

Annual Consolidated Management Report
INTERCAPITAL PROPERTY DEVELOPMENT ADSIC
2016

24 April 2017

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I. General information about the Company on consolidated basis

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

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

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

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

Milen Bozhilov is the Company’s investor relations director.

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

As of 31.12.2016 “Intercapital Property Development” ADSIC has investments in the following subsidiary companies:

Name of the subsidiary company	2016 BGN ‘000	share %	2015 BGN ‘000	share %
Marina Cape Management EOOD	5	100%	5	100%

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

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

“Marina Cape Management” EOOD is a subsidiary of “Intercapital Property Development” ADSIC (the latter owns 100% of the company’s stock) and is established in 2006 for the purpose of servicing the apartments and the commercial areas in the “Marina Cape” vacation complex. The company is managed and represented by Vesselin Terziev and Nikolay Handzhiev. “Marina Cape Management” EOOD is a company with which all the clients that have acquired properties in the “Marina Cape” vacation complex conclude a contract for maintenance and management for an annual remuneration of EUR 12 per sq.m.

II. Basic parameters of the annual consolidated financial report

A. Expenses of the Company on consolidated basis

During the reporting year 2016 the Company has realized expenses in the total amount of (excluding corporate tax expenses) BGN 4 270 thousand on consolidated basis. Of this amount, BGN 2 352 thousand represent operating expenses, of which BGN 189 thousand represent costs from changes in the fair value of investment properties of the Company. The financial costs amount to BGN 1 875 thousand, and the extraordinary expenses amount to BGN 43 thousand.

B. Financial result of the Company on consolidated basis

In 2016 the Company has realized net loss in the amount of BGN 127 thousand on consolidated basis.

C. Revenues of the Company on consolidated basis

In 2016, the Company did not generate revenue from sales of real estate.

The revenues from exploitation of the commercial properties in “Marina Cape” vacation complex (incl. restaurants, pool bar, supermarket, sport and spa centre, kids’ centre, other dining and entertainment premises) are in the amount of BGN 565 thousand.

The revenues from renting apartments – including own properties (i.e. properties owned by “Intercapital Property Development” ADSIC) as well as third parties’ properties (apartments whose owners have concluded management contracts with “Marina Cape Management” EOOD) amount to BGN 530 thousand.

The revenues from providing services of maintenance of real estate properties and representation of owners in the “Marina Cape” vacation complex (owners different from “Intercapital Property Development” ADSIC) amount to BGN 490 thousand.

In 2016 the Company also realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

The total revenues from operating activity in 2016 amount to BGN 4 149 thousand.

D. Assets of the Company on consolidated basis

As of 31.12.2016 the Company’s assets on consolidated basis are in the amount of BGN 58 683 thousand, including:

Long-term tangible assets: BGN 49 302 thousand of which the value of the investment properties owned by the Company is with the greatest share – BGN 35 637 thousand;

Long-term intangible assets: BGN 3 thousand;

Deferred tax assets: BGN 21 thousand;

Deferred Expenses: BGN 893 thousand;

Short-term assets: BGN 9 381 thousand, of which the largest share is the value of receivables from clients and suppliers - BGN 4 827 thousand.

E. Liabilities of the Company on consolidated basis

The short-term liabilities of the Company on consolidated basis as of 31.12.2016 amount to BGN 48 764 thousand. The greatest share of them is that of the obligations to bank and non-bank financial institutions – BGN 24 699 thousand. The payables towards suppliers and customers as of 31.12.2016 amount to BGN 5 343 thousand. In addition, as of 31.12.2016 the Company has received advance payments from clients and guarantee deposits in the amount of BGN 7 981 thousand due to concluded contracts for purchase of real estate properties.

The long-term liabilities comprise the non-current portion of the bond issue of BGN 3 912 thousand, financial leasing liabilities amounting to BGN 1 530 thousand and other liabilities amounting to BGN 1 502 thousand.

F. Shareholders' equity

The Company's shareholders' equity on consolidated basis as of 31.12.2016 is in the amount of BGN 2 975 thousand. It includes:

Share capital: BGN 6 011 thousand

Issue premiums: BGN 7 651 thousand

Revaluation reserves: BGN 5 115 thousand

General reserves: BGN 1 thousand

Retained earnings from previous periods: BGN -15 676 thousand

Current year profit / loss: BGN -127 thousand

III. Exposition of the development of the business and the state of the enterprise on a consolidated basis as well as future prospects:

1. Liquidity:

a) trends, circumstances and risks

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

In 2016, the Company did not generate revenue from sales of real estate. Although in 2016 the real estate market experienced tangible upsurge, the holiday property on the Black Sea coast was still limited. Currently, Intercapital Property Development ADSIC has concluded preliminary contracts for the sale of apartments with an area of about 4 962.67 sq.m. from the Marina Cape vacation Complex.

Intercapital Property Development ADSIC continues to account for operating income from the property of the parent company. The operation of the property is carried out by the subsidiary "Marina Cape Management" EOOD. The results of the exploitation of the real

estate can be divided into two main directions: the exploitation of the commercial areas (including restaurants, water bar, spa centers and sports centers, conference center, shops, etc.) and the provision of services Owners and tenants (including property maintenance, renting, etc.).

In 2016 the revenues from the exploitation of the shopping facilities in the Marin Cape vacation complex (including restaurants, water bar, spa center, fitness center, bowling hall, squash center, shops, etc.) amounted to BGN 565 thousand compared to BGN 573 thousand, for 2015. The gross profit from their exploitation at these sites in 2016 is BGN 127 thousand, at BGN 152 thousand for 2015. As a result, the gross sales margin in 2016 in this segment is 22%, compared with 27% in 2015. The company is constantly striving to optimize the sales prices - costs. Next, the conference center is actively operating in the vacation village, where conference-type events are regularly held. The company aims to actively develop this type of tourism.

Revenues from rental of apartments (including apartments owned by Intercapital Property Development ADSIC and apartments owned by external persons) for 2016 amount to BGN 530 thousand, at BGN 357 thousand for 2015. The Company's gross result for this type of activity in 2016 is a profit of BGN 371 thousand against BGN 249 thousand for 2015.

The revenues from the maintenance services and the representation of owners in the Marina Cape Complex (owners other than Intercapital Property Development ADSIC) amount to BGN 490 thousand. Maintenance revenues are fees paid by property owners in the vacation complex of the subsidiary and servicing company "Marina Cape Management" Ltd. "Marina Cape Management" Ltd. is a company with which all clients who have acquired properties in vacation complex "Marina Cape" conclude a maintenance and management contract with an annual remuneration of EUR 12 per square meter.

The Company also realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

In 2016 the group has not generated financial income. The financial expenses on a consolidated basis are in the amount of BGN 1 875 thousand, BGN 1 866 thousand of which are interest expenses.

In the end of 2016, in compliance with the existing legislation, an appraisal of the investment properties, land and assets in process of construction owned by the parent company was carried out. The investment properties of the parent company include all properties – residential and commercial in Vacation Complex Marina Cape. As a result of the appraisal, as of 31.12.2016 the value of the investment properties of the parent company was reduced by BGN 189 thousand relative to their value prior to the appraisal on 31.12.2016. The result of the revaluation of the land owned by the Company as of 31.12.2016 is negative. As of 31.12.2016 their value is BGN 5 025 thousand compared to BGN 5 133 thousand as of 31.12.2015.

b) Development of the Company's investment projects

“Marina Cape”

The vacation complex has been fully completed since August 2010, by virtue of certificate No 45 (26 s.) and No 48 (27 s.) sector number 26 and 27 (Zone 4).

