

INFORMATION MEMORANDUM

(as of 31 March 2017)

ELANA Agrocredit AD **Financial Partner of Farmers in Bulgaria**

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I. PRESENTATION OF THE PROJECT

1. The Company - Elana Agrocredit AD is the first and so far the only public company in Bulgaria specialized in financial leasing for agricultural land acquisition. It was created in 2013 by the team at ELANA that in 2005 started the first and biggest of its time REIT for agricultural land in Bulgaria – ELARG. ELARG was liquidated in 2013, yielding an 18% average annual return.

2. Business idea - In 2005 team of ELANA group established the first fund for investing in agricultural land in Bulgaria – ELANA Land Opportunity Fund REIT. This investment product was based on the expectations for strong increase of agricultural land prices in the period 2005-2012. In this period the average price of arable land raised with about 300%. ELANA Agricultural Opportunity Fund REIT has provided its investors profit of over 180% for the period of its existence.

Having in mind the stage of development of agricultural market as of 2012 the team of ELANA has considered that the sustainable growth of agricultural land price will continue in the next few years, but with significantly lower rates. At this moment the cultivation of agricultural land is to a large extent regulated owing to so-called consolidation on cultivation level, introduced by the Ownership and Use of Agricultural Land Act.

However, the cultivation of land for relevant business year on the base of consolidation agreements does not solve the problem of agricultural producers for the long-term planning of their business and the opportunity to invest in irrigation systems and other long-term initiatives which can improve the productivity per unit area. Because of that, in the last few years agricultural producers became the major buyers of agricultural land.

For this reason on this stage of market development the team of ELANA has created an investment product which is not with speculative purpose and is focused on financing the purchases of agricultural producers.

3. Business model - Elana Agrocredit operates a lean business model extending lease financing to local small to mid-sized farmers for arable land acquisition. It extends fix rate, up to 10 years leases, with 20% down payment and acquired land as collateral. The latter limits the default rate negatives as land is disposed of straight away in case of default with the down payment as a loss cushion. It also extends short-term working capital loans thus profiting on farmers' ongoing farming needs (fertilizers, seeds, etc.). All lending activity in line with agricultural year (1 Oct – 30 Sept).

The Company extends long term lease contracts (up to 10 years) at a fixed interest (currently 8.5%[№]) and a fixed annual BGN 5 per decare (BGN 50 per ha) management fee paid by the lessees.

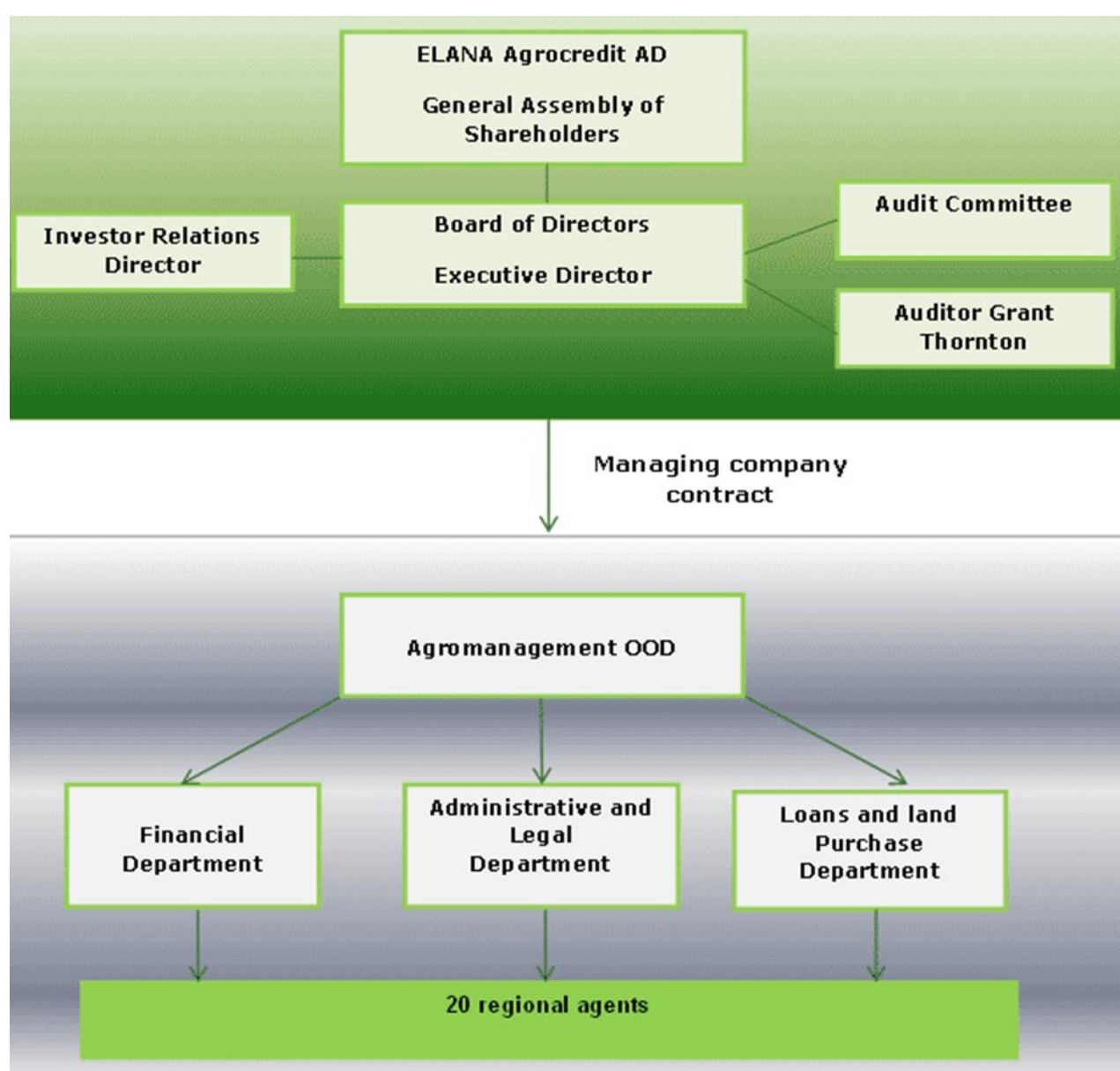
The Company targets smaller to mid-sized farmers (50 to 1500 ha) as they would be able and willing to get financing to purchase more land. The new 2014-2020 EU agricultural

funding scheme targets exactly smaller and younger farmers as well as overlooked agricultural products thus encouraging the former to buy rather than rent land.

In addition, the company started extending short term (1 year) working capital loans for fertilizers, seeds and other necessities the farmers need during the agricultural year. Working capital loans per farmer are limited to the principal payments on their leases thus, tapping additional interest income on the recycled investment funds.

