# ANNUAL MANAGEMENT REPORT

of INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

for 2012

29 March 2013

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## I. 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 constructed by the Company.
- from financial activity. In case of issuance of securities (equity or debt) or obtaining bank loans.

In 2012, for a sixth 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 2012 is BGN 1 742 thousand which refer to a sold area of 1 127.47 sq.m. (built-up area). In comparison in 2011 the sales of real estate property amount to BGN 2 196 thousand and refer to a sold area of 1 377.73 sq.m. (built-up area). The main reason for the 20% reduction of the net sales 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 2012 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 6 837.01 sq.m. in the "Marina Cape" vacation complex and 2 745.33 sq.m. in the "Borovets Grand" vacation complex which is the second investment project of the Company.

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 14 505.01 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. "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. However, on 30.12.2011 a contract with the buyer from the previous sentence was concluded, which provides the option for the Company to take back the ownership and right to use of the properties and to make deferred payments as financial leasing for the next 5 years. On 31st 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 on 90 equal installments from January 2016 till September 2016.

The "Borovets Grand" vacation complex is a project in a process of construction with built-up area of 10 000 sq.m. which includes residential areas – 5 175 sq.m., commercial areas – 3 140 sq.m. and underground garages – 1 685 sq.m.

In 2012, almost all real estate properties have been transferred at prices higher than their costs, but the sale price of some is actually lower compared to the appraisal value provided by an independent appraiser as of 31.12.2011. The difference between the sale price and the appraised value of the residential properties sold is around 16.6%. The reasons for these deviations are different for each real estate sale but can be grouped in the following several classes:

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 2012 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 2012, the book value of the properties sold by "Intercapital Property Development" ADSIC at "Marina Cape" totaled BGN 2 175 thousand. This value represents the revaluation of the investment properties sold on 31.12.2011 determined by a licensed appraiser. Thus, the gross result of the sale of propertis in 2012 was a loss of BGN 433 thousand. If the revaluation made at the end of 2011 is eliminated, the gross result of the sale of the property in 2012 amounts to a profit of BGN 296 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 2012, the cost of brokerage commissions and advertising amounted to BGN 139 thousand.

One of the main reasons for the loss incurred by the Company in 2012 is the fact that after completion of the project "Marina Cape" in August 2010 and the freezing of the "Grand Borovets" 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 amounting to a total of BGN 3 270 thousand was reported as a direct expense in 2012. 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 affected of specific market conditions in a given year.

In addition, in 2012 the Company made "Other financial expenses" in the amount of BGN 173 thousand. By and large, they are the service charges of bank loans, which are also directly reported as an expense for the period.

In 2012 "Intercapital Property Development" ADSIC for a forth consecutive year has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company "Marina Cape Management" EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, "Intercapital Property Development" ADSIC receives 70% of the profit realized from the commercial and residential properties which "Marina Cape Management" EOOD operates directly. For the year 2012 that revenue is in the amount of BGN 413 thousand and is formed as follows: BGN 177 thousand from operations of commercial areas, BGN 172 thousand from residential property management in vacation complex Marina Cape, BGN 98 thousand are from the management of residential properties, and BGN 138 thousand from renting out warehouses and unused commercial areas.

