

Annual Financial Report

**INTERCAPITAL PROPERTY
DEVELOPMENT REIT**

December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of Intercapital Property Development REIT

Report on the financial statement

Opinion

We have audited the financial statements of Intercapital Property Development REIT (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Basis for expressing an opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment properties and assets under construction - Appraisal

See Note 6 to the financial statement.

Key audit question	<i>How this key audit question was addressed in our audit</i>
The company owns investment properties, land and assets under construction, with a balance sheet value of BGN 49,452 thousand. The assets are valued at fair value. The Company uses an	In this area, our audit procedures included verifying the adequacy of management's valuation and the market valuation prepared by an independent appraiser for the value of

independent appraiser to determine the fair values of investment properties. This valuation is important as it represents 91 % of the company's assets. The rating may not be appropriate. There is a risk of misrepresentation in the statement of properties owned.

investment properties and assets under construction. In our work, we used external experts with expertise in real estate valuation. We performed further calculations on the resulting benchmark values. We tested selected data on which the valuation of investment properties is based against alternative sources of information. We found that there are no significant differences in property prices and they are within tolerances.

Report on other legal and regulatory requirements

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the separate financial statements and Auditors' Report Thereon", with respect to the annual report on activities, the corporate governance statement, and the report on the implementation of the remuneration policy, we have also performed the procedures required by the Guidelines related to new extended audit reports and communication from the auditors of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountant.

These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100n, para 10 of POSA in relation to art. 100n, para 8, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion in connection with Art. 37, para. 6 of the Law on Accounting

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the separate financial statements have been prepared is consistent with the separate financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100n, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100n, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.
- The report on the implementation of the remuneration policy for the financial year for which the financial statements have been prepared has been submitted and meets the requirements set out in the ordinance under Art. 116c, para. 1 of the Public Offering of Securities Act

Opinion under Art. 100n, para 10 in relation to art. 100n, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Company and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional reporting on the audit of the financial statement in connection with Art. 100(n), para. 4, item 3 of the Law on the Public Offering of Securities

Statement in connection with Art. 100(n), para. 4, item 3, b. "b" of the Law on the Public Offering of Securities Act

The information on transactions with related parties is disclosed in Note Transactions with related parties to the separate financial statements. Based on the audit procedures performed on the transactions with related parties, we have not identified any facts or other information, based on which we could conclude that the transactions with related parties are not disclosed in the attached financial statements for the year ended 31 December 2022, in all material aspects, in accordance with the requirements of IAS 24 Disclosure of related parties. The results of our audit procedures regarding transactions with related parties are considered in the context of forming our audit report on the separate financial statements taken as a whole, and not with the purpose of expressing the audit opinion on transactions with related parties.

Statement in connection with Art. 100(n), para. 4, item 3, b. "c" of the Law on the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements as a whole, described in the section Auditors' Responsibilities for the Audit of the separate financial statements include assessment whether the separate financial statements present true and fair view of material transactions and events. Based on the audit procedures performed on the material transactions, underlying the separate financial statements for the year ended 31 December 2022, no facts circumstances or other information have come to our attention, based on which we can conclude that there are cases of material misstatements and disclosures in the separate financial statements in accordance with the requirements of IFRS, adopted by EU. The results of our audit procedures on the material transactions and events related to the Company are considered in the context of forming our audit report on the separate financial statements taken as a whole, and not with the purpose of expressing the audit opinion on these material transactions.

Reporting according to Art. 10 of Regulation (EU) No. 537/2014 in connection with the requirements of Art. 59 of the Law on the Independent Financial Audit

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Nikolay Polinchev was appointed as a mandatory auditor of the financial statement for the year ending on 31.12.2022 of Intercapital Property Development REIT , from the general meeting of shareholders, held on 29-06-2022, for a period of one year
- The audit of the Company's financial statements for the year ended 31.12.2022 represents the sixth full continuous statutory audit engagement of this entity undertaken by us.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of the Company, in accordance with the requirements of Art. 60 of the Law on the Independent Financial Audit Act.
- We confirm that we have not provided the specified in Art. 64 of the Independent Financial Audit Act prohibited non-audit services.
- We confirm that in carrying out the audit we have maintained our independence from the Company.
- For the period covered by our mandatory audit, apart from the audit, we have not provided any other services to Intercapital Property Development REIT and the companies controlled by it, which are not specified in the activity report or financial statement of Intercapital Property Development REIT

Reporting for compliance of the electronic format of the separate financial statements, included in the annual separate financial statements according to art. 100m, para 4 of the Public Offering of Securities Act in relation to the requirements of the ESEF Regulation

In addition to our reporting responsibilities according to ISAs described in section "Auditors' Responsibilities for the Audit of the separate financial statements", we have also performed the procedures required by the „Guidelines related to issuing of audit opinion in relation to the application of the European single electronic format (ESEF) for the financial statements of entities, which shares are traded on a regulated market in the European union (EU)" of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants.

These procedures are related to inspection of the format and whether human readable part of this electronic format complies with the audited separate financial statements and issuing an opinion in relation to compliance of the electronic format of separate financial statements of "Sopharma AD" for the year ended 31 December 2022, included in electronic file "25490027CZAZKV10Y612-20221231-BG-SEP.zip", with the requirements of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("Regulation ESEF").

In relation to these requirements, the electronic format of the separate financial statements, included in the annual separate financial statements according to art. 100m, para 4 of the Public Offering of Securities Act, should be presented in XHTML format.

Management of the Company is responsible for the implementation of the requirements of the Regulation ESEF when preparing the electronic format of the separate financial statements in XHTML.

Our opinion is related to the electronic format of the separate financial statements, included in electronic file "25490027CZAZKV10Y612-20221231-BG-SEP.zip" and does not include other information, included in the annual separate financial statements according to art. 100m, para 4 of the Public Offering of Securities Act.

Based on the procedures performed, our opinion is that electronic format of the separate financial statements of the Company for the year ended 31 December 2022, included in the attached electronic file "25490027CZAZKV10Y612-20221231-BG-SEP.zip" is prepared in all material respects in compliance with the Regulation ESEF.

