Interim financial report

"INTERCAPITAL PROPERTY DEVELOPMENT" REIT

June 30, 2025

Statement of financial position

	Notes	30.06.2025 '000	31.12.2024 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	8,660	8,660
Investment properties	7	3 8622	39,224
Investments in subsidiaries			
Non-current assets		47,282	47,884
Current assets			
Trade receivables	9	1201	1,411
Advances granted	10	1111	1 111
Other receivables	11	501	169
Cash and cash equivalents	12	1	1
Current assets		2,814	2,692
		11	11
Total assets		50,107	50,587

Date: 20.07.2025

Prepared by: ______________
/Optima Audit AD,
Blagorodna Atanasova-Manager/

Executive Director: ______________
/Velichko Klingov/

Statement of financial position

	Notes	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Equity			
Share capital	13	27,766	27,766
Issue premiums		7,651	7,651
Reserve from subsequent valuation of assets		9,593	9,593
General reserves		1	1
Retained earnings		17,072	15,019
Uncovered loss		(29,830)	(29,830)
Current profit/(loss)		-998	2,052
Equity		**31,255**	**32,252**
Liabilities			
Non-current liabilities			
Liabilities to financial enterprises			
Bond obligations	14	11,938	11,735
Other obligations			
Non-current liabilities		11,938	11,735
Current liabilities			
Current portion of long-term liabilities	14		203
Finance lease liabilities	8	-	-
Trade obligations	15	4,044	3,969
Advance amounts received from customers	17	482	640
Tax liabilities	17	214	121
Obligations towards personnel and social security institutions	18	160	144
Other obligations	19	2 014	1,523
Current liabilities		6,914	6,600
Total liabilities		18,852	18,335
Total equity and liabilities		50 107	50,587

Date: 20.07.2025

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/Optima Audit AD,
Blagorodna Atanasova-Manager /

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/Velichko Klingov/

Оптима Одит АД • София • Sofia • Optima Audit AD

ИНТЕРКАПИТАЛ ПРОПЪРТИ ДИВЕЛОПМЪНТ • АДСИЦ • СОФИЯ

Profit or loss statement and
other comprehensive income

	Notes	30.06.2025 '000 BGN	3 1 .06.2024 '000 BGN
Sales revenue	20	157	43
Material costs		(1)	(3)
External service costs	21	(82)	(90)
Personnel costs	22	(30)	(33)
Depreciation expenses		(90)	
Other expenses	23	(602)	(3)
Carrying amount of assets sold			
Profit/(Loss) from operating activities		(648)	(86)
Financial income/expenses	25	(350)	(151)
Changes in the fair value of investment properties			
Profit/Loss for the year		(998)	**(237)**
Earnings per share	27	(0.035)	(0.007)
Other comprehensive income			
Gains/Losses from property revaluations			
Total comprehensive income for the year		(998)	(237)

Date: 20.07.2025

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Executive Director: ______________
/Velichko Klingov/

ИНТЕРКАПИТАЛ ПРОПЪРТИ ДИВЕЛОПМЪНТ * АДСИЦ * СОФИЯ

Statement of changes in equity

All amounts are in '000 BGN.	Main capital	Premium reserve	Other reserves	Retained earnings	The uncovered loss	Total capital
Balance January 1, 2024	**27,766**	**7651**	**9400**	**15,019**	**(29,830)**	**30,007**
Issued capital						
Profit/Loss	-	-	-	2052	-	2052
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	193	0	-	193
Total comprehensive income	-	-	194	2052	-	2246
Balance as of December 31, 2024	27,766	7651	9,594	17,071	(29,830)	32,252
Profit/Loss				(998)		(998)
Other comprehensive income						
Revaluation of non-current assets						
Other amendments						
Total comprehensive income						
	27,766	7,651	9,594	16,073	(29,830)	31,255
Balance as of June 30, 2025	27,766	7,651	9,594	16 073	(29,830)	31,255

Date: 20.07.2025

Prepared by: ____________________
/Optima Audit AD,
Blagorodna Atanasova-Manager /

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Executive Director: ____________________

/Velichko Klingov/

ИНТЕРКАПИТАЛ ПРОПЪРТИ ДИВЕЛОПМЪНТ СОФИЯ * АДСИЦ *

Cash flow statement

	Notes	30.06.2025 '000 BGN	30.06.2024 '000 BGN
Operational activity			
Customer receipts		446	100
Payments to suppliers		(76)	(302)
Payments to personnel and social security institutions		(19)	(23)
Paid/refunded taxes other than corporate tax			
Other receipts and payments from operating activities, net		-	1382
Net cash flow from operating activities		351	1157
Investment activity			
Acquisition of property, plant and equipment			
Net cash flow from investing activities			
Financial activity			
Proceeds from bond loan			
Payments on loans received			
Payments of interest, fees and commissions		351	
Payments under leasing contracts			(148)
Net cash flow from financing activities		351	
Net change in cash and cash equivalents		**0**	**15**
Cash and cash equivalents at the beginning of the year		1	3
Cash and cash equivalents at the end of the period	1	1	18

Date: 20.07.2025

Prepared by: __________
/Optima Audit AD,
Blagorodna Atanasova-Manager /

Executive Director: __________
/Velichko Klingov/

Notes to the financial statements

1. General information

Intercapital Property Development REIT is registered under the Real Estate Securitization Investment Fund Act. The company operates as a collective real estate investment scheme; "real estate securitization" means that the company purchases real estate with the funds it has raised from investors through the issuance of securities (shares, bonds).

The Company is registered as a joint-stock company and is entered in the register of commercial companies at the Sofia City Court, under company file No. 3624/2005, batch No. 92329, volume 1204, reg. I, page: 23. The BULSTAT code is 131397743. The registered office and management address of the Company is - Sofia, 6 Dobrudzha Street.

The Company's shares are registered for trading on the Bulgarian Stock Exchange - Sofia AD and on the alternative market "NewConnect", organized by the Warsaw Stock Exchange.

The company has a single-tier form of management. The Board of Directors is composed as follows:

- Velichko Klingov,
- Tsvetelina Hristova.
- Petya Georgieva Yordanova.

The Investor Relations Director is Radostina Panteleeva.

Service companies, according to the requirements of the Investment Funds Act, are: "Optima Audit" AD, "Marina Cape Management" EOOD. The main independent real estate appraiser is "Dobi 02" EOOD.

2. Basis of preparation of financial statements

a. Declaration of Conformity

The company keeps its current accounting in accordance with the requirements of Bulgarian commercial and accounting legislation.

The financial statements of the company have been prepared in accordance with the International Financial Reporting Standards adopted by the Commission of the European Union. These include the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations for their application (SIC - IFRS interpretations). The International Financial Reporting Standards also include subsequent amendments and supplements to these standards and interpretations for their application, as well as future standards and interpretations for their application, prepared by the International Accounting Standards Board (IASB).

The financial statements are prepared in Bulgarian leva, which is the functional currency of the Company. All amounts are presented in thousands of leva ('000 leva) (including comparative information for 2025), unless otherwise stated.

The financial statements have been prepared on a going concern basis.

These financial statements are individual. The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), in which investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

b. Management Responsibilities

The actions of the management and employees are aimed at strengthening the principles of good corporate governance, increasing the trust of shareholders, investors and persons interested in the management and activities of the Company.

Management confirms that for the reporting period it has consistently applied adequate accounting policies in the preparation of Междинния фthe financial statements and has made reasonable and prudent judgments, assumptions and estimates.

Management also confirms that it has adhered to the applicable accounting standards, as the Interim Financial Statements have been prepared on a going concern basis.

c. Operating enterprise

The Company has prepared its financial statements for the year ended 31 December 2024 on the assumption that the Company is a going concern, which assumes the continuation of its current business activities and the realization of its assets and the settlement of its liabilities in the normal course of its business. The Company's future financial results depend on the broader economic environment in which it operates. Factors that specifically affect the Company's results include zero or negative economic growth, investor confidence, prices of financial instruments, as well as the presence of subcontractors and suppliers.