In 2012, the Company has also reported revenues from written-off payables amounting to BGN 1 755 thousand. Of these, BGN 1 495 thousand are formed during the first quarter of 2012 and represent liabilities to shareholders of the servicing company IP "Intercapital Markets" AD, which were formed in 2007 and reflect the remuneration "Intercapital Property Development" ADSIC owned to IP "Intercapital Markets" AD according to Art. 9 of contract for consultancy services dated 05.04.2005, signed by the parties. On 29.03.2012 an Annex to contract dated 05.04.2005 was signed between the parties was signed by "Intercapital Property Development" ADSIC and IP "Intercapital Markets" AD, by which the parties agree that the remuneration of art. 9 of the contract shall accrue and be due on 01.01.2015. The remuneration of art. 9 of the contract shall be equal to 20% of the difference between the net proceeds from the sale of real estate and their carrying value at the date of acquisition. This expense was recorded as a provision since it was expected that remuneration to be due subject to the overall evaluation of the management of Marina Cape. The amount of the accrual is calculated using largely estimates in its determination. In 2012, an annex to the contract is signed which clears the understanding that the debt is not due. This changes the basis for the calculation of the debt, giving a clear view on the period when charging such obligation should actually start. The reason for this statement is a characteristic of business where transactions and reporting of results takes more time for their completion, and Marina Cape is a turnkey project. It is assumed that 2015 is a reasonable starting point from which to judge a more comprehensive evaluation of the impact of the management of the entire project and the results achieved, and to take into account the effects of the ongoing crisis since 2009 and continuing stagnation in the field of real estate. In accordance with paragraph 34 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when new information and gaining more experience that change based on initial assumptions about the measurement of the liability requires a change in estimate. The Company has charged off this debt one time, and has not performed an evaluation through the last several periods due to lack of sufficient information on the timing and parameters of assessment of duty.

Other liabilities are written-off in the third quarter of the year and are connected with the breach of customers / counterparties agreements. Initially, these were write-offs were in the amount of BGN 888 thousand. In the fourth quarter of 2012, however, "Intercapital Property Development" ADSIC renegotiated the parameters with some of the contractors (in particular case of preliminary contracts for the sale of real estate) as a result of which the Company had re-classify some of the guarantee deposits as obligations amounting to BGN 628 thousand that in the third quarter have been written off as liabilities.

In the end of 2012, 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 31.12.2012, the value of the investment properties of the Company has been reduced with BGN 709 thousand compared with their value before the revaluation. The value of the work-in-progress, namely the reported value of the Grant Borovets project, has also been reduced with BGN 281 thousand as a result of the revaluation made by a licensed appraiser. Thus, as a result of the changes in the fair value of the investment properties owned and the work-in-progress, Intercapital Property Development

ADSIC reports an additional expense amounting to BGN 990 thousand. The result of the revaluation of the land, owned by the Company, as of 31.12.2011 has been reported as a gain from revaluation land in the Comprehensive Income Statement, amounting to BGN 4 thousand

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 2011-2012, 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 2011, 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 today the issuance of Act 15 for the outside electric supply of the building project is expected so as to be put into operation and the Company to sign a contract for the sale of the electric post.

During the third quarter of 2010 with regard to an assigned valuation of the executed construction and installation works on the "Borovets Grand" project, some discrepancies were found in the "acts" for the completed construction works, issued by the contractor "Midia" AD. As a result of this report, "Midia" AD and "Intercapital Property Development" ADSIC carried out a comprehensive review of the whole documentation and concluded an agreement reducing the value of the construction works for the "Borovets Grand" project with BGN 1 963 323.50. The quoted amount was deducted from the overall liabilities of "Intercapital Property Development" ADSIC to the construction company "Midia" AD.

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 14.01.2011 the Board of Directors of Intercapital Property Development ADSIC took a decision for a new capital increase of the Company through the issuance of 9 017 214 new ordinary shares with issue value BGN 2.30 per share. The first and foremost purpose of the forthcoming capital increase is again the accumulation of funds for the completion of the "Borovets Grand" project. However, due to the great fluctuations on the capital markets in 2011, the Board of Directors had to postpone the capital increase.

The Company has not transferred any property rights from the "Borovets Grand" project, i.e. the whole complex is property of "Intercapital Property Development" ADSIC. At present, despite the fact that the complex has not been entirely completed, 31 preliminary contracts for sale of 31 apartments in the complex with total built-up area of 2 745.33 sq.m. have been concluded.

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 an add 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 €2 000 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, in 2011, the Company has established contacts and negotiated with several international hotel chains.

