

Annual Consolidated Management Report
INTERCAPITAL PROPERTY DEVELOPMENT ADSIC
2013

29 April 2014

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I. General information about the Company on consolidated basis

1. “Intercapital Property Development” ADSIC – the mother company

“Intercapital Property Development” ADSIC is a company registered under the Law on the special purpose vehicles for securitization of real estate properties. The Company functions as a collective investment scheme for real estate properties; “securitization of real estate properties” means that the Company acquires real estate properties with the cash funds it accumulates through securities issues (shares, bonds).

“Intercapital Property Development” ADSIC is established in the Republic of Bulgaria. It was initially entered in the register of the Sofia City Court with Resolution No. 1 dated 29.03.2005, lot No. 92329, volume 1204, reg. I, page 23 under company file No. 3624/2005. At present the Company is entered in the Commercial Register to the Registry Agency under unified identification code 131397743. The seat and the management address of the Company are: Sofia, 7a Aksakov Str.

The Company is managed by a Board of Directors. At present the members of the Board of Directors are: Velichko Klingov, Tsvetelina Hristova and Aheloy 2012 EOOD, UIC 202371390, with seat and management address: Sofia, Sredets District, 7A Aksakov Str., fl. 4, represented by Nikolay Chergilanov. The Company is represented by Velichko Klingov in his capacity of Executive Director.

Milen Bozhilov is the Company’s investor relations director.

Servicing companies of “Intercapital Property Development” ADSIC pursuant to the Law on the special purpose vehicles are: “Optima Audit” AD, “Marina Cape Management” EOOD, IP “Intercapital Markets” AD and “Tokushev & Partners” AD.

As of 31.12.2013 “Intercapital Property Development” ADSIC has investments in the following subsidiary companies:

Name of the subsidiary company	2013 BGN ‘000	share %	2012 BGN ‘000	share %
Marina Cape Management EOOD	5	100%	5	100%

“Marina Cape Management” EOOD is with registered seat in Sofia and management address at: 7a Aksakov Str., tel. +359 2 980 12 51, fax: + 359 2 980 61 40, e-mail: office@marinacape.com.

“Marina Cape Management” EOOD is registered with resolution dated 18.10.2006 of the Sofia City Court under company file No. 12083/2006 and is entered in the Commercial Register to the Registry Agency under unified identification code 175158218.

“Marina Cape Management” EOOD is a subsidiary of “Intercapital Property Development” ADSIC (the latter owns 100% of the company’s stock) and is established in 2006 for the purpose of servicing the apartments and the commercial areas in the “Marina Cape” vacation complex. The company is managed and represented by Vesselin Terziev and Nikolay

Handzhiev. “Marina Cape Management” EOOD is a company with which all the clients that have acquired properties in the “Marina Cape” vacation complex conclude a contract for maintenance and management for an annual remuneration of EUR 12 per sq.m.

Till 04.11.2009 “Intercapital Property Development” ADSIC consolidated in its financial statements the results from the activity of one more company – “Marina Cape Tours” EOOD which was also a subsidiary company of “Intercapital Property Development” ADSIC. On 04.11.2009 “Intercapital Property Development” ADSIC sold all its shares of “Marina Cape Tours” EOOD to “Marina Cape Management” EOOD.

“Marina Cape Tours” EOOD is with registered seat in Sofia and management address at: 7a Aksakov Str.

“Marina Cape Tours” EOOD is registered with resolution dated 09.07.2007 of the Sofia City Court under company file No. 10819/2007 and at present is registered in the Commercial Register to the Registry Agency under unified identification code 175331773. The Company is represented and managed by Radostina Krалева Pantelevа.

“Marina Cape Tours” EOOD is a licensed tour-operator and is responsible for the sales of accommodation and other tourist services in the complex.

II. Basic parameters of the annual consolidated financial report

A. Expenses of the Company on consolidated basis

During the reporting year 2013 the Company has realized expenses in the total amount of BGN 16 072 thousand on consolidated basis. Of this amount, BGN 9 651 thousand represent operating expenses, BGN 3 759 thousand - financial costs, and BGN 2 752 thousand represent costs from changes in the fair value of investment properties of the Company.

B. Financial result of the Company on consolidated basis

In 2013 the Company has realized net loss in the amount of BGN 5 187 thousand on consolidated basis.

C. Revenues of the Company on consolidated basis

The revenues from property sales represent a significant share of the total Company’s sales on consolidated basis. These represent revenues from sales of residential buildings for seasonal use in the “Marina Cape” vacation complex and amount to BGN 1 430 thousand or 13.14% of the total revenues from sales.

The revenues from exploitation of the commercial properties in the complex (incl. restaurants, pool bar, supermarket, sport and spa centre, kids’ centre, other dining and entertainment premises) are in the amount of BGN 683 thousand.

The revenues from renting apartments – including own properties (i.e. properties owned by “Intercapital Property Development” ADSIC) as well as third parties’ properties (apartments whose owners have concluded management contracts with “Marina Cape Management” EOOD) amount to BGN 489 thousand.

The revenues from providing services of maintenance of real estate properties and representation of owners in the “Marina Cape” vacation complex (owners different from “Intercapital Property Development” ADSIC) amount to BGN 356 thousand.

In 2013, the Company's other revenues amount to BGN 7 714 thousand. A portion of these revenues in the amount of BGN 5 350 thousand are realized under a financial lease contract of real estate, signed on 17.12.2013, with "Bulgaria Leasing" EAD. The lease subject is the investment project "Grand Borovets" owned by "Intercapital Property Development" ADSIC. The repayment period of the lease payments is 2 years or 24 monthly installments, of which there is a six (6) months grace period at an annual interest rate of 9%.

Another part of the revenues in the amount of BGN 2 294 thousand constitutes written off obligations. Of these, BGN 2 000 thousand is a written off obligation towards the creditor "Grand Borovets 2013 EOOD, which in December 2013 acquired all claims of "DSK Bank" EAD towards “Intercapital Property Development” ADSIC. The remaining income of written off obligations in the amount of 294 thousand BGN are realized in the third quarter of 2013. The obligations are written off in relation to the unfulfillment of commitments of customers / contractors of the Company and pursuant to contracts concluded with them.

The total revenues from operating activity in 2013 amount to BGN 10 885 thousand. The company has not realized substantial financial revenue in 2013.

D. Assets of the Company on consolidated basis

As of 31.12.2013 the Company's assets on consolidated basis are in the amount of BGN 59 359 thousand, including:

Long-term tangible assets: BGN 51 139 thousand of which the value of the investment properties owned by the Company is with the greatest share – BGN 37 986 thousand;

Long-term intangible assets: BGN 4 thousand;

Deferred tax assets: BGN 21 thousand;

Current assets: BGN 6 058 thousand of which the value of the work-in-progress is with the greatest share - BGN 1 070 thousand and the deferred expenses are BGN 2 173 thousand.

E. Liabilities of the Company on consolidated basis

The short-term liabilities of the Company on consolidated basis as of 31.12.2013 amount to BGN 42 172 thousand. The greatest share of them is that of the obligations to bank and non-bank financial institutions – BGN 32 086 thousand. The payables towards suppliers and customers as of 31.12.2013 amount to BGN 4 628 thousand. In addition, as of 31.12.2013 the Company has received advance payments from clients and guarantee deposits in the amount of BGN 8 875 thousand due to concluded contracts for purchase of real estate properties.

The long-term liabilities of the Company include received bank loans in the amount of BGN 3 087 thousand, bond issues amounting to BGN 5 867 thousand, finance lease liabilities as described above, in the amount of BGN 2 108 thousand and other loans amounting to BGN 1 783 thousand.