Other information other than the financial statement and the auditor's report thereon

The Management Board of the Company ("the Management") is responsible for the other information. The other information comprises the annual report on activities, including the non-financial declaration, the corporate governance statement, statement and the report on the implementation of the remuneration policy prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Management's responsibilities for the financial statement

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The persons charged with general management are responsible for the supervision of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Further details of our liability are set out in the Appendix to this report.

Registered auditor:

Nikolay Polinchev

Date: March 31, 2023



SIGNED FOR
IDENTIFICATION
PURPOSES

APPENDIX to the Independent Auditor's Report on the financial statements of Intercapital Property Development REIT for 2022

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

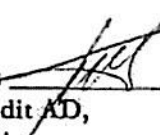
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


BALANCE SHEET

	Notes	31.12.2022 '000 BGN	31.12.2021 '000 BGN
ASSETS			
Non-current assets			
Property, plant and equipment	6	20,544	17,550
Investment property	7	28,908	25,890
Non-current assets		49,452	43,440
Current assets			
Trade receivables	9	1,867	2,860
Advances granted	10	2,664	4,950
Other receivables	11	207	416
Cash and cash equivalents	12	8	18
Current assets		4,746	8,244
Total assets		54,198	51,684

Date: 24.03.2023

Prepared by: 
/Optima Audit AD,
Blagorodna Atanasova-mahala



Executive
Director: 

/Velichko Klingov/



Financial statement on which it is issued
an audit report dated March 31, 2023

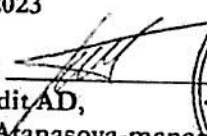

/Nikolay Polinchev, CPA 684/



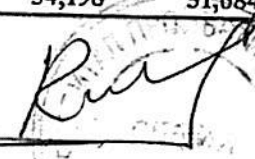
BALANCE SHEET

	Notes	31.12.2022 '000 BGN	31.12.2021 '000 BGN
EQUITY			
Share capital	13	27,766	27,766
Premium reserve		7,651	7,651
Property, plant and equipment revaluation reserve		9,250	9,347
Additional reserves		1	1
Retained earnings		13,974	10,234
Uncovered loss		(29,830)	(29,830)
Current Profit/(Loss)		473	3,740
Equity		29,285	28,909
LIABILITIES			
Non-current liabilities			
Obligations under bond loan	14	11,735	11 735
Other liabilities			6,367
Non-current liabilities		11,735	18 102
Current liabilities			
Current part of long-term liabilities	14	405	243
Finance lease liabilities	8	-	1,270
Trade payables	15	2,150	24
Amounts received in advance from customers	17	1,437	1,487
Tax payables	17	38	31
Payables to personnel and for social security	18	102	173
Other current liabilities	19	9,046	1,445
Current liabilities		13,178	4,673
Total liabilities		24,913	22,775
Total equity and liabilities		54,198	51,684

Date: 24.03.2023

Prepared by: 
/Optima Audit AD,
Blagorodna Atanasova-manager



Executive
Director: 

/Velichko Klingov/



Financial statement on which it is issued
an audit report dated March 31, 2023



/Nikolay Polinchev, CPA 684/



STATEMENT OF PROFIT, LOSS AND OTHER COMPREHENSIVE INCOME


	Notes	31.12.2022 '000 BGN	31.12.2021 '000 BGN
Revenue	20	875	5,935
Hired services expense	21	(147)	(168)
Employee benefits expense	22	(56)	(51)
Other expenses	23	(1,112)	(2,922)
Book value of assets sold		(70)	(5,975)
Profit/(Loss) from operating activity		(510)	(3,181)
Financial income/expenses	25	(949)	(865)
Changes in the fair value of investment properties	26	1,932	7,786
Profit/Loss for the year		473	3,740
Earnings per share	27	0.017	0.136
Other comprehensive income			
Gains/Losses from property revaluations		(97)	1,839
Total comprehensive income for the year		376	5,579

Date: 24.03.2023

Prepared by: 
/Optima Audit AD,
Blagorodna Atanasova-namagat



Executive
Director:


/Velichko Klingov/



Financial statement on which it is issued
an audit report dated March 31, 2023


/Nikolay Polinchev, CPA 684/



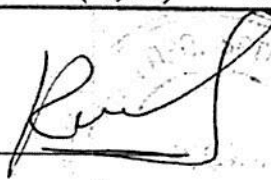
STATEMENT OF CHANGES IN EQUITY

All amounts are in '000 BGN.	Share capital	Premium reserve	Other reserves	Retained earnings	Uncovered loss	Total equity
Balance 1 January 2021	27,766	7,651	7,509	10,234	(29,830)	23,330
Profit/Loss	-	-	-	3,740	-	3,740
Other comprehensive income						
Property revaluations	-	-	1,829	-	-	1,829
Total comprehensive income	-	-	1,829	3,740	-	1,829
Balance as of December 31, 2021	27,766	7,651	9,348	13,974	(29,830)	28,909
Profit/Loss	-	-	-	473	-	473
Other comprehensive income						
Property revaluations	-	-	(97)	-	-	(97)
Total comprehensive income	-	-	(97)	473	-	376
Balance as of December 31, 2022	27,766	7,651	9,251	14,447	(29,830)	29,285

Date: 24.03.2023

Prepared by: 
/Optima Audit AD,
Blagородna Atanasova-mezhgora



Executive Director: 

/Velichko Klingov/

Financial statement on which it is issued
an audit report dated March 31, 2023


/Nikolay Polinchev, CPA 684/



CASH FLOW STATEMENT

	Clarifications	31.12.2022 000 BGN	31.12.2021 000 BGN
Cash flows from operating activities			
Receipts from customers		628	6,448
Payments to suppliers		(167)	(4,931)
Payments to employees and for social security		(130)	(57)
Taxes paid/refunded other than corporate tax		277	(698)
Other (payments)/proceeds, net		(100)	-
Net cash flow from operating activities		508	762
Investment activity			
Acquisition of property, plant and equipment		(109)	-
Net cash flow from investing activity		(109)	-
Financial activity			
Bond Loan Proceeds			11,375
(Repayment) / Proceeds from loans received			(11,742)
Payments of interest, fees and commissions		(357)	(618)
Lease payments		(52)	(121)
Net cash flow from financing activities		(409)	(746)
Net change in cash and cash equivalents		(10)	16
Cash and cash equivalents at 1 January		18	2
Cash and cash equivalents at 31 December	12	8	18