The Company has not transferred ownership rights of any of the properties of the Grand Borovets complex, aka the whole complex is owned by "Intercapital Property Development" ADSIC. As of this moment, although the complex in not entirely finished, there are 31 preliminary contracts for sale of 31 apartments of the complex with a total build-up area of 2 745.33 sq.m.

c) Financing of Company's operations

In 2012, the Company has not used any new bank loans and has paid principal values outstanding amounting to BGN 557 thousand. Following the decision from the General Meeting of bondholders, held on 6th August 2010, when the bond issue of the Company were renegotiated, in 2011 ICPD has repaid principal on its bond issue amounting to BGN 978 thousand.

In 2012, 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 bounded 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 f 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 2012, the markets in Eastern Europe showed mixed and generally weaker performance compared to the developed markets in Europe, and especially against the U.S. stock market. The strongest market performers were Turkey, Estonia, Greece and Poland, which realized over 20% return for the year (as Turkey is the leader with 52% yield for the year). Romania ended the year with a growth of 18.7%. Other markets, however, performed significantly worse. Bulgaria registered a growth of 7.25 percent this year, Russia gained 5.2%, and Serbia - 5.0%. The debt crisis in Europe has not grown, though it is a serious concern for investors and has a strong impact on the business climate. Trust in the EU is seriously shaken, and austerity in southern Europe deepened the crisis and led to its transfer to the stable and sustainable economies of the north. The debt crisis in Europe and its effects are the main reasons for the last two years major developed markets outside the U.S. to lag behind the movement of the index S&P500. This trend changed in the second half of 2012, although the sustainability of such reversal depends on the pace of economic restructuring in Europe and smoothing imbalances decades of growth. The picture is similar in the large emerging markets. The Index EEM (MSCI Emerging markets ETF) was trailing behind the U.S. market for quite a while. Since the autumn of 2012, however, this trend has been changing. This gives grounds to predict that in 2013, Europe in general and emerging markets in Europe would perform much better. However, expectations of the management of "Intercapital Property Development" ADSIC are moderately optimistic as the company does not exclude the occurrence of volatility in the markets in the region, mostly associated with the worsening financial condition of individual economies, as currently displayed in Cyprus. Therefore, the Company's management can not predict upcoming procedures for increase in the company's capital.
- **Debt securities**. In 2012 and especially in the second half of the year, European markets for debt securities have increased and systemic risk decreased. Recovery may be associated with the communication of the ECB on the final transactions in the beginning of August 2012, which contributed to the weakening pressure on government bond markets in the Eurozone and reduced uncertainty among market participants. However, indicators of risk remained high. Among other factors, this is due to the sovereign debt and banking crisis, regrouping in risk assessments by investors, financing risk, the potential long-term effects of low interest rates and obstacles to the proper functioning of the market. Corporate issues in the EU as a whole has increased but was focused on high-risk assets. Banks and countries with high risk premiums focused on shorter maturities. In the event that market conditions deteriorate, these issuers may face difficulties in funding and to remain with significant credit risk. The collapse of the unsecured markets during the financial crisis and the initiatives of regulators led market participants to rely more and more on collateral as a means of reducing counterparty risk, which stimulates the demand for it. In 2013-2014, the demand for additional collateral will exceed its additional supply, resulting in shortages. The management of the Company expects activation in the issuance of new bonds, which is a prerequisite for the observed decrease in the 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 2013 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 2011 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 2012. It can be revived in providing financing to complete the site. In 2012 the expenses of the project "Marina Cape" were mainly fees for management and maintenance overheads. It is expected that in 2013 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 2012, the market for vacation marine property was an active, led by the interests of Russian buyers to purchase their own holiday home in a warm and sunny place like Bulgaria. The volume of apartments sold in the third quarter increased by about 30 percent annually with interest focused mainly on the southern coast, but only in Sunny Beach and Pomorie, Ahtopol, Sozopol, Lozenets and other resorts.

According to the real estate agency Bulgarian Properties, in the third quarter of 2012 transactions in the resort Sunny Beach were concluded at an average price of € 490 per sq.m. - These apartments are mostly in the western part of the complex. Sales of apartments in a prestigious location close to the beach were realized at prices between 750 and 850 euros per square meter, while the lowest prices were starting from € 250 per sq.m. for furnished apartments in or near Sunny Beach.