F. Shareholders' equity

The Company's shareholders' equity on consolidated basis as of 31.12.2013 is in the amount of BGN 4 342 thousand. It includes:

Share capital: BGN 6 011 thousand
Issue premiums: BGN 7 651 thousand
Revaluation reserves: BGN 5 164 thousand
General reserves: BGN 1 thousand
Retained earnings from previous periods: BGN 9 298 thousand
Current year profit / (loss): BGN 5 187 thousand

III. Presentation on the development of the company's activity and its condition as well as on its future prospects:

1. Liquidity:

a) trends, circumstances and risks

The Company's liquidity depends largely on the timing of the incoming and the outgoing cash flows. The incoming cash flows for the Company may have the following origin:

- from the Company's activity. These are mainly advance or final payments on contracts for sale of real estate property (residential buildings for seasonal use) constructed by the Company as well as proceeds generated by the tourist activity carried out by the subsidiary company "Marina Cape Management" EOOD.
- from financial activity. In case of issuance of securities (equity or debt) or obtaining bank loans.

In 2013, for a seventh consecutive year, the Company has reported revenue from sale of real estate property, i.e. - residential buildings for seasonal use which it has constructed in the "Marina Cape" vacation complex since the end of 2005. The total value of the sold apartments in 2013 is BGN 1 430 thousand which refer to a sold area of 937.38 sq.m. (built-up area). In comparison in 2012 the sales of real estate property amount to BGN 1 742 thousand and refer to a sold area of 1 127.47 sq.m. (built-up area). The main reason for the 18% decrease in revenue from sales of apartments and sold areas, respectively, is due to the unfavorable market conditions and reduced demand for vacation properties. Here it has to be noted that since the beginning of 2010, the Company offers the possibility for carrying out the sale of properties on deferred payment terms (within the maximum term of 3 years) and the transfer of the real estate property by a notary deed to the new owner is executed after the full payment of the apartment's purchase price. On the other hand, in compliance with the accounting policy of the Company, the latter reports as revenue the price of only those apartments which are transferred by a notary deed or in full possession. In that way the sales of apartments that were negotiated in the past 2013 shall be reported as revenue most probably within the next 3 years.

In addition, at present the Company has concluded preliminary contracts for sale of apartments with built-up area of 5 377.08 sq.m. in the "Marina Cape" vacation complex. After the two extensions of the "Marina Cape" vacation complex and the sales that have been realized up to present, the total area of the residential properties that remain available for sale is 13 567.63 sq.m. (not including the built-up area for which preliminary contracts for sale have been concluded). "Intercapital Property Development" ADSIC is the owner of all commercial, entertainment, administrative and servicing properties on the territory of the complex with total built-up area of around 12 000 sq.m. excluding the commercial properties that were sold to the subsidiary company "Marina Cape Management" EOOD in 2009 with area of 497.62 sq.m. In the end of 2011, "Intercapital Property Development" ADSIC has sold the SPA centre and Bowling hall in the vacation complex "Marina Cape" which constitute a

build-up area of 987.16 sq.m. On 30.12.2011, however, a contract with the buyer of the last sentence was concluded, which enabled Intercapital Property Development ADSIC to regain ownership of the properties (the SPA and bowling centre of Marina Cape) allowing the Company to pay the total under the conditions of deferred payment or financial leasing for a 5-year term. On 30st January 2013, Intercapital Property Development ADSIC signed an Annex to the contract dated 30.12.2011, according to which the parties agreed that ICPD paid down the outstanding balance of the property price, subject to the contract, which as of 30.01.2013 was in the amount of EUR 841 989.39, incl. VAT under the conditions of deferred payment as follows:

- Interest: 9% annual, which starts to accrue on 01.02.2013;
- Period: 30.09.2016;
- Interest payment: monthly;
- Payment of the outstanding balance of the sale price: payment of 90 equal installments from January 2016 till September 2016.

In 2013, only part of the real estate properties have been transferred at prices higher than their costs, but the sale price of a large part of them is actually lower compared to the appraisal value provided by an independent appraiser as of 31.12.2012. The reasons for these deviations are different for each real estate sale but can be grouped in two main areas:

First, due to the unfortunate market conditions and the restricted demand for vacation properties, the Company has been pressured to make discounts in the sale prices of the apartments sold. The discounts vary depending on the negotiated term of payment of the respective property's sale price. Basically, for an immediate and complete payment of the sale price, the Company has announced on its website a discount of 5% but depending on the case, it can reach up to 15%.

Second, during 2013 the Board of Directors has reached an agreement with separate entities for transferring real estate properties instead of paying the liabilities the Company has to them. The agreements have been made with entities which have had long-term contractual relations with the Company and up to this moment have earnestly fulfilled their obligations to Intercapital Property Development ADSIC. With separate decisions, the Board of Directors has approved the sale prices of these properties before their transfer.

In connection with this, the Company has transferred an apartment with an area of 107.23sq.m. to "VEI Project" AD with regard to Contract for giving instead of implementation dated 16.08.2013, concluded with "VEI Project" AD. The Contract from 16.08.2013 was signed between the parties in connection with Contract dated 30.12.2011, under which "VEI Project" AD has undertaken to transfer to "Intercapital Property Development" ADSIC the ownership of properties, located in vacation complex "Marina Cape", the town of Aheloy. Due to the fact that "Intercapital Property Development" ADSIC has exercised its right to acquire the properties under deferred payment terms, agreed with Annex dated 30.01.2013, "Intercapital Property Development" ADSIC owes a penalty to "VEI Project" AD in the amount of EUR 80 000. By transferring the above-described property at the amount of EUR 80 000 excl. VAT, "Intercapital Property Development" ADSIC repays its obligation to "VEI Project" AD, which represents the due and payable penalty. Pursuant to a preliminary contract for the sale of real estate dated 30th August 2013 and a Supplementary Agreement thereto, signed between "Intercapital Property Development" ADSIC and "VEI Project" AD, "Intercapital Property Development" ADSIC undertakes to repurchase the property from the preceding paragraph, under the conditions of deferred payment.

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In 2013, the book value of the properties sold by "Intercapital Property Development" ADSIC at "Marina Cape" totaled BGN 1 692 thousand. This value represents the revaluation of the investment properties sold on 31.12.2012 determined by a licensed appraiser. Thus, the gross result of the sale of properties in 2013 was a loss of BGN 262 thousand. If the revaluation made at the end of 2012 is eliminated, the gross result of the sale of the property in 2013 amounts to a profit of BGN 204 thousand.

For obtaining the net result, the cost of brokerage commissions and advertising fees for servicing companies that deal with the management of the holiday complex, as well as other costs that can be attributed to the carrying amount of properties sold should be deducted. For 2013, the cost of brokerage commissions and advertising amounted to BGN 42 thousand.

One of the main reasons for the loss incurred by the Company in 2013 is the fact that after completion of the project "Marina Cape" in August 2010 and the freezing of the "Grand Borovets" project in January 2010, all interest expenses on bank loans and bonds are directly reported as an expense for the period, instead of being capitalized in the cost of constructed properties. For these reasons, interest expense on consolidated basis amounting to a total of BGN 3 229 thousand was reported as a direct expense in 2013. The Company believes that the increase in nominal property prices for a long enough period of time, added to the revenues from exploitation of these properties should offset the cost of interest paid on the financing of the property, even if price increases have been influenced of specific market conditions in a given year.

In addition, in 2013 the Company made "Other financial expenses" on consolidated basis in the amount of BGN 528 thousand. By and large, they are the service charges of bank loans, which are also directly reported as an expense for the period. **AlphaBottom of For**Хванете и преместете с мишката файл или връзка тук, за да преведете документа или уеб страницатаХванете и преместете с мишката връзка тук, за да преведете уеб страницата.Не поддържа тип на преместения от вас файл. Моля, опитайте други файлови типове.Не поддържа вида на преместената от вас връзка. Моля, опитайте други типове връзки.