II. ORGANIZATION OF BUSINESS

1. Company structure



1.1. Board of Directors – Currently the Board has 3 members who are representing ELANA group (as founder of the company), Institutional investors (Pension Funds) and one independent member (according Bulgarian law one of board members should be independent)

1.2. Director Investor Relations – as a public company “ELANA Agrocredit” AD is obliged to appoint Director Investor Relations who is responsible about connection between shareholders and management of the company.

1.3. Audit Committee - According to resolution of the General Meeting of Shareholders the functions of the Audit Committee have been entrusted to the Board of Directors. As of 1-st July 2017 the company is obliged to choose at least 2 independent members of Audit Committee, which will happen on Annual Meeting of Shareholders which is planned on 30-th June 2017.

1.4. Auditor - The specialized audit company Grant Thornton Ltd. was chosen by the General Meeting of Shareholders to be an external auditor of ELANA Agrocredit AD.

2. Management Contract - For maximum transparency of business model and distribution of activity expenses is registered Management Company (“Agromanagement” OOD). For payment of management remuneration it carries out all the business management activities. In this way ELANA Agrocredit expenses are only for the remuneration of the Board of Directors, Director Investor Relations and administrative taxes due by law.

2.1. Functions of “Agromanagement” OOD - Pursuant to the management contract the Management company is responsible for:

- Building a structure of regional representatives in relation to implementation of the investment activity of ELANA Agrocredit AD;
- Organization of conclusion of financial lease contracts of agricultural land on behalf of and on account of ELANA Agrocredit AD. The land plots are purchased from owners and are subject to lease contracts concluded with financing agricultural producers – lessees.
- Collection of the lease installments and all the other payments under lease contracts and loan contracts;
- Sale of the assets of ELANA Agrocredit in case of default by lessees;
- Assistance in keeping the accounting and other reporting processes;
- Consultation and preparation of documents related to the financing and other activities of ELANA Agrocredit AD and keeping the correspondence of the Company;
- Performance of other activities necessary for the normal operation of ELANA Agrocredit AD as a part of its investment activities.

2.2. Organization of “Agromanagement” OOD

Management company operates by means of three stand-alone departments. The main activities of each department are as follows:

2.1.1. “Loans and Land Purchase Department”

This department controls and manages the process of selection and purchase of land. The department is responsible mainly for contacting with representatives network and assessment of potential lessees and their reliability. It creates and maintains an agricultural data base relating the characteristics of land, tenants and other information about the regions in which the Company is financing the purchase of land.

2.2.2. “Administrative and Legal Department”

This department controls the legal and regular concluding of the deals of farmland purchase and leasing by the regional representatives of the Company. It maintains the General Archive and is reliable for receiving and keeping all the documents related with the Company's investment activity and their distribution to the other departments.

2.2.3. “Financial Department”

It directly controls and manages the financial reporting of the Company. It checks the monthly reports sent by the regional representatives on the base of the documents received. The department monitors the compliance between the property acts data and the Annexes data to Lease contracts. It prepares and presents the necessary financial information in front of Financial Supervision Commission, Bulgarian National Bank, Central Credit Registry, National Revenue Agency and other responsible state bodies.

2.3. Remuneration of the Management Company

For its services related to the investment activity of “ELANA Agrocredit” AD “Agromanagement” OOD receives remuneration as follows:

2.3.1. Quarterly fee based on the actual funds invested (principal amounts outstanding under lease and/or loan contracts, i.e. the funds providing profitability for shareholders) under the following conditions:

- 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.

2.3.2. 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 Bulgarian government bonds with 10 years maturity +1 %, but not less than 3% in relation to the base capital of the company.

In this case, the amount of Agromanagement's remuneration is equal to 20% of the achieved profit before taxes over the above mentioned criteria.

2.3.3. Part of the management fee – it is equal to BGN 5 per decar and is paid by the lessee each year for managing of lease contracts. General meeting of shareholders voted that half of this fee should be paid to Agromanagement which actually does all the paper work, but after discussions with institutional shareholders it was decided that BGN 1.50 per decar should be paid for 2016.

III. THE MARKET ON WHICH THE COMPANY OPERATES

1. Territory distribution by regions

The territory of the Republic of Bulgaria is divided in 28 districts which are grouped in 6 economic regions, as follows:

- North-Western – Vidin, Vratsa, Lovech, Montana and Pleven;
- North-Central – Veliko Tarnovo, Gabrovo, Razgrad, Ruse and Silistra;
- North-Eastern – Varna, Dobrich, Targovishte and Shumen;
- South-Eastern – Burgas, Sliven, Stara Zagora and Yambol;
- South-Central – Kardzhali, Pazardzhik, Plovdiv, Smolyan and Haskovo;
- South-Western – Blagoevgrad, Kustendil, Pernik, Sofia city and Sofia-region.

2. Status of the agricultural land in Bulgaria as of the end of 2016.

2.1. Areas with agricultural use

Totally 5 214 640 ha or 47% of the territory of the country are areas with agricultural use.

2.2. Used agricultural areas

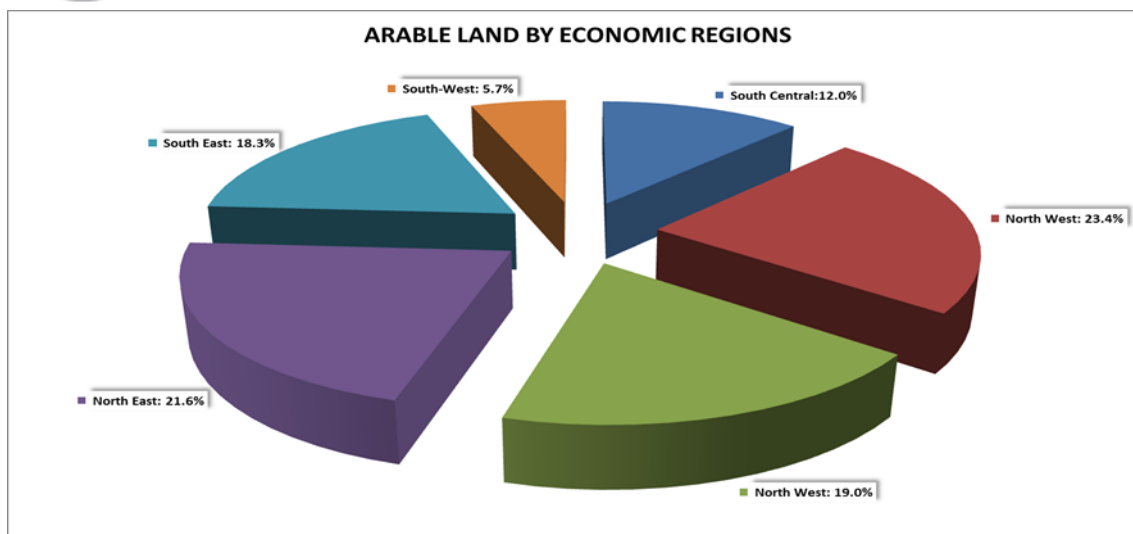
Totally 5 021 412 ha or 45.2% of the territory (including arable land, permanent crops, vineyards, gardens, grasslands, fallow lands, etc.) are used agricultural areas.