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

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 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 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 principal repayment schedule is amended as follows:

2.1. Principal (amortisation) payments:

| 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) |
| 14.02. | 62 500 | 14.02. | 62 500 | 14.02. | 125 000 | 14.02. | 187 500 | 14.02. | 250 000 | 14.02. | 250 000 |
| 14.05. | 62 500 | 14.05. | 62 500 | 14.05. | 125 000 | 14.05. | 187 500 | 14.05. | 250 000 | 14.05. | 250 000 |
| 14.08. | 62 500 | 14.08. | 62 500 | 14.08. | 125 000 | 14.08. | 187 500 | 14.08. | 250 000 | 14.08. | 250 000 |
| 14.11. | 62 500 | 14.11. | 62 500 | 14.11. | 125 000 | 14.11. | 187 500 | 14.11. | 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 levs 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:

6.1 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.

6.2.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 the 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 REIT 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 was part of the written materials for the meeting) which aimed to provide better protection for 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.

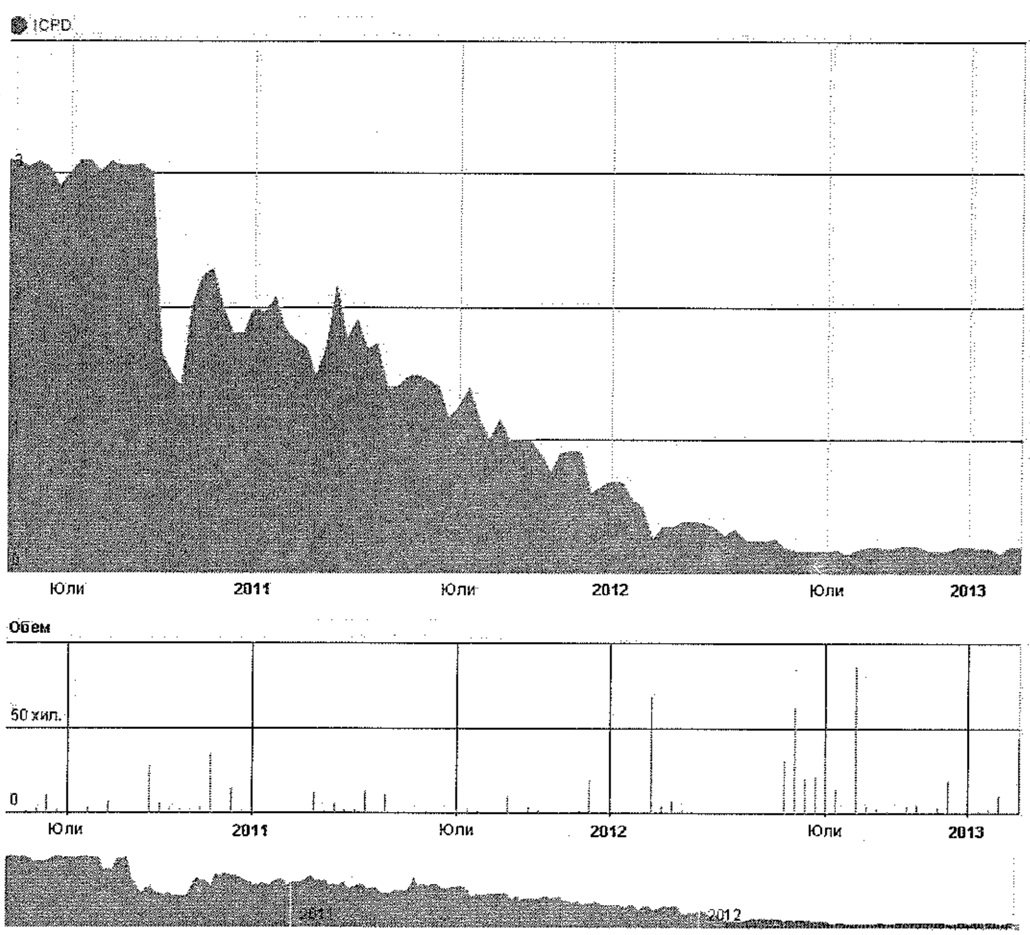
The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013

### III. Important research and development

There have not been any important research and development carried out by the Company in 2012.

