agromanagement OOD. The management Company

provides a wide range of management and administrative services in the ordinary course of business, namely:

- Building a structure of regional representatives in relation to implementation of the investment activities of the Company;
- Organization of the activity of conclusion of contracts for financial leasing of agricultural land on behalf of and on account of Elana Agrocredit AD;
- Sale of the assets of Elana Agrocredit, in case of default by the lessee;
- Assistance in keeping the accounting and other reporting and correspondence;
- Consultation and preparation of documents related to the financing activities of Elana Agrocredit AD;
- Performance of other activities necessary for the normal operation of Elana Agrocredit AD as a part of its investment activities.

The remuneration of Agromanagement OOD has been based on the amount of money invested until 31.12.2013. Under money invested is meant the total amount of receivables of the principals under contracts with customers of Elana Agrocredit AD at the date of calculation of the fee.

At the extraordinary General Meeting of Shareholders dated 14.01.2014 it was decided to empower the Board of Directors to sign an annex to the agreement with Agromanagement Ltd., which in turn is a transaction within the meaning of art.114 of Public Offering of Securities Law.

The abovementioned agreement affected the remuneration of Agromanagement Ltd. on the contract, as it began to be formed in addition to the solid component (amount of money invested) and the outcome (profitability) on implementing the activity of the company. In order not to change the total amount of remuneration (the change is neutral to the parties), initially fixed remuneration is reduced to half, as the decrease was offset by the introduced variable component.

Detailed description of the remuneration model:

1. Quarterly fee based on the actual funds invested (regardless of their origin - equity loan, capital, etc.) as follows:

- when the funds invested are up to BGN 10 million – 0.25% of the investments;
- when the funds invested are between BGN 10 and BGN 20 million – BGN 25 000 + 0.1875 % of the excess of the investments over BGN 10 million;
- when the funds invested are over BGN 20 million - BGN 43 750 + 0.125% of the excess of the investments over BGN 20 million.

The quarterly fee is payable in 4 (four) instalments after the end of the first, second, third and fourth quarter of the year.

The base amount of money invested by the last day of each quarter serves as a ground for calculation.

The term “Investments” comprises the sum total of:

- the principal claims of leasing contracts;
- the principal claims of working credits provided;

The owed remuneration does not include VAT.

2. Annual fee, depending on the annual profitability achieved (success fee).

It is owed only when the profit realized by "Elana Agrocredit" AD during the relevant financial year before taxes is over 5 % in relation to the base capital of the company.

In this case, the amount of Agromanagement's remuneration is equal to 20 % of the part of profit over the aforementioned 5 % for the relevant year.

The remuneration is not owed if the amount of the realized profit before taxes is less than 5 % for the relevant year.

6.2. External auditors

Grant Thornton Ltd was appointed as an external auditor of Elana Agrocredit and Agromanagement Ltd for the reporting 2013. It is a specialized audit company according to the Law for Independent Financial Audit and is registered under number 032 in the register of audit companies administered by the Bulgarian Institute of Certified Public Accountants.

6.3. European Bank for Reconstruction and Development

In execution of the preliminary announced investment plans of Elana Agrocredit AD, on 17.04.2014 the negotiations for debt financing of the Company's activities were concluded successfully. A Loan Agreement between Elana Agrocredit and European Bank for Reconstruction and Development (EBRD) was concluded under the following conditions:

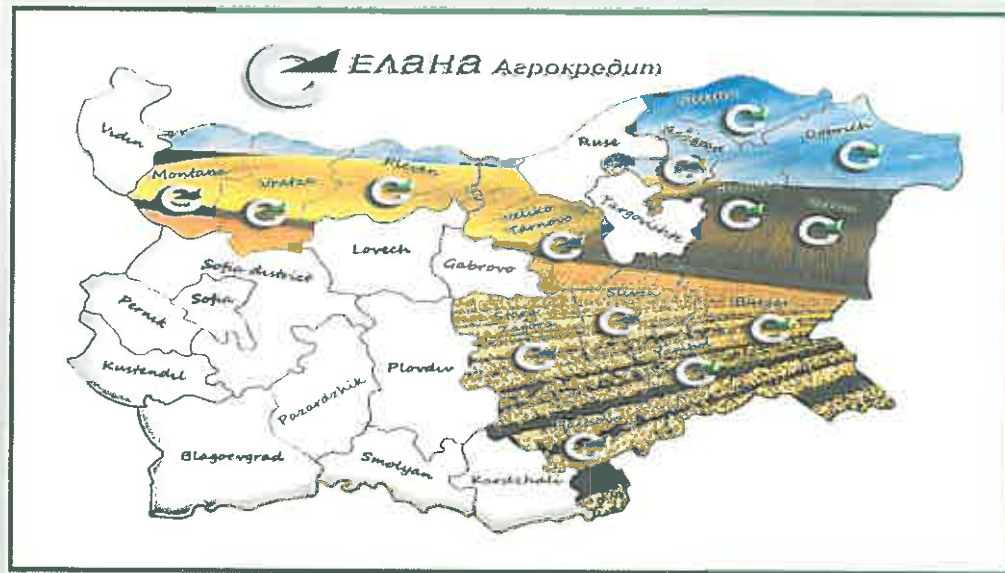
Amount of the loan	Up to 5 000 000 EUR
Term	8 years
Interest fee	Three-month EURIBOR plus 5 % on the effective date of the repayment; EBRD is authorized to fix the interest per cent if the three-month EURIBOR exceeds 0,75 %
Repayment	30 installments with due dates: 15 th of January, 15 th of April, 15 th of July и 15 th of October until total; the principal repayments are as follows: - On 15.01., 15.04. and 15.07 – 1 %; - On 15.10. – 9.8 %;
Guarantees	Receivables Pledge Agreement dated 17.04.2014

