

**INTERIM ACTIVITY REPORT****ELANA AGROCREDIT AD****01.01.2015 – 31.03.2015****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 31.03.2015.****1. Company management****1.1. General meetings of shareholders**

During the reporting period on 23.02.2015 was held General Meeting of Shareholders and the following resolutions were adopted:

1. The GMS adopts the Annual Activity Report for 2014.
2. The GMS takes note of the Annual Activity Report of the Investor Relations Director for 2014.
3. The GMS adopts the Audit Report prepared by the independent auditor for the audit check of the Annual Financial Report 2014.
4. The GMS approves the Annual Financial Report of the Company for 2014.
5. The GMS adopts a resolution the profit of 2014 in amount of BGN 339 706.61 to be distributed as follows:
  - 10% (ten per cent) or 33 970,66 for Reserve Fund of the Company;

- the balance of 305 735,95 and the non-distributed profit of 2011, 2012 and 2013 in amount of BGN 13 182,06 in aggregate amount of 318 918,01 to be distributed as a dividend and the gross dividend to be equal to 0,0623 for one share of the Company's capital.
- 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 2015 – the registered audit firm Grant Thornton Ltd.
- 7. The GMS releases the members of the Board of Directors from responsibility for their activity in 2014.
- 8. GMS determines a monthly remuneration of the members of the Board of Directors in amount of three minimum wages for the period 2015/2016, until the date of the Annual GMS for 2016.
- 9. The GMS determines a management warranty of the members of the Board of Directors in amount of three gross monthly remunerations.
- 10. 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.
- 11. The GMS adopts the Audit Committee Report for 2014.
- 12. The GMS adopts a resolution the functions of Audit Committee for the next two years to be performed by the Board of Directors. The GMS elects Petar Bozhkov for Chairman of the Audit Committee.
- 13. The GMS adopts a resolution to amend the Company's Statutes, as follows:
  - Art. 4 to be amended as follows: "The company's scope of business includes: granting of loans from funds which have not been raised through public deposits or other refundable assets and financial leasing. "
  - §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, a resolution of the GMS held on 30th of June 2014 and a resolution of the GMS held on 23<sup>rd</sup> of February 2015."

## 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 06.01.2015 The Board of Directors adopted The Annual Financial Report and the Annual Activity Report of "Elana Agrocredit" AD.

On 14.01.2015 the Board of Directors took a resolution for calling General Meeting of Shareholders. (p. 1.1. of the present Report).

On 20.01.2015 the Board of Directors took a resolution for reducing the issue price of the shares of the planned capital increase from BGN 1.05 to BGN 1.02. On the next date the Company approved the Appendix to the Prospectus confirmed by the Financial Supervision Commission by Decision 797-E/18.09.2014.

On 23.02.2015 the Board of Directors defined the rules and condition for annual dividend distribution voted on the General Meeting of Shareholders.

On 09.03.2015 the Board of Directors approved Notice under Art. 92a POSA for beginning of the public offering of shares.

After the end of the reporting period and before the publishing date of the present report, on 14.04.2015 the Company concluded an Annex with Societe Generale Expressbank AD to the Loan Agreement for Working Capital dated on 18.12.2014. (p. 6.4.)

After the end of the reporting period and before the publishing date of the present report, on 27.04.2015 the Board of Directors took a resolution to extend the term of the public offering of shares with 10 (ten) business days on the base of Art. 84, par. 1 POSA. The final term of the second stage of the offering (and the final term of the offering as a whole) is the expiry of 25 (twenty five) business days after the expiry of the term for rights transfer: 18.05.2015.

## **2. Capital**

During 2013 the Company had two capital increases as a result of which on 30<sup>th</sup> of June 2014 the Company's capital is divided into 5,115,435 ordinary shares with a nominal value of BGN 1 (each).

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 31.03.2015 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.

