Adamant
CAPITAL PARTNERS AD

EQUITY RESEARCH | BULGARIA

Contact Details

Peter Stoyanov
+359 2 422 59 92
pstoyanov@acp.bg

Lawsuit Settlement, Land Sales and Disposal of Farming Unit

Elarg Agricultural Land Opportunity Fund REIT

29 August 2011 **Agriculture**

In this report we review the 2011H1 standalone and consolidated financials of Elarg and update our valuation. The key developments since our last report:

- **Elarg has settled the lawsuit with Elana Property Management.** Elarg acquired 100% of the shares of EPM and its payables to related parties for €1.28m (contract signed 3 Aug 2011). We see no value to the acquisition outside of removing the risk of negative outcome of the litigation.

- There is **intensified sale of land** – 10% of the portfolio has been sold over the last year. Land bank at 30 June 2011 is 26,302.9Ha.

- Management decided **to sell Elarg Agro in October'2011**. The announcement contains no information on potential buyer or price.

- The 2011H1 financials show **modest growth of rental income** and **substantial income from sale of land** (profit margin of 125% in the second quarter of 2011).

We maintain our **BUY** rating on Elarg with a **target price €0.68**, offering an upside of 91% on current trading levels. Elarg also remains relatively cheaper than the other two main REITs investing in agricultural land (Advance TerraFund and Agro Finance).

BUY

Est. Share Price:	**€ 0.68**
Current Market Price:	€ 0.36
Upside Potential:	**91%**
CoE:	13.50%
Tickers:	BSE: 4EC; BBG: 4EC BU
Mkt. Cap. (€ million):	€ 21.4
Turnover Last 12m:	€ 11.5 (incl. QVT sale)
12M High:	€ 0.42
12M Low:	€ 0.28
12M Average:	€ 0.33
Abs. Performance 3m:	9%
Abs. Performance 6m:	-12%
Abs. Performance 12m:	21%

€ million	09	10	11e
Revenues	2.0	2.6	2.8
Oper. & adm.exp.	(1.3)	(2.1)	(2.8)
Inv. Portfolio income	0.0	0.6	4.0
Net Income	**(1.6)**	**(1.4)**	**3.1**
Total Assets	**45.8**	**41.8**	**37.4**
Total Liabilities	11.1	8.5	1.0
Equity	34.7	33.3	36.3
RoA (%)	(4.0)	(3.7)	7.7
RoE (%)	(4.3)	(3.9)	8.8
BVPS (€)	**0.58**	**0.56**	**0.61**

12-month performance

Source: BSE, ACP

Please read the disclaimer for important information and disclosures.

2011H1 FINANCIALS REVIEW

2,274.8Ha sold during 2011H1 (8% of the portfolio), bringing in revenues of €5.5m and a profit of €3.0m (profit margin 119%).

Without a doubt the highlight of the financials of the first half of 2011 is the renewed **sales of agricultural land** by Elarg. The company sold a total of 2,274.8Ha over the six months, the bulk of it (1,915.5Ha) in the second quarter. This is a sizeable amount of land, approximately 8% of the land bank at the beginning of the year.

The management has substantially improved the profit margins on the sales – from the average of 85-89% realized over 2010q3-2011q1 (certainly not a bad performance in itself), to 125% during 2011q2. Over 2011H1 Elarg netted a profit of €3.0 million. As is to be expected, the increased land sales also led to an increase in the remuneration of the servicing company, which rose to €0.81m for the six months.

The intensified sales of land are likely in response to the decision of the Management Board of Elarg to allow sale of land to reduce the gearing of the company. We also discuss this in the valuation section.

In June 2011 Elarg (via Elarg Wind EOOD) acquired a small company, Rekolta AD, paying out a total of €0.394m for 100% of the capital (€0.278m) and a cash contribution to cover loan principal and interest to third parties (€0.116m). Rekolta AD's primary asset is 90.6Ha of agricultural land with an estimated fair value of €4475/Ha (the price paid for the capital amounts to €3070/Ha). Rekolta AD was acquired from Industrial Holding Bulgaria, which owns 1/3 of the capital of Agromanage AD, Elarg's largest shareholder.

Consolidated rental revenues increase 1.2% on average rent growth

Compared to 2010H1, **rental revenues** over the half-year have increased by 1.2% at the consolidated level (2.7% standalone reflecting some intra-group payments which were not present in 2010). The servicing company reports that at 30 June 2011 24,366.7Ha are rented out (an increase of 182.3Ha compared to 30 June 2010), and that average rents have increased to €106.4/Ha (up 12.7% from €94.4/Ha).