As of 31st December 2013 the Company has realized other revenues on consolidated basis in the amount of BGN 7 714 thousand. A portion of these revenues in the amount of BGN 5 350 thousand are realized under contract for financial leasing of real estate, concluded on 17th December 2013 with Bulgaria Leasing EAD. The property under the lease is the investment project Grand Borovets, property of Intercapital Property Development ADSIC. The period for payment of the lease is 2-year or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. Under this contract on 17th December 2013 Intercapital Property Development ADSIC has transferred by notary the ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and the building built on that property representing the hotel apartment complex with service sites with ID 65231.918.189.2, to the lessor "Bulgaria Leasing" EAD. As a result, and under the conditions of a leaseback agreement Intercapital Property Development ADSIC has received by the lessor possession of the properties, the object of the finance lease contract. It should be noted that in the initial sale of the property to " Bulgaria Leasing" EAD the difference between the sale proceeds and the carrying amount of the asset sold is negative (i.e. the carrying amount is greater in size than the achieved selling price and proceeds received from the sale), resulting in a realized loss. This loss is deferred and amortized over the lease term. In the leaseback agreement Intercapital Property Development ADSIC generates a loss - the difference between the carrying amount of the asset and the lease price is in the amount of BGN 4 274 thousand. Under IAS 17, this expense is not final and is deferred over the term of the lease.

Another part of the reported revenues in the amount of BGN 2 294 thousand represent written-off liabilities. Of these, BGN 2 000 thousand is a written-off liability towards the

creditor Grand Borovets 2013 EOOD. On 18.12.2013 Intercapital Property Development ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards Intercapital Property Development ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 Intercapital Property Development ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank EAD, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

The new creditor has suspended all enforcement actions against Intercapital Property Development ADSIC according to the above mentioned credit agreements.

According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and Intercapital Property Development ADSIC as principal and "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that the amount of the debt outstanding of Intercapital Property Development ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of BGN 2 000 000, as well as the contractual mortgage, that is recorded under the property identification number 65231.918.189, located in Samokov, Samokov municipality, Sofia district, and the building built on that property, representing a hotel apartment complex with servicing facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed.

The second main class of revenues on consolidated basis of Intercapital Property Development ADSIC is the revenues generated by exploitation of the properties constructed by the Company. These operations are performed by the subsidiary Marina Cape Management EOOD. The results of this exploitation of real estate could be classified in two main groups: of exploitation of commercial properties (including restaurants, pool bar, SPA and sport centers, conference hall, shops, etc.) and of providing services to owners and renters (including maintenance of the properties, rent out, etc.)

In 2013, the revenues generated from exploitation of the commercial properties of the vacation complex Marina Cape (including restaurants, pool bar, SPA and fitness centers, bowling hall, squash court, shops and other dining and recreational facilities) amount to BGN 683 thousand, compared to BGN 718 thousand in 2012. The gross income streaming from the exploitation of these properties in 2013 is BGN 175 thousand, compared to BGN 115 thousand in 2012. As a result, the gross sales margin in 2013 in this segment is 25.62%, compared to 16.02% in 2012. One of the reasons for this increase is the optimization of costs in 2013. Despite the realized decrease of 4.87% of the revenues from exploitation of the commercial properties, in 2013 a significantly higher attendance rate was reported in some of the restaurants in vacation complex “Marina Cape”. Here it should be noted that in 2013, a significant increase in the sales of the vacation complex’s Pub was realized – around 108% compared to 2012, as well as the sales in the SPA Bar – around 112% compared to the previous year. Moreover, there is an active conference centre in the vacation complex, where events of a conference type are regularly held. The Company plans to further develop this kind of tourism in the next few years.

The revenues generated by renting out apartments, both owned by Intercapital Property Development ADSIC and owned by external clients, amount to BGN 489 thousand, compared to BGN 469 thousand for 2012. The gross income of the Company streaming from this kind of activity is a profit of BGN 368 thousand in 2013, compared with BGN 294 thousand in 2012.

The revenues generated from the provision of property maintenance services and representation of the owners of the complex Marina Cape (owners, other than Intercapital Property Development ADSIC) amount to a total of BGN 356 thousand. The revenues from maintenance represent fees, paid by the owners of apartments in the complex to the subsidiary and service company Marina Cape Management EOOD. Marina Cape Management EOOD is a company, which concludes a contract with each client who has acquired a property in Marina Cape vacation complex for maintenance and management of the property for an annual fee of EUR 12 per sq.m.

In the end of 2013, in compliance with the clauses of the current legislation, the Company's investment properties, land, and work-in-progress have been revaluated. The investment properties of the Company include all properties – residential and commercial in the vacation complex Marina Cape. As a result of the revaluation as of 31.12.2013, the value of the investment properties of the Company has been reduced with BGN 2 752 thousand compared to their value before the revaluation as of 31.12.2012. The value of the work-in-progress, namely the reported value of the Grant Borovets project, has also been reduced from BGN 7 243 thousand as of 31.12.2012 to BGN 7 052 thousand as of 31.12.2013 as a result of the revaluation made by a licensed appraiser. The result of the revaluation of the land, owned by the Company, as of 31.12.2013 has been reported as a gain. As of 31.12.2013 it amounts to BGN 5 074 thousand, compared to BGN 4 504 thousand as of 31.12.2012.

b) Development of the Company's investment projects

“Marina Cape”

The vacation complex has been fully completed since August 2010, when on 12th August 2010 with certificate No 45 (26 s.) and No 48 (27 s.) sector number 26 and 27 (Zone 4) has been commissioned.

The vacation complex has been exploited during the whole year. In the winter season 2012-2013, 2 of all the 4 restaurants were functioning, as well as the bowling hall, the spa centre, the fitness hall and the squash courts. A minimum of 100 apartments were maintained for letting out to tourists – organized or casual visitors.

During the summer season 2013, the complex was exploited at over 90% capacity (for the apartments that are owned by the Company and for those that are not owned by it but are managed by the subsidiary company “Marina Cape Management” EOOD).

There are regular conference meetings in the complex “Marina Cape”. The company plans to actively develop this type of tourism during the current and the following years.

“Borovets Grand”

In May 2008 the Company received the construction permit and started the construction works in the Borovets resort. The company that was chosen to carry out the gross construction is Midia AD. The plot where the project has been constructed is with total area of 6 600 sq.m. The project provides for 10 000 sq.m. built-up area and includes residential area – 5 175 sq.m., commercial area – 3 140 sq.m. and underground garages – 1 685 sq.m.

In October 2008 the Company received Act 14 and Certificate for completed rough construction for the project in Borovets. As of this date, the remarks for additional requirements of CEZ have been cleared out. Act 15 for the external power supply to the site and the finalization of a contract for the purchase of electric power substations will be made after completion of construction (Act 15) for the building. Currently, all works on site are frozen for an indefinite period of time.

The Company's plans about the "Borovets Grand" project were it to be finished with the funds from the capital increase procedure that was carried out in July-August 2010. The amount raised however fell short of the total funds needed to complete the complex.

On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the property that was built on it - the hotel apartment complex "Grand Borovets" of the Company for a starting price not lower than € 5 000 000.

In connection with this, several publications of an ad for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper "Vedomosti" in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to this, the Company is actively searching for a partner who is willing to invest €2 500 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In this regard, the Company has established contacts and is carrying out negotiations with several potential investors.

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. Under this contract of December 17, 2013 ICPD has transferred by notary the ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and the building built in the property representing a hotel apartment complex with service sites with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement ICPD has received by the lessor possession of the properties, object of the finance lease contract.

c) Financing of Company's operations

During the first quarter of 2013 the Company received a working capital loan for the amount of BGN 240 000 from Investbank AD. On 05.04.2013 Investbank AD has transferred its receivable from "Intercapital Property Development" ADSIC to "BG Invest Properties" EAD pursuant to a Contract for transfer of receivables dated 05.04.2013.

With the intention of ensuring the claim by "BG Invest Properties" EAD on "Intercapital Property Development" ADSIC, in the interest of "BG Invest Properties" EAD, on the 29th July 2013 a first-tier mortgage has been set on the following property owned by "Intercapital Property Development" ADSIC: Sports & Recreational center "Fitness Centre" with ID: 00833.5.409.21, Aheloy, Pomorie, Burgas, with address of the property - Aheloy. "Marina Cape" № 21, fl. 0, site C21 – designated for sports and recreational purposes. The property is set on two levels with combined area of 214 sq.m. (two hundred and fourteen square meters), with adjacent areas of 33 sq.m. (thirty three square meters), together with the common parts of the construction right on the location.