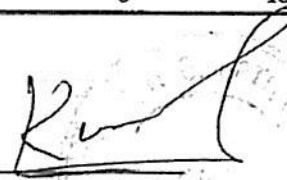
Date: 24.03.2023

Prepared by: 
/Optima Audit AD,
Blagorodna Atanasova-manchev

Financial statement on which has issued
an audit report dated March 31, 2023

/Nikolay Polinchey, CPA 684/



Executive
Director: 

/Velichko Klingov/

3. Art. 100n, para. 4, item 3, letter "c" Information relating to material transactions.

My responsibilities for the audit of the financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, include evaluating whether the financial statements present the material transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by me on the material transactions underlying the financial statement for the year ending on December 31, 2022, I have not become known facts, circumstances or other information on the basis of which to conclude that there are cases of material misstatement and disclosure in accordance with the applicable requirements of IFRS adopted by the European Union. The results of my audit procedures on the transactions and events of the Company material to the financial statement have been considered by me in the context of forming my opinion on the financial statement as a whole, and not for the purpose of expressing a separate opinion on these material transactions.

The certifications made with this declaration should be considered solely and only in the context of the auditor's report issued by me as a result of the independent financial audit of the annual financial statements of Intercapital Property Development REIT for the reporting period ending on 31 dated 31-03-2023 This declaration is intended for December 2022 only for the addressee mentioned above and was prepared solely and only in Offering of _____, fulfillment of the requirements set by Art. 100n, para. 4, item 3 of the Law on the Public Securities (IPO) and should not be taken as a substitute for my conclusions contained in the audit report I issued on 03-31-2023 regarding the issues covered by Art. 100n, item 3 of the Civil Code.

31-03-2023 _

About the registered auditor

Sofia city



Nikolay Polinchev

Notes to the financial statement

1. General information

The company "Intercapital Property Development" REIT is registered according to the Real Estate Securitization Act. The company functions as a collective real estate investment scheme; "real estate securitization" means that the company purchases real estate with the money it has raised from investors by issuing securities (shares, bonds).

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

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-level form of management. The Board of Directors is composed as follows:

- Velichko Klingov, •
Tsvetelina Hristova.
- "AHELOY 2012" OOD, represented by Petya Georgieva Yordanova.

Investor Relations Director is Radostina Panteleeva.

Service companies, in accordance with the requirements of the Social Security Administration, are: "Optima Audit" AD, "Marina Cape Management" EOOD. The main independent real estate appraiser is "Dobi 02" EOOD.

2. Basis for preparing the financial statements

a. Compliance Statement

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

The company's financial statements are prepared in accordance with the International Standards for Financial Statements 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 additions of 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 report is drawn up in Bulgarian leva, which is the functional currency of the Company. All amounts are presented in thousands of BGN ('000 BGN) (including the comparative information for 2021), unless otherwise stated.

The financial report has been compiled in compliance with the principle of a going concern.

This financial statement is individual. The company also prepares a consolidated financial statement in accordance with International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by

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The European Union (EU) in which investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

b. Responsibilities of management

The actions of the management and employees are in the direction of confirming the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and activity of the Company.

Management confirms that, for the reporting period, it has consistently applied adequate accounting policies in the preparation of the Annual Financial Report and has made reasonable and prudent judgments, assumptions and estimates. The management also

confirms that it has adhered to the current accounting standards, and the Annual Financial Report has been prepared on the going concern basis.

c. Working company

The company has prepared its financial statements for the year ending 31 December 2022 d., based on the assumption that the Company is a going concern, which implies the continuation of the current economic activity and the realization of the assets and settlement of the liabilities in the normal course of its activity. 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

availability of subcontractors and suppliers.

The company is in fulfillment of its financial commitments as of December 31, 2022. The management has no plans or intentions that foresee a significant limitation of the scale of the activity and/or transformation in the foreseeable future in a period of at least one year of the company.

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 practically impossible to reclassify the 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

a. New and amended standards

The Company's accounting policies are consistent with those applied in the previous reporting period, except for the following amended IFRS adopted from January 1, 2022:

For the first time in 2022, some amendments and clarifications are applied, but they have no impact on the Company's financial statements. The Company has not adopted standards, clarifications or amendments that have been published but have not yet entered into force.

Onerous contracts - costs of contract performance - Amendments in IAS 37

In May 2020, the IASB published amendments to IAS 37 specifying which costs the Company must include in the assessment of whether a contract is onerous or loss-making.

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The amendments apply the "directly related costs approach". Costs that are directly related to a contract for the provision of goods or services include both intrinsic costs and cost allocations directly related to the assets under the contract. General and administrative costs are not related directly with a given contract and are excluded unless they are expressly billable to the counterparty under the contract. These changes do not affect the Company's financial statements.

Reference to Conceptual Framework - Amendments in ISF O 3

In May 2020, the IASB published Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace the reference to *the Framework for the Preparation and Presentation of Financial Statements*, published in 1989, with a reference to *the Conceptual Framework for Financial Reporting*, published in March 2018 without material changes to the requirements.

The Board also added an exception to the recognition principle in IFRS 3 to avoid potential "day 2" gains or losses arising on liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Charges if incurred separately. At the same time, the Board decided to clarify the existing guidance in IFRS 3 on contingent assets, which will not be affected by the replacement of the reference to the Financial Reporting Framework. These amendments do not affect the Company's financial statements.

Property, machinery^{and} facilities: receipts before intended use - Amendments
in IAS 16

In May 2020, the IASB published Property, plant and equipment - proceeds before intended use, prohibiting businesses from deducting from the cost of acquisition of property, plant and equipment any proceeds from the sale of items produced while that asset is brought to the place and condition necessary for it to function in the manner intended by the management. Instead, the entity recognizes the revenue from the sale of such items and the costs of their production in profit or loss. These amendments do not affect the Company's financial statements.