86.42% of portfolio rented out

As of end-June 86.42% of the land bank is rented out, which is above the target of 84% set in the 2010 audited annual report. While part of the increase could be just a base effect as the total portfolio size decreases, Elarg is likely getting close to its own estimate of how many hectares of its portfolio it can rent out and in the future rental revenue growth must come predominantly from average rent increases.

Administrative costs tripled to €1.1m, likely driven by one-offs

Administrative costs (consolidated) increased substantially year-on-year, to €1.1m (compared to €0.33m in 2010H1). The bulk of the increase is lawyers' fees (€0.305m), likely related to the litigation with EPM, and unrecognized tax credit (€0.442m).

Net income is €2.142m for 2011H1, up 570% YoY.

Overall, Elarg reported a consolidated profit of €2.142m for 2011H1, 5.7x the profit in 2010H1. The standalone profit is €2.185m (€2.13m after adjustment for dividend purposes).

SHAREHOLDER STRUCTURE AS OF 30 JUNE 2011 – THE SERVICING COMPANY IS THE NEW LARGEST SHAREHOLDER

The servicing company acquired the largest stake in Elarg (49.5%) from QVT Fund LP.

As discussed in our note dated 1 July 2011, on 30 June QVT Fund LP sold its shares to Agromanage AD, Elarg's servicing company, thus bringing to a closer alignment between the interests of management and shareholders. The sale was executed as a single transaction on the stock exchange at €0.348/share (7.8% above the weighted average price for the previous 30 days and 7.1% above the previous-day closing price).

Agromanage AD is 2/3 owned by its management and 1/3 by Industrial Holding Bulgaria PLC, a Bulgarian industrial conglomerate listed on the Bulgarian Stock Exchange Sofia (BBG: 4ID BU, BSE: 4ID).

Additionally, on 6 July 2011 Elarg reported that UniCredit Bank Austria AG has acquired directly 750,000 shares, bringing its total holding to 3,253,901 shares (5.449%).

Table 1: Elarg's shareholders	31 Dec 2009		31 Dec 2010		30 Jun 2011	
QVT Fund LP	29,560,880	*49.5%*	29,560,880	*49.5%*	-	*0.0%*
Agromanage AD	-	*0.0%*	-	*0.0%*	29,560,880	*49.5%*
Allianz Bulgaria (pension funds)	9,934,924	*16.6%*	10,017,373	*16.8%*	10,032,373	*16.8%*
Kairos Investments	5,607,298	*9.4%*	4,858,834	*8.1%*	3,376,091	*5.7%*
Doverie (pension funds)	2,869,626	*4.8%*	2,991,766	*5.0%*	2,991,766	*5.0%*
Other	11,743,157	*19.7%*	12,287,032	*20.6%*	13,754,775	*23.0%*
Total shares	**59,715,885**	***100.0%***	**59,715,885**	***100.0%***	**59,715,885**	***100.0%***

Source: 2011H1 interim financials

Please read the disclaimer for important information and disclosures.

SETTLEMENT OF LITIGATION AND ACQUISITION OF ELANA PROPERTY MANAGEMENT (EPM)

Litigation with EPM settled. Elarg acquired EPM for €1.28 on 3 Aug 2011.

In July 2011 Elarg finalized negotiations on the settlement of its largest legal dispute (with the previous servicing company, Elana Property Management). Elarg's initial claim amounted to €3.97m, and EPM's counter-claim was for €5.3m.

All litigations (with Elana Group companies and related parties) are settled with Elarg acquiring 100% of the shares of EPM for €0.849m and repaying EPM's payables to Elana Group companies (€0.43m) – a total consideration of €1.28m (BGN2.5m). Elarg's Board of Directors approved the deal on 2 August 2011, and the respective contact was signed the following day. EPM is to be renamed to Property Management EAD after the acquisition.

Acquisition of EPM brings no value outside of the litigation settlement.

EPM's practically only line of business was being a servicing company of Elarg REIT (initially Elana Agricultural Land Opportunity Fund REIT), and it did have some success in this – in the sense that it ammassed the bulk of Elarg's current land portfolio. With the change of management of Elarg in 2008, and the resulting cancellation of the servicing company contract, EPM's activities remained limited to the litigation with Elarg (according to EPM's Management Reports for 2009 and 2010).

As of 31 Dec 2010, EPM's total assets amounted to just €106 thousand, and the company is heavily decapitalized (net assets amount to minus €345 thousand). Elarg reports the fair value of the net assets acquired as a result of this combination are negative – minus €0.352m.