With regard to a corporate bond issue of the Company issued in August 2007, on 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of the corporate bond issue. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall. The proposed agenda was as follows:

Item One

Giving consent on rescheduling and restructuring of the repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The bond loan and interest repayment schedule is amended as follows:

2.1. Principal (amortisation) payments in euro:

- On 14.02.2013, 14.05.2013, 14.08.2013, 14.11.2013 - EUR 62 500;
- On 14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014 - EUR 62 500;
- On 14.02.2015, 14.05.2015, 14.08.2015, 14.11.2015 - EUR 125 000;
- On 14.02.2016, 14.05.2016, 14.08.2016, 14.11.2016 - EUR 187 500;
- On 14.02.2017, 14.05.2017, 14.08.2017, 14.11.2017 - EUR 250 000;
- On 14.02.2018, 14.05.2018, 14.08.2018 - EUR 250 000;

2.2. Interest (coupon) payments within the extended term:

- The interest rate on the bond loan following 14 Feb 2013 shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;
- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

2.3. The Issuer shall be still entitled to make a total or partial early repayment of the outstanding principal of the debenture loan. That repayment might be effected only on a date of an interest payment. The minimum amount that could be repaid partially and early must equal at least one amortisation payment due for the respective period;

3. All due principal and interest payments under the bond issue shall be effected in Bulgarian leva as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;

4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;

5. Security of the issue: Except for the insurance provided by Insurance Company Euro Ins and the second-tier mortgage, the Issuer shall be obligated to provide new additional collaterals such as: to sign a supplement to the insurance policy provided by Euro Ins and to create a first-tier mortgage on an own real property as described in the invitation;

6. Other terms and ratios:

Ratio between Equity and Secured Debt: The Company undertakes to maintain a ratio between equity and secured debt, calculated by dividing the balance sheet equity capital of the Company to the sum of all collateralized obligations, not lower than 0.10 (zero point ten) until the full payment of the bonds of this issue.

Maximum ratio of Liabilities to Assets according to their book value: The Company undertakes to maintain a maximum ratio of the book value of its Liabilities to the book value of its Assets at an amount of not more than 0.95 (zero point ninety five) until the full payment of the bonds of this issue.

Item two:

Adoption of a decision, the GMB to assign and respectively authorise Intercapital Property Development ADSIC to undertake all necessary decisions and actions in pursuance with the

voted amendments to the terms and conditions of the bond issue having ISIN code BG2100019079.

Due to lack of a quorum, the General Meeting of the Bondholders of Intercapital Property Development ADSIC has failed to take place on January 16, 2013. Thereby, the GMB was held on January 31, 2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

In the meantime on 25th January 2013, with entry № 20130125162118 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and would be held on 6th February 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The agenda of the meeting, convened for 06.02.2013 was essentially analogous to the agenda of the meeting that was convened for 16.01.2013, the main difference being some technical corrections made in the draft of the supplement to the insurance policy provided by Euro Ins AD (which is part of the written materials for the meeting) which aimed to provide better protection of the bondholders' rights.

The General meeting of the bondholders of "Intercapital Property Development" ADSIC held on 06.02.2013 approved the proposal and respectively all the suggested terms for renegotiation of the Company's bond loan.

At a session of the Board of Directors of BSE-Sofia held under Record of Proceedings No. 8 of February 11, 2013 there was taken a decision for amendment of the parameters of the Company's bond issue admitted to trading on the Bonds Segment of the BSE Main Market. The amendments were registered as of 13.02.2013.

According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.

With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.

The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013.

In compliance with the decisions of the General Meeting of the Company's bondholders, held on 06.02.2013, on 08.03.2013 the Company paid out the owed interest as of 14.02.2013 on its corporate bond issue in the amount of EUR 83 808.

On 08.03.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.02.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.02.2013 and 08.03.2013 amounting to BGN 534.18 (i.e. BGN 0.106835257 per bond).

On 07.06.2013, the "Intercapital Property Development" ADSIC paid interest on the bond issue due since 14.05.2013 in the amount of EUR 60,768.

On 07.06.2013, the Company also made principal amortization payment in the amount of EUR 62 500 due since 14.5.2013. Due to the delay in payment of principal amortization,

company paid the bondholders compensation interest for the period 15.05.2013 -07.06. 2013 in the total amount of BGN 582.74 (or BGN 0.116548 per bond).

On 09.09.2013 the Company paid out the owed interest as of 14.08.2013 on its corporate bond issue in the amount of EUR 61 675.

On 09.09.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.08.2013 and 09.09.2013 amounting to BGN 631.29 (i.e. BGN 0.126258 per bond).

On 10.12.2013 the Company paid out the owed interest as of 14.11.2013 on its corporate bond issue in the amount of EUR 60 533.

On 10.12.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.11.2013 and 10.12.2013 amounting to BGN 631.28 (i.e. BGN 0.126256 per bond).

On 14.02.2014 the Company paid out the owed interest in the amount of EUR 59 390 and principle amortization payment in the amount of EUR 62 500 that are accrued on its corporate bond issue.

Due to the fact that ICPD has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

On 06.09.2013, a contract has been concluded between ICPD and ICM IMO EAD for the sale of receivables arising from forward contracts for the purchase and sale of real estate in vacation complex "Marina Cape", Aheloy between ICPD and third parties - buyers. On 27.09.2013, the Contract for Cession dated 06.09.2013 has been terminated on the grounds of Art.87 and following the CPA due to incompleteness of obligations from ICPD. As a result, as of 30.09.2013 ICPD has a liability to return the funds received from ICM IMO EAD as part of the purchase price, pursuant to the contract, in the amount of EUR 133 447.18 until 16.10.2013 the latest. On 16.10.2013, between the parties was signed an agreement for the repayment of the obligation of "ICPD" ADSIC to "ICM IMO" EAD for a period of three years from January 2014, charging an annual interest rate of 9 %, in equal quarterly annuity.

On 09.12.2013, a loan contract has been concluded between ICPD ADSIC and Teximbank AD, according to which the Company has received working capital loan in the amount of EUR 130 000 at annual rate 7.75% and maturity date 20.12.2014.

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.

On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to "Grand Borovets 2013" EOOD under an agreement for cession.

On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

The new creditor has suspended all enforcement actions against ICPD ADSIC in connection with the above credit agreements.

According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed. Thus, the liability of ICPD towards Grand Borovets 2013 EOOD amounts to BGN 4 058 thousand.

In 2013, the Company has not raised funds in the form of share capital.

2. Capital resources:

a) Material commitments for capital expenditures as of the end of the last reporting period

With regard to the "Marina Cape" vacation complex the Company does not have material commitments for realization of capital expenditures because for all the residential properties in the complex licenses for use have been issued. I.e. the properties, which are subject to preliminary contracts for sale concluded and with regard to which there have been received advance payments, are ready for use.

With regard to the "Borovets Grand" vacation complex at present the Company has concluded preliminary contracts for sale of around 2 745.33 sq.m. of residential properties pursuant to which the Company is bound with particular terms and obligations for realization of capital expenses.

As previously mentioned, as of this moment, the construction works on Grand Borovets project have been frozen due to lack of financing. According to the management, the project needs around € 2 500 000, which include expenses for the construction of all facilities in the complex (including water supply, sewerage, electrical installation), setting of flooring, tiling, landscaping, insulation, plaster walls and everything else that is needed for the obtaining of a certificate for commissioning.

b) Indication of significant trends, favorable or not, for the capital resources of the Company

As of this moment, the Company cannot make projections for capital increase through new issuance of shares due to the instability and uncertainty of the capital markets.

c) Indication of the expected significant changes in the ratio and the relative price of these resources

- **Equity.** In 2013, among the developing countries first in growth in leading index was Greece. The main benchmark of the Greek stock market ASE climbed 27.41 percent in 2013. Second in rank was Egypt. The political crisis, social unrest and social tension in Egypt did not prevent the main index CASE to add 20.91% to its value. Next in capital market growth in 2013 stands South Africa. In the third quarter, it appeared that the economy of the African country grew at its slowest pace in four years. Nevertheless, South African index grew by 10.03 percent last year. Poland on the other hand is defined as the most dynamic European economy in 2013. It occupies the fourth position. WIG added 9.06% to its value during the year. In Asia Malaysia, Taiwan and India registered a noticeable increase among the major stock exchanges.