During 2016 works on repairing damages that occurred during the exploitation and other necessary renovation in the complex were carried out. The renovation activities are carried out by the subsidiary and managing company “Marina Cape Management” EOOD.

The vacation complex is exploited all year round. In the winter season 2015-2016, 2 of all 4 restaurants were open, 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.

During the 2016 summer season, the complex was exploited at over 90% capacity (for the apartments owned by the Company and for those that are not owned by it but are managed by its subsidiary company “Marina Cape Management” EOOD).

There are regular conference meetings in the complex “Marina Cape”. The company aims to actively develop this type of tourism.

“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 rough construction was Midia AD. The plot where the project is to be constructed is of total area of 6 600 sq. m. The project is of 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. Currently the additional requirements by CEZ have been taken care of. Issuance of Act 15 for the outside electric supply of the building and signing a contract for the sale of the electric substation shall be carried out after completing the construction (Act 15) of the building. Currently all construction and other works on the building are at a halt for an indefinite period of time.

The Company’s plans about the “Borovets Grand” project were to have it completed 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 project.

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

In connection with this, several publications of an advertisement 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 the project for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to the latter, the Company is actively searching for a partner who may be willing to invest €2 500 000 required for completing the project Grand Borovets so that it may function as a hotel. As such, the Company has established contacts and is negotiating with several potential investors.

On 17 December 2013 the parent company signed a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project “Grand Borovets”, property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT. Initially the lease price was agreed to be paid in a 2-year period, with a grace period of 6 months, in 24 instalments each due on the 20th of each month it is due on and at a fixed annual interest of 9%. By mutual agreement of the parties in 2014, the maturity date was extended until 20.12.2019 as a result of which, the leasing price was altered to 3 183 968.45 euro, excl. VAT. The parties signed a new agreement in the end of 2016, whereby the maturity date was extended until 20.12.2021 as a result of which, the leasing price was altered to 3 411 746 euro excl. VAT. Under the contract from December 17, 2013 ICPD has transferred by notary ownership the land with ID 65231.918.189 located in

Samokov, Sofia region, and the building constructed on it, representing a hotel apartment complex and service buildings with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement, ICPD has been granted possession of the properties subject to the Contract for financial leasing by the lessor.

c) Financing of Company's operations

As of 31.12.2016 ICPD on a consolidated basis has obligations towards banking institutions, including long term and short term ones, in the amount of BGN 23 456 thousand, as well as an obligation in relation to a bond issue in the amount of BGN 4 890 thousand.

Due to the fact that ICPD did not manage to make the interest and principal payment on its bond loan (due on 14.02.2016), before 10.02.2016, pursuant to the repayment scheme, adopted by the General Meeting of the bondholders, held on 11.02.2015 and in compliance with the decisions of that General Meeting, the interest rate that was applied over the outstanding bond loan for the next three-month period starting on 15.02.2016, remained in the amount of 5.75% annually.

On 11.03.2016 "Intercapital Property Development" ADSIC paid interest in the amount of EUR 39 747 and principal in the amount of EUR 62 500 that were due on 14.02.2016. Due to the delay in making the amortization payment, the Company paid to its bondholders an interest for the delay for the period 15.02.2016-11.03.2016 in the amount of BGN 499.31 (or BGN 0.0998624 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.05.2016) before 12.05.2016, under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.05.2016, remained in the amount of 5.75% annually.

On 09.06.2016, the Company paid interest in the amount of EUR 37 999 and principal in the amount of EUR 62 500 that were due on 14.05.2016. Due to the delay in making the amortization payment, the Company paid to its bondholders an interest for the delay for the period 15.05.2016-09.06.2016 in the amount of BGN 499.30 (or BGN 0.09986 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.08.2016) before 11.08.2016 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.08.2016, remained in the amount of 5.75% annually.

On 08.09.2016, the Company paid interest in the amount of EUR 37 941 and principal in the amount of EUR 62 500 that were due on 14.08.2016. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.08.2016-08.09.2016 in the amount of BGN 480.09 (or BGN 0.096018 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.11.2016) before 10.11.2016 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder

of the bond issue for the next three months, starting on 15.11.2016, remained in the amount of 5.75% annually.

On 12.12.2016, the Company paid interest in the amount of EUR 37 037 and principal in the amount of EUR 62 500 that were due on 14.11.2016. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.11.2016-12.12.2016 in the amount of BGN 537.72 (or BGN 0.107543268 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.02.2017) before 10.02.2017 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.02.2017, remained in the amount of 5.75% annually.

On 13.03.2017, the Company paid interest in the amount of EUR 36 233 and principal in the amount of EUR 125 000 that were due on 14.02.2017. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.11.2016-15.02.2017 in the amount of BGN 1 039.88 (or BGN 0.207975138 per bond).

In 2016, the Company has not raised funds in the form of share capital, has not issued bonds or received bank credits.

On 24.09.2015 ICPD was informed of the formation of an enforcement case No: 671/2015, on the docket of private bailiff Stanimira Nikolova, Reg No: 805 of the Chamber of Private Enforcement Agents. The case was formed based on executive order issued in favour of Piraeus Bank Bulgaria AD, for principal in the amount of EUR 550 000. The executive orders for these sums have been issued as follows:

- for the amount of EUR 250 000 – order proceedings of case 22731/2015 of Regional Court of Sofia, the claim originating from loan contract No: 1236/2007, dated 19.10.2007
- for the amount of EUR 300 000 – order proceedings of case 22737/2015 of Regional Court of Sofia, the claim originating from loan contract No: 736/2008, dated 07.07.2008, signed with Piraeus Bank Bulgaria AD

The company has filed appeals for the issued executive orders and receiving orders. In response, the bank has made determination claims as per art. 422 of the Code of Civil Procedures, as follows:

- for the amount of 250 000 a commercial hearing No: 1501/2016 in Sofia City Court was initiated
- for the amount of 300 000 a commercial hearing No: 777/2016 in Sofia City Court was initiated

In 2016 ICPD ADSIC was informed of the issuing of two more executive orders as follows:

- for the amount of EUR 500 000 – order proceedings of case 9111/2016 of Regional Court of Sofia, the claim originating from loan contract No: 1236/2007, dated 19.10.2007
- for the amount of EUR 500 000 – order proceedings of case 9110/2016 of Regional Court of Sofia, the claim originating from loan contract No: 736/2008, dated 07.07.2008, signed with Piraeus Bank Bulgaria AD

The company has filed appeals for the issued executive orders and receiving orders for both executive proceedings in 2016.

In this regard, the bank has made determination claims as per art 422 of the Code of Civil Procedures for which case No: 7106/2016 of Sofia City Court was initiated.

In 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

By decision of Sofia City Court , issued on 16.02.2017 and 01.03.2017, regarding the above cases, based on determination claims made by Piraeus Bank Bulgaria AD, the proceedings of the hearings were terminated according to an agreement concluded between the parties. In this regard, Intercapital Property Development ADSIC withdrew its appeal regarding case 9110/2016 of Sofia Regional Court.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC.

2. Capital resources:

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

With regard to “Marina Cape” vacation complex the Company does not have material commitments for realization of capital expenditures because licenses for use for all the residential properties in the complex have already been issued - i.e. the properties, which are subject to preliminary contracts for sale concluded and in regard to which advance payments have been received, 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, currently, the construction works on Grand Borovets project have been frozen due to lack of financing. According to the management, around € 2 500 000 are required, including expenses for the construction of all facilities in the complex (including water supply, sewerage, electrical installation), setting of flooring, tiling, landscaping, insulation, plaster walls and everything else that is necessary for obtaining of a certificate for exploitation.