### IV. Changes in the price of the Company's shares

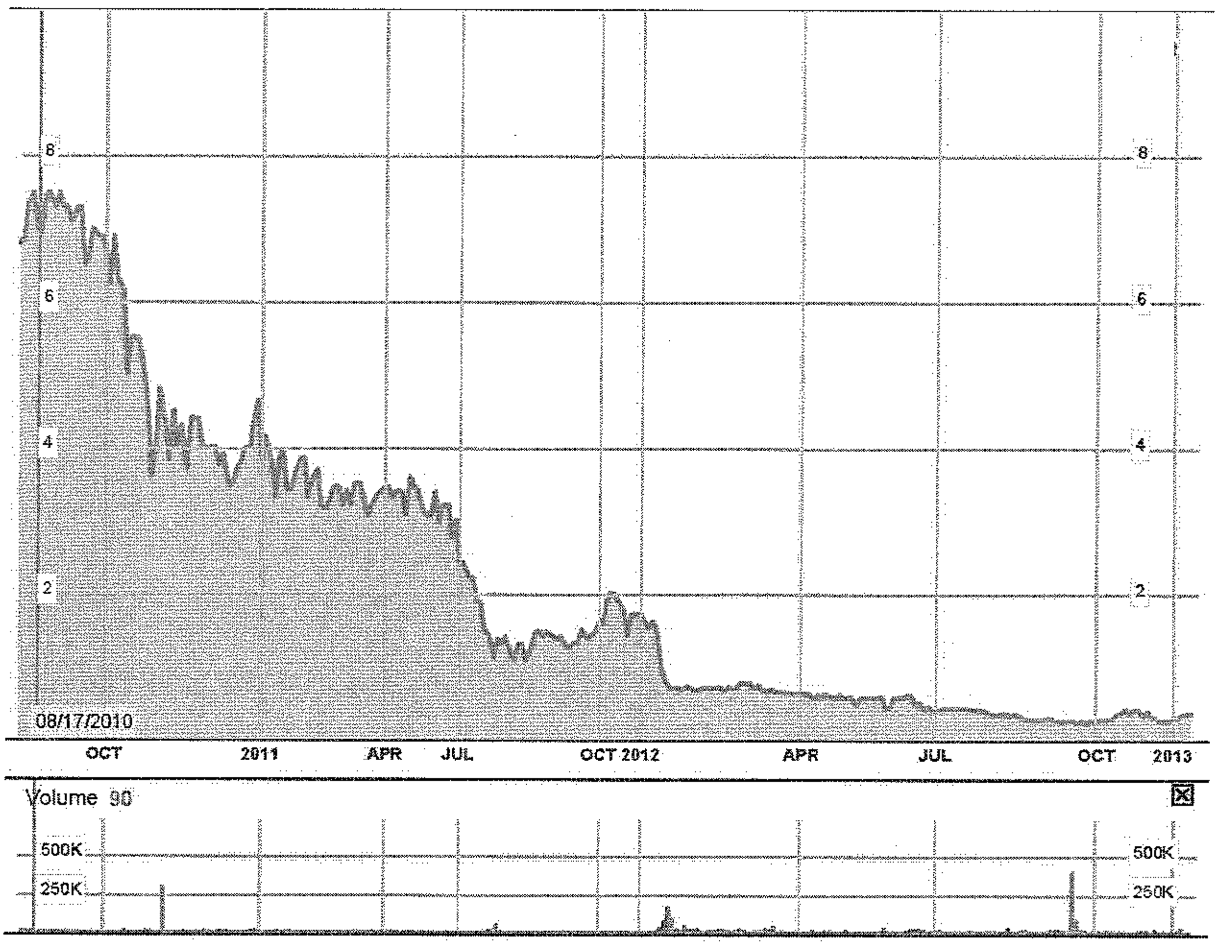
- **on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)**