In the region of North and South America, it is noteworthy that the indices in the top 5 take their seats because of decreases rather than positive movements. The first in the ranking is Mexico, followed by Colombia and Chile. Asian markets the Japanese Nikkei 225 ended the year with the best performance in the last more than 40 years. Growth of 57 percent come through economic reforms of Prime Minister Shinzo Abe and cash incentives for the central bank. Australian shares rose by 15% in 2013 - the biggest annual profit since 2009. The benchmark Kospi in South Korea added just 0.7 % yoy, while Shanghai Composite fell 6.7%. Thus, the two markets proved the worst performers on the continent in 2013. The past year was extremely successful for the U.S. market. Dow Jones closed the year with a total increase of 26.29%. S&P 500 also advanced to a record 29.49 percent, driven by the good performance of energy components. NASDAQ does rose 38.15 percent. In Europe, the Stoxx 600 index rose by 17.66 per cent in 2013, reaching its strongest growth since 2009. Policies gave impetus to expanding the monetary base of the world's central banks, and overall signs of economic recovery worldwide. Britain's FTSE 100 index rose 14 percent in 2013 in Germany, the DAX ended with a growth of 25.48 to 9 552.16 points. The year was marked by faith in the recovery of the Eurozone countries. CAC 40 ended the year with a rise of 17.4%, while Spain's IBEX 35 added 21.2 percent. A little bit behind but still on green area was left the Italian FTSE MIB, which grew by 12.2%. The Bulgarian capital market two main stock indexes began the year with values from 343.72 to 125.06 for SOFIX and BG40. Index of share prices SOFIX and BG40 showed overall positive movement during the year , especially pronounced in the middle of the first, the entire third and fourth quarter, even though in the late first and early second there was some decrease. Indices ended the year respectively 491.52 and 158.92 points. The annual growth index was 43% and 27.1%, outpacing the growth of the Romanian BET (an increase of 24.2%) and the German DAX (an increase of 22.8%). Despite these positive trends, expectations of the management of ICPD are moderately optimistic The company takes into consideration the occurrence of volatility in the markets of Central and Eastern Europe, mostly related to the events in Ukraine and Crimea. Therefore the Company cannot predict the upcoming procedures increase the company's capital.

- **Debt securities.** Trade in the money market in 2013 was characterized mainly by the maintenance of the established in 2012 decreased activity, reported only a slight increase in volume, which was more prominent in repo transactions. At the same time there have been relatively stable interest rates throughout the period. Domestic money market is strongly influenced by trends in the euro money market and monetary policy of the ECB as a result of the currency board in Bulgaria, pegging the lev to the euro. In this regard, the absence of significant changes in the monetary policy operations led to the preservation of a record low near zero interest rates - both in the euro area and the country (except the voltage at the end of the year in the euro area, which led to a price increase of euro denominated resource). Continuing the trend from previous years, banks in Bulgaria continued to maintain a significant resource in their current accounts with the BNB and in 2013. The high excess reserve banking system, but also historically low interest rates, which deprived the market participants of alternatives for the disposal of liquid funds were the cause of preserving the decreased activity of the local interbank market. In 2013 the practice of placement of corporate bonds outside the stock exchange, with subsequent registration for stock trading. Five-year and three-year bond issue for another year continue to be the largest volume and the preferred currency of denomination of the euro remains issuers. The turnover of the bonds on the stock exchange more than doubled to BGN 211.3 million (corporate

issues), 95.5 million in 2012 by the management of the Company expect activation in the issuance of new bond issues, which is a prerequisite for the observed decline in levels of interest rates on deposits in Bulgaria.

- **Bank loans.** While back in 2011 the banking market began to observe some movement, it was more in terms of housing loans, i.e. the buyers and almost negligible in terms of developers. We expect that in 2014 the situation in the credit markets would continue to improve, but the construction contracting sector will likely continue to be not very desirable borrower.

3. Results from the Company's activity

a) Unusual or sporadic events

In the year 2013 there were no unusual or sporadic events for the Company, which have influenced the results from its activity.

b) Disclosure of the change in the ratio between the Company's revenues and expenses

Construction work on the project "Grand Borovets" remained frozen in 2013. It can be revived in providing financing to complete the site.

In 2013 the expenses of the project "Marina Cape" were mainly fees for management and maintenance overheads. It is expected that in 2014 the Company will continue to realize revenue from the sale of vacation properties in Marina Cape as well as their management.

c) Analysis of the effects of inflation and the changing prices on the revenue from the Company's main activity for the reporting period.

In 2013 began the recovery from the crisis and the real estate market showed more often positive data. The year was characterized by higher volume, sale prices stopped falling, and there was an increase in new loans granted. Seaside holiday homes continued to attract the interest of Russian buyers to purchase your own holiday home in a warm and sunny place like Bulgaria. The volume of apartments sold during the year grew by 20% yoy. In addition, it is also registered increase in prices. According to the real estate agency Bulgarian Properties in the third quarter of 2013 transactions resort Sunny Beach are concluded at an average price of €570 per square meter, which is more than 16% increase over last year's average of €490 per square meter. The average price of purchased apartments during the third quarter is € 700.

The data show that during the crisis the prices of real estate with higher quality have remained stable. These are apartments on the first or second line finished with quality materials, with geographic location that supposes a nice view and good sight communications in place. That is one of the advantages of the residential complex "Marina Cape" owned by "Intercapital Property Development" ADSIC. Another key factor that puts complex, and the Company, respectively, in a favorable and competitive position compared to many other developers is the fact that demand in the sector is concentrated mainly in search of completed projects (such as those in the holiday complex "Marina Cape") and not in green fields. Launched in 2008, buyers tend to look for properties that are ready for use, due to an unwillingness to take risks of Greenfield investments. In this context and given the current market conditions the Company's projects in holiday complex "Marina Cape" (which is completely finished) can be more profitable than the company's project in the resort "Borovets" (which is under construction).

II. Important events after the annual closure of the Company's accounts

In compliance with a resolution of the General Meeting of the Company's bondholders, held on 06.02.2013, the interest rate applicable to the bond issue of the Company decreases with a step of 0.25% under the condition that the payment due for the previous quarter has been wired to the bank account of Central Depository AD not later than 2 working days before the payment date. Due to the fact that ICPD has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

Following a resolution of the General meeting of shareholders held on 14.03.2014 a change in the Board of Directors is registered in the Commercial Register of the Registry Agency. The new member of the Board, chosen in place of the former member Temenuga Ivanova Ivanova, is „AHELOY 2012" EOOD, registered in the Commercial Register at the Registry Agency, with UIC: 202371390, seat and registered address: Sofia, Sredets, "Aksakov" № 7A, 4th floor, represented by the manager Nikolay Stefanov Chergilanov. The new member is elected for a term of 5 years counted from the day of the General meeting of shareholders.

The change in the Board of Directors is registered in the Commercial Registry of the Registry Agency on 20.03.2014 with file number 20140320113319.

V. Important research and development

There have not been any important research and development.

VI. Changes in the price of the Company's shares

on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)



Source: www.infostock.bg

The shares of the Company have been traded on BSE – Sofia AD since December 05, 2005. on the “NewConnect” market, organized by the Warsaw Stock Exchange (currency - PLN)



Source: www.bloomberg.com

The shares of the Company have been traded on the “NewConnect” market since 11 August 2010.

VII. Information about the program for implementation of the internationally recognized standards for good corporate governance under Art. 100n, para 4, p. 3 of the Law on the public offering of securities

1. Program for implementation of the internationally recognized standards for good corporate governance

The program for implementation of the internationally recognized standards for good corporate governance of the Company is accepted on March 27, 2006. Since that date up to now the Company has applied all the material aspects of the program.