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

Currently, 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 the beginning of 2016, the world capital markets noticed negative movements. The fears for the condition of the economy in China and its possible negative effect on the world economy led to serious decreases in the indices in the first days of the year. After a very volatile first half of 2016, a very successful second half followed, bringing good return for most risk assets. After being sold out to its previous bottom levels. American index S&P 500 managed to find support and slowly recover from the losses. Statements and the specific actions of the leading central banks in the form of increased scale and period of QE from ECB and the focus on having a stable world economy, set by the chairman of FED

Janet Yellen, helped for the recovery of the markets. The markets were also supported by the data for the performance of European economies, while at the same time, the US economy continued to show good results and remarkable stability. The developing markets also moved with positive trends, as a result of the recovery in raw material prices and the expectation that FED will slow the increase in interest rates.

In the end of June 2016, the results of the referendum in Great Britain for exiting the EU brought a new wave of volatility. The day after, the European markets collapsed, as uncertainty for EU's future deepened. This was the bottom for the European market shares. The decrease however was temporary, whereas the European markets not only closed the gaps resulting from the surprising referendum result in the UK, but some, like the German DAX even completely erased their losses from the beginning of the year.

The second half of the year was marked by the president elections in the USA in November, whereas investor attention from all over the world was focused on the outcome. The surprising result of Donald Trump winning, quickly overturned the negative trends and brought an increase in the local market that same day. The election programme, announced by Trump was interpreted in the strong growth of the relevant sectors of the American market, which were expected to be the most favoured. Investors turned to risky assets again, whereas S&P 500 achieved a 3.4% monthly growth. State bonds were sold off and the dollar and share market showed the direction of money movement. The expected interest rate increase by FED in December contributed to the weaker performance of the developing markets in the last months, but they enjoyed strong moments before that, considering their delayed increase during the year. As such, the broad index S&P 500 ended the year with growth a bit over the average historic 9.5%. The European markets recorded one of their best months in December, the German DAX achieving 7.9%, closing in green by 6.9% for the year, the French CAC-40 added 6.2% and also ended the year in green by 4.9%.

2016 was also positive for the Bulgarian capital market. The main index of the Bulgarian Stock Exchange added 28%, the range of price increase being from 7% to 73%. The growth of SOFIX for 2016 placed it in third place in Europe after the Russian and Belgium stock exchange. The index moved up during the second half of the year after the minimal decrease of 1.16% in the first six months. The main reason for the increase was the newly-created ETF for the main index. The attention of the investors was focused mainly on the shares of the companies in it. They were the ones increasing in price during that month. In addition, in August 2016 the results from the verification of assets of the commercial banks, in accordance with EU standards, came out. The positive results from the stress tests of the banks reassured the investors, creating a favourable environment for increased interest in shares of Bulgarian companies, specifically by foreign institutional investors. Due to the latter trends, the expectations of Intercapital Property Development's management are moderately optimistic, whereas the company does not rule out the possibility of volatility in the markets of Central and Eastern Europe, linked mainly to events in the world markets. As such, the management of the company cannot forecast upcoming procedures for capital increase of the company.

- Debt securities. In the last quarter of 2016 there were no auctions on the primary market, whereas the factors explaining the reduced offering of State Securities throughout the entire year remained the same. They had full coverage of the government with liquid funds as a result of the double tranche bonds on the international capital markets of size of 1994 million euro emitted in March 2016 and the realized budget surplus in the end of the year. The return on the secondary market on the benchmark emission with maturity 10 years and 6 months continued to drop and in the fourth quarter it recorded a decrease of 35 basis points compared to the third quarter, reaching 1.80%. The continued decreasing trend was

mainly due to the increased demand of State Securities on the domestic secondary market, determined by the larger volume of State Securities with upcoming maturity compared to issues on the domestic market since 2016, high liquidity in the banking sector and limited alternative investment options. As a result of mainly external factors the return on all debt instruments of the government, emitted on the international capital markets increased relatively quickly in mid-November, and began to decrease after that, reaching the levels of the third quarter in the short term maturities. In the first half of 2017, the Bulgarian State Securities' return is expected to remain at the same level as in the end of 2016. The increased domestic demand will be at decreasing return at limited offering of new issues and high liquidity of the banking sector. Due to the increasing global political instability and the current indications for carrying out of diversified policies of the Federal Reserve of USA and ECB it is possible to expect an increase in the fluctuations of the markets of state debt.

In 2016, in Bulgaria, the practice for placement of corporate bonds outside the stock market with their subsequent registration for exchange trading continued. The new issues, registered for trade at the Sofia Stock Exchange were 8. The management of the company expects that there will be an increase in issuing new bonds, a prerequisite of which is the drop in interest rates of deposits in Bulgaria.

- Bank loans. Although in 2011 the banking market began to observe some movement, it was more in terms of housing loans, i.e. it benefited the buyers and was almost negligible in terms of developers. We expect that in 2017 the situation in the credit markets would continue to improve, but the construction contracting sector will likely still be considered as not a very desirable borrower.

3. Results from the Company's activity

a) Unusual or sporadic events

In 2016 no unusual or sporadic events have occurred for the parent company and the subsidiary company "Marina Cape Management", influencing the results of the activity

Nevertheless it is worth mentioning that in 2016, ICPD realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

On 01.02.2016 the parent company signed an Annex to a Contract with "VEI Project" AD, dated 30.12.2011, according to which the parties agree the term in which Intercapital Property Development ADSIC must pay VEI Project the remainder of the sale price of the properties, subject to the contract, which as of 01.02.2016 is in the amount of 841 989.30 EURO, to be extended to 30.09.2021, whereas the conditions for payment are altered as follows:

- Annual interest in the amount of 6.5% for the extended term of the contract, applied as of 01.02.2016
- Maturity 30.09.2021
- Interest payment – every month, no later than the last day of the month, until the maturity date
- Payment of remainder of the sale price – in 9 equal installments starting January 30, 2021 until September 30, 2021

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

Construction works on the project "Grand Borovets" remained frozen in 2016. They may be resumed in case of securing finances to complete the site.

In 2016 the expenses of the project "Marina Cape" were mainly fees for management and maintenance and overheads. It is expected that in 2017 the group of "Intercapital Property Development" ADSIC will continue to realize revenue from the sale of vacation properties in Marina Cape as well as from their management.

The largest item in the Company's expenses on a consolidated basis in 2016 were the expenses for interest – bank and bond loans and on other obligations of the Company.

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

In 2013 the recovery from the crisis began and the real estate market showed positive data more often. According to Green Life Development & Resorts in 2016 the market for holiday properties in Bulgaria became more stable. Prices remained without significant changes and the interest from the buyers was sustainable. These trends give grounds for optimistic expectations in 2017 in case that the geopolitical situation does not undergo new changes. In 2016 there were new trends giving grounds for optimism. One of them is the fact that Bulgarian buyers are becoming a significant part of the market of holiday properties. According to Green Life Development & Resorts the conditions in the holiday property market will be favourable in 2017 also in terms of competitive environment. After the events in Turkey, our neighbor is not an option for holidays for Russian citizens. In this regard, Bulgaria does not have a competitor with identical characteristics.