It is unclear how much of the potential of EPM can be revived after two years of inactivity but there doesn't seem to be much left to work with – the company's employee expenses have dropped to only €6 thousand in 2010 (from €258 thousand in 2008), suggesting that practically all employees have been let go. The usefulness as a shell company remains to be seen but should not contribute much to Elarg's overall value, if at all.

VALUATION UPDATE

In this valuation update we have three factors that contribute negatively (compared to our previous valuation) to the estimated value of the company. As discussed below individually, in each case there are some benefits which are not included in our analysis as they cannot reliably be quantified. These negative factors are:

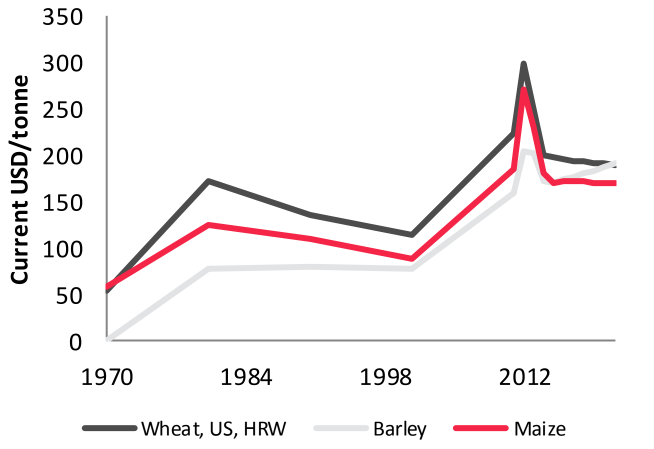
- The settlement of the litigation with Elana Group companies – a cash outflow of €1.28m compared to our previous expectation of zero net impact of claims and counter-claims;
- Exiting the farming business and disposing of Elarg Agro – we had assumed a positive contribution to the profit of Elarg, and now conservatively assume disposal at cost. The flip side – a source of volatility will be removed.
- The sale of agricultural land, which we assume will be for early retirement of the bond issue. This reduces the land bank at the end of the life of the REIT but as it (a) reduces debt and (b) will result in dividend payment, we think is likely to receive a positive reaction from the part of the investor community with a shorter investment horizon.

On the positive side, we adjust the risk-free rate to 5.5% to reflect the dynamics of long-term (10+ years) bonds issued by the Bulgarian government. CoE is now 13.5% (down from 14%). The contributions to the final valuation of the positive and negative factors essentially cancel out, leaving our **target price practically unchanged at €0.68 per share (previous: €0.67 per share). Our recommendation remains a BUY**, with an upside potential of 95%. Without the update in the risk-free rate, the valuation would have dropped to €0.66 per share.

Land valuation assumptions

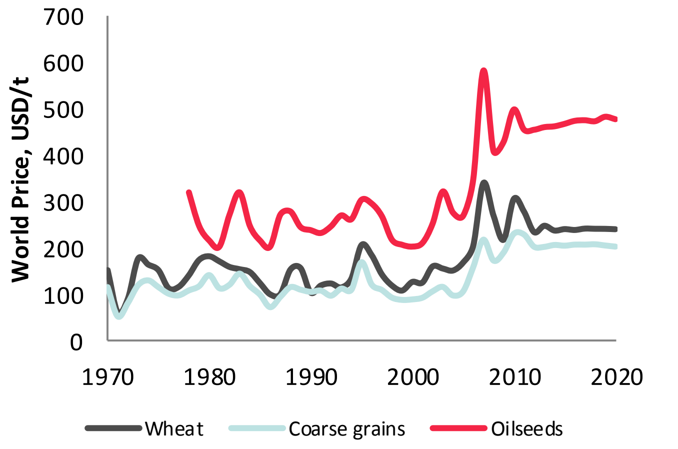
We maintain our long-term view on the price of agricultural land in Bulgaria, described in the report dated 9 March 2011 – we expect land prices to reach €2,944 by 2018. The long-term projections of FAO/OECD and the World Bank (Figure 1 and Figure 2) are that by 2020 agricultural commodity prices will remain below their peaks of 2007-2010. Therefore Bulgarian farmers will enjoy higher income from working the land coming from (a) internal productivity increases and (b) EU subsidies.