With resolution of the Board of Directors of “Intercapital Property Development” ADSIC dated 30.03.2011 some amendments in the Program for implementation of the internationally recognized standards for good corporate governance of the Company were accepted which aim to update it with regard to the changes in the legislation regulating the public companies’ activity.

VIII. Information on Art.187d of the Commercial Law

In 2013, the Company has not acquired or transferred own shares.

As of 31.12.2013, the company does not hold own shares.

IX. Existence of Company branches

As of 31.12.2013 the Company does not have any open branches.

X. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 35, para 1, p. 2, Art. 41, para 1, p. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regular market and on disclosure of information by the public companies and the other issuers of securities)

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

The major revenues from sales of the Company during 2013 continue to be realized from the sale of residential properties for seasonal use in the “Marina Cape” vacation complex”.

Operating Revenues ('000 BGN)	2013	2012
Net revenues from the sale of:		
1. Investment Property	1 430	1 742
2. Output	369	381
3. Goods for sale	194	199
4. Services	1 178	1 105
5. Other	7 714	1 849
Total:	10 885	5 276

YTD revenue from property sales in the holiday complex "Marina Cape" amounted to BGN 1 430 thousand and refers to the sold area of 937.38 square meters.

In connection with this, on 19th August 2013, the Company has transferred by notary the ownership of a property with an area of 107.23sq.m. to “VEI Project” AD with regard to Contract for giving instead of implementation dated 16.08.2013, concluded with “VEI Project” AD. The Contract from 16.08.2013 was signed between the parties in connection with Contract dated 30.12.2011, under which “VEI Project” AD has undertaken to transfer to “Intercapital Property Development” ADSIC the ownership of properties, located in vacation complex “Marina Cape”, the town of Aheloy. Due to the fact that “Intercapital Property Development” ADSIC has not paid the negotiated purchase price for the real estates, subject of the Contract from 30.12.2011, by 30.01.2013, and has exercised its right to acquire the properties under deferred payment terms, agreed with Annex dated 30.01.2013, “Intercapital Property Development” ADSIC owes a penalty to “VEI Project” AD in the amount of EUR 80 000. By transferring the above-described property at the amount of EUR 80 000 excl. VAT, “Intercapital Property Development” ADSIC repays its obligation to “VEI Project” AD, which represents the due and payable penalty.

The revenues from exploitation of the commercial properties in the complex (incl. restaurants, pool bar, supermarket, sport and spa centre, kids’ centre, other dining and entertainment premises) are in the amount of BGN 683 thousand.

The revenues from renting apartments – including own properties (i.e. properties owned by “Intercapital Property Development” ADSIC) as well as third parties’ properties (apartments whose owners have concluded management contracts with “Marina Cape Management” EOOD) amount to BGN 489 thousand.

The revenues from providing services of maintenance of real estate properties and representation of owners in the “Marina Cape” vacation complex (owners different from “Intercapital Property Development” ADSIC) amount to BGN 356 thousand.

As of 31st December 2013 the Company has realized other revenues in the amount of BGN 7 644 thousand. The main part of these revenues, that amount to BGN 5 350 thousand are realized under contract for financial leasing of real estate, concluded on 17th December 2013 with Bulgaria Leasing EAD. The property under the lease is the investment project Grand Borovets, property of Intercapital Property Development ADSIC. The period for payment of the lease is 2-year or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.

Other part of the reported revenues amounting to BGN 2 294 thousand represent written-off liabilities. From them, BGN 2 000 thousand are written-off liabilities towards the creditor Grand Borovets 2013 EOOD.

On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Stoichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

The new creditor has suspended all enforcement actions against ICPD ADSIC according to the above mentioned credit agreements.

According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed.

The remaining part of the revenues generated from written-off liabilities which amount to BGN 294 thousand are realized in the third quarter of 2013. The liabilities are written-off due to non-fulfilled obligations of clients/contractors of the company.

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person’s share in the sales or purchases and his relations with the issuer.

The main buyers of the properties which the Company sells are concentrated in the following countries: Russia, Poland and to a lesser extent the Czech Republic, Slovakia, Lithuania and other former Russian republics.

During the last year, the Company has focused on reaching new geographical markets for its sales. The Company has started business relationships with partners from China for the marketed properties by ICPD. The properties sold in 2013 are mainly bought by Russian citizens and so the manager of the Company is strongly encouraged about the recovery of interest in real estate from this market.

As a special purpose vehicle “Intercapital Property Development” ADSIC uses the services of outside companies in its operating activity. For the construction of the “Marina Cape” vacation complex in the village of Aheloy, Burgas District and the “Borovets Grand” project in the “Borovets” holiday complex the Company has used and shall use the services of the following companies:

- Midia Group AD, for the construction of the buildings
- Vodokanalstroy EOOD – for projection and construction of the water supply and the sewage installations
- Telelink AD – for the implementation of weak and strong current electric installations
- Nikmar OOD – for supply of terracotta, tiles and other ceramic products
- Nikconsult EOOD – for the design of the buildings
- ET Jo 44 – ventilation and air conditioning
- Consulting and engineering group OOD – for independent construction audit

3. Information about concluded big transactions and such of material importance for the issuer’s activity

In 2013 “Intercapital Property Development” ADSIC has not concluded large transactions and transactions that are essential for the Company’s activity.

4. Information about the transactions concluded between the issuer and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer’s financial status:

Sales/Purchases of goods and services (‘000 BGN)	2013	2012
- Services executed by “Marina Cape Management” EOOD to “Intercapital Property Development” ADSIC	609	702
- Services executed by “Intercapital Property Development” ADSIC to “Marina Cape Management” EOOD	536	496

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

In 2013, there have been no events of unusual nature for “Intercapital Property Development” ADSIC, having substantial influence over its operation and the realized by it revenues and expenses made.

6. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer’s financial status

In 2013 there were no transactions for “Intercapital Property Development” ADSIC that are kept off-balance.

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

As of 31.12.2013 “Intercapital Property Development” ADSIC has the following investments in subsidiary companies:

Name of the subsidiary company	2013 ‘000 BGN	share %	2012 ‘000 BGN	share %
Marina Cape Management EOOD	5	100%	5	100%

As of 31.12.2013 the book value of the land owned by the Company is in the amount of BGN 5 074 thousand, the value of the Company’s investment property is BGN 37 986 thousand, the value of work in progress is BGN 7 052 thousand and the value of unfinished production (in connection with the construction of residential complex Marina Cape and Grand Borovets) is BGN 1 070 thousand of which BGN 261 thousand also depicted as work in progress, which represents purchased equipment for the restaurants on site.

As of the end of 2013 the Company has cash funds and demand deposits in the amount of BGN 103 thousand.

8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

As of 31.12.2013 “Intercapital Property Development” ADSIC has the following obligations to financial institutions:

Creditor	Current liability, EUR	Non-current liability, EUR	Maturity
Piraeus Bank Bulgaria AD	1 576 313.38	1 554 867.00	30.10.2015
Piraeus Bank Bulgaria AD	2 562 680.06	-	30.10.2015
Piraeus Bank Bulgaria AD	2 535 185.53	-	30.10.2015

Teksim Bank AD 130 000.00 - 20.12.2014

The loans are guaranteed with assets of the Company as follows:

1. Towards “Piraeus Bank Bulgaria” AD

1.1. Contract for an investment credit № 1236/2007, concluded on 19.10.2007 for the amount of 4 500 000 (four million and five hundred thousand) EUR to finance the construction of a complex of residential buildings for a seasonal use “Marina Cape”, Aheloy Town, Pomorie Municipality, Bourgas Province.

Deed of incorporation of mortgage contract from 08.11.2007, № 112, vol. XII, reg. № 3901, case № 2217/2007 of a notary Hristo Roidev, collateral of bank credit № 1236/2007, concluded on 19.10.2007, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

Deed of incorporation of mortgage contract from 04.12.2009, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 1236/2007, concluded on 19.10.2007, Annex A1-1236 from 16.01.2009 and Annex A2-1236 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;

Pledge contract on receivables №1236-1/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex “Marina Cape”, described in detail in an enclosure to the contract entered in the Central Pledges Register on 07.11.2007;

Pledge contract on receivables №1236-2/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 – Registered pledge on receivables of cash funds from the special bank account of the company at “Bank Piraeus Bulgaria” AD – entered in the Central Pledges Register on 07.11.2007;

Pledge contract on receivables №1236-4/ 2009, concluded on 19.10.2009, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex “Marina Cape”, described in detail in an enclosure to the contract entered in the Central Pledges Register on 03.12.2009.