The property market in the ski resorts remained without significant changes, according to Green Life Development and Resorts. There are single buyers taking advantage of the low prices, buying properties for their own use. The market is almost entirely secondary and the buyers are mainly Bulgarian.

In 2017 the expectations are that we will not evidence significant changes or shocks. The holiday property market will continue to develop in moderate terms but in the positive direction. It is possible that there will be an increase in activity and number of deals at the southern part of the Black Sea, as well as new projects. An increase in the price levels will not happen and the preferences of buyers will remain without significant changes – good location, moderate building, reasonable price levels, options for annual maintenance of the properties. That is one of the advantages of the residential complex "Marina Cape" owned by "Intercapital Property Development" ADSIC. Another key factor that places the complex, and the Company, respectively, in a favourable 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 unbuilt projects. The trend that started in 2008, that buyers look for properties that are ready for use, due to their unwillingness to take risks continues to this date. 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

By decision of Sofia City Court, issued on 16.02.2017 and 01.03.2017, regarding the cases listed herein in Section I, art. 1 c, based on determination claims made by Piraeus Bank Bulgaria AD, the proceedings of the hearings were terminated according to an agreement concluded between the parties. In this regard, Intercapital Property Development ADSIC withdrew its appeal regarding case 9110/2016 of Sofia Regional Court.

In 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC. More information regarding the status of the outstanding legal, arbitrary and executive proceedings can be found in Section IX, art. 20 below.

III. Important research and development

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

IV. Structure – branches and departments

The activities of the parent company are not organized in departments and there are no branches.

V. Financial instruments

Apart from regular shares, the parent company has issued bonds, traded on the Bulgarian Stock Exchange since 2008.

As of 31.12.2016, the company has not used financial instruments for hedging the financial, price, credit and liquidity risks and the cash flow risk.

VI. Information regarding art.187d and 247, art.2 of the Commercial Law

1. Information regarding art.187d for transactions with own shares

In 2016 ICPD has not acquired or transferred own shares.

2. Remunerations, received in total through the year by the members of the Board

According to the commercial law and the statutes of the company, the remuneration of the members of the Board is determined by the General Meeting.

The executive members of the Board conclude a contract in writing for the management of the company, whereas the remaining members of the Board may conclude employment contracts or contracts for management.

In 2016 the members of the board have not been paid remuneration.

3. Acquired, owned and transferred company shares during the year by the members of the Board

As of 31.12.2016 the members of the Board own company shares as follows:

	Shares	% of capital
Velichko Klingov ¹	43 111	0.72%

¹ As of 31.12.2016, Velichko Klingov has concluded a contract for repo of financial instruments with collateral – shares of ICPD (37 806 in total) in his capacity of seller, whereas these shares are a part of all shares, listed above.

As of 31.12.2015 the members of the Board own company shares as follows:

	Shares	% of capital
Velichko Klingov ¹	77 111	1.28%

¹ As of 31.12.2015, Velichko Klingov has concluded a contract for repo of financial instruments with collateral – shares of ICPD (37 806 in total) in his capacity of seller, whereas these shares are a part of all shares, listed above.

4. Rights of the members of the Board to acquire company shares or/and bonds
The statutes of ICPD do not provide privileges or limitations for the board members to acquire company shares or bonds.

5. Participation of the members of the board in companies as partners with unlimited liability, ownership of over 25% of the capital of another company as well as their participation in the management of other companies or cooperations as procurators, managers or board members.

5.1 Velichko Stoychev Klingov – CEO

Velichko Stoychev Klingov is not a partner with unlimited liability and does not own more than 25% of a capital of a company.

5.2 Tsvetelina Hristova – member of the Board

Tsvetelina Hristova is not a partner with unlimited liability and does not own more than 25% of a capital of a company.

5.3 Aheloy 2012 OOD – member of the Board

Aheloy 2012 OOD is not a partner with unlimited liability and does not own more than 25% of a capital of a company, excluding the following:

- Aheloy Imo 2014 EAD, EIK 203174990 – sole shareholder.

Aheloy 2012 OOD does not take part in management/control organs of other companies.

6. Information as per art. 240 b of the Commercial law

In 2016 the company has not concluded deals as per art. 240 b of the Commercial Law, namely contracts with the members of the board and their affiliates, which go beyond its ordinary activities or significantly deviate from market conditions.

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

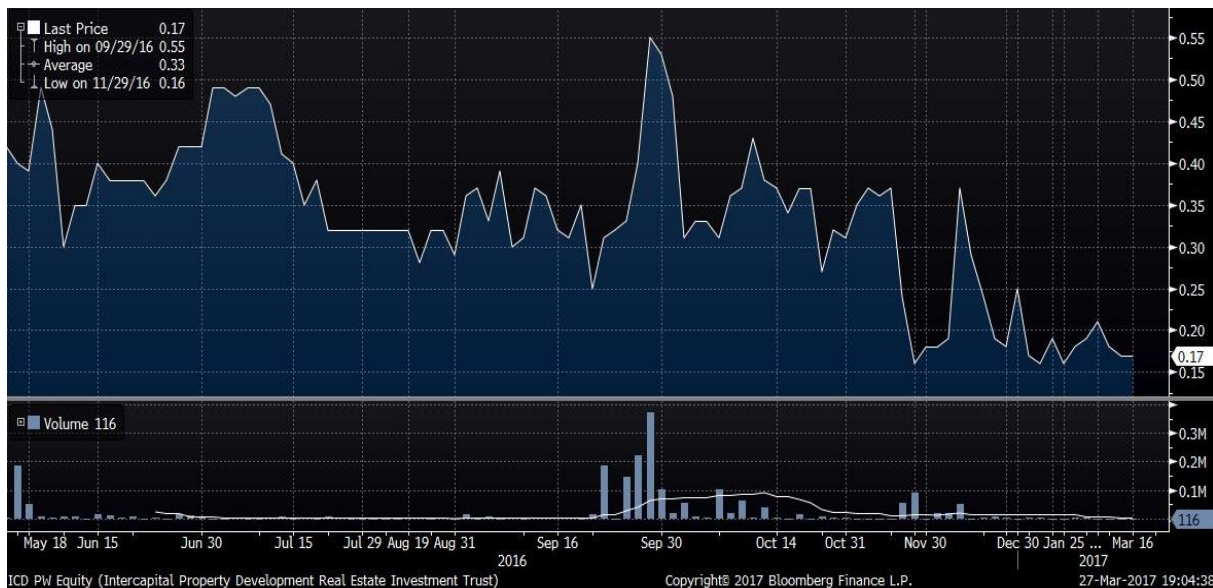
- on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)



Source: www.infostock.bg

The shares of the Company have been traded on BSE – Sofia AD since December 05, 2005.

- on the “NewConnect” market, organized by the Warsaw Stock Exchange (currency - PLN)



Source: [Bloomberg](#)

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

VIII. Planned economic policy

In 2017 the company expects improvement on the holiday property market and in this regard resuming income from sales of properties in Marina Cape vacation complex.

The company will continue to generate revenue from the management of the vacation complex through its subsidiary Marina Cape Management.

The company will continue to work hard in order to restructure its obligations in order to have them regularly serviced and to improve its liquidity.

Despite of the positive trends on the capital market in Bulgaria in the second half of 2016, the company does not plan new issues of shares or bonds in 2017 due to the volatility and uncertain signals from the world capital markets.

IX. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 32a, par. 2, p. 41a, par. 1 pt. 1 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 company has not generated income from the sales of properties in 2016. Although there was significant movement in the property market in 2016, the demand for properties at the Black sea remained limited. Currently Intercapital Property Development ADSIC has signed contracts for the sale of properties of total size of approximately 4 962.67m² in Marina Cape vacation complex.

