

**REPORT****to the bondholders of “Intercapital Property Development” ADSIC**

With regard to the obligation of “Intercapital Property Development” ADSIC pursuant to Art.100e, para 1 and para 2 of the Bulgarian law on the public offering of securities and Art.2, para 1, p.1 and 2 of the Contract with Commercial Bank “Investbank” AD for execution of the function of a „Trustee of the bondholders” of corporate bond issue, at present with nominal amount of EUR 3 250 000, herewith we present the necessary information in compliance with the assumed commitments and requirements.

Obligations of “Intercapital Property Development” ADSIC with regard to observation of particular financial indicators**1. Ratio between shareholders’ equity and secured debt**

The Company is obliged to maintain a ratio between shareholders’ equity and secured debt, calculated as the value of the shareholder’s equity as per the company’s balance sheet is divided by the value of all secured liabilities, at a rate not less than 0.10 (zero point ten) till the complete repayment of the present corporate bond issue.

The ratio, maintained by “Intercapital Property Development” ADSIC on non-consolidated basis is as follows:

As of 31.12.2013	As of 31.01.2014	Ratio that shall be observed by the Company
0.176	0.111	0.100

2. Maximum ratio of Liabilities (Obligations) to Assets as per the company’s balance sheet

The Company is obliged to maintain a maximum ratio of Liabilities to Assets as per the company’s balance sheet at a rate not higher than 0.95 (zero point ninety five) till the complete repayment of the present corporate bond issue.

The ratio, maintained by “Intercapital Property Development” ADSIC on non-consolidated basis is as follows:

As of 31.12.2013	As of 31.01.2014	Ratio that shall be observed by the Company
0.893	0.940	0.950



3. The Company draws up its financial statements in compliance with the requirements of the International Accounting Standards.

4. The registered auditor appointed by the Company verifies and certifies the financial statements of the issuer in compliance with the National Accounting Standards and the International Accounting Standards.

Information about General Meeting of the Company's bondholders, held on 06.02.2013

On 06.02.2013 a General Meeting of the Company's bondholders was held which took a decision for restructuring the liabilities under the corporate bond issue through amendments in some of the parameters of the bond issue as follows:

1. Increase the maturity of the issue with 60 months (from 14th August 2013 till 14th August 2018);
2. The schedule for amortization and interest payments is amended as follows:
 - 2.1. The principal is payable in the following installments:

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 payments in the extended period:

a) The interest rate on the bond issue after 14th February 2013 decreases to 7.25% annually and is payable every three months on the dates indicated in the table of letter "b)" below;

b) The interest payments, due after 14th February 2013 until the maturity of the issue are calculated on the basis of a decreasing interest rate with a reduction step of 0.25% (zero point twenty five percent) ("**Reduction Step**"). The declining interest rate for every three months is applicable only under the condition that the payment due for the previous three-month period is wired to the bank account of Central Depository AD, servicing the payments of the bond issue, not later than two working days before the relevant maturity.

Fulfilling these conditions, the amount of the interest payments would be:



INTERCAPITAL PROPERTY DEVELOPMENT

Date of interest payments	Number of days in interest period	Number of days	Interest rate	Amount of interest due (EUR)
14.02.2013	92	365	9,50%	83 808
14.05.2013	89	365	7,25%	60 768
14.08.2013	92	365	7,00%	59 548
14.11.2013	92	365	6,75%	56 358
14.02.2014	92	365	6,50%	53 247
14.05.2014	89	365	6,25%	48 577
14.08.2014	92	365	6,00%	47 260
14.11.2014	92	365	5,75%	44 385
14.02.2015	92	365	5,50%	41 589
14.05.2015	89	365	5,25%	36 804
14.08.2015	92	365	5,00%	34 658
14.11.2015	92	365	5,00%	33 082
14.02.2016	92	366	5,00%	31 421
14.05.2016	90	366	5,00%	28 432
14.08.2016	92	366	5,00%	26 708
14.11.2016	92	366	5,00%	24 351
14.02.2017	92	365	5,00%	22 055
14.05.2017	89	365	5,00%	18 288
14.08.2017	92	365	5,00%	15 753
14.11.2017	92	365	5,00%	12 603
14.02.2018	92	365	5,00%	9 452
14.05.2018	89	365	5,00%	6 096
14.08.2018	92	365	5,00%	3 151