**Source: www.investor.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.

**V. 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.

**VI. 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 2012 are realized from sale of finished goods – residential properties for seasonal use in the "Marina Cape" vacation complex".

| **Revenues ('000 BGN)** | **2012** | **2011** |
|---|---|---|
| ***Net revenues from the sale of:*** | | |
| 1. Finished goods | | |
| 2. Goods for sale | 1 742 | 4 152 |
| 3. Services | 413 | 510 |
| 4. Other | 1 755 | 4 |
| ***Total:*** | **3 910** | **4 666** |

In 2012, for a forth consecutive year "Intercapital Property Development" ADSIC has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company "Marina Cape Management" EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, "Intercapital Property Development" ADSIC receives 70% of the profit realized from the commercial and residential properties which "Marina Cape Management" EOOD operates directly. For the year 2011 that revenue is in the amount of BGN 413 thousand and is formed as follows: BGN 177 thousand from operations of commercial areas, BGN 98 thousand from residential property management in vacation complex Marina Cape, and BGN 138 thousand from renting out warehouses and unused commercial areas.

In 2012, the Company generated revenues and write-offs amounting to BGN 1 755 thousand. Of these, BGN 1 495 thousand are formed during the first quarter of 2012 and represent liabilities to shareholders of the servicing company IP "Intercapital Markets" AD, which were formed in 2007 and reflect the remuneration "Intercapital Property Development" ADSIC owned to IP "Intercapital Markets" AD according to Art. 9 of contract for consultancy services dated 05.04.2005, signed by the parties. On 29.03.2012 an Annex to contract dated 05.04.2005 was signed between the parties was signed by "Intercapital Property Development" ADSIC and IP "Intercapital Markets" AD, by which the parties agree that the remuneration of art. 9 of the contract shall accrue and be due on 01.01.2015. The remuneration of art. 9 of the contract shall be equal to 20% of the difference between the net proceeds from the sale of real estate and their carrying value at the date of acquisition. This expense was recorded as a provision since it was expected that remuneration to be due subject to the overall evaluation of the management of Marina Cape. The amount of the accrual is calculated using largely estimates in its determination. In 2012, an annex to the contract is signed which clears the understanding that the debt is not due. This changes the basis for the calculation of the debt, giving a clear view on the period when charging such obligation should actually start. The reason for this statement is a characteristic of business where transactions and reporting of results takes more time for their completion, and Marina Cape is a turnkey project. It is assumed that 2015 is a reasonable starting point from which to judge a more comprehensive evaluation of the impact of the management of the entire project and the results achieved, and to take into account the effects of the ongoing crisis since 2009 and continuing stagnation in the field of real estate. In accordance with paragraph 34 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when new information and gaining more experience that change based on initial assumptions about the measurement of the liability requires a change in estimate. The Company has charged off this debt one time, and has not performed an evaluation through the last several periods due to lack of sufficient information on the timing and parameters of assessment of duty.

Other liabilities are written-off in the third quarter of the year and are connected with the breach of customers / counterparties agreements.

**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 started business relations with partners from China by offered its properties for sale. The properties sold in 2012 are mainly bought by Russian citizens. The management of the Company is encouraged by the revival 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 projection 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 2012 "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) | 2012 | 2011 |
|---|---|---|
| - "Intercapital Property Development" ADSIC sells equipment to "Marina Cape Management" EOOD | - | - |
| - Services executed by "Marina Cape Management" EOOD for "Intercapital Property Development" ADSIC | 702 | 572 |
| - Services executed by "Intercapital Property Development" ADSIC for "Marina Cape Management" EOOD | 496 | 1 449 |
| | | |

**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 2012 there were 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 2012 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 31.12.2012 "Intercapital Property Development" ADSIC has the following investments in subsidiary companies:

| Name of the subsidiary company | 2012 | share | 2011 | share |
|---|---|---|---|---|
| | '000 BGN | % | '000 BGN | % |
| **Marina Cape Management EOOD** | 5 | 100% | 5 | 100% |