The Company is in compliance with its financial commitments as of December 31, 2024.

The management has no plans or intentions that would significantly limit the scale of the company's operations and/or transform it in the foreseeable future, within a period of at least one year.

Comparative data

When appropriate for the better presentation of the financial statements, Comparative information is reclassified to ensure comparability with the current period, and the nature, amount and reasons for the reclassification are disclosed. When it is impracticable to reclassify comparative data, the Company discloses the reason for this and the nature of the changes that would be made if the amounts were reclassified.

3. Changes in accounting policy

The Company's accounting policies are consistent with those applied in the previous reporting period, except for the following amended IFRSs, adopted from January 1, 2025:

Some amendments and clarifications are applied for the first time in 2025, but they have no impact on the Company's financial statements. The Company has not adopted any standards, clarifications or amendments that have been published but are not yet effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Upon its effective date, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of company issuing them, as well as to certain guarantees and financial instruments with additional, non-guaranteed income (discretionary participation).

A limited number of scope exceptions apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike the requirements in IFRS 4, which are largely based on established, previous, local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that covers all relevant accounting aspects. At the core of IFRS 17 is the common model, complemented by:

- Specific adaptation for contracts with direct participation features (variable remuneration approach)
- Simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for annual periods beginning on or after 1 January 2024, with comparative information required. Earlier application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard is not applicable to the Company.

39. IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective retrospectively for annual periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to assist entities in applying the standard. Specifically, the amendments are intended to reduce costs by simplifying some of the requirements in the standard, making it easier to explain an entity's financial position and performance, and facilitating transition by postponing the effective date of the Standard until 2024 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date of the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments,* so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2024. The adoption of the amendments did not have an impact on the financial position or results of operations of the Company.

40. Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the Board published amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*

(IP), which provides guidance and examples to help businesses implement

judgements about the level of materiality in the disclosure of accounting policies. The amendments are intended to assist entities in providing disclosures of accounting policies that are more useful by:

- Replacing the requirement for entities to disclose their "material" accounting policies with a requirement to disclose their "significant" accounting policies; and
- Adding guidance on how entities should apply the concept of materiality when making decisions about accounting policy disclosures

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application of the amendments to IAS 1 is permitted, provided that this fact is disclosed. These amendments do not have an impact on the Company's financial statements.

41. Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021, the Board published amendments to IAS 8 that introduced a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use valuation techniques and inputs to develop accounting estimates.
The amended standard clarifies that the effects on an accounting estimate resulting from a change in inputs or a change in measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The Board retains the aspect of the definition of accounting estimates that changes in accounting estimates may result from new information or new developments.
The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments do not have an impact on the Company's financial statements.

42. Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising as a Result of a Single Transaction

In May 2021, the Board published amendments to IAS 12 that narrow the scope of the permitted exceptions to initial recognition under IAS 12 so that they no longer apply to transactions that give rise to both taxable and deductible temporary differences. The amendments clarify that when payments that settle a liability are recognized for tax purposes, it is a matter of judgment whether those deductions for tax purposes can be attributed to the liability recognized in the financial statements or to the related asset. This judgment is important in determining whether a temporary difference exists on initial recognition of the asset and liability.
Under the amendments, the exceptions to initial recognition are not applicable.

for transactions that, upon initial recognition, give rise to equal taxable and deductible temporary differences. It is applicable only if the recognition of a lease asset and a lease liability (or a decommissioning liability and a component of an asset subject to decommissioning) gives rise to taxable and deductible temporary differences,

which are not equal.
The amendments are effective for annual periods beginning on or after 1 January 2024. Entities shall apply the amendments for transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, an entity shall also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences related to leases and decommissioning obligations. These

amendments do not have an impact on the Company's financial statements.

43. Amendments to IAS 12 Income Taxes: International Tax Reform – Model Pillar 2 Rules

The amendments to IAS 12 were adopted on May 23, 2024 in response to the OECD Pillar 2 rules on Base Erosion and Profit Shifting and include:

- A mandatory temporary exemption from the recognition and disclosure of deferred taxes arising from the jurisdiction's application of the Pillar 2 model rules; and
- Disclosure requirements for affected entities to help users of financial statements better understand the entity's exposure to second pillar income taxes arising from this legislation, particularly before its effective date.

The mandatory temporary exception, the use of which is required to be disclosed, is effective immediately. The remaining disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2024, but not for interim periods ending on or before December 31, 2024. These amendments do not have an impact on the Company's financial statements.

a. Published standards that are not yet in force and have not been adopted earlier

As of the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial period beginning on 1 January 2024, and have not been applied from an earlier date by the Company. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force.

The changes are related to the following standards:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 16: Lease liabilities in sale and leaseback transactions
- Amendments to IAS 7 and IFRS 7: Financing Arrangements with Suppliers
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture These amendments have not yet been adopted by the EU.

b. Changes in accounting policy

The adopted accounting policy is consistent with that applied in the previous year.

2. Accounting policy

a. General provisions

The most significant accounting policies applied in the preparation of these separate financial statements are presented below.

The financial statements have been prepared in compliance with the valuation principles for each type of assets, liabilities, income and expenses in accordance with IFRS. The valuation bases are disclosed in detail further in the accounting policies to the financial statements. The individual financial statements have been prepared in compliance with the going concern principle.

It should be noted that accounting estimates and assumptions have been used in the preparation of the financial statements presented. Although they are based on information provided to management as of the date of preparation of the financial statements, actual results may differ from the estimates and assumptions made.

The statement of financial position presents two comparative periods when the Company:
(a) applies an accounting policy retrospectively;

(b) retrospectively restates financial statement items; or

c) reclassifies items in the financial statements and this has a material effect on the information in the statement of financial position as of the beginning of the previous period.

The Company has agreed to present two comparative periods in all cases in order to ensure consistency in presentation for each year.

b. Foreign currency transactions

The individual elements of the Company's financial statements are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's financial statements are prepared in Bulgarian leva (BGN). This is the Company's functional and presentation currency.

Foreign currency transactions are recorded upon initial recognition in the Company's reporting currency at the official exchange rate on the date of the transaction,

(the announced fixing of the Bulgarian National Bank). Income and expenses from exchange rate differences that arise in the settlement of these transactions and the revaluation of monetary positions in foreign currency at the end of the period are reflected in the Income Statement.

The currency board in Bulgaria was introduced on July 1, 1997, in accordance with the recommendations of the International Monetary Fund (IMF), and initially the value of the Bulgarian lev was fixed to the value of the German mark at a ratio of 1:1. After the introduction of the euro, the Bulgarian lev was fixed to the euro at a ratio of 1 euro = 1.95583 leva.

c. Revenue and expenses Revenue recognition

The Company recognizes revenue to reflect the transfer of contractually promised goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transferred goods or services.

The transfer of goods or services is based on the concept of transferring control over them, the ability to direct the use of the asset and obtain substantially all other benefits from it. Control also includes the ability to prevent other entities from directing the use of the asset and obtaining benefits from it.