2.3. Arable areas

Totally 3 480 991ha or 69.3% of the used agricultural areas are arable areas. Financing the purchase of arable agricultural areas is the main subject of activity of "ELANA Agrocredit".

2.4. Distribution of arable areas by regions

The graphic below is presenting that the arable areas are not uniformly distributed in the six economic regions:



Source: Ministry of agriculture and food

2.5. Tendencies

2.5.1. The agricultural reports made annually by Ministry of Agriculture and Food show permanent progress in the rate of arable lands as a result of the development of agriculture in the last few years.

2.5.2. It is obvious that because of soil and climatic factors the agricultural development in South-Western region lags behind the rest five regions and for this reason “ELANA Agrocredit” AD refrains from investing in this part of the country.

3. Agricultural land market in Bulgaria

3.1. Market development since the beginning of the century

Bulgarian agricultural land market has gone through full development since the beginning of the century. The table below is presenting the dynamic of the market in the period 2000-2016.

Year	Land Sold (ha)	% purchases made by farmers	Purchases by farmers/ha	% purchases by non-farmers	Purchases by non-farmers/ha
2000	19 308	95%	18 342.60	5%	965.40
2001	59 497	95%	56 522.15	5%	2 974.85
2002	35 458	95%	33 685.10	5%	1 772.90
2003	45 263	95%	42 999.85	5%	2 263.15
2004	45 063	90%	40 556.70	10%	4 506.30
2005	60 024	90%	54 021.60	10%	6 002.40

2006	90 014	40%	36 005.60	60%	54 008.40
2007	115 294	40%	46 117.60	60%	69 176.40
2008	128 681	50%	64 340.50	50%	64 340.50
2009	104 345	90%	93 910.50	10%	10 434.50
2010	106 313	90%	95 681.70	10%	10 631.30
2011	146 578	90%	131 920.20	10%	14 657.80
2012	146 508	90%	131 857.20	10%	14 650.80
2013	116 529	90%	104 876.10	10%	11 652.90
*2014	100 000	90%	90 000.00	10%	10 000.00
*2015	100 000	90%	90 000.00	10%	10 000.00
*2016	100 000	90%	90 000.00	10%	10 000.00

. * Amount of traded land in 2014, 2015 and 2016 is based on our own valuation of the market.

3.2. Tendencies

The restitution of agricultural land in Bulgaria has significantly broken up the property structure in all the regions of the country. According to Ministry of Agriculture and Food, as a result of poorly planned agricultural reform, in the beginning of 21st century agricultural land is property of about 10 million different owners. A large part of them are not able to cultivate their own land and are not interested in their property. This caused significantly decrease of the prices of agricultural land in Bulgaria, because of the fact that the average area of a land plot is about 0.5-0.7 ha and it is usually property of several heirs which makes the effective cultivations of the land very difficult. For this reason the agricultural land market in Bulgaria is very weak in the period until 2004 and a great number of deals on it are exchange contracts concluded by private owners for estates of State Land Fund.

The situation changed in 2005 with establishment of the first REITs investing in agricultural land. The forthcoming membership of Bulgaria in European Union and the pre-accession programs launched (mainly SAPARD) also have a positive impact. An extensive modernization of Bulgarian agriculture begins and this inevitably leads to an interest in agricultural land as an asset. The payment of the first European subsidies for unit of arable area also had a positive effect on the market. As a result of the before mentioned, agricultural land registers a significant growth from 2005 until September 2008. Main engine of the market in this period are the so-called "Funds" – different companies which invest speculatively in agricultural land and which purpose is to concentrate certain land volumes and to sell them at a certain profit.

In period September-October 2008 the first effects of the Global Financial Crisis are observed in Bulgaria. The latter together with the extremely negative market situation related to low prices of the crop for 2007-2008 makes some market participants move away the market and prices and deals for 2009-2010 go down.

In this period are observed changes in buyers' structure. Main buyers on market are farmers (agricultural producers) which gradually replace speculators. Farmers buy about 90% of land

on market and this trend continues today and probably will continue in the next ten years as far as the land in Bulgaria will become more expensive at slower rates.

It should be kept in mind that primary market (on which the land is purchased directly from owners) already achieved its peak in 2012. This is because a large amount of land has been already traded and now there is less free land on the market.

On the other hand, the so-called “secondary market” has been strengthened. These are sales of land or whole farms by funds investing in agricultural land or by agricultural producers who decide to move away from this business.

3.3. Forecasting for market development for the period 2016-2025

The table below is presenting our expectations for the development of the primary land market in the next ten years.

Land Purchases 2017 - 2026										
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Deals ('000 ha)	100	100	88	88	88	77	77	66	66	55
Institutional Buyers (REITs) ('000 ha)	10	10	8	8	8	7	7	6	6	5
Farmers ('000 ha)	90	90	80	80	80	70	70	60	60	50

Our forecasts show that the land offering by original owners (who have received it by restitution or by their heirs) will gradually go down. This will not significantly affect the business of “Elana Agrocredit” AD as far as the company will have collected enough land. On the other hand we expect gradually increase of leaseback deals (leasing land which is property of the farmers themselves) i.e. the Company will take part in deals on so-called “secondary market”. The start of loan activity (financing for working capital for purchase of fertilizers, preparations, seeds, machines, etc.) also helps investing the Company’s capital.

4. Agricultural producers (farmers)

4.1. Registered agricultural producers (farmers)

The number of farmers in the country varies in large range – from 68 000 to about 100 000 in the last few years. The difference is due to change of the registration requirements and affects mostly the so-called “small agricultural producers”. They originally are not part of the Company’s target because of high risk of default under lease contracts.