Figure 1: World Bank Commodity Price Forecast



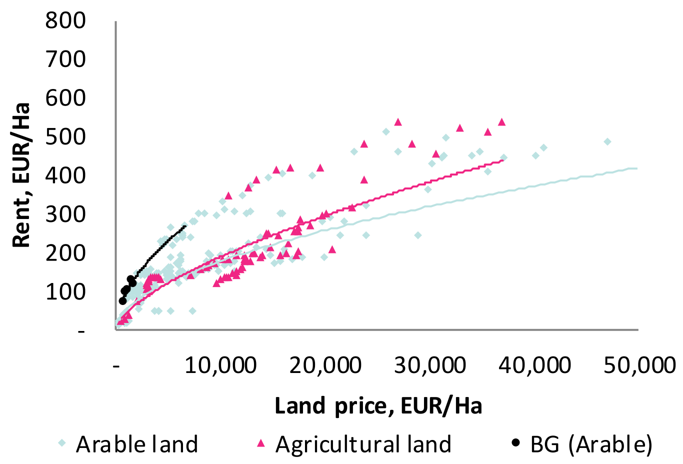
Source: World Bank, June 2011

Figure 2: OECD-FAO Agricultural Outlook 2011-2020



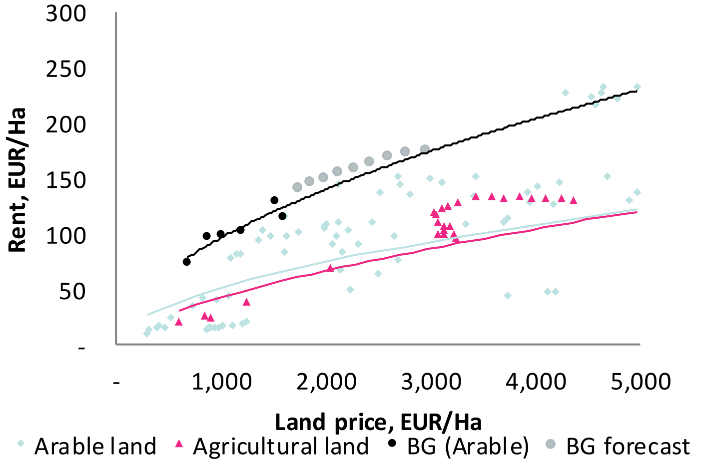
Source: FAO/OECD, 24 June 2011

Figure 3: Rent vs. price ratios in the European Union (1990-2009)



Source: Eurostat, ACP calculations

Figure 4: Rent vs. price ratios in the European Union (1990-2009, where price is less than €5,000/Ha)



Source: Eurostat, ACP calculations

Selling land to repay debt

10% of the land bank sold over the past year

Elarg has resumed active operations on its land portfolio, in particular sizeable sales of agricultural land – 1,409Ha in 2010 and 2,274.8Ha in 2011H1. As of 30 June 2011 the agricultural land owned stood at 26,302.9Ha, a reduction of 10.2% since 30 June 2010.

As the current selling price of agricultural land is substantially above historic cost (profit margin was 125% in 2011q2), this generates sizeable current profits for the company. On the other hand, it reduces the size of the portfolio at the exit point (2018), thereby sacrificing some of the gain to be had in the future.

We assume that the reason for these sales is earlier repayment of the bond, as per the option granted at the rescheduling of the issue in August 2010. That said, it is also possible that the management has identified sufficient opportunities to acquire new land (and benefit from amassing larger contiguous plots which command a substantial premium over small fragmented plots).

Please read the disclaimer for important information and disclosures.

Our estimates are that the total return on land is higher than the interest paid on the bond, thus reducing the overall valuation of Elarg. Rental yield over 2011-2018 is expected to be 9-10% and the CAGR of agricultural land price is 8.7% over 2010-2018). The bond has an interest payment of 8.5% plus a 1% premium on the principal if repaid early.

However, our model assumes that investors are insensitive to the time profile of their return – which may not be the case, and the investors may well look positively on a lower-but-earlier return on their investment, esp. as the two other large agricultural REITs are paying out dividends.

Substantial revenues from land sales expected in 2011q3 as well (transactions are reported to have been concluded in August, no financial info released yet)

Elarg sold 176.2Ha in 2010q3, 1,232.6Ha in 2010q4, 347.2 Ha in 2011q1, and 1,927.7Ha in 2011q2, taking in €0.4m, €2.4m, €0.8m and €4.78m respectively. If we take the ratio of outstanding prepayments on land sale contracts (€0.8m at the end of 2011q2) to be 10%, we can expect an additional €8m in revenues by the end of the year (implying 3,216Ha if the sale price remains the same as the price in 2011q2, €2,480/Ha). The recently released consolidated financials show that over 85% of the transactions have been carried out by the end of August, i.e. 2011Q3 financials should show substantial revenues and profit. We expect the management to maintain the high profitability of the sales.