1.2. Contract for an investment credit № 736/2008, concluded on 07.07.2008 for the amount of 3 000 000 (three millions) EUR to finance construction-assembly and finishing works in complex of residential buildings for seasonal use “Marina Cape”, Aheloy Town, Pomorie Municipality, Bourgas Province.

Deed of incorporation of mortgage contract from 09.07.2008, № 35, vol. VIII, reg. № 2387, case № 1404/2008 of a notary Hristo Roidev, collateral of bank credit № 736/2008, concluded on 07.07.2008, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.;

Pledge contract on receivables № 736 – 1/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex “Marina Cape”, described in detail in an enclosure to the contract in the Central Pledges Register.

Pledge contract on receivables № 736 – 2/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008г. or 07.07.2008 г. - Registered pledge on receivables of cash funds from the special bank account of the company at “Bank Piraeus Bulgaria” AD – entered in the Central Pledges Register;

Pledge contract on furniture and facilities № 736 – 3/2008, concluded on 10.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on furniture and

facilities of the apartments from Zone 4 in “Marina Cape” Complex, Aheloy Town, Pomorie Municipality;

Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 736/2008, concluded on 07.07.2008, Annex A1-736 from 16.01.2009 and Annex A2-736 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

Contract for an investment credit № 327/2009, concluded on 14.12.2009 for the amount of 3 300 000 (three millions and three hundred thousand) EUR to finance payments on dividends and finishing works and infrastructure of “Marina Cape” project, Aheloy Town, Pomorie Municipality, Bourgas Province.

Deed of incorporation of mortgage contract from 21.12.2009, № 162, vol. VII, reg. № 4500, case № 1306/2009 of a notary Gergana Nedina, collateral of bank credit № 327/2009, concluded on 14.12.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;

Pledge contract on receivables № 327-1/2009, concluded on 14.12.2009, collateral of bank credit № 327/2009 of 14.12.2009 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex “Marina Cape”, described in detail in an enclosure to the contract in the Central Pledges Register;

Pledge contract on receivables № 327-4/2009, concluded on 14.12.2009 - Registered pledge on receivables of cash funds from the special bank account of the company at “Bank Piraeus Bulgaria” AD – entered in the Central Pledges Register.

On 18.12.2013 Intercapital Property Development ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards Intercapital Property Development ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 Intercapital Property Development ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank EAD, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

The new creditor has suspended all enforcement actions against Intercapital Property Development ADSIC according to the above mentioned credit agreements.

As of 31.12.2013 the provided guarantees to the creditor “Grand Borovets 2013” EOOD are as follows:

Deed of incorporation of mortgage contract from 26.09.2008, № 81, vol. VA, reg. № 7186, case № 846/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;

Deed of incorporation of mortgage contract from 28.10.2009, № 154, vol. VI, reg. № 3867, case № 1102/2009 of a notary Gergana Nedina, collateral of bank credit № 716/2008, concluded on 18.09.2008, Annex №1 from 29.01.2009 and Annex № 2 from 17.09.2009, including commercial properties, located in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.

Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 716 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Deed of incorporation of mortgage contract from 26.09.2008, № 82, vol. VA, reg. № 7189, case № 847/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;

Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

With the agreement concluded on 27.12.2013, between “Grant Borovets 2013” EOOD from one side, ICPD ADSIC as principal debtor and “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov as joined debtors, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Samokov municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed. The removal of the mortgage is entered on 21.01.2014.

During the first quarter of 2013 the Company received a bank loan in the amount of BGN 240 000 from TB Investbank AD. On 05.04.2013, TB Investbank AD transferred its claim on "Intercapital Property Development" ADSIC to "BG Invest Properties" EAD under a contract for transfer of claims on 05.04.2013.

In order to secure "BG Invest Properties" EAD' s claim on "Intercapital Property Development" ADSIC, on 29.07.2013, in favor of "BG Invest Properties" EAD was established a first priority mortgage on the following property owned by "Intercapital Property Development "ADSIC: Sports & Recreation center "Fitness Centre" with ID 00833.5.409.21, Aheloy, Municipality Pomorie, Burgas, with address of the property: Aheloy, "Marina Cape" № 21, fl 0, object C21, purpose of the object – for sports and leisure activities, located on two levels, with an area of 214.00 sq. m. (two hundred and fourteen square meters), with adjacent parts: 33 sq. m. (thirty-three square meters), along with their common parts of construction right on the pitch.

Until now, the subsidiary of Intercapital property Development ADSIC - "Marina Cape Management" EOOD has used a single bank loan from "Unicredit Bulbank" AD amounting to BGN 100 thousand, drawn in the first quarter of 2009. The credit is revolving and the original date for repayment of the principal was 24.03.2010. With Annex dated 14.05.2010, the term of the loan was extended until 24.03.2011. With Annex dated 24.03.2011 – it was extended to 24.03.2012, and with an annex dated 23.05.2012 - till 25.03.2013. In 2012, "Marina Cape Management" EOOD repaid BGN 17 thousand of the principal balance of the loan, and in 2013 – BGN 37 thousand more. The loan is secured by a pledge on movable assets.

9. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted

In 2013, “Intercapital Property Development” ADSIC and/or its subsidiary have not concluded loan contracts in the capacity of lenders, including the provision of guarantees of any type, including to related persons.

10. Information on the use of the funds from a new issue of securities carried out during the reported period

In 2013, the Company has not issued new securities.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year and previously published forecasts for these results

The Company does not publish forecasts about its financial results.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal

With regard to a corporate bond issue of the Company issued in August 2007, on 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of the corporate bond issue. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank “INVESTBANK” AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The proposed agenda was as follows:

Item One

Giving consent on rescheduled repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

1. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The bond loan and interest repayment schedule is amended as follows:

2.1. Principal (amortisation) payments in euro:

- On 14.02.2013, 14.05.2013, 14.08.2013, 14.11.2013 - EUR 62 500;
- On 14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014 - EUR 62 500;
- On 14.02.2015, 14.05.2015, 14.08.2015, 14.11.2015 - EUR 125 000;
- On 14.02.2016, 14.05.2016, 14.08.2016, 14.11.2016 - EUR 187 500;
- On 14.02.2017, 14.05.2017, 14.08.2017, 14.11.2017 - EUR 250 000;
- On 14.02.2018, 14.05.2018, 14.08.2018 - EUR 250 000;

2.2. Interest (coupon) payments within the extended term:

- The interest rate following 14 Feb 2013 until the maturity date shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;
- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest

payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

2.3. The Issuer shall be still entitled to make a total or partial early repayment of the outstanding principal of the debenture loan. That repayment might be effected only on a date of an interest payment. The minimum amount that might be early repaid must equal at least one amortisation payment due for the respective period;

3. All due principal and interest payments under the bond issue shall be effected in Bulgarian leva as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;

4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;

5. Security of the issue: Except for the insurance provided by Insurance Company Euro Ins and the second-tier mortgage, the Issuer shall be obligated to provide new additional collaterals such as: to sign a supplement to the insurance policy provided by Euro Ins and to create a first-tier mortgage on an own real property as described in the invitation;

6. Other terms and ratios:

Ratio between Equity and Secured Debt: The Company undertakes to maintain a ratio between equity and secured debt, calculated by dividing the balance sheet equity capital of the Company to the sum of all collateralized obligations, not lower than 0.10 (zero point ten) until the full payment of the bonds of this issue.

Maximum ratio of Liabilities to Assets according to their book value: The Company undertakes to maintain a maximum ratio of the book value of its Liabilities to the book value of its Assets at an amount of not more than 0.95 (zero point ninety five) until the full payment of the bonds of this issue.