The Financial Supervision Commission (FSC) approved the Prospectus for public offering of shares on 18.09.2014. On 20.01.2015 the Board of Directors took a resolution for reduction of the issue price from BGN 1.05 to BGN 1.02. On the next date the Board approved Appendix to the Prospectus made by the investment intermediary "Elana Trading" AD.

On 05.02.2015 the FSC confirmed the Appendix to the Prospectus by Decision 75-E/05.02.2015. On 13.03.2015 a Notice for start of the public offering under Art. 92a of POSA was published in the Commercial Registry and on the web-sites of "Elana Agrocredit" AD and "Elana Trading" AD. On 14.03.2015 the Notice was published in two central daily newspapers: "24 hours" and "Labour".

The rights trade and the shares subscription started on 23.03.2015. After the Board of Directors' resolution under p.1.2. of the present report for term extension of the public offering it continues under the following schedule:

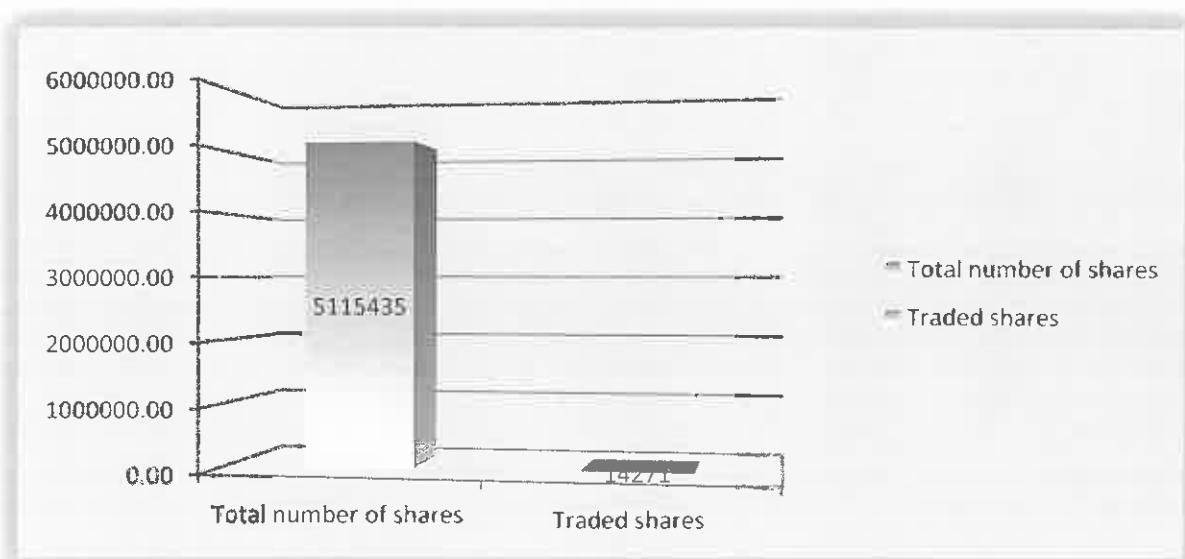
Public offering schedule	
Stage	Date
1. Announcement for start of public offering on website	13.03.2015
2. Announcement for start of public offering in the Commercial Register	13.03.2015
3. Announcement for start of public offering in two dailies – Trud Daily and 24 Chasa Daily	14.03.2015
4. Start date of share subscription. Start of trading on the Bulgarian Stock Exchange with the share rights	23.03.2015
5. Closing share rights trading	02.04.2015
6. Deadline for rights transfer. Deadline for subscription of shares by current shareholders and the ones who have acquired rights in trading.	07.04.2015