As of 31.12.2012 the book value of the land owned by the Company is in the amount of BGN 4 504 thousand, the value of the Company's investment property is BGN 41 987 thousand, and the value of unfinished production (in connection with the construction of residential complex Marina Cape and Grand Borovets) is BGN 8 347 thousand. The book value of the work-in-progress (with regard to the construction of the "Marina Cape" vacation complex) amounts to only BGN 1 104 thousand and represents accumulated expenses for the sale of properties – brokerage commission in the amount of BGN 843 thousand, which would be recognized at the moment of the recognition of the revenue (through final transfer of ownership or right to use), and BGN 261 thousand also depicted as work in progress, which represents purchased equipment for the restaurants on site.

As of the end of 2012 the Company has cash funds and demand deposits in the amount of BGN 100 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 31.12.2012 "Intercapital Property Development" ADSIC has the following obligations to financial institutions:

| Bank | Year of the loan | Amount | Outstanding amount as of 31.12.2012 | Maturity date |
|---|---|---|---|---|
| **Piraeus Bank Bulgaria AD** | 2007 | EUR 4 500 000 | EUR 2 562 619 | 28.2.2013 |
| **Piraeus Bank Bulgaria AD** | 2008 | EUR 3 000 000 | EUR 2 535 185 | 28.2.2013 |
| **Bank DSK EAD** | 2008 | EUR 3 500 000 | EUR 3 500 000 | 24.07.2012 |
| **Bank DSK EAD** | 2008 | EUR 500 000 | EUR 451 790 | 24.07.2012 |
| **Piraeus Bank Bulgaria AD** | 2009 | EUR 3 300 000 | EUR 3 131 180 | 30.10.2015 |

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. от 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.

1.3. 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 от 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.

**2. Towards "DSK Bank" EAD**

2.1 Contract for a credit № 716/2008, concluded on 18.09.2008 for the amount of 4 500 000 (four millions and five hundred thousand) EUR to finance/refinance an investment project for construction of residential hotel in Borovets Resort.

- 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.

2.2. Contract for a credit № 717/2008, concluded on 18.09.2008 for the amount of 500 000 (five hundred thousand) EUR to finance due VAT in the period of construction of residential hotel in Borovets Resort.

- 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 Annex № 7 to Loan Agreement № 717 and Annex № 6 to Contract № 716 between the company and "DSK Bank" dated 27 February 2012 the gratis period payment of principal on the loan EUR 451 790 is extended from to 24 July 2012 and of principal EUR 3 500 000 the gratis period for payment is 24 July 2012. The deadline for repayment of both loans is 31 July 2012.

**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 2012 "Intercapital Property Development" ADSIC and/or its subsidiary has 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 2012 the Company has not issued any new shares.

**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**

According to the decision for restructuring the bond issuance, which was taken on the General Meeting of Bondholders of the Company, held on 06th August 2010, in 2012 the Company has paid the principal on its bond issuance amounting to a total of EUR 500 000, as follows:

On 9 February 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14.02.2012 on the corporate bond issue in the amount of EUR 95 519.

On 9 February 2012 "Intercapital Property Development" ADSIC made an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 February 2012. 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 Feb 2012 and 09 March 2012 amounting to EUR 780.82 (i.e. EUR 0.156164 per bond).

On 11 June 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14 May 2012 on its corporate bond issue in the amount of EUR 90 523.

On 11 June 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 May 2012. 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 May 2012 and 11 June 2012 amounting to EUR 910.96 (i.e. EUR 0.175204 per bond).

On 10 Sept 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14 Aug 2012 on its corporate bond issue in the amount of EUR 89 549.

On 10 Sept 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 Aug 2012. 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 Aug 2012 and 10 Sept 2012 amounting to EUR 876.02 (i.e. EUR 0.182192 per bond).

On 10 Dec 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14.11.2012 on its corporate bond issue in the amount of EUR 86 564.

On 10 Dec 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 Nov 2012. 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 Nov 2012 and 10 Dec 2012 amounting to EUR 843.58 (i.e. EUR 0.168716 per bond).