Annual Improvements in IFRS 2018-2020

IFRS O 9 F Financial Instruments – Remunerated write-offs of in the test of "The 10 percent" for financial liabilities

As part of the process for annual improvements to IFRS - 2018-2020, the IASB published an amendment to IFRS 9. The amendment clarifies the consideration that an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on behalf of the other. An entity shall apply the amendment to financial liabilities that are modified or replaced on or after the beginning of the annual accounting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. These amendments do not affect the Company's financial statements.

IFRS O 1 First-time application of International Financial Reporting Standards the quality of an entity
- Subsidiary in applying IFRS O for the first time

As part of the process for annual improvements to IFRS - 2018-2020, the IASB has published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative differences from becoming a foreign

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currency, to use the amounts reported by the parent company based on the parent company's IFRS transition date. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The earlier application is allowed. These amendments do not affect the Company's financial statements.

Agriculture - Fair value taxation IAS 41

As part of the process for annual improvements to IFRS - 2018-2020, the IASB published an amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities must exclude cash flows related to taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively in respect of fair value measurements, on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted. These amendments do not affect the Company's financial statements.

b. Published standards that are not yet in force and have not been adopted by early.

At the date of approval of this financial statement, new standards, amendments and clarifications to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial period starting 1 January 2022 and have not been implemented from an earlier date than 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 during the first period beginning after the date of entry
them in force.

The changes are related to the following standards:

- IFRS 17 Insurance contracts effective from 1 January 2023;
- Amendments to IAS 1: Classification of liabilities as current or non-current effective from 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements and Statement of Practice under IFRS 2: Disclosure of Accounting Policies effective January 1, 2023;
- Amendments to IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates Effective January 1, 2023;
- Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities, arising as a result of one transaction effective January 1, 2023;
- 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.

c. Changes in accounting policy

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

4. Accounting policy

a. General

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

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The financial statements have been prepared in compliance with the valuation principles for each type of assets, liabilities, income and expenses according to IFRS. The valuation bases are disclosed in detail further in the accounting policy to the financial statements. The individual financial statement is prepared in compliance with the going concern principle. It should be

noted that accounting estimates and assumptions were used in the preparation of the presented financial statements. 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 accounting policy retrospectively; b)
retrospectively recalculates items in the financial statement; or

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

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

b. Transactions in foreign currency

The individual elements of the Company's financial statements are valued in the currency of the main economic environment in which the company operates ("functional currency"). The Company's financial statements are prepared in Bulgarian leva (BGN). It is the Company's functional and presentation currency.

Transactions in foreign currency are reported upon their initial recognition in the Company's reporting currency at the official exchange rate for the day of the transaction (announced fixing of the Bulgarian National Bank). Income and expenses from exchange differences that arise in the settlement of these transactions and revaluation of cash 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 fulfillment of 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 in a ratio of 1:1. After the introduction of the euro, the Bulgarian lev was pegged to the euro at a ratio of 1 euro = 1.95583 BGN.

c. Income 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 companies 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 work under the contract;

- at a particular point in time when control of the goods or services is transferred to the customer.
- Revenues from contracts with customers are recognized based on a 5-stage recognition model, with a distinction 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 customer's goods or services;
- for performance satisfied (transferred control) at a specified point in time – the customer obtains control of the goods or services at a specified time and revenue is recognized in full at once.

d. Operating expenses

Operating costs are recognized in profit or loss when the services are used or on the date they are incurred. Warranty costs are recognized and deducted from related provisions when the related revenue is recognized.

e. Borrowing costs

Borrowing expenses mainly represent interest on the Company's loans. All borrowing costs, including those directly attributable to the purchase, construction of an eligible asset, are recognized as an expense in the period in which they are incurred as part of "finance costs" in the Statement of Profit or Loss and the other comprehensive income. In the Statement of profit or loss and other comprehensive income, additionally paid bank fees related to the renegotiation of loan relationships are reported. Until the final completion of the CMR for the respective object, the costs of land increase the cost of the constructed properties. Upon final completion of construction, capitalization of borrowing costs ceases. The capitalization of these costs is terminated and in the event of a temporary suspension of CMR.

f. Staff income

Short-term staff income includes wages, salaries, social security contributions and annual compensable employee leave, which are expected to be fully settled within 12 months after the end of the reporting period. When the Company receives the service, it is recognized as a personnel expense in profit or loss. Short-term staff income is valued at the undiscounted amount of expected settlement costs.

For the purposes of the Company's Remuneration Policy, fixed remunerations are all payments or other benefits that are determined in advance and do not depend on the achieved result, and variable remunerations are all additional payments or other benefits that are determined and paid depending on the achieved result or from other contractually defined 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 it occupies; professional experience; the imposed restrictions (prohibition of carrying out a certain activity or action, incompatibility for holding a position in an additional legal relationship, etc.).

The members of the Board of Directors receive a fixed monthly remuneration, determined by the General Assembly, which cannot exceed 10 minimum monthly wages.

The General Assembly also decided that the executive director's remuneration should be up to 12 minimum wages.

By decision of the General Meeting of Shareholders, the 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 no more than 0.5% in total for the whole Advice.

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

The company forms only permanent remuneration, which is determined in the concluded contracts. No variable remuneration is formed or paid. The permanent remuneration includes:

- basic salary determined according to the current regulations and the applied labor payment system;
- additional wages of a non-permanent nature, in the extraordinary cases provided for in the Labor Code, in the regulation or in another normative act, such as for overtime work;
- other labor remunerations defined 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 evaluation 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 increasing professional qualifications, as well as additional incentives related to voluntary pension and/or health insurance and insurance, subject to compliance of the general principles of this policy. The company may pay additional remunerations of a non-permanent nature and in the form of one-time remunerations for annual results obtained, 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 valued 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 connection with the preparation of the asset for operation.