Revenue from contracts with customers is recognized as follows:

- over time in a manner that reflects the Company's performance under the contract;

- at a certain point in time when control of the goods or services is transferred to the customer.
- Revenue from contracts with customers is recognized based on a 5-step recognition model, with a distinction being made in the following two directions according to the moment of satisfaction of the performance obligation:
- performance obligation (transfer of control) over time – in this case, revenue is recognized gradually, following the degree of transfer of control over the goods or services to the customer;
- for performance, satisfied (control transferred) at a specific point in time – the customer receives control of the goods or services at a specific time and revenue is recognized in full at once.

d. Operating expenses

Operating expenses are recognized in profit or loss when the services are rendered or when incurred. Warranty expenses are recognized and deducted from the related provisions when the related revenue is recognized.

e. Borrowing costs

Borrowing costs primarily represent interest on the Company's borrowings. All borrowing costs, including those that are directly attributable to the purchase, construction or acquisition of a qualifying asset, are recognized as an expense in the period in which they are incurred as part of "finance"

expenses" in the Statement of Profit or Loss and Other Comprehensive Income. The Statement of Profit or Loss and Other Comprehensive Income includes additionally paid bank fees related to renegotiation of loan relationships. Until the final completion of the construction works for the respective site, land costs increase the cost price of the properties under construction. After the final completion of the construction, the capitalization of borrowing costs is terminated. The capitalization of these costs is also terminated upon temporary suspension of construction works.

f. Staff income

Short-term employee benefits include salaries, wages, social security contributions and annual compensable leaves of employees, which are expected to be fully settled within 12 months after the end of the reporting period.

When the Company receives the service, they are recognized as a personnel expense in profit or loss. Short-term personnel benefits are measured at the undiscounted amount of the costs expected to be settled.

For the purposes of the Company's Remuneration Policy, fixed remuneration is any payment or other benefit that is determined in advance and does not depend on the achieved result, and variable remuneration is any additional payment or other benefit that is determined and paid depending on the achieved result or other contractually determined conditions.

The remuneration paid corresponds to the type of professional services provided; the level of education of the employee; the level in the corporate structure that he/she occupies; professional experience; the restrictions imposed (prohibition on performing a certain activity or action, incompatibility for holding a position under an additional legal relationship, etc.).

The members of the Board of Directors receive a fixed monthly remuneration, determined by the General Meeting, which may not exceed 10 minimum monthly salaries. The General Meeting has also adopted a decision that the remuneration of the Executive Director shall be up to 12 minimum monthly salaries.

By decision of the General Meeting of Shareholders, the members of the Board of Directors may receive bonuses of no more than 0.1% of the Company's profit before the distribution of dividends for each member of the Board of Directors, but no more than 0.5% in total for the entire Board.
The Company does not owe any other amounts and/or benefits in kind, nor does it set aside or accrue amounts for the provision of pensions, benefits or other compensation upon retirement of the members of the Board of Directors.

The Company forms only a fixed remuneration, which is determined in the concluded contracts. No variable remuneration is formed and paid. The fixed remuneration includes:

- basic salary, determined in accordance with the current regulations and the applied remuneration system;
- additional remuneration of a non-permanent nature, in the envisaged
-
- in the Labor Code, in the regulation or in another regulatory act, extraordinary cases, such as for overtime work;
- other remuneration specified in a regulatory act;
- remuneration under management contracts and other non-labor contracts – payment established in the individual contract, which is not directly dependent on the assessment of the performance of the activity.

Remuneration may include a non-monetary compensation package - funds for health prevention, funds for improving working conditions and technical/computer security, funds for improving professional qualifications, as well as additional incentives related to voluntary pension and/or health insurance and insurance, subject to the general principles of this policy.

The Company may pay additional remuneration of a non-permanent nature and in the form of one-time remuneration for annual contributions received.

results, target bonuses for the performance of additional assigned or successfully completed additional tasks. Additional remuneration may be paid after positive financial results for the past period and positive forecasts for the future period.

The company did not benefit from extraordinary state aid.

g. Intangible assets

Intangible assets are initially measured at cost. In cases of independent acquisition, it is equal to the purchase price, as well as all non-refundable taxes and direct costs incurred in preparing the asset for operation.

Subsequent measurement is carried out at cost less accumulated depreciation and impairment losses. Impairments incurred are recorded as an expense and are recognized in the Statement of Profit or Loss and Other Comprehensive Income for the relevant period.

Subsequent costs incurred in relation to intangible assets after initial recognition are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred, unless it is probable that they will enable the asset to generate future economic benefits in excess of those initially anticipated and when those costs can be reliably measured and allocated to the asset. If both of these conditions are met, the costs are added to the cost of the asset.

Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, as follows:

Software 2 years

Other 6.5 years

Depreciation is included in the line "depreciation and impairment of non-financial assets" in the statement of comprehensive income.

Trademarks and licenses are shown at historical cost. They have a limited

useful life and are carried at cost less accumulated depreciation.

The Company makes careful judgment when determining whether the criteria for initial recognition as an asset of development costs have been met. Management's judgment is based on all available information as of the date of the Statement of Financial Position. In addition, all activities related to the development of an intangible fixed asset are monitored and controlled on an ongoing basis by management.

The selected materiality threshold for intangible fixed assets of

The company is in the amount of 700 BGN.

h. Property, plant and equipment (non-current tangible assets)

Property, plant and equipment are initially measured at cost, which includes the acquisition price and all direct costs incurred in bringing the asset to its working condition.

The subsequent valuation of land and buildings is carried out at a revalued amount, which is equal to the fair value at the date of the revaluation, less any subsequent accumulated depreciation and impairment losses. The revaluations made are presented in the statement of comprehensive income and are reported against equity (revaluation reserve), if not preceded by previously accrued expenses. Upon sale or derecognition of the revalued asset, the remaining revaluation reserve is recorded against retained earnings.

Subsequent measurement of all other groups of assets is carried out at cost less accumulated depreciation and impairment losses. Impairments incurred are recorded as expenses and are recognized in the statement of profit or loss and other comprehensive income for the relevant period.

Subsequent costs associated with a specific asset of property, plant, equipment and machinery are added to the carrying amount of the asset when it is probable that economic benefits will flow to the company in excess of the initially assessed efficiency of the existing asset. All other subsequent costs are recognized as an expense in the period in which they are incurred.

The Company has adopted the alternative approach for subsequent valuation of land and buildings and the recommended approach for all other non-current tangible assets.

Increases in value, based on revaluation of land, are recorded as an increase in reserves. Decreases that are up to the amount of previous increases for the same asset will be recorded as a decrease in the same reserve. Further decreases in the value of the asset are recorded as a decrease in additional reserves (if any) or as a current expense.

The revaluation reserve is recognized as retained earnings after the relevant asset is retired.

The results of the disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are reported in the financial result for the period.

When the carrying amount of a non-current asset is higher than its recoverable amount, that asset is written down to its recoverable amount.

Property, plant and equipment acquired under finance leases are depreciated based on the expected useful life, determined by comparison with similar assets or based on the value of the lease agreement, if its term is shorter.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the individual asset groups, as follows:

- Machines 3.3 years
- Business inventory 6.67 years
- Facilities 10 years
- Computers 2 years
- Other 6.67 years

The selected materiality threshold for the Company's property, plant, equipment and machinery is BGN 700.

i. Accounting for leasing contracts

At the inception date of the contract, the Company assesses whether the contract constitutes or contains a lease. Namely, whether the contract transfers the right to control the use of the identified asset for a specified period of time.

The Company as a Lessee

The Company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases (i.e. leases with a lease term of up to 12 months) and leases of low-value assets. The Company recognizes lease liabilities for the payment of lease payments and right-of-use assets representing the right to use the assets.

Right-of-use assets

The Company recognizes right-of-use assets from the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any revaluation of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognized, the initial direct costs incurred and lease payments made on or before the lease commencement date, an estimate of the costs that the lessee will incur in dismantling and moving the asset, restoring the site on which it is located or restoring the asset to the condition required by the terms of the lease, less any lease incentives received.

If at the end of the lease term, ownership of the leased asset is transferred to the Company, or the acquisition price reflects the exercise of a purchase option, depreciation is calculated using the expected useful life of the asset.

Right-of-use assets are also subject to impairment.

Lease liabilities

From the lease commencement date, the Company recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including fixed payments in substance), less any lease incentives receivable, variable lease payments that depend on an index or interest rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the price of a purchase option that is reasonably certain to be exercised by the Company, as well as payments of termination penalties. of the lease, if the lease term reflects the Company's exercise of a termination option.