The table below is presenting the number of registered farmers as of the end of 2016 according to Ministry of Agriculture and Food.

year	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total farmers	97 507	99 366	77 133	68 311	70 775	76 340	76 409	97 267	98 303

Source: Ministry of agriculture and food

4.2. Areas arable by agricultural producers

Arable land plots

Arable land plots						
Farms range based on arable land/ha	No. of farmers	Total arable land - cultivated by farms (mln. ha)	No. of land cooperatives	Arable land - cultivated by cooperatives mln. ha	Total arable land (mln. ha)	Average arable land by farmers - ha
Over 1 500 ha	200	0.7	50	0.1	0.8	3 500
1 000 - 1 500 ha	250	0.4	200	0.2	0.6	1 400
500 - 1 000 ha	400	0.3	600	0.3	0.6	750
100 - 500 ha	3 500	0.7		0	0.7	200
50 - 100 ha	4 000	0.2			0.2	62
10 - 50 ha	13 000	0.2			0.2	15
up to 10 ha	78 950	0.38			0.38	5.5
TOTAL	98 300	2.88		0.6	3.48	

4.3. Forecasts for farmers' purchases until 2025

Our analysis shows that in the period until 2025 - 740 000 ha agricultural land will be purchased and the purchases will be distributed as follows:

Forecast for land purchase by groups

Forecast for land purchase by groups				
Target group No	Farms range based on arable land/ha	Number of farmers	Expected land acquisition for the farm range as a % of the total land acquisition	Land acquisition in ha from the total amount of 740 000 ha
1	over 1 500	200	20%	148 000

2	1 000 - 1 500	250	16%	118 400
3	500 - 1 000	400	12%	88 800
4	100 - 500	3 500	28%	207 200
5	50 - 100	4 000	8%	59 200
6	10-50	13 000	8%	59 200
7	up to 10	54 650	8%	59 200
	TOTAL	75 000	100%	740 000

4.4. Target group of the Company

The analysis of the before mentioned data shows the following:

4.4.1. The first group of agricultural producers (who cultivate over 1500 ha land) are already out of the Company focus, as far as they have accumulated enough financial resources to be able to receive financing under better conditions than the Company can offer them. Because of that we accept that they remain out of our focus.

4.4.2. The last group of agricultural producers (up to 10 ha) and the last but one will need financing but having in mind the size of their activity they generate significant risk of default under lease contracts and for this reason we consider that they must remain out of our target group.

4.4.3. Having in mind the above from 75 000 agricultural producers who will buy 740 000 ha until 2025, the focus of the Company is on these from group №2 to №5 (underlined) i.e. totally about 8 150 agricultural producers, who will buy about 473 600 ha land.

4.5. Distribution in the range of the target group

Farms by arable land				
Target group No	Farms range based on arable land/ha	No of farmers	Target group as % of the farm range	Target group as No. of the farm range
2	1 000 - 1 500	250	15%	38
3	500 - 1 000	400	100%	400
4	100 - 500	3 500	100%	3 500
5	50 - 100	4 000	15%	600
TOTAL		8 150		4 538

Our analysis is based on the expectations that larger part of the farmers from target group №2 (owning between 1000 – 1500 ha) will have access to cheaper resource than the one which the Company can offer them, resp. it will be very difficult to attract these farmers. On the other hand the farmers from group №5 will be examined in details about their abilities to

perform their obligations under lease contracts, because of that we expect that the rate of financed purchased here will be lower (until 15%).

On the base of this analysis it can be considered that the real target group of the Company are 4 538 farmers who will buy at about 322 600 ha agricultural land until 2025, which consist about 43.6% of the total amount of the land purchased until 2025 (about 740 000 ha).

4.6 Forecasting market share of the Company in the period 2016-2025

4.6.1 Forecasting market share by years

The table below is presenting our expectations for gradual increase of the Company market share until 2025. It is expected in 2018-2020 to be achieved the peak of our activity and after that there will be gradual decline, based on growing competition, decreasing land volumes and eventual resolution of shareholders for realization of the profit and liquidation of the company. The shareholders will decide the fate of the Company on the base of detailed analyses for the expected market development.

MARKET SHARE FORECAST 2016-2025										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Purchase by the target group (43.6% of market) ha	39 240	39 240	34 880	34 880	34 880	30 520	30 520	30 520	26 160	26 160
Market share in target group %	5.0%	7.0%	10.0%	10.0%	10.0%	10.0%	9.0%	8.0%	7.0%	6.0%
New land under leasing during the year/ ha	1 962	2 747	3 488	3 488	3 488	3 052	2 747	2 442	1 831	1 570

4.6.2 Average annual market share until the end of 2025 in the range of the target group and generally on the market

The Company is expected to achieve average market share of 8.2% in the range of the target group and to be able to finance the purchase of another 26 815 ha agricultural land. Having in mind the total amount of the land traded for the period (in the range of 740 000 ha bought by non-agricultural investors and agricultural investors) the average market share of the Company is expected to be about 3.62%.

4.7 Conclusions

4.7.1 Primary land market

On the base of the above analysis it can be concluded that the main target of the Company are 4 538 farmers who will buy on primary market about 322 600 ha agricultural land until 2025, consisting about 43.6% of the total sold land by farmers until 2025 (740 000 ha).

4.7.2 Secondary land market

The Company will be able to take part in secondary land market financing the land purchase by farmers from other farmers and funds and by means of leaseback as well to provide financing to lessees by purchase of their own land.

4.7.3 Additional abilities for placement of financial resource

“ELANA Agrocredit” AD will use the land purchased as collateral under loans for working capital launched to the lessees themselves. The idea is to be given short-term loans for purchase of technique, fertilizers, preparations, seeds and fuel, building of irrigation systems, etc. in this way on the one hand will be invested additional financial resource and on the other that will compensate the negative effects of the expected decline of offered land in the next few years.

4.7.4. Liquidity

Because of the respectively small volume of general market (3.62%) and the trend towards decreasing offering of land on primary market, it can be considered that the Company will have no problems to sell the land under defaulted lease contracts. In 2014 the Company sale the land under defaulted lease contracts with additional profit of about 40% in 30 days after termination of the contracts. The same was the result in 2015 with the land of the only one defaulted farmer.

IV. MAIN COMPETITORS. COMPETITIVE ADVANTAGES

1. Main competitors nowadays

On this stage the main competitors of the Company are commercial banks. They have advantage concerning financing at lower interest rates, but at the same time they do not know the agricultural land market and are not able to react adequately. Slow administrative procedures and high bank fees to a large extent discourage farmers (extremely mediate and smaller) and they apply mainly for working financing or financing for purchase of technique, not of land.

2. Potential competitors

2.1. Large speculators on agricultural land market (the so-called Funds)

They own land as a major asset and they are net land sellers on the market. A characteristic of them is that they search for “fast deals” (in several months from signing of preliminary contract to concluding of the deal) under pressure by the shareholders or because of necessity of repayments under loan contracts or matured bonds. A large number of the Funds are restricted by its fixed duration and still they do not sell their land under lease schemes. Even if they start selling of land under deferred payment they are not real competitors because they do not finance new purchases but they sell their own land.

2.2. Leasing companies

The success of the Company will inevitably lead to high interest in developing of such type of business by existing and new founded companies. In any event it is necessary to be established lasting relations with the most correct agricultural producers before new entry on the market. The managers' experience gained from land purchase process shows that it is possible to maintain a good market share as a result of well-done organization, expedition and loyalty, even if the other market participants offer better conditions. Actually, we already have two other companies which started their activity in 2016, but their influence on the market at a moment is still not representative.

3. Competitive advantages

3.1. Detailed knowledge of agricultural land market

The managing team laid the foundations and imposed the rules and working models on the active Bulgarian agricultural land market in the period 2005-2009.