Item two:

Adoption of a decision, the GMB to assign and respectively authorise Intercapital Property Development ADSIC to undertake all necessary decisions and actions in pursuance with the voted amendments to the terms and conditions of the bond issue having ISIN code BG2100019079.

Due to lack of a quorum, the General Meeting of the Bondholders of Intercapital Property Development ADSIC convened by TB Investbank AD has failed to take place on January 16, 2013. Thereby, the GMB was held on January 31, 2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

In the meantime on 25th January 2013, with entry № 20130125162118 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and would be held on 6th February 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The agenda of the meeting, convened for 06.02.2013 was essentially analogous to the agenda of the meeting that was convened for 16.01.2013, the main difference being some technical corrections made in the draft of the supplement to the insurance policy provided by Euro Ins AD (which is part of the written materials for the meeting) which aimed to provide better protection of the bondholders' rights.

The General meeting of the bondholders of "Intercapital Property Development" ADSIC held on 06.02.2013 approved the proposal and respectively all the suggested terms for renegotiation of the Company's bond loan.

At a session of the Board of Directors of BSE-Sofia held under Record of Proceedings No. 8 of February 11, 2013 there was taken a decision for amendment of the parameters of the Company's bond issue admitted to trading on the Bonds Segment of the BSE Main Market. The amendments were registered as of 13.02.2013.

According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.

With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.

The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013.

In compliance with the decisions of the General Meeting of the Company's bondholders, held on 06.02.2013, on 08.03.2013 the Company paid out the owed interest as of 14.02.2013 on its corporate bond issue in the amount of EUR 83 808.

On 08.03.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.02.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.02.2013 and 08.03.2013 amounting to BGN 534.18 (i.e. BGN 0.106835257 per bond).

On 07.06.2013, the "Intercapital Property Development" ADSIC paid interest on the bond issue due since 14.05.2013 in the amount of EUR 60,768.

On 07.06.2013, the Company also made principal amortization payment in the amount of EUR 62 500 due since 14.5.2013. Due to the delay in payment of principal amortization, company paid the bondholders compensation interest for the period 15.05.2013 -07.06.2013 in the total amount of BGN 582.74 (or BGN 0.116548 per bond).

On 09.09.2013 the Company paid out the owed interest as of 14.08.2013 on its corporate bond issue in the amount of EUR 61 675.

On 09.09.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.08.2013 and 09.09.2013 amounting to BGN 631.29 (i.e. BGN 0.126258 per bond).

On 10.12.2013 the Company paid out the owed interest as of 14.11.2013 on its corporate bond issue in the amount of EUR 60 533.

On 10.12.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.11.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.11.2013 and 10.12.2013 amounting to BGN 631.28 (i.e. BGN 0.126256 per bond).

On 14.02.2014 the Company paid out the owed interest in the amount of EUR 59 390 and principle amortization payment in the amount of EUR 62 500 that are accrued on its corporate bond issue.

Due to the fact that ICPD ADSIC has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

Detailed information on the agenda and the general meetings of bondholders held could be found in section II of the present report.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

Up to this moment, the Company has frozen the construction works on its investment projects in Borovets resort due to lack of financing. The Company cannot predict the period in which it would be able to secure financial resources for the completion of the project Grand Borovets due to the current unfavorable capital markets conditions for capital increase. What is more, it would be difficult for the Company to obtain bank financing for it has a significantly high level of liabilities.

On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the built hotel apartment complex “Grand Borovets” of the Company for a starting price not lower than € 5 000 000.

In connection with this, several publications of for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper “Vedomosti” in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to this, the Company is actively searching for a partner who is willing to invest €2 500 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, the Company has established contacts and negotiated with several potential investors.

New investment initiatives could be realized only when then procedure for capital increase of the Company is completed, which would be possible when the global capital markets stabilize.

14. Information about changes that have occurred during the reporting period in the base principles for management of the issuer and its economic group

No such changes have occurred during the reporting period.

15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

The financial reports of the Company are prepared in compliance with the International Financial Reporting Standards (IFRS), developed and published by the Council for the International Accounting Standards (CIAS), applicable for the year 2012.

The International Financial Reporting Standards include:

- a) The International Accounting Standards
- b) The International Standards for the Financial Statements (ISFS)

c) The interpretations of the Standing Interpretations Committee and the interpretations of the Committee for interpretations of the IFRS

16. Information on the changes in the management and supervisory bodies during the reporting fiscal year

Following a resolution of an Extraordinary General Meeting of shareholders held on 14.03.2014 a change in the Board of Directors is registered in the Commercial Register of the Registry Agency. The new member of the Board, chosen in place of the former member Temenuga Ivanova Ivanova, is „AHELOY 2012" EOOD, registered in the Commercial Register at the Registry Agency, with UIC: 202371390, seat and registered address: Sofia, Sredets, "Aksakov" № 7A, 4th floor, represented by the manager Nikolay Stefanov Chergilanov. The new member is elected for a term of 5 years counted from the day of the General meeting of shareholders.

The change in the Board of Directors is registered in the Commercial Registry of the Registry Agency on 20.03.2014 with file number 20140320113319.

17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or arise from profit distribution, includes:

- a) Received amounts and non-money remunerations;
- b) Contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;
- c) Amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations

The members of the Board of Directors receive fixed monthly remuneration, determined by the General meeting, which can not exceed 10 minimum monthly salaries. At present the members of the Board of Directors receive monthly remuneration in the amount of BGN 3 100 (three thousand one hundred). The General meeting has adopted a resolution pursuant to which the remuneration of the executive member to be in the amount of 12 minimum monthly salaries.

The members of the Board of Directors of "Intercapital Property Development" ADSIC have received the following remunerations in 2013:

Member of the Board of Directors*	in BGN
1. Velichko Stoichev Klingov – Executive director	44 640
3. Tsvetelina Chavdarova Hristova – Member	36 039
4. Temenuga Ivanova Ivanova – member**	29 113

*The amounts indicated represent the remunerations paid:

** On 15.10.2013 there was a change in the Board of Directors, namely decreasing the number of member from three to two due to death of the third member – Temenuga Ivanova.

By a resolution of the General Meeting of the shareholders the members of the Board of Directors can receive bonuses in amount which does not exceed 0.1% of the Company's profit before dividend distribution for each one of the members of the Board but not more than 0.5% for all the members of the Board.

The Company does not owe any other amounts and/or benefits as well as does not allocate or charge amounts to provide for pension benefits or other retirement compensations for the members of the Board of Directors.

The members of the Board of Directors have not received remuneration or compensation from subsidiaries of the issuer and the latter have not allocated or charged amounts for pension benefits and other retirement compensations for the members of the Board of Directors in 2013.

The members of the Board of Directors have not received remuneration or compensation from subsidiaries of the issuer and the latter have not allocated or charged amounts for pension benefits and other retirement compensations for the members of the Board of Directors in 2012.

In 2013, the managers of the subsidiary Marina Cape Management EOOD have been paid the following remunerations:

Managers of Marina Cape Management EOOD	in BGN
1. Veselin Todorov Terziev	10 860
2. Nikolay Rosenov Handjiev	10 860

18. For the public companies – information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options.

As of 31.12.2013 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% of capital</i>
Velichko Klingov ¹	77 111	1.28 %

1. As of 31.12.2013, Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (total number of 37 806 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

As of 31.12.2012 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% of capital</i>
Velichko Klingov ¹	77 111	1.28 %

1. As of 31.12.2012, Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (total number of 41 656 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

19. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

The management body of the Company does not have information about agreements as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

As of 31st December 2013, there are no legal prosecutions against the Company, no administrative or arbitrage procedures related to its payments or receivables in the amount of at least 10% of the issue capital of the Company.

21. Data about the investor relations director, including telephone and address for correspondence

The position of investor relations director of "Intercapital Property Development" ADSIC is taken by:

Milen Bozhilov

Correspondence address: Sofia, 7A Aksakov Str., fl. 4

tel: +359 2 980 12 51

Signature:

/Velichko Klingov – Executive Director/