Variable lease payments that do not depend on an index or interest rate are recognized as expenses (unless incurred for the production of inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the intrinsic interest rate on loans at the lease commencement date, as the interest rate implicit in the lease cannot be reliably determined. After the commencement date, the amount of lease liabilities is increased by interest and reduced by lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments as a result of a change in the index or interest rate used to determine those lease payments) or a change in the valuation of the option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease exemption to its short-term leases with a lease term of 12 months or less from the commencement date and that do not contain a purchase option. It also applies the low-value asset lease exemption to leases of office equipment that are considered to be low-value. Lease payments under short-term leases and leases of low-value assets are expensed on a straight-line basis over the term of the lease.

j. Impairment tests of intangible assets and property, plant and equipment

When calculating impairment, the Company defines the smallest identifiable group of assets for which independent cash flows can be identified – a cash-generating unit. As a result, some of the assets are subject to impairment testing on an individual basis and others on a cash-generating unit basis.

All assets and cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable.

When the recoverable amount of an asset or cash-generating unit is lower than its carrying

amount, the latter should be reduced to the amount of the asset's recoverable amount. This reduction

represents an impairment loss. To determine the recoverable amount, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor to calculate the present value of those cash flows. The data used in the impairment testing are directly related to the Company's latest approved budget forecast, adjusted where necessary to exclude the impact of future reorganizations and significant improvements to the assets. The discount factors are determined separately for each cash-generating unit and reflect the risk profile assessed by the Company's management.

Impairment losses on a cash-generating unit are allocated to reduce the carrying amount of the assets of that unit in proportion to their carrying amount. The Company's management assesses subsequently whether there is any indication that an impairment loss recognised in prior years may no longer exist or may have decreased. An impairment loss recognised in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

a. Investment properties

The Company accounts as investment properties buildings that are held primarily to earn rental income or for capital appreciation or both, but also for sale in the ordinary course of business.

Investment properties are recognized as an asset in the Company's financial statements only if the following two requirements are met:

- it is probable that future economic benefits will be obtained from the investment property
- the value of the investment properties can be reliably measured.

Investment properties are initially measured at cost, which includes the purchase price and any costs that are directly related to the investment property - for example, legal fees, property transfer taxes and other transaction costs.

After initial recognition, investment properties are measured using the fair value model. Fair value represents the most probable price that can be obtained in the market at the balance sheet date. Investment properties are revalued annually and included in the Statement of Profit or Loss and Other Comprehensive Income at market values. They are determined by independent valuers with professional classification and significant professional experience, as well as recent experience in the location and category of the property being valued, based on evidence of market conditions.

The gain or loss arising from a change in the fair value of the investment property is included in profit or loss for the period in which it arises.

Subsequent costs related to investment properties already recognized in the Company's financial statements are added to the carrying amount of the properties when it is probable that future economic benefits will flow to the Company in excess of the initially estimated cost of the existing investment properties. All other subsequent costs are recognized as an expense in the period in which they are incurred.

The Company derecognises its investment properties upon sale or permanent retirement, if no economic benefits are expected from them.

sale. Gains or losses arising from their retirement or sale are recognized in the Statement of Profit or Loss and Other Comprehensive Income and are determined as the difference between the net proceeds from the sale and the carrying amount of the asset.

Rental income and operating expenses related to investment properties are reported as "sales revenue" and "material costs", "external service costs" and "other expenses", respectively.

b. Financial assets

Financial instruments – initial recognition and subsequent measurement

Initial recognition

The Company classifies financial assets upon initial recognition in one of the following categories:

1. Valued at amortized cost,
2. Measured at fair value through other comprehensive income and
3. Measured at fair value through profit or loss.

The classification is determined based on the business model for managing the given class of financial assets and the contractual characteristics of the cash flows. Investments held by the Company for the purpose of obtaining a profit from short-term sales or repurchases are classified as financial assets held for trading. Investments in debt instruments that the Company holds within the framework of a business model for the purpose of collecting the contractual cash flows are classified as financial assets carried at amortized cost. Investments in debt instruments that the Company holds within the framework of a business model for the purpose of collecting the contractual cash flows and selling are classified as financial assets carried at fair value through other comprehensive income.

Financial assets carried at amortized cost

The following financial assets of the Company may fall into this category, depending on the chosen business model and the characteristics of their cash flows: trade receivables, credits and loans, receivables under lease contracts, receivables under deposits provided, receivables under assignments, receivables acquired through assignments, credits and loans acquired through assignments, investments held to maturity.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. They are generally due within 30 days and are therefore all classified as current. Trade receivables are initially recognized at the amount of the unconditional receivable, unless they contain a significant financial component, in which case they are recognized at fair value. The Company holds trade receivables with the aim of collecting contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Other receivables

These amounts generally arise from transactions outside the normal course of business of the company. Interest may be charged at market interest rates when the repayment period exceeds six months. Collateral is not usually received. Non-current other receivables are due and payable within three years after the end of the reporting period.

Financial assets at fair value through other comprehensive income

Debt instruments that the Company holds within a business model for the purpose of both collecting the contractual cash flows and selling the asset and where the contractual cash flows give rise to payments solely of principal and interest are reported at fair value through other comprehensive income.

The following financial assets of the Company may fall into this category, depending on the chosen business model and the characteristics of their cash flows: trade receivables, credits and loans, receivables under lease contracts, receivables under deposits provided, receivables under assignments, receivables acquired through assignments, credits and loans acquired through assignments, financial assets, debt instruments that are available for sale.

Financial assets at fair value through profit or loss

This category of financial assets is divided into two subcategories: financial assets held for trading and financial assets that are not classified in the two categories above. A financial asset is classified in this category if it is acquired for the purpose of selling in the short term or its contractual characteristics do not meet the condition of giving rise to payments solely of principal and interest. Derivatives are also classified as held for trading unless they are designated as hedging instruments. These financial assets can be debt or equity instruments.

Subsequent valuation of financial assets

Financial assets carried at amortized cost

After initial recognition, assets are reported at amortized cost.

Accounting at amortized cost requires the application of the effective interest rate method. The amortized cost of a financial asset is the amount at which the financial asset is initially recorded, less principal repayments plus or minus accumulated amortization using the effective interest rate method of any difference between the initial cost and the maturity value, and less any impairment.

Financial assets at fair value through other comprehensive income

After initial recognition, the asset is measured at fair value with changes in fair value recognized in the revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is derecognized, the cumulative gain or loss recognized in other comprehensive income is transferred to profit or loss.

Financial assets at fair value through profit or loss

After initial recognition, the asset is measured at fair value with changes in fair value recognized in profit or loss.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not carried at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows and all cash flows that the Company expects to receive, discounted annually at the original effective interest rate.

The amount of expected credit losses recognized as an allowance for impairment depends on the credit risk of the financial asset at initial recognition and on the change in credit risk in subsequent reporting periods. Three stages of credit risk deterioration have been introduced, with specific reporting requirements for each stage.

- Stage 1 (regular exposures) - financial assets are classified without an indication of an increase in credit risk compared to the initial assessment. For financial instruments for which there has been no significant increase in credit risk compared to the initial recognition, an allowance is recognized for expected credit losses arising from possible default over the next 12 months.

- Stage 2 (impaired exposures) - financial assets with a significant increase in credit risk compared to the initial assessment, but without objective evidence of impairment, are classified. Recognition is required for those credit exposures for which there has been a significant increase in credit risk compared to the initial recognition. Interest is accrued based on the gross carrying amount of the instrument.

- Stage 3 (credit-impaired exposures) - financial assets with a significant increase in credit risk are classified, and for which there is objective evidence of impairment. For these exposures that are non-performing, recognition of credit impairment is required for the remaining life of the exposure, regardless of the time of default. Interest is calculated based on the amortized cost of the asset.

Trade receivables and contract assets

The Company applies the simplified approach of IFRS 9 for measuring expected credit losses, under which an allowance for lifetime expected losses is charged for all trade receivables and contract assets.