3.2. Distribution network

The Company has developed a nationwide distribution network of regional representatives who are experienced professionals in the area of agricultural land with brilliant reputation and excellent training covering 20 agricultural regions in the country. Further development of the network with 30 more regional agents is possible in case of our business expansion

3.3. Direct contacts with agricultural producers on the base of:

- Long-lasting private contacts of the managers;
- Local contacts of the regional representatives who buy mainly agricultural land for agricultural producers;
- Active contacts with local Municipal Service "Agriculture" and Municipal Department "Agriculture" which maintain the main data base for agricultural producers, the land which they cultivate and the results achieved in the years which is useful information for the assessment of the reliability of potential lessee.

3.4 Detailed information resources available

The Company has data base of market prices and the quality of agricultural land by plots, data base of tenants, geographic information system, etc.

3.5. Business model established over the years

In the period of the purchasing and managing of over 30 000 ha land were made basic relations which are successfully applied in the financial business as well. This is a guarantee for fast reaction which is major competitive advantage on the dynamic land market.

3.6. Minimal administrative expenses

This is an important difference from commercial banks which significantly make the loans granted by them more expensive and burden their customers with a great number of fees.

3.7. Positive marketing campaign

ELANA Agrocredit stimulates sustainable development of small and medium agricultural business as it assists consolidation of agricultural land. By means of providing land acquisition it makes other necessary for agriculture investments easy, such as building of irrigating systems, bases and silos which have not been made if the land property is not provided.

3.8. Customers portfolio

The Company has been operating for three and a half years and for that period it has made long-lasting financial relations with over 350 customers in 23 from 28 regions of the Bulgarian territory. Any subsequent competitor will be in a more disadvantageous position on a market where the confidence gained is a key factor.

V. RISKS IN FRONT OF THE COMPANY

1. 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.

1.1. 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.

1.2. 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. All the governments in the period since the introduction of the Currency board until now have the intentions for accession of Bulgaria to Eurozone and introduction of Euro as a currency at the present fixed rate.

1.3. 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.

1.4. Adverse changes in tax law 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 Bulgarian legal system Bulgarian trade legislation is part of the EU and 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.

1.5. Other general risks

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

2. Specific risks

Specific risks are 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:

2.1. 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 price decrease could discourage lessees to continue paying their 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

2.2. Illiquidity of investments

Real estate investments are relatively illiquid. This means that the land owned by the Company would not be able to be sold 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 for 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. The experience of the Company in selling the lands under defaulted lease contracts for 2014 and 2015 shows that such kind of purchases can be realized in up to 30-days term after the termination of lease contracts.

2.3. Company dependence by the farmers and the successful development of their business

Revenue of the Company largely depends on the successful business of farmers and their ability to perform timely their obligations under finance lease. If the lessees become insolvent or unable to meet their 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.

2.4. Delay in investing the capital

The share capital will bring greater profitability as soon as it is invested, and the payment under finance leases such as principals, interests, as well as 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.

2.5. Key employees leave

The Company's operations could be threatened if key employees with specific qualification leave, and it is difficult or impossible to be found their alternates in appropriate term and financial conditions.

2.6. 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.

2.7. Risk when the deal for purchase of property is financed by the Company

The Company finances the purchase of properties in nearly 3/4 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.

VI. COMPANY'S BUSINESS RESULTS

1. Our deals under financial lease agreements

The Company has so far invested **BGN 49 370 445.06** under **1 987** deals for purchase of agricultural land under financial lease contracts, signed in advance. The table below is showing the progress of the activity of "ELANA Agrocredit" AD since the start in May 2013.

Month	Number of Deals	Total Area of Financed Land Plots (dka)	Average Area of Deals (dka)	Total Amount of Deals (BGN)	Average Amount of Deals (BGN)
May 2013	1	13.470	13.470	12 590.00	12 590.00
June 2013	2	37.734	18.867	20 611.95	10 305.98
July 2013	10	115.935	11.594	70 049.68	7 004.97
August 2013	10	150.991	15.099	85 341.88	8 534.19
September 2013	9	138.016	15.335	78 372.77	8 708.09
October 2013	4	396.877	99.219	302 641.49	75 660.37
November 2013	17	1036.479	60.969	622 805.28	36 635.60
December 2013	11	406.610	36.965	328 103.77	29 827.62

January 2014	11	258.216	23.474	176 774.44	16 070.40
February 2014	18	616.893	34.272	518 617.84	28 812.10
March 2014	45	2338.878	51.975	2 049 212.55	45 538.06
April 2014	35	1218.014	34.800	739 762.14	21 136.06
May 2014	37	663.851	17.942	429 316.80	11 603.16
June 2014	37	649.604	17.557	385 972.83	10 431.70
July 2014	25	1023.194	40.928	521 325.37	20 853.01
August 2014	28	838.630	29.951	717 599.41	25 628.55
September 2014	44	1329.621	30.219	975 895.11	22 179.43
October 2014	75	2126.035	28.347	1 364 865.98	18 198.21
November 2014	52	1884.506	36.241	1 617 641.39	31 108.49
Decemcer 2014	104	2552.791	24.546	1 780 802.18	17 123.10
January 2015	36	1203.094	33.419	818 719.53	22 742.21
February 2015	58	1828.408	31.524	1 441 231.85	24 848.83
March 2015	30	1107.063	36.902	871 483.29	29 049.44
April 2015	62	1844.734	29.754	1 125 063.30	18 146.18
May 2015	49	1181.696	24.116	697 054.36	14 225.60
June 2015	50	1270.347	25.407	654 006.09	13 080.12
July 2015	54	1420.699	26.309	1 095 264.02	20 282.67
August 2015	69	2936.045	42.551	2 149 339.19	31 149.84
September 2015	57	2020.430	35.446	1 497 722.23	26 275.83
October 2015	63	2120.143	33.653	1 374 136.85	21 811.70
November 2015	56	1425.309	25.452	891 376.80	15 917.44
December 2015	69	2258.432	32.731	1 919 446.08	27 818.06
January 2016	36	1129.266	31.369	747 454.89	20 762.64
February 2016	29	735.876	25.375	499 617.36	17 228.18
March 2016	48	935.285	19.485	808 340.18	16 840.42
April 2016	72	1651.202	22.933	1 084 324.33	15 060.06
May 2016	47	1150.436	24.477	823 615.92	17 523.74
June 2016	49	1480.880	30.222	1 104 574.69	22 542.34
July 2016	52	1463.461	28.143	1 056 255.32	20 312.60
August 2016	59	6471.644	109.689	7 713 964.33	130 745.16
September 2016	68	1434.706	21.099	1 136 604.56	16 714.77
October 2016	71	2123.975	29.915	2 225 400.01	31 343.66
November 2016	76	1833.132	24.120	1 514 766.59	19 931.14
December 2016	64	1599.698	24.995	1 179 017.91	18 422.15
January 2017	11	342.767	31.161	346 755.35	31 523.21
February 2017	34	1097.541	32.281	930 643.10	27 371.86
March 2017	43	892.344	20.752	865 964.10	20 138.70
Total:	1987	62 754.958	31.583	49 370 445.06	24 846.73