7. Date of auction for unexercised stock rights	16.04.2015
8. Deadline for subscription of shares acquired through the auction (extended by Decision of the Board dated 27.04.2015)	18.05.2015
9. Deadline for payment of subscribed shares (extended by Decision of the Board dated 27.04.2015)	18.05.2015
10. Expected date for submitting information to the Financial Supervision Commission and the Bulgarian Stock Exchange	19.05.2015
11. Expected date of registration of capital increase in Commercial Register	25.05.2015
12. Expected date of registration of capital increase at the Central Depository	01.06.2015
13. Expected date of registration of capital increase at the Financial Supervision Commission	09.06.2015
14. Expected date of registration of capital increase at the Bulgarian Stock Exchange	23.06.2015

### 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 14 271 which is 0.28 % of the capital.



### 4. Investment activity

Until the end of the reporting period the Company has invested **BGN 15 929 737.52** for the purchase of agricultural land in execution of lease agreements preliminary concluded with farmers.

Only in the first quarter of 2015 the Company has invested **BGN 3 131 434.67** under **124 deals** for the purchase of **554 estates with total area 4 138.565 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 of it during May 2013.

Period	Month	Number of Deals	Number of financed plots	Total amount of the financed lands	Total amount of the financed lands	Average amount (leva/dka) of the financed lands
2Q 2013	May	1	3	13.47	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
	August	10	32	150.991	85 341.88	565.21
	September	9	28	138.016	78 372.77	567.85
4Q 2013	October	4	53	396.877	302 641.49	762.56
	November	17	151	1036.479	622 805.28	600.89
	December	11	49	406.61	328 103.77	806.92
1Q 2014	January	11	33	258.216	176 774.44	634.60
	February	18	68	616.893	518 617.84	840.69
	March	45	292	2338.878	2 049 212.55	876.15
2Q 2014	April	35	206	1218.034	739 762.14	607.35
	May	37	110	663.851	429 316.80	646.71
	June	37	97	649.604	385 972.83	594.17
3Q 2014	July	25	163	1023.194	521 325.37	509.51
	August	28	124	838.63	717 599.41	855.68
	September	44	168	1329.621	975 895.11	733.96
4Q 2014	October	75	312	2126.035	1 364 865.98	641.98
	November	52	263	1884.506	1 617 641.39	858.39
	December	104	319	2552.791	1 780 602.18	697.59
1Q 2015	January	36	186	1203.094	818 719.53	680.51
	February	58	261	1828.408	1 441 231.85	788.24
	March	30	107	1107.063	871 483.29	787.20
TOTAL		699	3053	21934.91	15 929 737.52	726.23

The Company finances mainly land plots 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 31.03.2015 based on two main parameters for quality of land - permanent usage and category.

Period	Month	Permanent Usage	Average Category
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		Field	Other	
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%	4.09%	4.80
	May	92.00%	8.00%	4.38
	June	90.30%	9.70%	4.84
3Q 2014	July	88.34%	11.66%	6.09
	August	90.02%	9.98%	4.76
	September	96.19%	3.81%	6.27
4Q 2014	October	96.74%	3.26%	5.40
	November	91.05%	8.95%	4.49
	December	92.93%	7.07%	4.70
1Q 2015 r.	January 2015	97.52 %	2.48 %	5.17
	February 2015	98.34 %	1.66 %	4.66
	March 2015	90.72 %	9.28 %	4.52
Total:		95.26 %	4.74 %	4.87

Most agreements are for 10 years at fixed interest rate (10%) 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 15<sup>th</sup> of September in the same year. Only the repayments under the contracts concluded after 1<sup>st</sup> of September must be made on 15<sup>th</sup> 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.

The Company has effectively collected **BGN 867 649.05** of the lease payments due on 15.09.2014 which are 95.47 % of all the payments due.

After the one-month payment term the contracts under which an event of default was available had been terminated.

All the lands subjects of these contracts were sold and "Elana Agrocredit" AD received all the payments due by the sale of the relevant land plots.

## **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.

"ELANA AGROCREDIT" AD is registered under №387816 in the "Registry of the Administrators of Personal Data and the Registers kept by them" at the Commission for Personal Data Protection.