We expect Elarg to repay the bond by end-2011

In total, the aggressive sale of land should generate sufficient cash for Elarg to exercise the early repayment option of the bond issue before the end of 2011. Considering the decision of the Board of Directors from February'2011 to allow the sale of land to reduce debt, we think it is likely the management will exercise the option before the end of 2011. Granted at the rescheduling of the bond in 2010, the option allows Elarg to unilaterally repay the bonds, in part or in full, on any date after 3 August 2011. The principal is to be repaid 1.01x if the option is exercised.

Acquisition of EPM

The acquisition of EPM, discussed above, technically has a negative impact on our valuation, as it is a realization of a previously contingent risk. In line with the practice of Elarg's management (no provisions made for litigation damages expenses), we had assumed a zero valuation impact of the litigation with EPM and other Elana Group companies, and had kept the risk as a qualitative factor to keep in mind.

The settlement does remove the uncertainty related to the litigation, but the €1.28m cash outflow (about €0.02 per share) reduces the overall value of the company.

We assume (until more information is provided by Elarg) that outside the settlement of the lawsuits the value of EPM is essentially zero (in the economic usefulness sense, not the accounting definition of net assets, which are negative). We further assume that the generated goodwill and the assumed liabilities (liabilities of EPM to Elana Group companies transferred to Elarg) will be impaired in full in 2011. In short, we expect the full settlement amount to be written off by the end of the year.

Disposing of Elarg Agro

The farming subsidiary failed to take off in a meaningful way, will be sold in October 2011.

The Board of Directors of Elarg has decided to sell Elarg Agro, the farming subsidiary, in October 2011 (i.e. after the end of the farming season).

While diversifying into farming was seen as a way to provide an additional source of income, it largely failed to take off in a meaningful way. Disposing of the unit will simplify Elarg's business.

Elarg's investment in Elarg Agro is €48.6 thousand in the capital, plus an additional €1,266.5 thousand in cash injections (amount outstanding as of 30 June 2011).

As there is no information on the selling price available at the moment, in our valuation we assume that Elarg Agro will be disposed of at cost, i.e. the selling price will be equal to Elarg's investment to date. This is a reduction in value compared to our previous estimates which assumed the farming business will perform at least on par with the sector average (and bring in dividends starting 2012.

Sensitivity analysis

The tables below provide information on the sensitivity of the valuation with respect to the main underlying assumptions (2018 capitalization rate and CoE).

Table 2: Elarg REIT Valuation summary

€'000	2010	2011e	2012e	2013e
Dividend (out of prev. year's profit)	-	-	2,120	1,264
Valuation date	29 Aug 2011			
NPV	**40,891**			
PV of dividend	6,733			
PV of terminal sale	34,158			
Est. Share Price (€)	**0.68**			
Market price (€) as of 29 Aug 2011	0.36			
Upside	**91%**			
Recommendation	**BUY**			
CoE	**13.50%**			
Risk-free rate	5.50%			
Beta	0.80			
Equity risk premium	10.00%			

Source: ACP estimates

Table 3: Target price sensitivity to assumptions

Rent / Price ratio in 2018	Cost of Equity						
€/share	10.0%	12.0%	13.0%	**13.5%**	14.0%	15.0%	16.0%
5.00%	0.96	0.85	0.81	0.79	0.76	0.72	0.69
5.25%	0.92	0.82	0.78	0.76	0.74	0.70	0.66
5.50%	0.89	0.79	0.75	0.73	0.71	0.67	0.64
5.75%	0.86	0.77	0.73	0.71	0.69	0.65	0.62
6.00%	0.83	0.74	0.70	**0.68**	0.67	0.63	0.60
6.25%	0.81	0.72	0.68	0.66	0.65	0.61	0.58
6.50%	0.79	0.70	0.66	0.65	0.63	0.60	0.56
6.75%	0.76	0.68	0.65	0.63	0.61	0.58	0.55
7.00%	0.74	0.66	0.63	0.61	0.60	0.56	0.53

Source: ACP estimates

PEER COMPARISON

Although our valuation and recommendation are based on the absolute value approach, Elarg is cheaper relative to the two other large REITs investing in agricultural land – Advance TerraFund (ATERA) and Agro Finance (AGROF). All three REITs trade below their NAV (even when land is taken at historic cost), and Elarg is currently the cheapest of the three.