For the purpose of measuring expected credit losses, trade receivables and contract assets are grouped together based on shared credit risk characteristics and days past due. Contract assets relate to work in progress and have the same risk characteristics as trade receivables for the same types of contracts. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or their reversal). When an allowance for expected credit losses is recognized in other comprehensive income, any adjustment to it is recognized in other comprehensive income.

No changes have been made to the methodology and assumptions on which the Company based its calculations of expected credit losses.

Write-off of financial assets

A financial asset is derecognized by the Company when the contractual rights to the cash flows from that asset expire or when the Company has transferred those rights through a transaction in which all significant risks and rewards of ownership of the asset are transferred to the buyer. Any interest in a previously transferred financial asset that the Company retains or creates is reported separately as a separate asset or liability.

In cases where the Company has retained all or most of the risks and rewards associated with the assets, the latter are not derecognized from the statement of financial position (an example of such transactions are repo transactions - sale with an agreement to repurchase).

In transactions where the Company neither retains nor transfers the risks and rewards of a financial asset, the latter is derecognized from the statement of financial position when, and only when, the Company has lost control of it. The rights and obligations that the Company retains in such cases are reported separately as an asset or liability. In transactions where the Company retains control of the asset, its reporting in the statement of financial position continues, but to the extent determined by the extent to which the Company has retained its involvement in the asset and bears the risk of changes in its value.

Subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on how they were classified upon initial recognition. The Company classifies its financial liabilities in one of the following categories:

Liabilities at fair value through profit or loss

Liabilities are classified in this category when they are principally held for the purpose of sale in the near future (trade payables) or are derivatives (except for a derivative that is designated and effective as a hedging instrument) or meet the criteria for being in this category determined at initial recognition. All changes in fair value relating to liabilities carried at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income on the date they arise.

Liabilities carried at amortized cost

All liabilities not classified in the previous category fall into this category. These liabilities are carried at amortized cost using the effective interest rate method.

Items classified as trade and other payables are generally not remeasured because the liabilities are reported with a high degree of certainty and settlement is short-term.

The following financial liabilities of the Company usually fall into this category: trade payables, credits and loans, liabilities under leasing contracts, liabilities under deposits received, liabilities under assignments.

Write-off of financial liabilities

The Company derecognises a financial liability when the contractual obligations under it are discharged, expire or are cancelled.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when:

- has a legally enforceable right to offset the amounts recognized; and
- intends either to settle on a net basis or to realize an asset and simultaneously settle a liability.

Offsetting a recognized financial asset and a recognized financial liability and presenting the net amount is different from derecognition of a financial asset or financial liability.

A right of set-off is a legal right of a debtor under a contract to settle or otherwise eliminate all or part of an amount owed to a creditor by deducting from that amount an amount owed by the creditor.

c. Inventories, work in progress

The company carries out its activities solely by outsourcing various types of activities to specific contractors. That is, the company does not have its own staff and outsources all work to external companies. The cost of unfinished construction consists of the costs of design, construction and assembly works, advertising, construction supervision, fees, etc. The cost of finished products also includes the costs of loans attracted for the construction of a specific site.

The cost of the finished product (real estate - apartments, commercial properties, etc.) will include as an element a part of the value of the land, which corresponds to its depreciation, as a result of the limited rights of disposal. The land will be valued (according to the requirements of the Bulgarian legal framework) at least once a year by an independent licensed appraiser.

Direct costs are accumulated at the time of their occurrence in batches for specific objects, and indirect costs are distributed proportionally to the direct costs incurred for the object.

Inventories include materials and finished goods. The cost of inventories includes the costs of purchase and other direct costs related to their delivery. The costs of financing used are included in the value of inventories (construction in progress), taking into account analytically the affiliation to the respective site, and after the final completion of the construction and assembly works, the financing costs are reported in the result. When construction and assembly works are suspended, the reporting of the costs of interest, fees and commissions on financing used for the construction in progress is discontinued.

The Company determines the cost of inventories using the weighted average cost method.

When inventories are sold, their carrying amount is recognized as an expense in the period in which the corresponding revenue is recognized.

d. Income taxes

The financial result of the Company is not subject to corporate tax, in accordance with Art. 175 of the Corporate Income Tax Act.

e. Cash and cash equivalents

The Company reports cash on hand and cash in bank accounts as cash and cash equivalents.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and cash equivalents as defined above.

f. Equity and dividend payments

The Company's share capital reflects the nominal value of the issued shares.

Retained earnings include the current financial result stated in the Statement of Profit or Loss and Other Comprehensive Income, as well as accumulated profits and uncovered losses from previous years.

The Company is obliged, pursuant to Art. 10 of the Law on Special Purpose Companies, to distribute as dividends no less than 90 percent of the profit for the financial year, determined in the manner specified below and in compliance with the requirements of Art. 247a of the

Commercial Law. The profit for distribution is the financial result (accounting profit/loss), adjusted as follows:

1. increased/decreased by expenses/income from subsequent real estate appraisals;

2. increased/decreased by losses/gains from transactions on the transfer of ownership of real estate;

3. increased/decreased in the year of transfer of ownership of real estate by the positive/negative difference between:

a) the selling price of the real estate, and

b) the sum of the historical cost of the real estate and subsequent expenses that led to an increase in its carrying amount;

The company may only issue dematerialized shares registered in accounts with the Central Depository. Shares of the company may be subscribed only against cash contributions and after payment of their full issue value, except in cases of conversion into shares of bonds issued as convertibles. Ordinary shares are classified as equity.

Incremental costs inherent in the issue of new shares or options are shown in equity as a reduction of proceeds, net of tax. Incremental costs directly attributable to the issue of new shares are included in the acquisition cost as part of the purchase consideration.

The company may not issue shares that entitle it to more than one vote or an additional liquidation share.

The company may issue different classes of shares. Shares of one class grant equal rights to shareholders.

The company may issue the following classes of shares:

class A – ordinary registered shares with voting rights and

Class B – preferred shares with the right to a guaranteed or additional dividend and without voting rights.

The difference between the nominal value of the imitation shares and the issue value is recorded in additional reserves and constitutes an element of the company's equity.

g. Pension and other obligations to personnel

Short-term liabilities to personnel include wages, salaries and social security contributions.

The Company has not developed or implemented any post-employment benefit plans or other long-term employee benefits and post-employment benefit plans, either in the form of stock-based compensation or equity-based compensation, as by law it may only appoint one person to an employment contract – the Investor Relations Director.

h. Provisions, contingent assets and contingent liabilities

Provisions are recognized when it is probable that a present obligation will result in an outflow of resources from the Company as a result of past events and a reliable estimate can be made of the amount of the obligation. The timing or amount of the cash outflow may not be certain. A present obligation arises from the existence of a legal or constructive obligation as a result of past events. Provisions for restructuring are recognized only if a detailed formal restructuring plan has been developed and implemented or management has announced the main points of the restructuring plan to the affected parties. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including those related to the present obligation. Provisions are discounted when the effect of time differences in the value of money is significant.

Compensation from third parties in connection with a given obligation of the Company is recognized as a separate asset. However, this asset cannot exceed the value of the related provision.

Provisions are reviewed at each balance sheet date and their value is adjusted to reflect the best estimate at the balance sheet date. In cases where it is considered unlikely that an outflow of resources will occur as a result of a current obligation, such an obligation is not recognized. The Company does not recognize contingent assets, because their recognition may result in the recognition of income that may never be realized.

i. Significant management judgments in applying accounting policies

The significant judgments made by Management in applying the Company's accounting policies that have the most significant impact on the financial statements are described below. The principal sources of uncertainty in the use of accounting estimates are described in the note

4. Uncertainty of accounting estimates

In preparing the financial statements, management makes a number of assumptions, estimates and judgments regarding the recognition and measurement of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and judgments and in rare cases will fully correspond to previously estimated results.