Revenues ('000 BGN)	2016	2015
<i>Net revenues from the sale of:</i>		
1. Finished goods	259	255
2. Goods for sale	236	273
3. Services	1134	912
4. Other	65	829
Total:	1694	2269

Income from the exploitation of the commercial sites in the "Marina Cape" (including restaurants, water bar, supermarket, sports and spa center, children's center, other dining and entertainment facilities) amount to BGN 565 thousand. Revenues from renting both own properties (property of "Intercapital Property Development" ADSIC) and foreign real estate (properties, the owners of which have signed a management contract with Marina Cape Management Ltd) are worth BGN 530 thousand.

Revenues from the provision of services (mainly on property maintenance and representation) of owners of the Marina Cape (owners other than Intercapital Property Development ADSIC) amount to BGN 490 thousand.

In 2016 the parent company realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

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 degree the Czech Republic, Slovakia, Lithuania and other former Russian republics. In 2016 the company has not generated income from sales of properties.

During the last two years, 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 company expects a revival of the holiday property market in 2017 and activation of sales of the properties in Marina Cape vacation complex.

At the same time, in 2017 the management of the group expects an increase in the revenues generated from tourist activity. The complex is becoming more and more recognizable

among tourists (including local and foreign visitors), and an increase in the number of tourists who would prefer Bulgaria to Turkey due to the uncertain situation in our southern neighbor is expected. However, due to the warming of relations between Russia and Turkey, some Russian tourists who preferred Bulgaria to Turkey as a tourist destination last year, are likely to return to Turkey.

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

The subsidiary "Marina Cape Management" also uses the services of various suppliers of goods and services, among which: EVN Bulgaria EAD, Ventnerji OOD, Sun Out Of Home Company Ltd. and others.

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

In 2016 the group of “Intercapital Property Development” ADSIC has not concluded large transactions and transactions that are essential for the Company’s activity.

Nevertheless it is worth mentioning that in 2016, the parent company realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

On 01.02.2016 the parent company signed an Annex to a Contract with “VEI Project” AD, dated 30.12.2011, according to which the parties agree the term in which Intercapital Property Development ADSIC must pay VEI Project the remainder of the sale price of the properties, subject to the contract, which as of 01.02.2016 is in the amount of 841 989.30 EURO, to be extended to 30.09.2021, whereas the conditions for payment are altered as follows:

- Annual interest in the amount of 6.5% for the extended term of the contract, applied as of 01.02.2016
- Maturity 30.09.2021
- Interest payment – every month, no later than the last day of the month, until the maturity date
- Payment of remainder of the sale price – in 9 equal installments starting January 30, 2021 until September 30, 2021

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

('000 BGN)	2016	2015
Sales/Purchases of goods and services		
- Services executed by "Marina Cape Management" EOOD for "Intercapital Property Development" ADSIC	224	392
- Services executed by "Intercapital Property Development" ADSIC for "Marina Cape Management" EOOD	380	402

('000 BGN)	2016	2015
Sales/Purchases of goods and services		
- Services executed by Marina Cape Tours EOOD for "Marina Cape Management" EOOD	0	0
- Services executed by "Marina Cape Management" EOOD for Marina Cape Tours EOOD	5	13

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 2016 there were no events of unusual nature for the group "Intercapital Property Development" ADSIC, having substantial influence over groups operation and the realized by it revenues and expenses made on consolidated basis.

It should be noted yet that in 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC.

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 2016 there were no transactions for the group "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 31.12.2016 “Intercapital Property Development” ADSIC has the following investments in subsidiary companies:

Name of the subsidiary company	2016 ‘000 BGN	share %	2015 ‘000 BGN	share %
Marina Cape Management Ltd.	5	100%	5	100%
Marina Cape Tours Ltd.	5	100%	5	100%

As of 31.12.2016 the book value of the land owned by the group is in the amount of BGN 5 025 thousand, the value of the Company’s investment property is BGN 35 637 thousand, the value of work in progress is BGN 7 073 thousand and the value of unfinished production (in connection with the construction of residential complex Marina Cape) is BGN 1 056 thousand.

As of the end of 2016 on consolidated basis the Company has cash funds and money in current accounts in the amount of BGN 412 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 31.12.2016 “Intercapital Property Development” ADSIC has the following obligations to financial institutions:

Creditor	Current EUR	Account, Non-Current, EUR	Maturity
Piraeus Bank Bulgaria AD	3 131 180,38	-	30.10.2015
Piraeus Bank Bulgaria AD	2 562 680.06	-	30.01.2014
Piraeus Bank Bulgaria AD	2 535 185.23	-	30.01.2014
Texim Bank AD	67 500.00	-	20.12.2018

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 № 736/2008 from 07.07.2008 - 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 from 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 “Grand Borovets 2013” EOOD

Contract for sale-purchase of receivables pursuant to Contract for a credit № 716/18.09.2008 and Contract for a credit № 717/18.09.2008 (cession), pursuant to which the Creditor of the Company DSK Bank EAD has transferred its receivables arising from the two contract for credit on total amount of EUR 5 832 886.5 to Grand Borovets 2013 EOOD.

- 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.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717/2008 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Pursuant to the agreement concluded on 27.12.2013, between “Grant Borovets 2013” EOOD from one side, ICPD ADSIC as principal debtor and “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov as co-debtors, the amount of the debt of ICPD ADSIC outstanding towards “Grand Borovets 2013” EOOD was reduced by BGN 2 000 000. Additionally, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, is to be removed. The removal of the mortgage was registered on 21.01.2014.

In 2014 an additional BGN 200 thousand from ICPD’s obligations towards Grand Borovets 2013 EOOD were written off. In addition the mortgage on the commercial properties located in Vacation Complex Marina Cape, that secured the receivables of the new creditor was removed

In 2015 an additional BGN 600 thousand from the above mentioned obligation of ICPD towards Grand Borovets 2013 EOOD were written off.

In 2016 an additional write-off of BGN 1 770 thousand from the aforementioned obligation of "Intercapital Property Development" ADSIC towards "Grand Borovets 2013" EOOD.

3) Towards "BG Invest Properties" AD

- Contract for sale-purchase of receivables dated 05.04.2013, concluded between Investbank AD and BG Invest properties EAD, pursuant to which the bank has transferred its receivables from the Company's credit amounting to BGN 240 000, to the new creditor "BG Invest Properties" EAD.
- Deed of establishment of a mortgage since 29.07.2013, act № 161, Volume III, registration № 3115, № case 538/2013, at a notary Gergana Nedina, collateral of a bank loan agreement of 08.03.2013 on the following property located in vacation complex Marina Cape, town Aheloy and property of ICPD ADSIC: sports and recreation center "Fitness Centre" with ID 00833.5.409.21, Aheloy, Municipality Pomorie, Burgas Region, an area of 214.00 sq. m., with adjacent parts: 33 square meters, along with their common parts of the building rights on the land.

4) Towards Teximbank AD

- Loan Contract for receiving working capital funds from 09.12.2013, concluded between Teximbank AD and Intercapital Property Development ADSIC, subsequent to which Teximbank AD has provided to ICPD, in its capacity of loan borrower, a loan in the amount of 130 000 (one hundred and thirty thousand) euro intended for working capital.
- Notary Deed for establishing a contractual mortgage of 05.02.2014, act 53, vol. I, reg. № 358, case №51/2014 of notary Gergana Nedina, collateral of the receivables in relation to the loan contract from 09.12.2013, on real estate owned by the Company, namely real estate properties located in Vacation Complex Marina Cape, built in property with identification № 00833.5.409 (zero zero eight three three point five point four zero nine), Aheloy, Pomorie municipality, Burgas district, Prechistvatelnata zone.