In December 2012 there were undertaken actions for renegotiation of the terms on the Company's bond issue through convocation of a general meeting of the bondholders, including for change of the financial ratios that the Company should be obliged to maintain with regard to the issued bond loan. The proposed amendments regarding the financial ratios were as follows:

<u>Ratio between Equity and Secured Debt:</u> 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.

<u>Maximum ratio of Liabilities to Assets according to their book value:</u> 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.

The General meeting of the Company's bondholders that was convened for 16.01.2013 was not held due to lack of the necessary quorum. In this regard the General meeting of the bondholders was held on 31.01.2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

A new General meeting of the bondholders was held on 06.02.2013 which approved the proposal and respectively the terms for renegotiation of the Company's bond loan, including the amendments regarding the financial ratios that "Intercapital Property Development" ADSIC shall be obliged to maintain. As a result, as of 31.12.2012 the financial ratios of the Company, i.e. the "ratio between equity and secured debt" and the "ratio of liabilities to assets according to their book value" are in compliance with the financial ratios approved by the bondholders on 06.02.2013.

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 the investment project in Borovets resort due to lack of financing. The Company cannot project when it would be able to secure financial resources for completing the project Grand Borovets because of two reasons. On one hand, up to this date the market conditions for capital increase are still unfavorable. On the other hand, it would be difficult to receive bank financing due to the significant level of debt the company already has.

On 06$^{th}$ 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 EUR 5 000 000.

In connection with this, several publications of an add 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, in 2012, the Company has established contacts and negotiated with several international hotel chains.

New investment project would be feasible only after an increase in the capital of the Company, which would be possible when the global financial markets are once again stable.

**14. Information about occurred during the reporting period changes 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 2010.

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**

On 29 June 2012 the Annual General Meeting of Shareholders was held, at which it was decided to release Nikola Ivanov Standoff as a member of the Board of Directors at his request and to select a new member of the Board – Temenuga Ivanova Ivanova.

Changes are listed in the electronic file of the Company in the Commercial Register of the Registry Agency on the date 10 July 2012.

**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, including:**

**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 2012:

| **Member of the Board of Directors** | **in BGN** |
|---|---|
| 1. Velichko Stoichev Klingov – Executive director | 33 933.60 |
| 2. Nicolas Ivanov Stancioff – Member* | 14 940.00 |
| 3. Tsvetelina Chavdarova Hristova – Member | 13 544.90 |
| 4. Temenuga Ivanova Ivanova – member** | 27 813.60 |

**The amounts indicated represent the remunerations paid:**

* Nicolas Stacioff has been released as a member of the Board of Directors at his request by the General Meeting of the Shareholders held on 29.06.2012.

** Temenuga Ivanova is elected as a member of the Board of Directors on the same General Meeting. The change is listed in the Commercial Register on 10 July 2012

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 2012.

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

| | *Number of shares* | *% from the capital* |
|---|---|---|
| Velichko Klingov*................................ | 77 111 | 1.28% |

* As of 31 Dec 2012 Velichko Klingov has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC (a total of 41 656 in count), as a seller (borrower) and these shares are part of the ones indicated above.

**As of 31.12.2011 the members of the Board of Directors own shares of the company as follows:**

| | *Number of shares* | *% from the capital* |
|---|---|---|
| Nicolas Stancioff[1]................................. | 170 825 | 2.84 % |
| Velichko Klingov[2]................................ | 57 111 | 0.95% |

1. As of 31.12.2011 Nicolas Stancioff has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC, as a buyer (lender) and as a seller (borrower), whit a net difference in the number of the shares, subject of the Contracts – 120 283 shares which are taken into account in the calculation of the total number of shares providing voting rights to the shareholder stated above.

2. As of 31.12.2011 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.

The issuer has not issued options on the securities from the share capital.

**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 31 Dec 2012 the Company has no pending legal, administrative or arbitration proceedings relating to claims or liabilities of at least 10 percent of the equity of the issuer.

**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: 02 / 980 12 51**

Signature:
/Velichko Klingov – Executive Director/

Date: 29.03.2013