* 20% Down payments from lessees are included

2. Our land

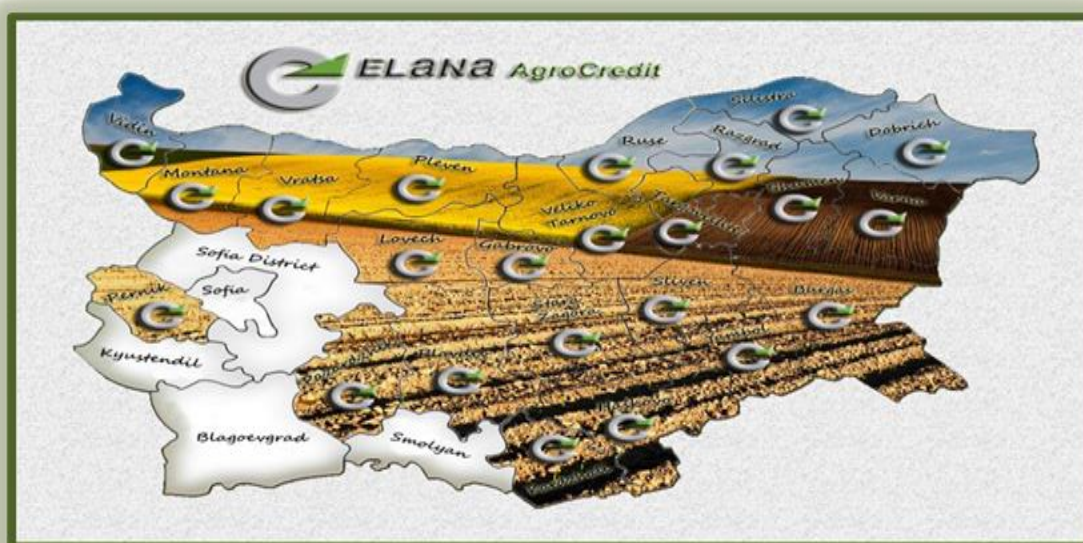
ELANA Agrocredit AD has so far financed the purchases of 8 922 land plots in 23 districts on the territory of Bulgaria.

Month	Number of Financed Land Plots	Total Area of Financed Land (dka)	Total Amount of Financed Land (BGN)*	Average Amount BGN/dka of Financed Land*
May 2013	3	13.470	12 590.00	934.67
June 2013	7	37.734	20 611.95	546.24
July 2013	21	115.935	70 049.68	604.22
August 2013	32	150.991	85 341.88	565.21
September 2013	28	138.016	78 372.77	567.85
October 2013	53	396.877	302 641.49	762.56
November 2013	151	1036.479	622 805.28	600.89
December 2013	49	406.610	328 103.77	806.92
January 2014	33	258.216	176 774.44	684.60
February 2014	68	616.893	518 617.84	840.69
March 2014	292	2338.878	2 049 212.55	876.15
April 2014	206	1218.014	739 762.14	607.35
May 2014	110	663.851	429 316.80	646.71
June 2014	97	649.604	385 972.83	594.17
July 2014	163	1023.194	521 325.37	509.51
August 2014	124	838.630	717 599.41	855.68
September 2014	168	1329.621	975 895.11	733.96
October 2014	312	2126.035	1 364 865.98	641.98
November 2014	263	1884.506	1 617 641.39	858.39
December 2014	319	2552.791	1 780 802.18	697.59
January 2015	186	1203.094	818 719.53	680.51
February 2015	261	1828.408	1 441 231.85	788.24
March 2015	107	1107.063	871 483.29	787.20
April 2015	289	1844.734	1 125 063.30	609.88
May 2015	215	1181.696	697 054.36	589.88
June 2015	283	1270.347	654 006.09	514.82
July 2015	182	1420.699	1 095 264.02	770.93
August 2015	240	2936.045	2 149 339.19	732.05
September 2015	259	2020.430	1 497 722.23	741.29
October 2015	315	2120.143	1 374 136.85	648.13
November 2015	269	1425.309	891 376.80	625.39
December 2015	304	2258.432	1 919 446.08	849.90
January 2016	175	1129.266	747 454.89	661.89
February 2016	108	735.876	499 617.36	678.94
Mart 2016	125	935.285	808 340.18	864.27

April 2016	233	1651.202	1 084 324.33	656.69
May 2016	169	1150.436	823 615.92	715.92
June 2016	202	1480.880	1 104 574.69	745.89
July 2016	312	1463.461	1 056 255.32	721.75
August 2016	783	6471.644	7 713 964.33	1 191.96
September 2016	219	1434.706	1 136 604.56	792.22
October 2016	323	2123.975	2 225 400.01	1 047.75
November 2016	287	1833.132	1 514 766.59	826.33
December 2016	221	1599.698	1 179 017.91	737.03
January 2017	43	342.767	346 755.35	1 011.64
February 2017	180	1097.541	930 643.10	847.93
March 2017	133	892.344	865 964.10	970.44
Total:	8 922	62 754.958	49 370 445.06	786.72

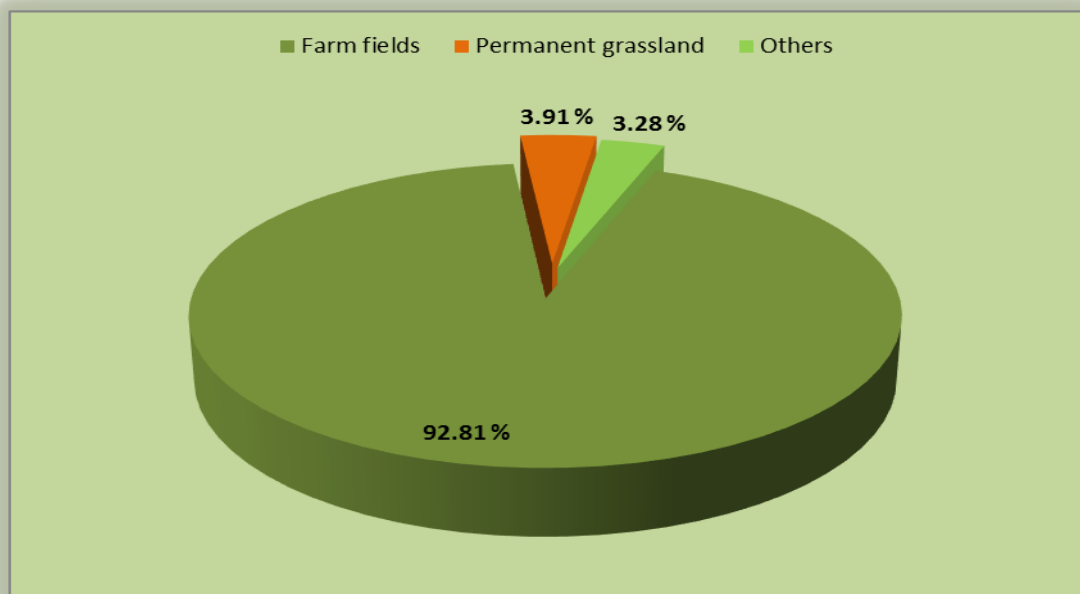
* 20% Down payments from lessees are included

Map below shows our investment activity on the territory of the country.