Table 4: Peers summary	Unit	ELARG 2010	ATERA 2010	AGROF 2010	ELARG 2011H1	ATERA 2011H1	AGROF 2011H1
Total assets	€'000	41,813	80,629	27,191	44,345	56,716	25,887
Total liabilities	€'000	8,547	2,648	3,859	8,894	4,132	2,589
Debt	€'000	7,373	-	2,500	7,385	-	1,534[3]
Cash	€'000	23	11,922	1,921	2,340	22,349	795
MCAP	€'000	17,587	50,479	15,996	21,373	60,357	16,490
Share price (end-of-year/at valuation date)	€/share	0.29	0.59	0.50	0.36	0.71	0.51
Agricultural land	Ha	28,482	33,622	13,068	26,212	30,361	13,080
Agricultural land, at cost	€'000	32,238	44,180	18,934	29,747	41,137	18,960
Agricultural land, at fair value [1]	€'000	46,765	55,767	23,466	43,039	47,075	23,489
Non-agricultural land, at cost	€'000	10,411	7,638	-	10,411	7,638	-
Non-agricultural land, at fair value [1]	€'000	7,670	10,336	-	7,670	9,030	-
NAV per share, as reported [2]	€/share	0.56	0.92	0.72	0.59	0.62	0.72
implied premium/(discount) to share price		*(47)*	*(35)*	*(31)*	*(40)*	*15*	*(29)*
NAV per share (all land at cost)	€/share	0.60	0.88	0.72	0.64	0.60	0.72
implied premium/(discount) to share price		*(51)*	*(33)*	*(31)*	*(44)*	*18*	*(29)*
NAV per share (agri land at cost, non-agri fair value)	€/share	0.56	0.78	0.58	0.59	0.55	0.58
implied premium/(discount) to share price		*(47)*	*(24)*	*(15)*	*(40)*	*29*	*(12)*
NAV per share (all land at fair value)	€/share	0.80	0.92	0.72	0.82	0.62	0.72
implied premium/(discount) to share price		*(63)*	*(35)*	*(31)*	*(56)*	*15*	*(29)*

[1] Fair value as reported by the companies.
[2] NAV as reported by the company. Note that ELARG uses historic cost for agricultural land, ATERA and AGROF use fair value.
[3] The 2011H1 financials do not reflect that in August AGROF issued a €5m secured bond, maturity of 5 years, 8% p.a.
Source: Company financials, ACP estimates

Land rented out and rent dynamics are presented in the table below.

Table 5: Rents	ELARG	ELARG	ATERA	ATERA	AGROF	AGROF
Season	Rented out (Ha)	Average rent (€/Ha)	Rented out (Ha)	Average rent (€/Ha)	Rented out (Ha)	Average rent (€/Ha)
2005/2006	290	36	-	-	-	-
2006/2007	7,007	46	6,153	57	-	-
2007/2008	17,068	56	14,724	73	4,800	72
2008/2009	22,006	87	20,648	88	8,600	92
2009/2010	22,752	102	25,217	105	11,500	102
2010/2011	22,648	112	24,610	121	12,100	107