Subsequent valuation is carried out at acquisition cost less accumulated depreciation and impairment losses. Impairments incurred are accounted for as an expense and are recognized in the Statement of Profit or Loss and other comprehensive income for the relevant period.

Subsequent costs that arise in relation to intangible assets after initial recognition are recognized in the Statement of Profit or Loss and other comprehensive income in the period in which they occur, unless it is probable that they will enable the asset to generate more than the originally anticipated future economic benefits and

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when these costs can be reliably estimated and allocated to the asset. If these two 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 life of fitness of individual assets as follows:

Software	2 years
Other	6.5 years

Depreciation is included in the "depreciation and impairment charges of non-financial assets" line on 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 exercises 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 information available at the Statement of Financial Position date. 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 the Company's intangible fixed assets is BGN 700.

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

Property, plant, and equipment are initially valued at cost, which includes the cost of acquisition, as well as all direct costs of bringing the asset into working order. The subsequent valuation of land and buildings is carried out at a revalued value,

which is equal to the fair value at the date of the revaluation, reduced by subsequently accumulated depreciation and impairment losses. Revaluations made are presented in the statement of comprehensive income and are reported against equity (revaluation reserve) if they are not preceded by previously charged expenses. Upon sale or write-off of the revalued asset, the remaining revaluation reserve is reflected against retained earnings.

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

Subsequent costs associated with a particular asset of property, plant, and equipment are added to the asset's carrying amount when it is probable that the company will have economic benefits that exceed the originally estimated effectiveness 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 one for all other non-current tangible assets.

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

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

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

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

Property, plant, equipment and equipment acquired under the terms of a finance lease are depreciated on the basis of the expected useful life, determined by comparison with similar assets or on the basis of the value of the lease contract, if its term is shorter. Depreciation of property, plant and equipment is charged using the straight-line method over the estimated useful lives of individual asset groups as follows:

• Machines	3.3 years
• Business inventory •	6.67 years
Facilities •	10 years
Computers •	2 years
Others	6.67 years

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

i. Reporting of leases

On the effective 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 lessee

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

Right-of-use assets

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

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Obligations under leases

From the commencement date of the lease, the Company recognizes lease liabilities valued at the present value of the lease payments to be made over the term of the lease. 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 guarantees for residual value. Lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by the Company, as well as lease termination penalty payments if the lease term reflects the Company's exercise of an option to termination.

Variable lease payments that do not depend on an index or interest rate are recognized as an expense (unless incurred to produce inventory) 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 an intrinsic interest rate on loans at the lease inception date, as the interest rate embedded in the lease cannot be reliably determined. After the start date, the amount of the lease obligations increases with the interest and decreases with the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a modification, change in lease term, 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 exemption from recognition of short-term leases in respect of its short-term leases, the lease term of which is 12 months or less from the inception date and which do not contain an option to purchase. It also applies the exemption from recognition of leases of low-value assets to leases of office equipment that are considered to be of 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 properties, machinery, equipment and facilities

When calculating the impairment, the Company defines the smallest distinguishable group of assets for which independent cash flows can be determined - a cash flow generating unit. As a result, some of the assets are subject to an impairment test 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

restored.

When the recoverable amount of an asset or cash-generating unit is lower than the corresponding book value, the latter should be reduced to the amount of the recoverable amount of the asset. 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 impairment testing is directly related to the latter

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approved estimated budget of the Company, adjusted as necessary to exclude the impact of future reorganizations and significant asset improvements. Discount factors are determined separately for each cash-generating unit and reflect the risk profile assessed by the Company's management.

Impairment losses of 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 subsequently assesses whether there are indications that the impairment loss recognized in prior years may no longer exist or may have been reduced. An impairment loss recognized in a previous period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

k. Investment property

The Company accounts as investment property for buildings that are held primarily to obtain 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:

- future economic benefits are likely to be derived from the investment property
- the value of investment properties can be reliably estimated.

Investment properties are initially valued 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 accounted for using the fair value model. Fair value represents the most likely price that could be obtained in the market at the balance sheet date. Investment properties are revalued on an annual basis and are included in the Statement of Profit or Loss and other comprehensive income at market values. They are determined by independent valuers with a 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 in 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 the Company will receive future economic benefits exceeding the initially estimated value of the existing investment properties. All other subsequent costs are recognized as an expense in the period in which they are incurred.

The company writes off its investment properties when they are sold or when they are permanently removed from use, in the event that no economic benefits are expected from their 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 "materials costs", "external service costs" and "other costs", respectively.

I. Financial actives

Financial instruments – initial recognition and subsequent measurement

Initial recognition

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

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

determined on the basis of 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 profit from short-term sales or reverse purchases are classified as financial assets held for trading. Investments in debt instruments that the Company holds within a business model in order to collect the agreed cash flows are classified as financial assets, reported at amortized cost. Investments in debt instruments that the Company holds within a business model for the purpose of collecting the agreed cash flows and selling them are classified as financial assets accounted for at fair value in other comprehensive

income.

Financial assets reported 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 leasing contracts, receivables from deposits provided, receivables from assignments, receivables acquired through assignments, credits and loans acquired through assignments, held-to-maturity investments.

Trade receivables

Trade receivables are sums owed by customers for goods sold or services performed in the ordinary course of business of the company. They are usually settled 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 significant financial components, in which case they are recognized at fair value. The Company holds trade receivables for the purpose of collecting contractual cash flows and therefore subsequently measures them at amortized cost using the effective interest method.

Other receivables

These amounts generally arise from transactions outside the company's normal operating activities. Interest may be charged based on market interest rates when the repayment term exceeds six months. Usually the collateral is not 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 as part of a business model with the objective of both collecting the contractual cash flows and selling the asset and where the contractual cash flows give rise only to payments of principal and interest are reported at fair value through other comprehensive income.

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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 leasing contracts, receivables from deposits provided, receivables from 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 not classified in the above two categories. 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 that they give rise to payments of principal and interest only. Derivatives are also categorized as held for trading unless designated as hedging instruments. These financial assets can be debt or equity instruments.