- c) In case the interest payment has been made after the deadline indicated in letter “b)” above, the Reduction Step is not applicable, the interest rate for the next period remains equal to the interest rate applicable to the previous period and the interest due on the remaining portion of the principal is adjusted accordingly (“**Adjusted interest**”). In such case, at the following interest payment the interest due is decreased with the negotiated Reduction Step, only under the conditions of letter “b)” above.
- d) In the case of letter “c” above, every decrease with the Reduction Step is calculated according to the previous Adjusted interest and not according to the primary interest rates, indicated in the table in letter “b)” above.
- 2.3. The Company - issuer reserves the right to early repayment of all or part of the outstanding principal on the bond. The early repayment could be executed only at date of interest payment. The minimum amount which the company can repay partially and early is equal to at least one amortization payment due for the relevant period according to point 2.1. (“**Minimum early amortization installment**”). In the event that the Issuer made partial or full repay of the principal, the issuer has the right of reduction of the annual interest rate of the bond issue with 0.25% for each individual Minimum early amortization installment. For avoiding any confusion, when more than one Minimum early amortization installment are made at the maturity of the relevant payment, the reduction of the annual interest rate is with 0.25% for every individual Minimum early amortization installment and is cumulative. This reduction of the annual interest rate is separate from the one provided in point 2.2. and is applicable regardless and additionally to the one under point 2.2. until an annual interest rate of 5% is reached.
- The early repayment of the principal with one or more Minimum early amortization installments does not change the maturity and the size of the next amortization installments, determined by the amortization schedule of point 2.1. With the early repayment of the principal, the last in time amortization installments due are paid in part or in full, starting from the last installment with maturity 14th August 2018 according to the amortization schedule of point 2.1.
- 2.4. Regardless whether the conditions for reducing the interest rate of point 2.2. above (Reduction Step) and/or of point 2.3. (Minimum early amortization installment) are applied, the interest rate of the bond issue cannot be lower than 5% (five percent) annual of the amount of the unamortized principal.
3. The interest and amortization payments of the bond issue due are made in BGN at an amount equal to their EUR value with an exchange rate equal to the central exchange rate of the Bulgarian National Bank at the date of holding the General Meeting, namely EUR 1 = BGN 1.95583. In case this exchange rate is changed, all payments would be made in Euros.
4. The company – issuer is obliged to open a special account in UniCredit Bulbank where the amortization and interest payments of the bond issue would be deposited. From this account only payments to Central Depository AD could be wired in connection with servicing the obligations of the corporate bonds issue. Under the contract for servicing a special account UniCredit Bulbank sends to the Bank-Trustee of the bondholders





information about every movement of this account by the end of the working day at which the movement has been reported.

5. The issuer shall be obliged to provide the following collaterals on the bond issue:
 - 5.1. The Issuer undertakes to establish first in line mortgage on its own zoned property with ID 00833.5.409 (zero, zero, eight, three, three, point, five, point, four, zero, nine), with address: town Aheloy, region Prechistvatelnata, with size 40 002 sq.m. (forty thousand and two square meters), with permanent type of the territory – zoned, type of permanent usage – for other type of construction, with neighbors: properties with identifications: 00833.5.399, 00833.5.239, 00833.5.401 and 00833.5.378, in favor of the trustee of the bondholders Investbank AD within a period not later than one month following the date of the General Meeting.
 - 5.2. The Issuer undertakes to conclude an Annex to Insurance policy № 290001753 / 06.08.2010 with Euro Ins AD, covering the risk of non-payment of interest or amortization by the Issuer with regard to the restructuring of the bond loan.

Observation of provisions regarding the spending of the funds from the corporate bond issue

Pursuant to the Prospectus for admission to trading on a regulated market of the securities from the corporate bond issue, the Company shall use the accumulated funds predominantly for acquisition of real estate properties (plots) within the city of Sofia, that are appropriate for the construction of office areas in the core centre and/or in the new business centre, and/or for the construction of compound multifunctional buildings (with residential and commercial areas). Part of the accumulated funds can be used also for financing the projection of the construction works on the plots that should be purchased in compliance with the parameters in the preceding sentence.