Source: Company data

FINANCIALS

Financials (standalone, €'000, IFRS)	2009	2010	2011e	2012e	2013e	2010H1	2011H1
Revenues	**2,028**	**2,585**	**2,835**	**2,363**	**2,480**	**1,294**	**1,328**
Rent of agricultural land	2,026	2,505	2,835	2,363	2,480	1,292	1,326
Other revenues (incl. from Elarg Agro)	2	80	-	-	-	3	2
Operating and administrative expenses	**(1,305)**	**(2,052)**	**(2,765)**	**(1,060)**	**(1,108)**	**(585)**	**(1,867)**
Servicing company fee	(787)	(1,054)	(1,274)	(631)	(653)	(324)	(809)
Employees and management	(82)	(157)	(173)	(190)	(209)	(42)	(108)
Depreciation	(14)	(17)	(17)	(17)	(17)	(9)	(8)
Other	(422)	(824)	(1,302)	(221)	(229)	(210)	(942)
Investment portfolio	**8**	**584**	**4,049**	**-**	**-**	**2**	**3,012**
Revenues from sale of inv. properties	14	2,766	10,131	-	-	2	5,541
BV of inv. properties sold	(6)	(1,490)	(6,082)	-	-	-	(2,529)
Revaluation of investment portfolio, net	-	(691)	-	-	-	-	-
Financial income, net	**(575)**	**(706)**	**(630)**	**101**	**89**	**(329)**	**(303)**
Financial income	124	29	48	101	89	20	4
Financial expenses	(699)	(734)	(678)	-	-	(350)	(306)
Impairment of claims	**(328)**	**(521)**	**(422)**	**-**	**-**	**13**	**15**
Impairment of assets available for sale	**(1,416)**	**(1,325)**	**-**	**-**	**-**	**-**	**-**
Income before tax	**(1,589)**	**(1,434)**	**3,067**	**1,405**	**1,460**	**395**	**2,185**
Income tax expense	-	-	-	-	-	-	-
Net income	**(1,589)**	**(1,434)**	**3,067**	**1,405**	**1,460**	**395**	**2,185**
TOTAL ASSETS	**45,782**	**41,813**	**37,352**	**38,243**	**37,601**	**45,937**	**44,345**
Non-current assets	**32,896**	**31,838**	**25,535**	**26,353**	**27,017**	**32,934**	**29,182**
Investment properties	32,850	31,546	25,516	26,334	26,998	32,850	29,112
Intangible assets	29	7	7	7	7	25	-
PP&E	12	7	7	7	7	9	6
Other non-current assets (incl. inv. in subsidiaries)	5	278	5	5	5	51	65
Current assets	**3,891**	**2,305**	**4,148**	**4,220**	**2,914**	**4,007**	**7,493**
Commercial receivables	1,258	1,176	1,320	1,100	1,155	2,124	2,235
Advance payments	16	-	-	-	-	11	-
Cash and cash equivalents	1,722	23	2,377	2,669	1,759	837	2,340
Other current assets (incl. claims on related parties)	895	1,106	450	450	-	1,035	2,918
Properties available for sale	**8,995**	**7,670**	**7,670**	**7,670**	**7,670**	**8,995**	**7,670**
TOTAL LIABILITIES	**11,082**	**8,547**	**1,019**	**505**	**522**	**10,841**	**8,894**
Non-current liabilities	**-**	**7,140**	**-**	**-**	**-**	**-**	**7,140**
Bonds issued (LT part)	-	7,140	-	-	-	-	7,140
Debt (LT)	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-
Current liabilities	**11,082**	**1,407**	**1,019**	**505**	**522**	**10,841**	**1,754**
Commercial liabilities	727	1,060	1,019	505	522	520	1,271
Bonds (current part)	10,000	-	-	-	-	10,000	-
Bonds (interest)	287	233	-	-	-	282	244
Debt (ST)	-	-	-	-	-	-	-
Pre-paid rent of agricultural land	92	72	53	72	-	27	179
Other current liabilities	69	114	-	-	-	12	60
EQUITY	**34,700**	**33,266**	**36,333**	**37,738**	**37,078**	**35,095**	**35,451**
Share capital	30,532	30,532	30,532	30,532	30,532	30,532	30,532
Reserves	6,878	6,878	6,878	6,878	6,878	6,878	6,878
Retained earnings	(1,121)	(2,710)	(4,145)	(1,078)	(1,793)	(2,710)	(4,145)
Current period net income	(1,589)	(1,434)	3,067	1,405	1,460	395	2,185

Source: Annual data: 2007-2010 audited reports, 2011-2013 ACP estimates; Quarterly data: Interim reports

