

**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 31.12.2014	As of 30.09.2014	Ratio that shall be observed by the Company
0.10	0.13	0.10

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 31.12.2014	As of 30.09.2014	Ratio that shall be observed by the Company
0.95	0.95	0.95



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:

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
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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 sixteenth amortization payments on the bond issue with total amount of EUR 2 000 000. As a result to this date interest is accrued on the outstanding principal of the issue or on EUR 3 000 000.

In compliance with the decisions of the General Meeting of the Company’s bondholders, held on 06.02.2013, on 14.02.2014 the Company made an interest in the amount of EUR 59 390 and amortization payment in the amount of EUR 62 500 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 02.07.2014 the Company has paid interest in the amount of EUR 54 406 and amortization in the amount of EUR 62 500 to its bondholders due since 14.05.2014.

On 08.09.2014 the Company has paid interest in the amount of EUR 55 137 and amortization in the amount of EUR 62 500 to its bondholders due since 14.08.2014.

On 10.12.2014 the Company has paid interest in the amount of EUR 54 034 and amortization in the amount of EUR 62 500 to its bondholders due since 14.11.2014.

Due to the fact that ICPD did not comply with this condition regarding the payment due on 14.11.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.11.2014 remains unchanged and amounts to 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.

Information regarding the convocation of a General Meeting of Bondholders on 11th February 2015

ICPD informs the authorities and the public about the following: on 29.01.2015 with file number 20150129120434 in the Commercial Register was published the invitation for General meeting of bondholders of corporate bonds with ISIN code BG2100019079, issued by Intercapital Property Development ADSIC. The General Meeting will be held on 11th February 2015 at 14:00 h. on the following address: Sofia, 14 “Shipka” street, hotel Cristal Palace, conference hall “Shipka”. The registration of bondholders and the individuals authorized to represent bondholders would begin at 13:30h on 11th February 2015 at the place of the General Meeting.

In case of a lack of quorum pursuant to Art. 214, para 5 in connection with Art. 227, para 3 of the Commercial Law, the General Meeting would be held on 26th February 2015 at the same place and under the same agenda, regardless of the number of bonds represented at the General Meeting. The proposed agenda is as follows:

„Item one: Consent to rescheduling and restructuring of the obligations of the issue of corporate bonds with ISIN code BG2100019079, through renegotiation of part of the terms of the issue as follows:

6. Increase the maturity of the issue with 24 months (from 14th August 2018 till 14th August 2020);

7. The schedule for amortization and interest payments are amended as follows:

7.1. The principal is payable in the following installments:

2015		2016		2017		2018		2019		2020	
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.	125 000	14.02.	187 500	14.02.	250 000
14.05.	62 500	14.05.	62 500	14.05.	125 000	14.05.	125 000	14.05.	187 500	14.05.	250 000
14.08.	62 500	14.08.	62 500	14.08.	125 000	14.08.	125 000	14.08.	187 500	14.08.	250 000

14.11.	62 500	14.11.	62 500	14.11.	125 000	14.11.	125 000	14.11.	187 500		
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7.2. Interest payments in the extended period:

Interest payments are due under the following conditions:

a) The agreed interest rate on the bond issue is reduced to 6% annually, as of 14.02.2015

b) The possibility is reserved of applying on the interest rate of the bond loan a reduction step of 0.25% (zero point twenty five percent), provided that there is a prompt payment of interest and principal payments, until an interest of 5% annually is reached. The principal and interest payments are paid on time in the event that the total amount payable 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.

c) Interest on the bond loan is payable every three months on the dates listed in the table below:

Date of interest payments	Number of days in interest period	Number of days	Interest rate	Amount of interest due (EUR)
14.02.2015	92	365	7,00%	52 932
14.05.2015	89	365	6,00%	42 976
14.08.2015	92	365	5,75%	41 668
14.11.2015	92	365	5,50%	38 990
14.02.2016	92	366	5,25%	36 291
14.05.2016	90	366	5,00%	33 043
14.08.2016	92	366	5,00%	32 992
14.11.2016	92	366	5,00%	32 206
14.02.2017	92	365	5,00%	31 507
14.05.2017	89	365	5,00%	28 955
14.08.2017	92	365	5,00%	28 356
14.11.2017	92	365	5,00%	26 781
14.02.2018	92	365	5,00%	25 205
14.05.2018	89	365	5,00%	22 860
14.08.2018	92	365	5,00%	22 055

14.11.2018	92	365	5,00%	20 479
14.02.2019	92	365	5,00%	18 904
14.05.2019	89	365	5,00%	16 002
14.08.2019	92	365	5,00%	14 178
14.11.2019	92	365	5,00%	11 815
14.02.2020	92	366	5,00%	9 426
14.05.2020	90	366	5,00%	6 148
14.08.2020	92	366	5,00%	3 142