Subsequent valuation of financial assets

Financial assets reported at amortized cost

After initial recognition, assets are reported at amortized cost.

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

Financial assets at fair value through other comprehensive income

After initial recognition, the asset is measured at fair value, taking into account changes in fair value in the revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is written off, the accumulated gains or losses recognized in other comprehensive income are transferred to profit or loss.

Financial assets at fair value through profit or loss

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

Impairment of financial assets

The Company recognizes an impairment for expected credit losses for all debt instruments that are not accounted for at fair value in profit or loss. Expected credit losses are based on the difference between the contractual cash flows and any cash flows the company expects to receive, discounted on an annual basis at the initial 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 its initial recognition and on the change in credit risk in subsequent accounting 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 initial recognition, an adjustment is recognized for expected credit losses arising from a possible default in the next 12 months.

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- Stage 2 (exposures with impaired service) - financial assets are classified with a significant increase in credit risk compared to the initial assessment, but without objective evidence of impairment. Recognition is required for those credit exposures for which there has been a significant increase in credit risk compared to initial recognition. Interest is charged based on the gross book value of the instrument.
- Stage 3 (exposures with credit impairment) - financial assets with a significant increase in credit risk and for which there is objective evidence of impairment are classified. For those exposures that are non-performing, a credit impairment is required to be recognized for the remaining life of the exposure, regardless of the time of default. Interest is calculated based on the depreciated value of the asset.

Trade receivables and contract assets

The Company applies IFRS 9's simplified approach to measuring expected credit losses, where a lifetime expected loss allowance is charged for all trade receivables and contract assets.

To measure expected credit losses, trade receivables and contract assets are grouped 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 reverse recovery). When an allowance for expected credit losses is recognized through other comprehensive income, any adjustment to it is recognized in other comprehensive income.

No changes were 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 written off by the Company when the contractual rights to the cash flows from that asset mature or when the Company has transferred these rights through a transaction in which all significant risks and rewards arising from the ownership of the asset are transferred to the buyer. Any participation in an already transferred financial asset that the Company retains or creates, is accounted for separately as a separate asset or liability.

In cases where the Company has retained all or a greater part of the risks and benefits associated with the assets, the latter are not written off from the financial statement (an example of such transactions are repo transactions - sale with an arrangement for repurchase).

In transactions where the Company neither retains nor transfers the risks and benefits associated with a financial asset, the latter is written off from the statement of financial position when and only when the Company has lost control over it. The rights and obligations that the Company retains in these cases are reported separately as an asset or a liability. In the case of transactions in which the Company retains control over 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 participation in the asset and bears the risk of changes in its value.

Subsequent assessment of financial liabilities

The subsequent valuation 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

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Liabilities are classified in this category when they are principally held for sale in the near future (trade payables) or are derivatives (except for a derivative that is designed for and is an effective hedging instrument) or qualifies for this category, determined at initial recognition. Any changes in fair value relating to liabilities at fair value through profit or loss are recognized in the statement of profit or loss and other comprehensive income at the date of

which arise.

Liabilities reported at amortized cost

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

Items classified as trade and other payables are generally not revalued because the payables are known to have a high degree of certainty and settlement is short-term.

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

Write-off of financial liabilities

The Company writes off a financial liability when the contractual obligations under it are repaid, expire or are cancelled.

The difference between the carrying amount of the financial liability written off and the benefit paid is recognized in profit or loss.

Offsetting financial asset and financial liability

Financial assets and financial liabilities are offset and the statement of financial position presents the net amount when:

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

The offsetting of a recognized financial asset and a recognized financial liability and the presentation of the net value are different from the write-off of a financial asset or financial liability.

A right of set-off is a legal right of a contractual debtor 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.

m. Material stocks, unfinished construction

The company carries out its activities only by assigning the 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 the unfinished construction consists of the costs of design, construction and assembly works, advertising, construction supervision, fees and others. The cost of the finished product also includes the costs of loans raised for the construction of a specific object.

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In the cost price of the finished product (real estate - apartments, commercial establishments, etc.) will be included as an element and part of the value of the land, which corresponds to its depreciation, as a consequence the limited rights of disposal. The land will be appraised (according to the requirements of the Bulgarian legislation) at least once a year by an independent licensed appraiser.

Direct costs are accumulated at the time of their execution by batches for the specific objects, and indirect costs are distributed in proportion to the direct costs incurred for the object. Inventories include materials and finished goods. The cost of inventories includes the costs of purchasing and other direct costs related to their delivery. The costs of used financing are included in the value of material stocks (unfinished construction), taking into account analytically the belonging to the relevant object, and after the final completion of the construction and assembly works, the financing costs are reported in the result. When the SMR is suspended, the reporting of the costs of interest, fees and commissions on used financing for the unfinished construction is stopped.

The Company determines inventory costs using the weighted average cost method.

When selling inventories, their book value is recognized as an expense in the period in which the corresponding income is recognized.

n. Income taxes

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

o. Cash and cash equivalents

The company reports as cash and cash equivalents available cash and cash on bank accounts.

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

p. Equity and dividend payments

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

Retained earnings include the current financial result shown in the Statement of Profit or Loss and other comprehensive income, as well as accumulated profits and uncovered losses from

Past years.

The company is obliged under Art. 10 of the Law on companies with a special investment purpose to distribute as a dividend not less than 90 percent of the profit for the financial year, determined in the manner indicated below and in compliance with the requirements of Art. 247a of the Commercial Law. Distributable profit is the financial result (accounting profit/loss) adjusted as follows:

1. increased/decreased by costs/incomes from subsequent real estate assessments properties;
2. increased/decreased by losses/profits from transactions on the transfer of ownership of real estate;
3. increased/decreased in the year of transfer of real estate ownership properties with the positive/negative difference between:

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a) the sale price of the real estate, and

b) the sum of the historical price of the real estate and the subsequent costs that led to an increase in its balance sheet amount;

The company can only issue dematerialized shares registered on accounts in 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 of bonds issued as convertible into shares. Common stock is classified as treasury stock

capital.