## **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:

<b>Amount of the loan</b>	Up to 5 000 000 EUR
<b>Term</b>	8 years
<b>Interest fee</b>	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 %
<b>Disbursements</b>	Two tranches, each of them in amount not to exceed EUR 2,500,000. The total amount under the first tranche has been entirely drawn down. The amount under the second tranche will be drawn down after the end the capital increase.
<b>Repayment</b>	30 installments with due dates: 15 <sup>th</sup> of January, 15 <sup>th</sup> of April, 15 <sup>th</sup> of July и 15 <sup>th</sup> of October until total; the principal repayments are as follows: <ul style="list-style-type: none"> <li>- On 15.01., 15.04. and 15.07 – 1 %;</li> <li>- On 15.10. – 9.8 %;</li> </ul>
<b>Guarantees</b>	Receivables Pledge Agreement dated 17.04.2014

#### 6.4. Societe Generale Expressbank AD

A loan agreement for working capital was concluded on 18.12.2014 between Elana Agrocredit and Societe Generale Expressbank AD. The Loan shall be used for financing of Bulgarian farmers under financial lease contracts for purchase of agricultural land.

<b>Amount of the loan</b>	BGN 3 000 000 (three million leva);
<b>Utilization term of the loan</b>	- until 31.03.2015
<b>Repayment term of the loan</b>	- until 30.06.2015 - extension of the repayment term until 31.10.2017 in case the loan is not repaid until 30.06.2015 with the funds raised by the capital increase of Elana Agrocredit AD.
<b>Interest rate</b>	- until 30.06.2015 an interest rate in amount of 1M (one) month SOFIBOR plus a margin of 3,10% (three point ten per cent) annually. - in case of extension of the repayment term: from 01.07.2015 until the final term of the loan – an interest rate in amount of 1M (one) month SOFIBOR plus a margin of 4% (four per cent) annually
<b>Loan repayment</b>	- with the funds raised by the capital increase of Elana Agrocredit AD scheduled for the first quarter of 2015. - in case of extension of the repayment – annual installments in amount not less than BGN 1 000 000 (one million leva), due on 15.10.2015, 15.10.2016 and 31.10.2017. - interest repayment terms – monthly, on the last working day of the month until the fully repayment of the loan.
<b>Collateral</b>	Pledge of receivables under financial lease contracts of agricultural land – Receivables pledge agreement dated on 18.12.2014

After the end of the reporting period and before the date of publish, on 14.04.2015 between Elana Agrocredit and Societe Generale Expressbank AD was concluded an Annex to the Loan agreement for working capital. It amends the amount of sum provided by the Loan agreement from BGN 3 000 000 to BGN 5 000 000 and extends the payment term, as follows:

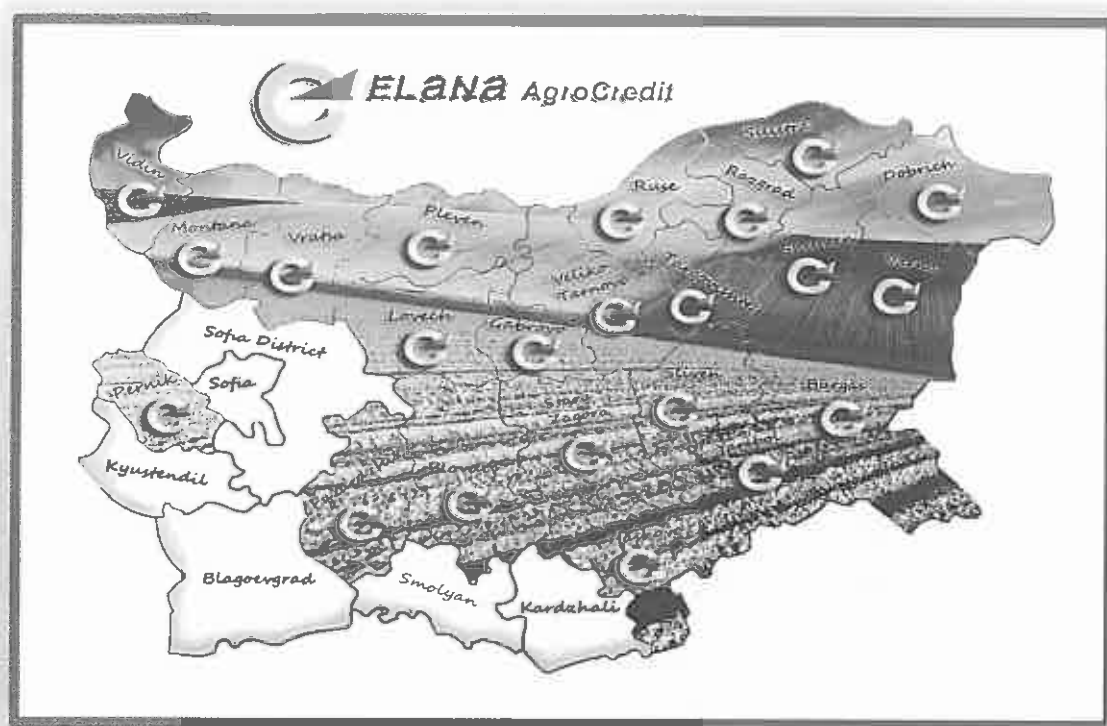
<b>Amount of the loan</b>	BGN 5 000 000 (five million leva);
<b>Utilization term of the loan</b>	- until 02.07.2015
<b>Repayment term of the loan</b>	- until 30.06.2015 - extension of the repayment term until 31.10.2019 in case the loan is not repaid until 02.07.2015 with the funds raised by the capital increase of Elana Agrocredit AD.
<b>Interest rate</b>	- until 02.07.2015 an interest rate in amount of 1M (one) month SOFIBOR plus a margin of 3,10% (three point ten per cent) annually. - in case of extension of the repayment term: from 03.07.2015 until the final term of the loan – an interest rate in amount of 1M (one) month SOFIBOR plus a margin of 4% (four per cent) annually
<b>Loan repayment</b>	- with the funds raised by the capital increase of Elana Agrocredit AD scheduled for the first quarter of 2015. - in case of extension of the repayment – by annual installments in amount not less than BGN 1 000 000 (one million leva), due on 15.10.2015, 15.10.2016, 15.10.2017, 15.10.2018 and 31.10.2019. - interest repayment terms – monthly, on the last working day of the month until the fully repayment of the loan.
<b>Collateral</b>	Pledge of receivables under financial lease contracts of agricultural land – Receivables pledge agreement dated on 14.04.2015

### III. Influence of the important corporate events to the results of the financial report at 31.03.2015.

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 its capital, the sum disbursed by EBRD under the first tranche and the new loan resource under the Loan agreement with “Societe Generale Expressbank” AD. The Company has also concluded an Annex to the Loan agreement for new BGN 2 000 000 by which to continue its main activity – financing of agricultural producers under lease agreements for agricultural land purchase. The sum will be repaid after successful ending of the capital increase. In this way one part of the capital has already been invested and it brings profitability to the shareholders before the capital increasing itself.
- During the reporting period the Company has affirmed its positions in the main regions in which it finances the purchase of agricultural land under lease contracts (22 regions); the Company indicates grow in the number of its clients, which creates preconditions for faster investing and positive development of its activities.

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. Since the entry of the currency board system until now, all the governments work for accession of Bulgaria to Eurozone and entry of Euro as a currency at the present fixed rate.

- **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. Regarding to the procedures of sale of land plots under defaulted lease contracts in 2014, it can be considered that the sale of such lands can be realized in no more than 30 (thirty) days period after the termination of the relevant defaulted contracts.

- **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](http://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"

28.04.2015

Sofia