III. Influence of the important corporate events to the results of the financial report at 30.09.2014.

The influence of the important corporate events for the reporting period to the company activity results shall be regarded as positive.

- **During the reporting period the Company has been invested the capital and continues its activity by partly acquiring of the first tranche under the Loan Agreement with EBRD.** It creates good conditions for realizing a high profitability by the Company shareholders.
- **During the reporting period the Company has enlarged the range of its activity and has financed the purchase of agricultural land in new regions and municipalities.**

The territory range of the Company investments is shown in the map below:



IV. Description of the main risks which the Company faces

- **General risks**

General risks are those associated with general economic situation and the political situation in the Country. These risks are beyond the direct influence of the Company, but could materially affect the results of its operations.

- **Political risk**

The Political risk is associated with adverse change in the current legislation, changing the political course of the Country, in which the Company performs its economic activity, and more. Bulgaria is a member of NATO from 1 April 2004 and the EU from 1 January 2007, which guarantees the stability of the country's foreign policy. The legislative policy is aimed to harmonize Bulgarian legislation with the European Union. The Company believes that any future change in the political governance of the country will not lead to significant changes in its activity and the membership in the EU is an additional factor that favors the successful implementation of the investment strategy.

- **Currency risk**

Currency risk is the possibility of adverse changes in the ratio between the Bulgarian Lev (BGN) to the foreign exchange and the impact of this change in terms of return on investment. In 1997 in Bulgaria was introduced the currency board in which the BGN was pegged to the German mark, respectively to the euro. The currency board system contributes to stabilization of the Bulgarian economy, reduction of inflation, sustainable growth, reducing the large budget deficit and a positive assessment by international rating agencies. Fixed exchange rate system transports of EURO/U.S. dollar movement of the USD/BGN. In this sense, foreign currency risk of a

country is close to currency risk on the price movement of the EUR/USD, on the other hand, is equivalent to the political risk of the Country.

- **Credit risk**

The credit risk of the country is the risk of inability or unwillingness to meet upcoming debt payments. In this regard Bulgaria is constantly improving its position in the international debt markets, which facilitates the access of the Country and economic entities to finance from external sources. Sustained increase in credit risk assessment of the Country is the result of the achieved results in the stabilization of the macroeconomic environment, achieving sustainable growth and well capitalized currency board. The most important effect of improving the credit rating is lower risk premiums on borrowing, leading to more favorable interest rates (under equal conditions). For this reason a potential increase in credit rating would have a favorable impact on the Company and in particular on its funding. On the other hand, lowering the credit rating of Bulgaria would have a negative impact on the cost of financing the Company, unless its loan agreements are not with fixed interest rates.

- **Adverse changes in tax and other laws**

Taxes paid by Bulgarian companies include withholding taxes, local taxes, corporate profit tax, value added tax, excise duties, import and export duties and property taxes. The taxation system in Bulgaria is still developing as a result of which may occur in inconsistent enforcement at both the state and local level.

Investors should also take into account that the value of investments in equity securities may be adversely affected by changes in the tax laws, including in its interpretation and application. In addition, the tax legislation is not the only thing that may be altered by this change that can adversely affect the Company. Though the majority of Bulgarian law has been harmonized with the EU legislation, law enforcement has been criticized by the European partners of Bulgaria. Judicial and administrative practice remain problematic: Bulgarian courts are unable to effectively resolve disputes concerning property rights, breaches of statutory and contractual obligations and other, resulting in a systematic regulatory risk that is relatively high.

Regardless of the problems in the Bulgarian legal system Bulgarian trade legislation is part of the EU and as such is relatively modern. Introduction of new legislation in areas such as corporate and securities, as well as harmonization with the laws and regulations of the EU is expected to rise in the near future to reduce the regulatory risk.

- **Other general risks**

Other risks that are beyond the ability of impact to the management of the Company are natural disasters, major technological disasters, political instability and war in the region. „Force majeure“, which could have a negative impact on business in general.