Incremental costs inherent in issuing new shares or options are shown in equity as a reduction of proceeds, net of tax. Additional costs directly related to the issuance of new shares are included in the acquisition price as part of the purchase consideration.

The company may not issue shares that give the right to more than one vote or additional liquidation share.

The company may issue different classes of shares. Shares of a single 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 the right aloud.

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

q. Pension and other obligations to the staff

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

The Company has not developed and does not implement post-employment benefit plans or other long-term benefits and post-employment benefit plans either in the form of stock-based or equity-based compensation, as by law it may appoint to an employment contract only one person - director of investor relations.

r. Provisions, contingent assets and contingent liabilities

Provisions are recognized when it is probable that present obligations as a result of past events will result in an outflow of resources from the Company and a reliable estimate of the amount of the obligation can be made. 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. Restructuring provisions 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 business losses are not recognized.

The amount that is recognized as a provision is calculated on the basis of the best estimate of the costs necessary to settle the current liability at the end of the reporting period, also taking into account the risks and uncertainties, including those related to the current liability. Provisions are discounted when the effect of timing differences in the value of money is significant.

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Indemnities from third parties in connection with a given obligation of the Company are recognized as a separate asset. This asset, however, cannot exceed the value of the relevant 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 liability, such liability is not recognised. The Company does not recognize contingent assets because their recognition may result in the recognition of income that may never be realized.

s. Significant Management Judgments in Applying Accounting

politics

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

ratings are described in a note

5. Uncertainty of accounting estimates

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

Actual results may differ from management's assumptions, estimates and assumptions and in rare cases will be completely consistent with previously estimated results.

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

Determining the term of the lease for contracts with renewal and termination options -

The company as lessee

The Company defines the term of the lease as the irrevocable 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 the termination of the lease if it is reasonably certain that the option will not be exercised.

Useful ⁹ life of depreciable assets

Management reviews the useful lives of depreciable assets at the end of each reporting period. As of December 31, the management determines the useful life of the assets, which represents the expected period of use of the assets by the Company. The balance sheet values of the assets are analyzed in note 6. The actual useful life may differ from the estimate due to technical and moral wear and tear, primarily of software products and computer equipment.

Impairment of receivables

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

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6. Property, machinery, plant and equipment

The balance sheet value of property, plant and equipment can be presented as follows:

	Soori land	women	Computer and other equipment	Assets in construction process	Total
	000 BGN	'000 BGN.	000 BGN		000 BGN
Carrying amount					
Balance as of January 1, 2021	7,549	544	4	7,273	15,370
Newly acquired assets	-	-	-	-	-
Change due to revaluation	1 839	-	-	889	2,728
Assets written off	-	-	-	-	-
Balance as of December 31, 2021	9,388	544	4	8 163	18,098
Depreciation					
Balance as of January 1, 2021	-	(544)	(4)	-	(548)
Depreciation written off	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance as of December 31, 2021	-	(544)	(4)	-	(548)
Book value as of December 31, 2021	9388	-	-	8 163	17,550
	Soori land	women	Computer and other equipment	Assets in construction process	Total
	000 BGN	'000 BGN.	000 BGN		000 BGN
Carrying amount					
Balance as of January 1, 2022	9,388	544	4	8,163	18,098
Newly acquired assets	-	-	-	4,273	4,273
Change as a result of revaluation	(98)	-	-	(1 182)	(1,280)
Assets written off	-	-	-	-	-
Balance as of December 31 2022	9,290	544	4	11,254	21,092
Depreciation					
Balance as of January 1, 2022	-	(544)	(4)	-	(548)
Depreciation written off	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance as of December 31, 2022	-	(544)	(4)	-	(548)
Book value to December 31, 2022	9,290	-	-	11,254	20,544

7. Investment properties

The properties that have been built and received a certificate of occupancy, which have not been sold and accordingly transferred to customers, are reflected in the Statement of Financial Position in the "Investment Properties" section, since the Company has a limitation to operate the independently constructed assets, and the income that it can receive, is by outsourcing the management activity to third parties. Investment properties are initially valued at cost, which includes any costs that are directly related to the investment property - for example, M&A, design, legal fees and other costs. After initial recognition, investment properties are accounted for using the fair value model.

Pursuant to the requirements of the Special Investment Purpose Companies Act, the Board of Directors has assigned the evaluation of all properties owned by the Company to the independent appraiser "Dobi 02" EOOD, whose results are reflected in the 2022 financial report ..

The following table reflects the change in the size of investment properties in 2022 and 2021.

	31.12.2022
	000 BGN
Book value as at 1 January 2022 Newly acquired	25,890
assets Assets written off Net	91
gain/(loss) from	(70)
change in fair value Book value as at 31 December 2022	2,997
	28,908
	31.12.2021
	000 BGN
Book value as at 1 January 2021 Newly acquired	24,968
assets Assets written off Net	-
gain/(loss) from	(5,975)
change in fair value Book value as at 31 December 2021	6,897
	25,890

According to the theory of business valuation, in general, 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, objects are considered statically, that is, as they are at the time of valuation. With the income approach, the determined value of the evaluated subject also takes into account the perspective in its development - its profitability. In accordance with the purpose of the evaluations, the evaluation team 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 basically formed on the basis of the studies for transactions with similar real estate realized on the free market. The comparative value method looks for the assumed market price of properties close in quality to the appraised one. When determining the market value of the property, information was used on three similar properties with characteristics close to the appraised one, located in the same area, for which transactions were completed in the last six months of the previous year. The sale prices of the three compared properties have been reduced to uniformity

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in relation to the characteristics of the evaluated property, being adjusted by an area factor taking into account their differences.

The following was used in the preparation of the assessment:

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

The company invested in the construction of two sites - "Marina Cape" and "Grand Borovets", a detailed presentation of which is made below. In 2010, the construction

of the Marina Cape site was fully completed, in particular Zone 4 was finalized in the site, for which a use permit was obtained in August 2010. In addition, finishing works and retrofitting were completed on all remaining properties on the site, which were previously reported as construction in progress. As a result, by decision of the Board of Directors dated 01.10.2010, all unsold properties in the "Marina Cape" site are reflected as investment properties.