Additionally the company has issued a debenture loan, with a principal/nominal amount as of 31.12.2016 of EUR 2 500 000.

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.4 to it dated 11.02.2015, 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.

Currently the subsidiary of Intercapital Property Development ADSIC - Marina Cape Management Ltd. has used a single bank loan from UniCredit Bulbank AD in the amount of BGN 100 thousand, absorbed in the first quarter of 2009, which was fully repaid in 2016.

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 2016 "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 parties.

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

In 2015 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 threats and measures which the issuer has undertaken or is to undertake in order to eliminate them

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.02.2016, adopted by the General Meeting of Bondholders held on 02.11.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.02.2016, remains 5.75% annually.

On 13.03.2016 "Intercapital Property Development" ADSIC paid the interest payments due as of 14.02.2016 in the amount of EUR 39 747 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.02.2016 to 11.03.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment

on the bond loan under the repayment plan by 12.05.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.05.2016, remains 5.75% annually.

On 09.06.2016 “Intercapital Property Development” ADSIC paid the interest payments due as of 14.05.2016 in the amount of EUR 37 999 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.05.2016 to 09.06.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 11.08.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.08.2016, remains 5.75% annually.

On 08.09.2016 “Intercapital Property Development” ADSIC paid the interest payments due as of 14.08.2016 in the amount of EUR 37 941 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.08.2016 to 08.09.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.11.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.11.2016, remains 5.75% annually.

On 12.11.2016 the Company paid the interest payments due as of 14.11.2016 in the amount of EUR 37 037 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 537.72,31 (or 0,107543268 per bond) for the period of 15.11.2016 to 12.11.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.02.2017, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.02.2017, remains 5.75% annually.

On 13.03.2017 the Company paid the interest payments due as of 14.02.2017 in the amount of EUR 36 233 and principal repayment in the amount of EUR 122 000. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 1 039.88 (or 0.207975138 per bond) for the period of 15.11.2016 to 15.02.2016.

The company diligently monitors the adherence to the factors set out in the Prospectus of the bond issue. For this purpose, the management of the company has worked hard in several key areas: increasing revenue from sales of real estate and revenue from management of real estate owned by the Company; restructuring of the Company's obligations; increasing the collection of receivables of the issuer. The aim of all these measures is to improve the financial position of the company, including its liquidity position. With regard to increased revenue from sales of property, the company works continuously to find new markets and attract potential buyers, and search for new forms of revenue from sales associated with real estate held by the Company.

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

Currently, the Company has frozen the construction works on the investment project in Borovets resort due to lack of financing. The Company cannot estimate when it would be able to secure financial resources for completing the project Grand Borovets because currently, the market conditions for capital increase are still unfavourable. On the other hand, it would be difficult to receive bank financing due to the significant level of debt the company already has.

On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the land 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 advertisement for its 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 completing the project Grand Borovets so that it may function as a hotel. As such, the Company has established contacts and negotiated with several potential investors.

New investment projects would be feasible only after an increase in the capital of the Company, which would be possible when the global financial markets and especially the Bulgarian Stock Exchange 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

"Intercapital Property Development" ADSIC has adopted and implemented policies and procedures governing the effective functioning of the reporting and disclosure information by the company. The code details the various types of information created and disclosed by the company, the processes of internal company document, the different levels of access to the types of information of those responsible and the deadlines for processing and managing information flows. The established system of risk management ensures the effective implementation of internal control in the creation and management of all company documents including financial statements and other regulated information, which the Company is obliged to disclose in accordance with the legal provisions.

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

There have been no changes in 2016.

17. Information on the amount of the remunerations, rewards and/or the benefits of each member 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 cannot exceed 10 minimum monthly salaries. 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.

During 2016 the Board of Directors of the Company have received no remunerations.

By decision of the General Meeting of Shareholders, the Board of Directors may receive bonuses amounting to no more than 0.1% of the Company's profit before distribution of dividends for each member of the Board of Directors, but not more than 0.5% for the entire Council.

The Company does not owe any other amounts and / or benefits in kind and not set aside or accrued amounts for pensions, benefits or other retirement compensations of the Board of Directors.

Members of the Board of Directors did not receive remuneration or compensation from subsidiaries of the issuer and these are not set aside or accrued amounts for pensions, benefits or other retirement compensations of the Board of Directors in 2016.

In 2016, the management of the subsidiary "Marina Cape Mending" Ltd has paid the following gross remuneration:

Managing Directors of Marina Cape Management	Amount
Vesselin Todorov Terziev - who held the post until 09.06.2016	BGN 5 thousand
Nikolai Rosenov Handjiev	BGN 11 thousand

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 31.12.2016 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% from the capital</i>
Velichko Klingov ¹	43 111	0,72%

As of 31.12.2016 Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (total number of 37 806 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

As of 31.12.2015 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% from the capital</i>
Velichko Klingov*.....	77 111	1.28%

* As of 31 Dec 2015 Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (a total of 37 806 in count), as a seller (borrower) and these shares are part of the ones indicated 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 bondholders.

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

Below there is information presented on all pending cases:

20.1 CIVIL AND ARBITRARY HEARINGS

20.1.1. Civil Case № 14099/2013 in the inventory of Sofia City Court, Civil Department, 1-14 unit, instituted for payment of sums from Intercapital Property Development ADSIC in favour of Janet Breddy, in relation to an agreement between the parties

The claim is in the amount of 65 925 euro. By decision dated 30.07.2014 the claim is honoured in full. The decision of the Sofia City Court is confirmed by decision of the Sofia Court of Appeal. A cassation request has been submitted. A closed sitting has been scheduled at the Supreme Cassation Court for 07.03.2016 at which the court should take decision on the admissibility of the request.

As a result of the decision of the Sofia Court of Appeal, Janet Breddy has obtained a receiving order and an enforcement case for collecting the awarded amounts has been initiated.

20.1.2. Civil Case № 395/2014 г. in the inventory of Regional Court – Pomorie, Civil Department, unit I, initiated from Roman Anatolievich Burlakov in order that the preliminary contract for purchase of real estate be declared final. In addition a claim for 6 550 euro compensation in relation to the preliminary contract has been made.

By court order of Regional Court Nessebar, confirmed by District court Burgas, the claim of the plaintiff to have their property transferred, free of any liabilities is left without consideration by the Court. The order has been appealed by the plaintiff before the Supreme cassation court, where by final order from 14.04.2015, the claim in this part is left without consideration.

By decision of 26.05.2015 the court honoured the claim for declaring the preliminary contract final and the claim for payment of compensation in the amount of 6 550 euro. The decision has been appealed before District court Burgas. By decision 17.12.2015 District court Burgas has confirmed the decision of the court of lower instance. Currently an appeal can be made before the Supreme Cassation Court.

20.1.3 Case № 338/2014 in the inventory of Regional Court – Pomorie, Civil Department unit IV, initiated by Anatoli Ivanovich Burlakov in order that the preliminary contract for purchase of real estate be declared final. In addition a claim for 6 670 euro compensation in relation to the preliminary contract has been made.

By decision on 30.03.2015 the claim has been honoured in full, whereas the court has declared the contract final and has judged a compensation in the amount of 6 670 euro to the plaintiff. The decision is in force.