3. Quality of our investments

The Company business model is based on the fact that during the lease contract and until the repayment of all the lease contributions, the land which purchase has been financed remains the property of the Company. In this way, the land itself serves as collateral for discharging lessees obligations under leases and as a guarantee for our shareholders investments. Having in mind this, we precisely select the land, which we buy in execution of leasing contracts. They are mainly agricultural land plots with sustainable use: farm fields or cultivated areas and they are the most liquid ones on the agricultural market. The Company finances single projects for development of vineyards and other perennials as well and first on the market finances livestock breeders for the purchase of permanent grassland.



4. Our working capital loans

In pursuance of business development strategy, since 2015/2016 agricultural year (1 Oct. 2015), Elana Agracredit AD started to provide working capital loans to its clients under financial leases. For the first year 97 loans were granted with total amount BGN 2 224 440.

For agricultural 2016/2017 our clients were granted with new loans based on their individual credit limits and after payment of interest due to the agricultural 2015/2016 and annual fees for lending and servicing of loans for agricultural 2016/2017. Separately, were granted loans to our new customers who have become lessees in 2015 and 2016.

The table below indicates the number and amount of loans provided to our customers for agricultural 2016/2017:

month	Number of loans for agricultural 2016/2017	Total amount in BGN
October 2016	127	4 734 124.71
November 2016	9	145 671.59
December 2016	9	305 551.80
January 2017	3	111 700.00
February 2017	4	20 220.00
March 2017	1	2 000.00
Total:	153	5 319 268.10

5. Our clients and their contract performance

Success of our business is based mainly on the right and precise selection of our clients, which we are financing for agricultural land purchases. As of the end of the previous month “ELANA Agrocredit” AD has financed 353 companies and agricultural producers.

In service of our lessees, the repayment of the lease contributions is one time in the year – on 15th of September. The date is completely in line with the specifications of farmers’ business and customized on the basis of their needs and incomes. Our clients are obliged to pay their annual instalments in a 30-days period (from 15 September up to 15 October).

The most precise indicator for the trustworthiness of our clients is the percentage of the repayments received on 15th of September each year.

The table below is showing the collection rate under lease contracts in 2013, 2014, 2015 and 2016.

Maturity Date	Number of Deals	Total amount of the installments due under lease agreements	Total paid amount	Execution
15.9.2013	24	26 144.85	26 144.85	100.00%
*15.9.2014	299	915 166.47	837 309.27	> 100%, including the amount of the land plots sold under defaulted and terminated contracts
**15.9.2015	942	2 918 266.03	2 910 924.50	> 100%, including the amount of the land plots sold under defaulted and terminated contracts
***15.09.2016	1503	4 731 693.35	4 668 189.27	98.66%, but after a part of land of incorrect lessee was sold BGN 4 689 805 or 99.11% were collected.

*Until the end of 2014 95.47% of the installments for 2014 had been efficiently collected. After the one-month payment term the contracts under which an event of default was available had been terminated. All the land subject of lease contracts was sold and “ELANA Agrocredit” AD received all the payments due by the sale of the relevant land plots.

**As of the end of the 2015 185 of totally 186 clients have fully paid their annual leasing installments due on 15.09.2015. Over BGN 2 910 924.50 have been collected which are over 99.75% of the total sum of the installments due. The company has sold the land plots subject of the only one defaulted and terminated contract and has been entirely compensated by their price which makes the performing rate for 2015 over 100 %.

***As of the end of March 2017, 261 from 265 clients paid their obligations in full size (98.5%). ELANA Agrocredit AD effectively collected BGN 4 666 689.27, which is equal to 98.63% from all annual payments in 2016. Company terminated contracts of 3 from the other 4 clients and already sold the land of both of them with a good profit for shareholders. Land plots of third client were sold partially and management of the company believes that a better

profit can be reached if the plots are sold in 2017. The last client has paid his obligation partially and the management of the company believes that he will succeed with payment of the other part of his annual installment.

VII. FINANCING OF BUSINESS

1. Share capital

ELANA Agrocredit AD started as a private project in mid-2013 with BGN 700 000 capital. After a successful IPO in November 2013 the capital was increased up to BGN 5 115 425. ELANA Agrocredit AD is a public company since 07.11.2013. On 22.11.2013 the company's shares were admitted to trading on a regulated market (Bulgarian Stock Exchange, BSE code 0EA).

In May 2015 company increased its capital up to BGN 18 902 402 as a result of successful SPO and subscribing of 13 786 967 ordinary, registered, dematerialized and voting shares with nominal value BGN 1.00 and issue value BGN 1.02 each. On 22.06.2015 the shares of the new issue of the capital increase was also admitted to trading.