Information regarding the significant assumptions, estimates and judgments that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

Determining the lease term for contracts with renewal and termination options - The Company as a lessee

The Company defines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend it if it is reasonably certain that the option will be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised.

Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at the end of each reporting period. As of December 31, management determines the useful lives of assets, which represent the expected period of use of the assets by the Company. The carrying amounts of the assets are analyzed in Note 6. The actual useful lives may differ from the assessment due to technical and moral obsolescence, primarily of software products and computer equipment.

Impairment of receivables

The Company uses an allowance account to record the allowance for impairment of bad and uncollectible receivables from customers. Management assesses the adequacy of this allowance based on an age analysis of receivables, historical experience in the level of write-offs of uncollectible receivables, as well as an analysis of the solvency of the respective customer, changes in the agreed payment terms, etc. If the financial condition and performance of the customers deteriorate (more than expected), the value of receivables that must be written off in subsequent reporting periods may be greater than expected at the balance sheet date.

6. Property, plant and equipment

The carrying amount of property, plant and equipment can be presented as follows:

	Earth	Facilities	Computer and other equipment	Assets under construction	Total
	'000 BGN	'000lv.	'000 BGN		'000 BGN
Reporting value	8,467	544	4		9015
Balance as of January 1, 2024.					
Newly acquired assets			-		
Change resulting from revaluation	193	-			
Assets written off			-		
	8,660	544	4		9208
Balance as of December 31, 2024					
Depreciation	-	(544)	(4)	-	(548)
Balance as of January 1, 2025		-		-	
Depreciation written off	-		-		-
Depreciation	-	-	-	-	-
Balance as of **June 30,** 2025	-	(544)	(4)		(548)
Carrying amount as of June 30, 2025	8,660	-	-		8660

	Earth	Facilities	Computer and other equipment	Assets under construction	Total
	'000 BGN	'000lv.	'000 BGN		'000 BGN
Reporting value					
Balance as of January 1,	8,660	544	4		9208

2025					
Newly acquired assets	-	-	-	-	-
Change resulting from revaluation		-	-		
Assets written off		-	-	-	-
Balance as of June 30, 2025	**8,660**	**544**	**4**		**9,015**
Depreciation					
Balance as of June 30, 2025	-	(544)	(4)	-	(548)
Depreciation written off	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance as of June 30, 2025	-	(544)	(4)		(548)
Carrying amount as of June 30, 2025	8,660	-	-	-	8660

7. Investment properties

Properties constructed and granted a certificate of occupancy that have not been sold and transferred to customers are reflected in the Statement of Financial Position in the section

"Investment properties", as the Company is restricted from operating the assets it has built independently, and the income it can receive is through outsourcing the management activity to third parties. Investment properties are initially measured at cost, including any costs that are directly related to the investment property – for example, construction, design, legal fees and other costs. After their initial recognition, investment properties are reported using the fair value model.

In accordance with the requirements of the Law on Special Purpose Companies, the Board of Directors has assigned the independent appraiser "Dobi 02" EOOD to carry out an appraisal as of December 31, 2024 of all properties owned by the Company, the results of which are reflected in the financial statements for 2024.

The following table reflects the change in the size of investment properties in 2025 and 2024.

	30.06.2025 '000 BGN
Carrying amount as of January 1, 2025	**39224**
Newly acquired assets	
Assets written off	
Net gain/(loss) from change in fair value	602
Carrying amount as of June 30, 2025	38,622

	31.12.2024 '000 BGN
Carrying amount as of January 1, 2024	**36,786**

Newly acquired assets	88
Assets written off	291
Net gain/(loss) from change in fair value	2,641
Carrying amount as of December 31, 2024	39,224

According to the theory of business valuation, in general terms, indications of the fair market value of a given property can be obtained by adopting three main approaches: market approach; income approach and cost approach. When using the cost and market approach, the objects are considered statically, that is, as they are at the time of the valuation. In the income approach, the determined value of the assessed subject also takes into account the perspective of its development – its profitability. Taking into account the purpose of the valuations, the appraisal team has adopted the comparative value method (market approach) as the most suitable for determining the market value of the object. The price of the property in this case is generally formed on the basis of studies of transactions with similar real estate realized on the free market. The comparative value method seeks the presumed market price of properties similar in quality to the assessed one. In determining the market value of the property, information was used for three similar properties with characteristics close to the assessed property, located in the same area, for which transactions were made in the last six months of the previous year. The sales prices of the three compared properties were brought to uniformity in relation to the characteristics of the assessed property, and were adjusted with an area coefficient taking into account their differences.

The following was used in preparing the assessment:

- Information obtained during the inspection of the site;
- Information and documents regarding the legal status of the site;
- Newsletters, price lists and reference books from official publications of the Ministry of Regional Development and Public Works, the Bulgarian Construction Chamber, etc.;
- Information from the evaluator's own experience.

The company invested in the construction of the site - "Marina Cape", a detailed presentation of which is provided below.

In 2010, the construction of the Marina Cape site was fully completed, specifically Zone 4 of the site was finalized, for which a permit for use was obtained in August 2010. In addition, the finishing works and completion of all other properties in the site, which until then had been reported as construction in progress, were completed. As a result, by decision of the Board of Directors dated 01.10.2010, all unsold properties in the Marina Cape site are recorded as investment properties.

In 2021, the company signed a contract with MKM OOD for the reconstruction and modernization of the so-called zone 4. It also provides for the reconstruction of the existing large and non-functional apartments to be made into small functional studios, for the purpose of easier and practical use for tourist purposes, as well as for the purpose of easier sale. Modern technologies for heating and ventilation, access control, video surveillance, etc. will be introduced. The zone is intended to function in practice as a small hotel, with all the necessary amenities. In this way, the seasons of use will be extended by holding mass events. A building permit has been issued for the reconstruction and it is planned to be completed in the second quarter of 2024 and to be maximally used during the 2024 season.

There are two sites that are being built on the Company's own land, described in detail below:

Marina Cape site

The Marina Cape holiday complex is located in the peninsular part of the Black Sea town of Aheloy, which provides a picturesque view of both the bay and the open sea. This is reflected both in the urban planning solution - the plastic S-shaped shape of the first and second zones, and in the design of the individual homes. A vertical accent in the overall silhouette is the lighthouse and the clock tower.

The complex consists of four separate zones, spread over a property with an area of 40,000 sq.m. and forming a total developed built-up area of over 66,000 sq.m., with a total of 761 apartments. The complex has 4 restaurants, 4 cafes, 14 premises for shops, two squash halls (licensed by the Squash Federation), premises for a Medical and Dental Center, a fully equipped and operating fitness and SPA center, bowling alley, children's center, premises intended for a bank office, administrative part, offices, two swimming pools and service premises for the respective sites.

Each of the zones consists of separate sectors (27 in total), the majority of which are residential, with the exception of the sectors intended for: a bank office, a sports and entertainment area, a children's center and Sector 27 - a two-level restaurant. Some of the residential sectors include public facilities - restaurants, cafes, shops, offices,

premises for a medical center, fitness center. In the central part of the complex there is a swimming pool with a total area of 910 sq.m. with a water bar and a children's pool, and in the northeastern part there is a swimming pool with an area of 470 sq.m.

A special landscaping project has been developed for the surrounding area of the holiday complex, with separate courtyards attached to the ground floor apartments of most of the buildings.

The total area of the commercial and public service facilities in the complex is nearly 12,000 sq.m.

For the needs of the complex, a new water supply, sewage and electricity network has been built and put into operation, the existing roads and streets in the area have been rehabilitated, and a completely new road connection has been built. The necessary systems for providing telephones and the Internet, including a wireless Internet network, as well as fire alarm and video surveillance systems have been implemented.