8. If, within three (3) days before the expiration of the thirty-day period from the maturity of any outstanding principal and / or interest payment, the Issuer fails to submit to the bondholders' trustee proper document that the relevant payment is made to the bank account of "Central Depository" AD, servicing the payments on the bond loan, it is considered to be the event of default on the bond issue and "Investbank" AD may exercise its rights as a bondholders' Trustee, according to its contract with the Issuer and the applicable laws.
9. The bondholders agree that any payment under the terms of issue, made within the period under item. 3 will be considered for payment of the issue and will not give rise to any adverse effects on the Issuer. A payment that satisfies the conditions of the previous sentence can be done both by the Issuer and by any third party.
10. All other terms and conditions of the "Intercapital Property Development" ADSIC bond issue, except those expressly stated above, shall remain in force and remain in effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

Draft Resolution: The General Meeting of Bondholders consents to reschedule and restructure the obligations of the issue of corporate bonds with ISIN code BG2100019079, through renegotiation of part of the terms of the issue as follows:

1. Increase the maturity of the issue with 24 months (from 14th August 2018 till 14th August 2020);
2. The schedule for amortization and interest payments are amended as follows:
 - 2.1. The principal is payable in the following installments:
 - 10.1. Interest payments are due under the following conditions:
 - a) The agreed interest rate on the bond issue is reduced to 6% annually, as of 14.02.2015
 - b) The possibility is reserved of applying on the interest rate of the bond loan a reduction step of 0.25% (zero point twenty five percent), provided that there is a prompt payment of interest and principal payments, until an interest of 5% annually is reached. The principal and interest payments are paid on time in the event that the total amount payable 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.

c) Interest on the bond loan is payable every three months on the dates listed in the table below:

Date of interest payments	Number of days in interest period	Number of days	Interest rate	Amount of interest due (EUR)
14.02.2015	92	365	7,00%	52 932
14.05.2015	89	365	6,00%	42 976
14.08.2015	92	365	5,75%	41 668
14.11.2015	92	365	5,50%	38 990
14.02.2016	92	366	5,25%	36 291
14.05.2016	90	366	5,00%	33 043
14.08.2016	92	366	5,00%	32 992
14.11.2016	92	366	5,00%	32 206
14.02.2017	92	365	5,00%	31 507
14.05.2017	89	365	5,00%	28 955
14.08.2017	92	365	5,00%	28 356
14.11.2017	92	365	5,00%	26 781
14.02.2018	92	365	5,00%	25 205
14.05.2018	89	365	5,00%	22 860
14.08.2018	92	365	5,00%	22 055
14.11.2018	92	365	5,00%	20 479
14.02.2019	92	365	5,00%	18 904
14.05.2019	89	365	5,00%	16 002
14.08.2019	92	365	5,00%	14 178
14.11.2019	92	365	5,00%	11 815

14.02.2020	92	366	5,00%	9 426
14.05.2020	90	366	5,00%	6 148
14.08.2020	92	366	5,00%	3 142

3. If, within three (3) days before the expiration of the thirty-day period from the maturity of any outstanding principal and / or interest payment, the Issuer fails to submit to the bondholders' trustee proper document that the relevant payment is made to the bank account of "Central Depository" AD, servicing the payments on the bond loan, it is considered to be the event of default on the bond issue and "Investbank" AD may exercise its rights as a bondholders' Trustee, according to its contract with the Issuer and the applicable laws.
4. The bondholders agree that any payment under the terms of issue, made within the period under item. 3 will be considered for payment of the issue and will not give rise to any adverse effects on the Issuer. A payment that satisfies the conditions of the previous sentence can be done both by the Issuer and by any third party.
5. All other terms and conditions of the "Intercapital Property Development" ADSIC bond issue, except those expressly stated above, shall remain in force and remain in effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

Item Two: Amending the conditions under which the Issuer presents collateral by the meaning of art. 100z, para 1 from the Law on Public Offering of Securities and representing insurance from Euro Ins AD, covering the risk of non-payment of interest and principal on the Corporate Bond Issue with ISIN Code BG2100019079.

Draft resolution: The General meeting of Bondholders adopts the decision and obliges the Issuer to sign an Annex to the Insurance Policy № 290001753 / 06.08.2010 with Euro Ins AD, reflecting the adopted amendments regarding the terms of the bond issue corporate bonds with ISIN Code BG2100019079, according to the decision adopted under the preceding point.

Item Three: Adoption of a resolution for assigning and authorizing the Issuer "Intercapital Property Development" ADSIC to take the relevant decision and to undertake all legal and formal actions necessary in order to carry out the amendments regarding the terms of the bond issue voted on in the previous point.

Draft resolution: The General Meeting of bondholders assigns and authorizes the Issuer "Intercapital Property Development" ADSIC to take the relevant decision and to undertake all legal and formal actions necessary in order to carry out the amendments regarding the terms of the bond issue voted on in the previous point, including but not limited to carrying out personally or through a proxy the necessary notifications to Central Depository AD, Bulgarian Stock Exchange, Financial Supervision Commission.

Item four: Miscellaneous"

30.01.2015

Milen Bozhilov
Investor Relations Director

