



Wednesday 17th February 2010

Dear Shareholders,

In these turbulent times, we believe that it is more important than ever for companies to communicate regularly with their shareholders. We want to keep you informed of the challenges and opportunities facing the Fund on a more frequent basis than just through our statutory announcements.

Therefore, it is our pleasure to write to you today ahead of the publication of our annual report (due later in spring), to introduce your new management company Agromanage AD, and inform you of the Fund's exciting progress over the past year as well as our short-term outlook.

New Management Company: Agromanage AD

During last year a number of significant changes and initiatives were set in place to reinvigorate the Fund, not least the appointment of Agromanage AD to assume overall management of the Fund. Agromanage incorporates specialists with an enviable proven track record in the industry and they have immediately introduced best corporate governance standards and set about streamlining the Fund's operations.

A management contract was agreed rewarding Agromanage for increases in cash generated from renting the Fund's land, rather than non-cash earnings from inflating land valuations, as was the case with the previous management company. A new fee structure has effectively reduced management fees roughly by half. Moreover, unlike its predecessor, Agromanage provides the Fund with such additional services as land consolidation, farming and application for European subsidies on behalf of the Fund.

We believe that the new fee structure will better align the interests of the Fund's shareholders and the management company, and that the introduction of best corporate governance standards by Agromanage will ensure more conservative and transparent reporting and accounts. We have also changed the Fund's assets reporting basis to acquisition cost. The financial reports are now therefore more conservative as the numbers are not skewed by revaluations based on the previous reporting period.

We are pleased to report that the Company's key corporate transformational targets set at the beginning of 2009 by the new management are progressing according to plan, despite the challenging economic and business environment that has affected all companies in our industry.



To reflect these exciting and significant changes, it was decided to adopt a new name for the Fund: ELARG, which is also the Fund's old Bloomberg ticker already widely recognised by institutional and retail investors.

Operational Highlights

From an operational standpoint, we achieved a number of important milestones last year. We are pleased to announce that the Fund's operating cash flow turned positive in 2009 for the first time since its incorporation in 2005. This was largely due to the rigorous cost cutting measures (as a result of the new management contract) and the increase in the rental income.

It is planned that almost 23 thousand hectares of land will be rented for 2009/10 farming season (corresponding to 78 % of the Fund's agricultural land portfolio), and as of 31 December 2009, over 21 thousand hectares has been already rented at an average rate of BGN 185 per ha (EUR 95 per ha). For comparison, during the 2008/09 farming season, ELARG rented 75% of its land at an average rate of BGN 169 per ha (EUR 86 per ha).

The Fund saw a meaningful increase in the rent collection rate. As of 31 December 2009, the Fund collected BGN 2.2m (EUR 1.1m) of the 2008/09 season rental income representing 60% of the total rents signed for that season and we are already witnessing further improvements in the rate of collection this year.

Last autumn, we initiated a pilot wheat production project, planting approximately 1,500 hectares of land. We view this as an exciting new development for the Fund as it not only increases the effective yield – as compared to the previous practice of simply renting the land out – but also entitles the fund to receive EU subsidies (currently BGN 234 / EUR 120 per ha). Should this pilot project prove successful, as we expect it will, the Fund intends to progressively increase the land available for production and hence eligible for EU subsidies.

Other Developments

There have been other exciting developments. We are happy to report that at the end of 2009, the Council of Ministers has at long last approved the variance of the Sofia General Zoning Plan reclassifying the Kambanite site (where ELARG's largest non-core asset is situated) from "agricultural" to "suitable for development". This reclassification is a pre-requisite for realisation of Kambanite's long-term potential. However, in line with this new zoning classification, the owner will have to bear any infrastructure development costs on the site before 2020.

So far, we have successfully sold two of our four non-core assets in line with our strategy to focus on agricultural land. The Detelinata plot was sold to Mercedes for BGN 11.2m (EUR 5.7m) and Elin Pelin was sold to a local developer for BGN 3.9m (EUR 2m) delivering net profits of BGN 5.2m (EUR 2.6m) and BGN 0.8m (EUR 0.4m) back in 2008, respectively.



Two new wholly owned subsidiaries were formed as part of the corporate structure optimization programme: ELARG Agro and ELARG Wind. ELARG Agro will facilitate the Fund's effort in land consolidation, farming, as well as the application and receipt of EU subsidies, while ELARG Wind will serve for the development of the Vetreno wind-farm project.

Finally, following an investigation into the legacy of the previous management company Elana Property Management AD, legal proceedings against Elana and several of its former Board members are taking place. We will of course keep you informed about any significant developments.

Outlook

The year of 2010 is shaping to become one of the most important in ELARG's history. Our main aim will be to build on our initiatives and continue the successful work started in 2009. This will include the preparation of the valuation reports for all of the Fund's assets, which is expected to be completed for inclusion in the upcoming annual report.

Bulgaria's agricultural sector is poised for robust growth over the next few years driven by global increase in demand for food, land consolidation, yield improvement and increase in EU funding. It is our intention that ELARG will continue to play a central role in Bulgaria's agricultural sector.

ELARG Board of Directors