Financials (consolidated, €'000, IFRS)	2007	2008	2009	2010	2010H1	2011H1
Revenues	**321**	**1,732**	**2,028**	**2,265**	**1,332**	**1,364**
Rent of agricultural land	321	1,696	2,026	2,437	1,292	1,307
Revenues from agro produce	-	-	-	481	-	-
Cost of agro produce	-	-	-	(907)	-	-
Other revenues	-	35	2	254	40	57
Operating and administrative expenses	**(2,471)**	**(2,174)**	**(1,391)**	**(2,252)**	**(660)**	**(1,930)**
Servicing company fee	(1,603)	(1,603)	(778)	(1,043)	(315)	(806)
Employees and management	(56)	(84)	(107)	(206)	(65)	(132)
Depreciation	(15)	(14)	(15)	(28)	(14)	(15)
Other	(796)	(473)	(490)	(976)	(265)	(977)
Investment portfolio	**190**	**3,296**	**8**	**558**	**2**	**3,012**
Revenues from sale of inv. properties	496	7,758	14	2,766	2	5,541
BV of inv. properties sold	(307)	(4,462)	(6)	(1,516)	-	(2,529)
Revaluation of investment portfolio, net	-	-	-	(691)	-	-
Financial income, net	**72**	**(691)**	**(576)**	**(707)**	**(330)**	**(303)**
Financial income	360	109	124	29	20	4
Financial expenses	(288)	(800)	(700)	(736)	(350)	(307)
Impairment of claims	**-**	**-**	**(267)**	**(512)**	**(25)**	**(1)**
Impairment of assets available for sale	**-**	**-**	**(1,416)**	**(1,325)**	**-**	**-**
Income before tax	**(1,888)**	**2,163**	**(1,615)**	**(1,974)**	**320**	**2,142**
Income tax expense	-	-	-	26	-	-
Net income	**(1,888)**	**2,163**	**(1,615)**	**(1,948)**	**320**	**2,142**
TOTAL ASSETS	**45,773**	**46,971**	**45,780**	**41,490**	**45,865**	**43,926**
Non-current assets	**39,851**	**32,141**	**32,926**	**31,874**	**32,932**	**29,628**
Investment properties	39,828	32,131	32,850	31,546	32,850	29,517
Intangible assets	3	1	34	9	28	3
PP&E	20	9	42	66	54	67
Other non-current assets	-	-	-	253	-	40
Current assets	**5,922**	**3,845**	**3,859**	**1,946**	**3,938**	**6,628**
Commercial receivables	110	725	1,258	1,193	2,124	2,257
Inventories	-	-	496	426	685	791
Cash and cash equivalents	5,420	2,790	1,724	25	841	2,367
Other current assets	392	331	876	302	289	1,212
Properties available for sale	**-**	**10,985**	**8,995**	**7,670**	**8,995**	**7,670**
TOTAL LIABILITIES	**11,647**	**10,682**	**11,105**	**8,764**	**10,872**	**9,058**
Non-current liabilities	**10,005**	**10,002**	**10**	**7,148**	**9**	**7,147**
Bonds issued (LT part)	10,000	10,000	-	7,140	-	7,140
Debt (LT)	-	-	-	-	-	-
Other non-current liabilities	5	3	10	8	9	7
Current liabilities	**1,642**	**680**	**11,096**	**1,616**	**10,862**	**1,911**
Commercial liabilities	1,323	369	736	1,219	528	1,415
Bonds (current part)	-	-	10,000	-	10,000	-
Debt (ST)	-	-	-	-	-	-
Other current liabilities	32	22	73	165	53	251
EQUITY	**34,126**	**36,289**	**34,674**	**32,726**	**34,994**	**34,869**
Share capital	30,532	30,532	30,532	30,532	30,532	30,532
Reserves	6,878	6,878	6,878	6,878	6,878	6,878
Retained earnings	(1,396)	(3,285)	(1,121)	(2,736)	(2,736)	(4,684)
Current period net income	(1,888)	2,163	(1,615)	(1,948)	320	2,142

Source: 2007-2010 audited consolidated reports

Please read the disclaimer for important information and disclosures.

Analyst Certification

The analyst(s) hereby certifies that all the views expressed in this report accurately reflect his/her personal point of view about the Subject topics treated above. He/she also certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Stock Rating

Buy – the stock is expected to bring in total return* greater than the company's cost of equity +5%;
Hold – the stock is expected to bring in total return between +/-5% of the company's cost of equity;
Sell – the stock is expected to bring in total return less than the company's cost of equity -5%.
*Total Return – The return on an investment, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period, usually one year.

DISCLAIMER

This research has been ordered and paid by Elarg Agricultural Land Opportunity Fund REIT ("Elarg", "Fund") and is intended for the professional investors, being current and potential investors in the Fund, and the clients of ACP. Other than disclosures relating to ACP, this research is based on public information that the analyst(s) considers reliable but he/she does not represent it is accurate or complete, and it should not be relied on as such. This document is for information purposes only. This report is not an investment advice or an offer or solicitation for the purchase, sale subscription or underwriting of any financial instrument. Opinions expressed herein may differ or be contrary to opinions expressed by other business areas or groups of ACP as a result of using different assumptions and criteria. All such information and opinions are subject to change without notice, and ACP has no obligation to update or keep current the information contained herein or in any other medium. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions.

ACP is not licensed to hold positions in any financial instruments on its behalf. However any of its officers, employees, related and discretionary accounts may, to the extent not disclosed above and to the extent permitted by law, have long or short positions or may otherwise be interested in any transactions or investments (including derivatives) referred to in this report. In addition, ACP may provide financial or advisory services for, or solicit such business from, any company referred to in this report. Neither ACP nor any of its officers or employees accepts any liability for any direct or consequential loss arising from any use of this report or its contents.

ACP recommends that investors independently evaluate particular investments and strategies, and encourages them to seek a financial adviser's advice. The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.

Our research is disseminated primarily electronically, and, in some cases, in printed form.

76A, James Bourchier Blvd.; 1421 Sofia, Bulgaria --- Tel.: +359 (2) 422 5970; Fax: +359 422 5973; Email: office@acp.bg; www.acp.bg