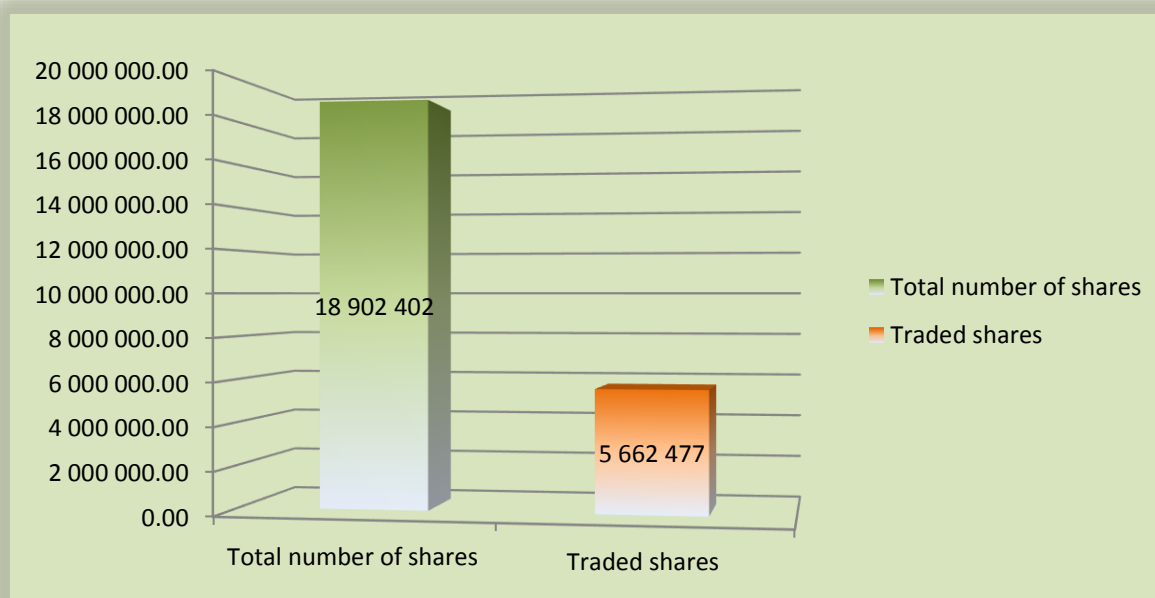
2. Company as an issuer of securities

Information about ELANA Agrocredit AD as an issuer of securities	
BSE code	0EA
Sector	Financial and insurance activities
Subsector	Financial services activities, except insurance and pension funding
Address	4, Kuzman Shapkarev str.
Town	Sofia
Post code	1000
Telephone number	+359 2/ (+359 2) 81 000 92
Web page	agrocredit.elana.net
Issue information	
ISIN code	BG1100040101
Security type	Shares
Number of securities issued	18 902 402
Nominal value	1.00
Currency	BGN
First trading date	22-11-2013
Market	Standard securities segment

3. Shareholders` structure

Main participants in the capital of “ELANA Agrocredit” are the biggest institutional investors dealing on Bulgarian market such as POD Allianz Bulgaria, POD DSK Rodina, ELANA Fund Management, DSK Asset Management, POD Doverie and ING Pension insurance (new named NN POD).

Since 22.11.2013 when the company’s shares were admitted to trading on regulated market, 5 662 477 shares have been traded, which is equal to 29.96 % from the Company’s capital.



4. Our plans for next capital increase

According to the strategy of the company next SPO is planned for 2Q 2018. In 1Q 2018 we shall have an audited financial statement for 2017 and General meeting of shareholders will vote the dividend for 2017. Our idea is current shareholders to get their dividend before the SPO. Next SPO will be 1:1, so finally we shall have at about 37.8 million shares. We are planning to invest the money from SPO plus the new debt (up to BGN 76 million – see p.5 below) till 1Q 2021, so next SPO is planned for 2Q 2021 and it should be for another 18.9 million shares.

5. Other financing

According to the Statute of ELANA Agrocredit the company should maintain debt to equity ratio 2:1. The margin between interest of additional financing and interest under lease contracts and working capital loans is a key issue in the process of securing a better profit for our shareholders. Currently, we are working with two of the banks with the best reputation on Bulgarian and international market – European Bank for Reconstruction and Development (EBRD) and Societe Generale Expressbank AD.

5.1. European Bank for Reconstruction and Development

On 17.04.2014 the negotiations for first debt financing of the Company's activities were concluded successfully and a loan agreement between "Elana Agrocredit" and European Bank for Reconstruction and Development (EBRD) was signed 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 %
Disbursements	Two tranches (A and B), each of them in amount not to exceed EUR 2,500,000.
Repayment	30 installments with due dates: 15th of January, 15th of April, 15th of July и 15th 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

"ELANA Agrocredit" AD negotiated reduction of the interest rate to 3,75% + 3-month EURIBOR. The new interest rate is in force since 15.07.2015.

Tranche A and B were disbursed till the end of 1Q 2016 and were fully invested.

On 18 September 2016 Company signed an Annex to the Loan Agreement dated 17 April 2014 according to which another two Tranches (C1 and C2, each of them up to EUR 2.5 million) were approved. New financing is at significantly better conditions and the interest which "ELANA Agrocredit" AD will have to pay is at level 3M EURIBOR + 2.75%. Company already disbursed and invested EUR 1.5 million from tranche C1 and is planning to disburse the last EUR 1 million till the end of May 2017.

5.2. Societe Generale Expressbank

On 18-th April 2016 "ELANA Agrocredit" AD signed two loan agreements with "Societe Generale Expressbank" AD, as follows:

5.2.1 Agreement for revolving loan at amount up to BGN 2 million

Amount of the loan	Up to BGN 2 000 000 ;
Term for disbursement	- up to 29.04.2017 г.
Payment term	- up to 30.04.2017 г.
Interest fee	- 1M SOFIBOR plus 2,5%;
Guarantees	Receivables Pledge Agreement dated 18.04.2016

5.2.2. Loan Agreement to finance investments at amount up to BGN 10 million

Amount of the loan	Up to BGN 10 000 000 ;
Term for disbursement	- up to 31.12.2017 г.
Payment term	<ul style="list-style-type: none"> - for the amount disbursed up to 31 August 2016 – equal instalments should be paid quarterly in the months January, April, July and October for each year, but the last instalment should be no later than 30.04.2024; - for the amount disbursed up to 31 August 2017 – equal instalments should be paid quarterly in the months January, April, July and October for each year, but the last instalment should be no later than 30.04.2024
Interest fee	- 1M SOFIBOR plus 2,75%;
Repayment	- Quarterly, on the last day of each quarter
Guarantees	Receivables Pledge Agreement dated 18.04.2016

Contracts were signed under condition that at any time, the amount of disbursed principal of both loans will not exceed BGN 10 (ten) million.

Till the end of April 2017 all BGN 10 million from investment loan were disbursed and fully invested and revolving loan was fully paid.

VIII. DIVIDEND POLICY

1. Regulation in the Statute

When structuring the company it was negotiated with institutional investors that at least 90% of the profit should be paid as dividend. This clause was included in the Statute of the Company and it can be changed only if at least 90%+1 of shareholders in General meeting of shareholders vote for such change. Having in mind the above Board of directors is obliged each year to propose voting of at least 90% of the profit to be paid as dividend to shareholders. According Bulgarian Commerce act at least 10% of the profit should be used for fulfillment of Reserve fund of the company, so in fact Board of directors has to propose to shareholders all the profit which is eligible for dividend payment to be paid as dividend.

2. Dividends paid in 2014 and 2015 and what we've gone a pay for 2016

The company has paid so far two dividends.

1. For 2014 our shareholders received gross dividend BGN 0.0623 per share.
2. For 2015 we paid gross dividend BGN 0.04924 per share, but in the middle of 2015 capital of the company was significantly increased after the successful SPO (from 5 115 435 shares to 18 902 402 shares). Calculated on the base on the weighted average number of outstanding shares gross dividend was equal to BGN 0.077 per share.
3. Dividend for 2016 - Based on audited annual financial statement for 2016 profit after taxes is equal to BGN 1 636 390.77 and after fulfilment of Reserve fund our shareholders will receive BGN 0.0779 per share.
4. Based on results as of 31 March 2017 expected dividend for 2018 should be at about BGN 0.10-0.11 per share.

Person to contact:

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