- **Specific risks**

Specific risks are those related to the main activity of the Company and which can, in some cases, be controlled by the lead market policy.

The Company's investments in real estate are subject to various risks typical for real estate investments and risks specific to the Company's credit activities.

Revenue, profit and value of property owned by the Company, respectively the quality of the loan portfolio may be adversely affected by many factors. Particular risks specific to the Company are as follows:

- **Adverse changes in market prices**

Reduction of prices of agricultural land would adversely affect the value of the Company's assets that serve as collateral for payments under finance leases. Significant fall in prices could discourage lessees whether to continue paying the lease installments. As far as the company financed the purchase of land at market rates at 20% deductible by the lessees and taking into account the expectations of steady growth in the price of agricultural land, the management of the Company believes that the impact of this risk is negligible

- **Illiquidity of investments**

Real estate investments are relatively illiquid. This means that the land owned by the Company would not be able to sell quickly at low cost and at a fair price. It is possible, if the Company is forced to sell quickly owned land due to default of the lessee, at price lower than the market or fair value, which would reduce the planned return of the Company. The agricultural land market is evolving and becoming more liquid, as in the past few years is dominated by buyers. Therefore, the Board of Directors of the Company believes that the impact of this risk will be low and, if necessary, it will be able to get a fair price for the land offered for sale as a result of non-payment of lease payments from the lessee.

- **Company dependence by the farmers and the successful development of their business**

Revenue of the Company largely depend on the successful business of farmers and their ability to perform timely its obligations under finance lease. If the lessees become insolvent or unable to meet its obligations, the return on investment of the Company will decrease, which will reflect negatively on the income of the shareholders. The Company has reduced this risk to a minimum, being owner of the property/s throughout the duration of the lease and will be through the implementation of the asset able to get back the invested funds, and all or most of the planned yield.

- **Delay during the investment of the capital**

The share capital will bring greater profitability as sooner invested, and the payment under finance leases such as principals, interests, as well as a management fees were made. For this purpose, the management of the Company will seek to optimize cash flow over the years, in order to optimize the ratio between the receipt of the funds and their investment.

- **Key employees leave**

The Company's operations could be threatened if key employees with specific qualification leave, and it is difficult or impossible to find or replace him/her within reasonable time and on reasonable financial terms.

- **Unethical and illegal behavior**

The Company may suffer damage due to unethical behavior of persons with whom it is in contractual relations, including members of the governing bodies. This would have a negative impact on the normal activity of the Company and its earnings.

- **Risk when the deal for purchase of property is financed by the Company**

The Company financed the purchase of properties in nearly 2/3 of the areas in the Country. Under the Bulgarian law transactions are carried out at the location of the properties. Through a flexible organization of highly qualified regional representatives in the Country, precisely regulated and comply with the procedures for purchases of agricultural land and conclusion of leasing contracts, the Company has minimized the potential adverse effects of malicious actions by property sellers or their agents at the conclusion of transactions.

V. Application and enforcement of the Program of good corporate management

On 18.12.2013 the Board of Directors of the Company approved a program of good corporate management, in which “Elana Agrocredit” AD has adopted the principles of good corporate management as set out in the National Corporate Governance Code adopted by BSE and the internationally recognized principles and standards.

During the reporting period the activity of Company management was in accordance with the adopted Program.

The Company fulfilled all its obligations to disclose internal information required and other significant information necessary for the shareholders and other interested entities.

During the reporting period the Company has permanently updated its web page: agrocredit.elana.net. The Company has presented Corporate calendar for the future corporate events which is updated in case of any changes and Investor Bulletin with monthly information about company activity.

VI. Internal documents

Until the end of the reporting period the following internal documents have been adopted (related to the activity of Elana Agrocredit AD and Agromanagement OOD).

1. Remuneration Policy of “Elana Agrocredit” AD;
2. “Rules for Control and Cancelling of Money Laundering and Financing of Terrorism in Elana Agrocredit AD.”
3. “Rules of the Board of Directors in Elana Agrocredit AD”
4. “Internal Rules of Elana Agrocredit AD for the Central Credit Registry.”
5. Financial Lease Contract and Annex A (repayment schedule)

6. "Internal Rules for the Activity of the Regional Agents in Agromanagement OOD" and Attachments to them for the rights and obligations of the agents of Elana Agrocredit AD.
7. Agency contracts";
8. "Rules for the Activity of Agromanagement OOD in Relation to the Management Contract with Elana Agrocredit AD"
9. "Rules for Risk Assessment and Risk Management in Agromanagement OOD in relation to the Management Contract with Elana Agrocredit AD";
10. "Ordinance for the Activity of Agromanagement OOD in relation with the Transmission of Documents and the Management of the General Archive of Elana Agrocredit AD"

29.10.2014

Sofia


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G. Kostadinova
/Executive Director/