20.1.4 Civil Case № 20309/2014 in the inventory of Sofia City Court, Civil Department 1-6 unit, initiated by Aleksei Anatolievich Putintsev and Natalia Alikovna Putintseva against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The price of the claim is in the amount of 55 000 euro. The hearing was set for decision on 08.12.2015 but no decision has been issued yet.

After the hearing, the Sofia City Court rejected entirely the claims of plaintiffs. The decision was appealed by the plaintiff, and a case instituted with reference number № 3254/2016 on the inventory of Sofia Court of Appeal.

By decision form 14.11.2016 of Sofia Court of Appeal, the decision of Sofia City Court was cancelled and rendered another decision that the claim for the sum of 55,000 euros was fully upheld. Legal interest from the filing of the application (on 17.12.2014) until the date of payment and the application of the statutory interest for the period from 12/08/2014 until 17/12/2014 was honoured to 3 836.21 lev, being rejected for the amount to the sum claimed by 5 993.17 lev.

The decision of the Sofia Court of Appeal was appealed by the Company within the Supreme Court of Cassation.

20.1.5 Civil Hearing № 28481/2014 in the inventory of Sofia Regional Court, Civil Department, unit 39 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 21.02.2013, to 17.12.2013, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 67 383,34. A response to the claim has been submitted, by which it has been fully challenged. Scheduling of the case in open proceedings is to be carried out.

20.1.6 Civil Hearing № 45799/2014 in the inventory of Sofia Regional Court, Civil Department, 32 unit, plaintiff Alexander Sergeevich Solovyov vs. Intercapital Property

Development ADSIC for payment of sums from preliminary contracts for the purchase of real estate, which contracts are considered terminated by Solovyov.

The amount claimed is in the amount of 14 000 euro as a partial claim of 127 000 euro formulated as follows:

- A claim for 21_3, located in the residential complex "Marina Cape" – city of Aheloi for an amount of 7000 euros, partial claim paid upon a preliminary agreement for the property in the amount of 92,000 euros;
- A claim for 34_13, located in the residential complex "Marina Cape" - city. Aheloi is sued for an amount of 7000 euros, partial claim paid on a preliminary agreement for the property in the amount of 35,600 euros

By decision from the 31.08.2015, the claim is upheld. The decision was appealed within the Sofia City Court. The appeal was initiated with reference № 597/2016 by description of SCC. By decision from the 11.10.2016, the Sofia City Court confirmed the decision of the Sofia Regional court. The decision was appealed on time and at the time the appeal is pending.

In view of the present reprehensible decision of Sofia City Court, the plaintiff received a writ of execution against "Intercapital Property Development" ADSIC for payment of the amount awarded i.e. 35,600 euros.

20.1.7. Civil Case № 20308/2014 in the inventory of Sofia City Court, Civil Department I-11 unit, initiated by Nina Yurievna Tereschenko against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The case was initiated by Nina Yurievna Tereschenko Skomorovski in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 94 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

A response to the claim has been submitted, by which it has been fully challenged. The first hearing was held on the 13.12.2016. Due to assignment of judicial accounting expertise the case was adjourned and the next meeting will be held on the 06.06.2017.

20.1.8. Civil Case №15692/2015 in the inventory of Sofia City Court, Civil Department, plaintiff Alexander Sergeevich Solvyov vs. Intercapital Property Development ADSIC for payment of sums from preliminary contracts for the purchase of real estate, which contracts are considered terminated by Solovyov.

The price of the claims is as follows:

- For 21_3 located in vacation complex Marina Cape a claim for 85 000 euro has been made, the remainder of the totally paid price amounting to 92 000 euro.
- For 34_13 located in vacation complex Marina Cape a claim for 28 600 euro has been made, the remainder of the totally paid price amounting to 35 600 euro.

A response to the claim has been issued and the case is scheduled for the 12.05.2017.

20.1.9 Commercial Hearing No.:6/2015 in the inventory of District court Burgas, Commercial Department, Unit I, initiated by Maxim Viktorovich Goncharov against Intercapital Property Development ADSIC for payment of sums regarding a preliminary

contracts for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The hearing was initiated by Maxim Viktorovich Goncharov in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiff for four preliminary contracts for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 80 503.84 euro, together with the legal interest on this amount, due from the date of terminating the contracts to the full payment of the amount.

In accordance with the law for territorial jurisdiction, "Intercapital Property Development" ADSIC's case was terminated and transferred to the competent Sofia City Court, where the initiated civil case was entered with reference number № 5304/2015. By decision from 12.12.2016 SCC upheld wants to EUR 70 503, 84 euros, together with legal interest from 07.01.2015 until the date of final payment. The claim was rejected for the amount to the total claim of 80 503.84 euros. The decision was appealed by the Company and the appeal is currently pending.

20.1.10 Civil Hearing No.:223/2015 in the inventory of District court Burgas, Civil Department, Unit I, initiated by Lyudmila Nikolaevna Skomorovska and Aleksander Viktorovich Skomorovski against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The case was initiated by Lyudmila Nikolaevna Skomorovska and Aleksander Viktorovich Skomorovski in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 67 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

On our plea of lack of jurisdiction of the Burgas District Court to hear the case, the case was suspended and sent to the Sofia City Court. The Sofia City Court instituted civil case № 8306/2015 on the inventory of Sofia City Court.

By decision of 09.03.2016, the claims are fully respected. The decision was appealed by the Company. In its appeal, the Company instituted № 3458/2016 on the inventory of Sofia Court of Appeal. After meeting on 09.02.2017, the case was scheduled for judgment and is expected court ruling on its appeal.

20.1.11 Civil Case № 107/2014 in the inventory of Regional Court – Pomorie, Civil Department unit I, initiated by Andrey Yurievich Ragushin in order that the preliminary contract for purchase of real estate be declared final.

The claim was upheld in full by the District Court - Pomorie. The decision was appealed within the district court - Burgas. District Court - Burgas upheld the first instance. The Company has filed an appeal before the Supreme Court of Cassation, which is to determine whether it is admissible to the substantive examination or in a meeting, scheduled for 05.04.2017.

20.1.12 Civil Hearing No.: 2127/2015 in the inventory of District court Burgas, initiated by Svetlana Nikolaevna Zaharova against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The case was initiated by Svetlana Nikolaevna Zaharova in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development

ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 43 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

On our plea of lack of jurisdiction of the Burgas District Court to hear the case, the case was suspended and sent to the Sofia City Court. The Sofia City Court instituted civil case № 3725/2016 on the inventory of Sofia City Court.

By decision of 07.03.2016, the Sofia City Court upheld entirely the claim against the Company. Currently run up to 04.04.2017 on submission of an appeal by the company.

20.1.13 Arbitrary case No: 10/2015 in the inventory of the Arbitrary court for commercial claims – Burgas, initiated by Midia AD against Intercapital Property Development ADSIC

The amount of the claims is BGN 500 000, as a partial claim from the total amount of BGN 6 430 457.72. By decision of 29.02.2016, the claims have been fully respect the decision entered into force. Based on the decision a writ has been issued against "Intercapital Property Development" ADSIC.

20.1.14 Civil Case № 12417/2015 in the inventory of Sofia City Court, initiated by Elisaveta Vidjesingh against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

- claim for payment of compensation in the amount of BGN 1039 as a result of non-compliance with the obligation to transfer the property, together with the legal interest, until payment in full.
- claim in the amount of 32 580 euro, representing the double size of the paid deposit according to art.22 of the deposit contract, together with the legal interest, until payment in full.
- claim in the amount of BGN 5 541.53, representing expenses made for the furnishing of the property, together with the legal interest, until payment in full.