As of the date of the present report the Company has not acquired definitively land plots with funds accumulated through the bond issue. During the forth quarter of 2007 the Company realized extraordinary revenue from default on a preliminary agreement. That revenue can be treated as related to the corporate bond issue due to the fact that the default was due to a preliminary contract for purchase of a land plot in Sofia, on which the seller did not manage to fulfill his obligations and that's why he paid the negotiated forfeit.

In the end of 2007 the Company concluded a new preliminary agreement for purchase of a land plot facing Todor Alexandrov Blvd. The price that the Company should pay was EUR 600 per sq.r. built up area. The term of the preliminary agreement expired on June 30, 2008. As of today the agreement has been terminated. At present the funds from the corporate bond issue have been used for other projects of the Company till it finds an appropriate investment within the boundaries of Sofia.





Condition of the collaterals under the corporate bond issue

The eventual risk of non-payment the full amount of the principle and/or the full amount of the interest payments is guaranteed by Insurance Policy № 29 0000 1753/06.08.2010 and an Annex No.3 to it dated 06.02.2013, concluded between “Intercapital Property Development” ADSIC, CB “Investbank” AD, acting as Trustee on behalf of all insured bondholders and the Insurance Company – “Euro Ins” AD. The insurance policy is valid till the last maturity date of the corporate bond issue.

With regard to a commitment assumed by the Company pursuant to a decision of the General Meeting of the bondholders, held on 06.08.2010 for setting up a mortgage upon 7 835,99 sq.m. of commercial areas in the vacation complex “Marina Cape” in favour of the bondholders’ trustee CB “Investbank” AD, “Intercapital Property Development” ADSIC has signed a Notary deed for setting up of a contractual mortgage, deed № 158, volume IV, reg. № 3289, file № 732 from 01.09.2010 of notary Gergana Nedina – acting in the region of Regional Court Pomorie, entered with reg. № 1808 from 01.09.2010, deed № 80, volume 1, file № 1213 in the Registry Office – Pomorie.

With regard to a commitment assumed by the Company pursuant to a decision of the General Meeting of the bondholders, held on 06.02.2013 for setting up a mortgage upon zoned property with ID 00833.5.409, with address: town Aheloy, region Prechistvatelnata, with size 40 002 sq.m. in favor of the bondholders’ trustee CB “Investbank” AD, on 06.03.2013, in front of Mrs Zhiva Barantieva – assistant notary to Mrs Gergana Nedina, a notary with activity within the region of Regional Court – the town of Pomorie, entered in the register of the Notary Chamber under No. 607, a notary deed was signed for the establishment of a mortgage in favour of Investbank AD upon the above-mentioned property. The notary deed is entered in the Registry Agency, Service Registry – town Pomorie, with entry No. 493, act. No. 13, volume 1, file No. 270 dated 06.03.2013.

Observation of the other provisions pursuant to decisions of the General Meetings of the Company’s bondholders, held on 06.08.2010 and 06.02.2013

In compliance with the decisions of the General meetings of the bondholders up to present the Company has made fourteen amortization payments on the bond issue with total amount of EUR 1 812 500. As a result to this date interest is accrued on the outstanding principal of the issue or on EUR 3 187 500.

Due to the fact that “Intercapital Property Development” ADSIC satisfied the condition regarding the payment owed as of 14.02.2013, the interest rate that will be applied over the outstanding bond loan for the next three-month period starting on 15.02.2014, is in the amount of 7.00% annually.

As of the date of the present report, “Intercapital Property Development” ADSIC has limited the payment of liabilities toward IP Intercapital Markets AD as follows:

- The remuneration in the amount of 20% of the profit has become due after the full repayment of the bond issue.
- The remuneration in the amount of 2% per annum of the assets’ value has been changed as follows: a fee in the amount of 2% per annum of the value of the





equity. That fee has been calculated and paid quarterly, counted as 0.5% of the value of the equity. The difference between the old fee – 2% per annum of the assets' value and the new one - 2% per annum of the equity's value shall become due following the full repayment of the bond issue.

30.04.2014

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Investor Relations Director