Collateral provided on real estate owned by "Intercapital Property Development" REIT for the Company's obligations:

Collateral provided for obligations to a bond loan

Number of real estate properties as collateral	Area of real estate collateral	Carrying amount of collateral provided '000 BGN
60 residential properties	4,811 sq.m.	13,438,719
19 commercial/warehouse facilities	1,555 sq.m.	15,319,653
land	40,000 sq.m.	8,660,000

8. In the world

The following table reflects the more important receivables from customers:

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Marina Cape Management Ltd.	1197	1,403
Others	4	8
Net receivables	**1 201**	1411

Trade receivables represent unpaid installments due to the Company on transferred real estate from the Marina Cape seasonal residential complex. The carrying amount of trade receivables is considered a reasonable approximation of their fair value.

All trade receivables of the Company are reviewed for indications of impairment. During the reporting period, all trade receivables are subject to credit risk.

9. Advances granted

Advances granted to suppliers are presented in the following table:

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Marina Cape Management Ltd.	1 106	1 106
Others	5	5
Total	**1 1 11**	1 1 11

The advances provided are in connection with the completion of holiday properties in the Marina Cape complex in Aheloy.

10. Other receivables

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Current:		
VAT refund		12
Receivables from the sale of Grand Borovets		
Others	501	157
Current other receivables	**501**	**169**

11. Cash

The company's funds are kept in the depository bank - Unicredit Bulbank AD - Sv. Nedelya branch.

Cash includes the following components:

Cash and bank balances:	30.06.2025 '000 BGN	31.12.2024 '000 BGN
- Bulgarian leva	1	1

- euro	0	0
Total	1	1

12. Equity

- **Share capital**

The registered capital of the Company consists of 27,766,476 ordinary shares with a nominal value of 1 lev per share. All shares are entitled to receive dividends and a liquidation share and represent one vote at the General Meeting of Shareholders of the Company.

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Issued and fully paid shares:		
- at the beginning of the year	27,766,476	27,766,476
- issued during the year	-	-
Total shares authorized.	**27,766,476**	**27,766,476**

Share capital structure

	30.06.2025		2024	
	Number of shares	%	Number of shares	%
"MARINA CAPE PROPERTIES" LTD.	3 3 43 2 62	12.0 4 %	3 350 162	12.07%
UNIVERSAL PENSION FUND-FUTURE	1,900,000	6.84%	1,900,000	6.84%
EXCHANGE TRADED FUND ASSET BALANCED ETF	1,400,000	5.04%	1,400,000	5.04%
DF "EF RAPID"	1,815,000	6.54%	1,815,000	6.54%
EXCHANGE TRADED FUND EF PRINCIPAL ETF	2,684,483	9.67%	2,684,483	9.67%
EUROINS ROMANIA	1,731,110	6.23%	1,731,110	6.23%
DF ASSETS HIGH YIELD FUND	1,848,818	6.66%	1,848,818	6.66%
Other individuals	1 42 4 210	5.13%	1,425,210	5.13%
Other Legal Entities	11 61 9 5 93	41.8 5 %	11,611,693	41.82%
	27,766,476	**100%**	**27,766,476**	**100%**

13. Loans, borrowings, carried at amortized cost

	30.06.2025			31.12.2024		
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
	Long-term	Short-term	Total	Long-term	Short-term	Total
Liabilities to financial institutions						

Bond loan	11,938	1193 8	11,735	203	11 9 38
Other commercial obligations					
			11,735	203	11,938

On 17.09.2021, the Company successfully placed a second corporate bond issue under the terms of an initial private offering. The bond loan has a total nominal and issue value of EUR 6,000,000, distributed in 6,000 ordinary, non-preferred, registered, dematerialized, secured, interest-bearing, non-convertible, freely transferable bonds, with a nominal value of one bond - EUR 1,000. The nominal annual interest rate is fixed at 6.00% and interest payments every 6 months, the term of the bond issue is 60 months. The purpose of the issue is to refinance an existing loan and investments for investment purposes in the Marina Cape residential complex. The characteristics of the bond loan are described in detail in the memorandum to

The Board of Directors elected "TEXIM BANK" AD as the trustee of the issue, which was elected by the First General Meeting of Bondholders.

14. Trade obligations

The following table reflects the Company's more significant liabilities as of June 30, 2025.

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Marina Cape Management Ltd.	2956	2,958
Optima Audit AD	1053	999
Others	3 5	12
Total	404 4	3,969

15. Advance amounts received from customers

Advances received from customers include

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Foreign individuals	**482**	**640**
Guarantee deposits from customers under concluded contracts		
Total	482	640

16. Tax liabilities

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Personal income tax obligations	5	
VAT obligations		
Real estate tax and municipal waste tax liabilities	209	121
Total	214	121

17. Obligations towards personnel and social security institutions

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Current:		
Payroll obligations	149	140
Insurance obligations	11	4
Total	160	1 44

18. Other obligations

	30.06.2025 '000 BGN.	31.12.2024 '000 BGN
Current:		
Obligation to BGI Imo EAD		
Obligation to Marina Keep Management EOOD	1146	1 146
Obligation to Dika account	208	208
Obligation to Telelink		
OPTIMA audit		
Others	660	169
Total:	2014	1,523

19. Sales revenue

Sales revenue includes:

	30.06.2025 '000 BGN	30.06.2024 '000 BGN
Sale of investment properties	157	42
Investment property management		
Others		1
Total	157	43

20. External service costs

External service costs include:

	30.06.2025 '000 BGN	30.06.2024 '000 BGN
Commissions and advertising		
Taxis,	(7)	(11)
Consulting services - valuation, accounting and auditing services	(60)	(60)
Telecommunications services	(5)	(4)
Others	(9)	(15)

Total	(82)	(90)

21. Personnel costs

Personnel remuneration costs include:

	30.06.2025 '000 BGN	30.06.2024 '000 BGN
Salary expenses	(25)	(28)
Compensable leave costs		
Social security costs	(5)	(5)
Social security costs for compensable leave		
Total	(30)	(33)

22. Other expenses

Other costs include:

	30.06.2025 '000 BGN	**30.06.204 '000 BGN**
Written-off receivables		(3)
Fines, fees and penalties		
Others	(90)	
Total	(90)	(3)

23. Carrying amount of assets sold

In the article "Balance sheet value of assets sold", the Company reports the balance sheet value of the alienated investment properties. As of 30.06.2025, investment properties for 602 thousand BGN were sold.

Disposal of investment property may occur through sale or through the establishment of a right of use. In determining the date of disposal for investment property, the Company applies the criteria in IAS 18 for recognizing revenue from the sale of goods or takes into account the relevant guidance in the appendix to IAS 18. Finance income and expenses

The financial costs for the presented reporting periods can be analyzed as follows:

	30.06.2025 '000 BGN	30.06.2024 '000 BGN
Net proceeds from sale of subsidiary		
Negative differences from changes in exchange rates	(2)	(2)
Interest expenses	(348)	(149)

Other financial expenses (bank renegotiation fees) loans and other penalties)		
Total financial income and expenses, net	(3 50)	(151)

24. Changes in the fair value of investment properties

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Negative revaluations		
Positive reassessments -		2,641
Net change in fair value of investment properties		2,641

25. Tax expenses

The financial result of the Company is not subject to corporate tax, in accordance with Art. 175 of the Corporate Income Tax Act.

26. Earnings/(Loss) per share

Basic earnings/(loss) per share and diluted earnings/(loss) per share are calculated using the net profit/(loss) attributable to the Company's shareholders as the numerator. The weighted average number of shares used to calculate basic earnings/(loss) per share and net profit/(loss) attributable to the holders of ordinary shares.