With a ruling from the 02.03.2017 all claims were dismissed as unsubstantiated and unfounded. At present the term for appealing the decision is running.

20.1.15 Civil Case № 16919/2015 in the inventory of Sofia City Court, initiated by Genadi Grishin against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The claim is for 105 312 euro, representing the paid purchase price of the property. – apartment 1_11, located in vacation complex Marina Cape, together with the legal interest, until payment in full.

The first hearing was held on 10/24/2016. The case was postponed for 06.05.2017 in order to gather evidence.

20.1.16 Civil Case № 15944/2015 in the inventory of Sofia City Court, initiated by Olga Nekrasova against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The price of the claims is as follows:

- claim in the amount of 48 000 euro, representing the purchase price paid for the property, apartment 32_51, located in vacation complex Marina Cape, together with the legal interest until full payment is received.
- claim for payment of compensation in the amount of 2000 euro as a result of non-compliance with the obligation to transfer the property, together with the legal interest, until payment in full.

After exchange of documentation the case is scheduled for open court meeting on the 11.05.2017.

20.1.17 Enforcement Hearing № 22731/2015 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement № 1236/2007 from the 19.10.2007 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 05.04.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 250,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 1501/2016 was issued, on the inventory of Sofia City Court. By order dated 16.02.2017, the court approved the agreement between the parties. As a result of the concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.18 Enforcement Hearing № 22737/2015 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement for investment purposes № 736/2008 from the 07.07.2008 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 04.06.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 300,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 777/2016 was issued, on the inventory of Sofia City Court. By order dated 01.03.2017, the court approved the agreement between the parties. As a result of the concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.19 Enforcement Hearing № 9111/2016 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement № 1236/2007 from the 19.10.2007 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 14.03.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 500,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 7106/2016 was issued, on the inventory of Sofia City Court. By order dated 16.02.2017, the court approved the agreement between the parties. As a result of the

concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.20 Enforcement Hearing № 9111/2016 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement № 736/2008 from the 07.07.2008 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 26.04.2016 an order for immediate execution and writ of execution was issued for the amount of EUR 500,000 principal. The order for immediate execution and writ of execution have both been enacted.

20.1.21 Civil Hearing № 11196/2016 in the inventory of Sofia Regional Court, Civil Department, unit 50 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 02.12.2014, to 01.12.2015, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 57 654,12. The plaintiff wants to be reimbursed for legitimate interest obligations from the date of initiation of proceedings until full payment of debts and expenses for the formation and conduct of the case.

"Intercapital Property Development" ADSIC filed an objection against the enforcement order. „Vodosnabdyavane i Kanalizacia“ EAD has brought the action to take in order to implement.

A case with reference № 5781/2016 has been initiated on the inventory of Sofia City Court, VI-14 squad. The case is pending in a meeting scheduled for 11.04.2017.

20.1.22 Civil Hearing № 1727/2016 in the inventory of Sofia Regional Court, Civil Department, unit 50 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 21.01.2014, to 18.12.2014, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 57 654,12. The plaintiff wants to be reimbursed for legitimate interest obligations from the date of initiation of proceedings until full payment of debts and expenses for the formation and conduct of the case.

"Intercapital Property Development" ADSIC filed an objection against the enforcement order. „Vodosnabdyavane i Kanalizacia“ EAD has brought the action to take in order to implement.

A case with reference № 7255/2016 has been initiated on the inventory of Sofia City Court. The case is pending in a meeting scheduled for 17.05.2017.

20 Enforcement Hearings

20.2.1 Enforcement Hearing № 831/2013 in the inventory of bailiff Silvia Koseva, reg. № 809 of CPCB, region – District Court Veliko Turnovo

The enforcement hearing is initiated in relation to receiving orders issued in favour of Teimur Yurievich Bayramov and Irina Feodorovna Bayramova. The total amount due in relation to the agreement is 83 060,26 euro and 9 749 BGN. The enforcement proceedings are currently at a halt.

20.2.2 Enforcement Hearing № 692/2014 in the inventory of bailiff Stanimira Nikolova, reg. № 805 of CPCB, region District Court Burgas

The enforcement hearing is initiated according to receiving order issued in favour of Natalia Borisovna Krasutskaya for the amount of 60 122,21 BGN. The enforcement proceedings are currently at a halt.

20.2.3 Enforcement Hearing № 671/2015 in the inventory of bailiff Stanimira Nikolova, reg. № 805 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "PIRAEUS BANK BULGARIA" AD and detailed in Item.20.1.20 above. Enforcement proceedings are currently pending.

20.2.4 Enforcement Hearing № 983/2016 in the inventory of bailiff Ivelina Bozhilova, reg. № 800 of CPCB, region District Court Burgas.

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "PIRAEUS BANK BULGARIA" AD and detailed in Item.20.1.19 above. Enforcement proceedings are currently pending.

20.2.5 Enforcement Hearing № 1632/2015 in the inventory of bailiff Tanya Madzhova, reg. № 803 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "TELELINK" EAD for the sum of BGN 497 953,39. Enforcement proceedings are currently pending.

The enforcement case has held public sale of mortgaged in favour of "TELELINK" EAD properties as follows:

Independent property identifier № 00833.5.409.4.1., Representing 5₁ apartment, located in a residential complex "Marina Cape" - city Aheloy;

Independent property identifier № 00833.5.409.4.4., Representing 6₁ apartment, located in a residential complex "Marina Cape " - city Aheloy;

Independent property identifier № 00833.5.409.5.1., Representing 7₁ apartment, located in a residential complex "Marina Cape " - city Aheloy;

Independent property identifier № 00833.5.409.7.13., Representing 11_{3_2} apartment, located in a residential complex "Marina Cape " - city Aheloy;

Independent property identifier № 00833.5.409.18.11., Representing 30₇ Studio, located in a residential complex "Marina Cape " - city Aheloy.

By decree award from 29.11.2016, the properties have been awarded in favour of "TELELINK" EAD. Based on the award of the property the repaid obligations under the enforcement case totalling BGN 387 537.50.

20.2.6 Enforcement Hearing № 50/2015 in the inventory of bailiff Delyan Nikolov, reg. № 804 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted on the basis of a writ of execution issued in favour of Alexander Sergeevich Solovyev for the sum of BGN 39 500.59 lev. Enforcement proceedings have been instituted on the basis of the writ of execution issued in gender Solovyev in the case described in paragraph. 20.1.6 in - above. The enforcement case has conducted inventory of three properties owned by the company

- Independent property with identifier 00833.5.409.9.4 representing Apartment 14_2, located in a residential complex "Marina Cape" - city. Aheloy;
- Independent property identifier 00833.5.409.25.22 representing Apartment 37_22, located in a residential complex "Marina Cape" - city. Aheloy;
- Independent property identifier 00833.5.409.26.19 representing Apartment 38_16, located in a residential complex "Marina Cape" - city. Aheloy;

20.2.8 Enforcement Hearing № 850/2016 in the inventory of bailiff Ivanka Mindova, reg. № 704 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted on the basis of a writ of execution issued in favour of Nedyalko Ivanov Kalatchev for the sum of EUR 64,006. Enforcement case is pending at the time.

21. Information 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

Date: 24.04.2017

Signature:

/Velichko Klingov – Executive Director/