	30.06.2025 '000 BGN.	31.12.2024 '000 BGN	30.06.2024 '000 BGN
Profit/(loss),	**(998)**	**2052**	**(237)**
Weighted average number of shares (in '000 BGN)	**27 766**	**27 766**	**27,766**
Basic income/(loss) per share (in '000 BGN)	**(0.0 3 5)**	**0.075**	**(0.0085)**

27. Related party transactions

Transactions with key management personnel

The key management personnel of the Company include the members of the Board of Directors. The remuneration of key management personnel includes the following expenses:

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Remuneration to individuals	25	5 2

Reward for Aheloy 2012	-	-
Total	25	52

The members of the Board of Directors receive a fixed monthly remuneration, determined by the General Meeting, which may not exceed 10 minimum monthly salaries. The General Meeting has also adopted a decision that the remuneration of the Executive Director shall be up to 12 minimum monthly salaries.

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

The Company does not owe any other amounts and/or benefits in kind, nor does it set aside or accrue amounts for the provision of pensions, benefits or other compensation upon retirement of the members of the Board of Directors.

The members of the Board of Directors have not received any remuneration or compensation from subsidiaries of the issuer and the latter have not set aside or accrued amounts for the provision of pensions, benefits or other compensation upon retirement of the members of the Board of Directors in 2024.

- **The obligations of the company to the members of the Board of Directors are as follows:**

	30.06.2025 '000 BGN	31.12.2024 '000 BGN
Remuneration to individuals	149	141
Reward for Aheloy 2012	-	-
Total	149	141

28. Management's objectives and policy regarding risk management

The company regularly performs an analysis of the liquidity of assets and liabilities.

(a) Market risk

(-) Macroeconomic and microeconomic risk

Macroeconomic risk is the risk of shocks that may affect economic growth, population income, supply and demand, profit realization by economic entities, etc. These shocks include global economic and business conditions, fluctuations in national currencies, political events, changes in legislation and regulatory requirements, priorities of national governments, etc. Trends in the macroeconomic environment affect the market performance and the final results of the activities of all sectors of the economy. Bulgaria has an open economy and its development depends directly on international market conditions.

The macroeconomic situation and economic growth worldwide are of serious importance for the development of the company, as they influence the state policies of the respective countries and in particular the regulations and decisions taken by the respective Central Banks regarding monetary and interest rate policy, exchange rates, taxes, GDP, inflation, budget deficit and external debt,

the unemployment rate and the income structure.

(-) Currency risk. The Company's expenses are denominated in BGN or in EUR. The expenses related to the construction, development and operation of real estate are denominated in BGN. The cost price (purchase price) of real estate is most often negotiated in EUR. On the other hand, all of the Company's revenues are negotiated in EUR. Under the conditions of a currency board and a fixed exchange rate of the BGN against the EUR, there is practically no currency risk for the Company.

The Company is also exposed to currency risk when carrying out transactions with financial instruments denominated in foreign currency. When carrying out transactions in foreign currency, income and expenses from currency operations arise, which are reported in the income statement. During the presented reporting periods, the Company was not exposed to currency risk, as it did not have any positions in currencies other than BGN and EUR.

The currency risk management policy implemented by the company is not to carry out significant operations and not to maintain open positions in foreign currencies other than the euro.

Financial assets and liabilities that are denominated in foreign currency (euro) and are translated into Bulgarian leva at the end of the reporting period are presented as follows:

(-) Price risk. The risk of an increase in inflation is related to the reduction in the real purchasing power of economic agents and the possible depreciation of assets denominated in local currency. The currency board system controls the money supply, but external factors (e.g. an increase in the price of oil) may exert upward pressure on price levels.

- Risk of increase in the price of plots and lands. Plots of land represent one of the main “raw materials” used in the Company’s activities for the construction of real estate. A significant increase in the prices of plots could reduce the Company’s profits and the ability to carry out its activities. The possibility of losses is eliminated by the Company’s policy, according to which real estate is sold (in advance) only after the land or the right to build on it is purchased or agreed (in cases of compensation).

- Risk of decline in real estate prices. Changes in the market prices of real estate and specifically of the assets owned by the Company change their net value, as well as the net asset value per share. A decrease in the market prices of real estate and the income from them would lead to a decrease in revenues, respectively to a decrease in the financial result realized by the Company, of which 90% is distributed in the form of dividends.

(-) Risks related to increased competition. As a result of the significant growth of the Bulgarian real estate market in recent years before the onset of

the recent global financial crisis, many new players have entered the sector, in

including many foreign investors. As a result, we have witnessed increasing competition between construction companies, real estate agencies, special purpose vehicles, commercial banks, individuals, etc. This affects the Company's investment costs and may lead to a decrease in the attractiveness of investments in securities of "Intercapital Property Development" REIT.

(b) Interest rate risk for cash flows and fair value

The Company may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income or interest) of the assets and liabilities. The Company's main assets are properties (land or under construction). These assets can be assumed to have a fixed price or income, since their price is not directly affected by changes in interest rates. Liabilities exposed to interest rate risk:

	2025 '000 BGN	2024 '000 BGN
Bond obligations	11,938	11,735
Other obligations		
	11,938	11,735

(c) Credit risk

In its activities, the Company may be exposed to credit risk in cases where it pays in advance (provides advances) to its suppliers or has receivables from sales (including when selling on installments). The Company's policy provides for avoiding advance payments as much as possible. When such payments are nevertheless required (for example, for the purchase of joinery, elevators, etc. for buildings under construction), the Company will analyze in detail and in-depth the reputation and financial condition of the relevant suppliers and, if necessary, will require bank and other guarantees for good performance. Similarly, when selling goods and services and providing loans to customers, the Company will focus on the credit reputation of the counterparties. Assets exposed to credit risk

	2025 '000 BGN	2024 '000 BGN
Cash and cash equivalents	1	1
Trade and other receivables	2,813	2,961
	2,814	2 96 2

(d) Liquidity risk

Liquidity risk arises in connection with the provision of funds for the Company's activities and the management of its positions. It has two dimensions - the risk that the Company will not be able to meet its obligations when they become due

receivables and the risk of the Company's inability to realize its assets in

appropriate price and within acceptable terms. The company aims to maintain a balance between

term of the attracted resource and flexibility in the use of funds with different maturity structure. In order to minimize this risk, the company has taken the following measures:

- The company ensures strict compliance with its contracts with financial institutions in order to exclude the possibility of requesting early repayment;

- Priority work with financial institutions (banks) in good financial condition;

- Cost optimization, review of the investment program;

- Actively seeking buyers for the properties offered by the Company in order to generate cash receipts and maintain adequate cash reserves.

'000 BGN	On request	Up to 3 m.	6-12 months	1-5 years	Total
Bond obligations				11,938	11,938
Lease liabilities					
Obligations to staff	149				149
Commercial and other liabilities	6 7 65			-	6 785
	6,913			11,938	18,852

29. Capital management policy and procedures

The Company's objectives in relation to capital management are:

- to ensure the Company's ability to continue as a going concern and

- to ensure adequate profitability for shareholders by pricing its products and services in accordance with the level of risk.

The Company manages the capital structure and makes the necessary adjustments in accordance with changes in the economic environment and the risk characteristics of the relevant assets.

To maintain or adjust the capital structure, the Company may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce its liabilities.

30. Categories of financial assets and liabilities

The carrying amounts of the Company's financial assets and liabilities can be presented in the following categories:

Financial assets	2025 '000 BGN	2024 '000 BGN
Financial assets carried at fair value through profit or loss profit and loss:		
Cash and cash equivalents	1	1
Trade and other receivables	2,813	2,691
	2 81 4	2,692

Financial liabilities	2025 '000lv.	2024 '000lv.
Liabilities to financial enterprises		
Deduction for bond loan	11,938	11,735
Finance lease liabilities		
Commercial and other liabilities		
	11,938	11,735

32. Information on significant events after the balance sheet date

No events have occurred after the balance sheet date that would require an adjustment to this statement.

33. Approval of the financial statements

The financial statements as of June 30, 2025 were approved and adopted by the Board of Directors on July 20, 2025.

July 20, 2025

Signature:

/Velichko Klingov – Executive Director/

ИНТЕРКАПИТАЛ ПРОПЪРТИ ДИВЕЛОПМЪНТ * АДСИЦ *
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