In 2021, the company concluded a contract with MKM OOD for the reconstruction and modernization of the so-called zone 4, The same envisages the reconstruction of the existing large and non-functional apartments to be made into small functional studios, with the aim of easy and practical use for tourist purposes, and also with the aim of easy sale. Modern technologies for heating and ventilation, access control, video surveillance, etc. will be introduced. The area is intended to function practically 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 2023 and to be maximally used in the 2023 season.

In September 2022, the company acquired an investment property in the amount of BGN 91 thousand with a commercial area of 70.60 sq.m. in the "Marina Cape" holiday complex. There are two sites that are being built on the Company's own land, detailed below:

Marina Cape facility

Holiday complex "Marina Cape" 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 dwellings. A vertical accent in the general silhouette are the lighthouse and the clock tower.

The complex consists of four separate areas, spread over a property with an area of 40,000 sq.m. and forming a total built-up area of over 66,000 sq.m., with a total of 761 apartments. The complex has 4 restaurants, 4 cafes, 14 shop premises, two squash halls (licensed by the Squash Federation), premises for a Medical-Dental Centre, a fully equipped and working fitness and spa centre, a bowling alley, a children's centre, a premises intended for bank office, administrative part, offices, two swimming pools and service rooms 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: bank office, sports and entertainment

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zone, a children's center and Sector 27 - a restaurant on two levels. Some of the residential sectors include public facilities - restaurants, cafes, shops, offices, premises for a medical center, gym. 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 north-eastern part there is a pool with an area of 470 sq.m.

A special landscaping project has been developed for the surrounding space of the holiday complex, and the ground floor apartments of most of the buildings have separate courtyards.

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

For the needs of the complex, a new water supply, sewerage and power transmission network was built and put into operation, the existing roads and streets in the area were rehabilitated, and a completely new road connection was built. Implemented the necessary systems to provide telephones and Internet, including a wireless Internet network, as well as fire alarm and video surveillance systems.

Object Grand Borovets

The project envisages the construction of residential properties mainly for vacation use in a separate complex of buildings. The complex has the trade name "Grand Borovets". It is located in the area in k.k. Borovets. Borovets is located 62 km away. Southeast of Sofia. Borovets is one of the oldest and most famous winter resorts in Bulgaria. Today, Borovets is the largest Bulgarian ski center in terms of length and capacity of ski slopes and facilities. The climate in the resort is moderate, the winter is mild and with a lot of snowfall. The average temperature in January, which is the coldest month, is around 4.8° C. The ski season usually lasts from mid-December to April. The resort offers excellent conditions for winter sports: alpine skiing, snowboarding, cross-country skiing, maintaining marked tracks with a total length of 58 km, such as

the longest of them is 12 km. The resort has 12 lift facilities with a total length of over 14 km. The lifts provide access to the surrounding peaks – Mount Musala, Mount Malka Musala, Mount Irecek, Mount Deno, Mount Aleko.

The Grand Borovets complex

The project is an "L"-shaped building, located in the southeastern part of the plot, with an exit to two streets. The first two levels of the building are semi-underground, due to the large unevenness of the terrain. The three residential floors and the mezzanine floor are completely above the ground. Hotel complex "Grand Borovets" is located in the old center of the Borovets resort. In the past, a summer cinema functioned in the same place. The property was part of the forest fund, in its northwest part there is a dense forest, and in the southwest it borders a small river.

The commercial and administrative area and service facilities for the complex are located on the ground floor and basement. These include a reception hall with reception and administration, a lobby bar, a 110-seat restaurant with a banquet hall and a covered terrace, two shops, a ski storage room, a fitness and spa center, an indoor swimming pool, a children's center, a bowling alley, a hair salon, a lobby with a registry office, as well as and technical and service premises and sanitary units, including for disabled people. The total area of the commercial establishments is 3,140 sq.m. The complex also has a covered parking lot on two levels for 34 parking spaces, as well as an open one with 16 parking spaces.

The residential part of the complex consists of 75 apartments with a total built-up area of 5,175 sq.m. They represent 41 studios, 14 apartments, mainly one-bedrooms, and a wide variety of maisonettes.

A landscaping project will be implemented in the surrounding area, with paths and park lighting, and the coniferous forest will be preserved.

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

Provided security for obligations to a bond loan

Number of real estates under the collateral	Area of real estate under the collateral	Book value of the collateral provided
		000 BGN
60 residential objects	4,811 sq.m.	6,931,712
19 commercial/warehouse sites	1,555 sq.m.	2,009,867
land	40,000 sq.m.	4,517,000

8. Leasing

The company has acquired land and buildings under construction under finance lease contracts. The assets are included in the groups "Land" and "Assets under construction" of "Property, machinery and equipment" (see note 6).

The company has concluded a number of finance lease contracts with "Bulgaria Leasing" EAD since December 17, 2013. The financial lease obligations are secured by the relevant assets acquired under the terms of the finance lease.

On December 17, 2013, the Company entered into a real estate financial lease agreement with "Bulgaria Leasing" EAD with the lease object: "Grand Borovets" investment project, owned by "Intercapital Property Development" REIT. The lease price to be paid was EUR 2,927,724.36 excluding VAT. Initially, the lease price was to be paid within 2 years of handing over possession of the leased objects, of which a 6-month grace period, through 24 lease installments payable on the 20th of the month for which the installment is due, at a fixed annual interest rate of 9 %. By mutual agreement between the parties from 2014, the term for repayment of lease installments was extended to 20.12.2019, as a result of which the lease price was changed to 3,183,968.45 euros without VAT. At the end of 2016, a new agreement was signed between the parties, according to which the term for repayment of lease installments was extended to 20.12.2022, and the lease price was accordingly changed to 3,411,746 euros without VAT. Pursuant to this contract, on December 17, 2013, "Intercapital Property Development" REIT transferred, by notarial procedure, the right of ownership to land with identifier 65231.918.189, located in the town of Samokov, Samokov municipality, Sofia region, and the property built on this property a building representing a hotel apartment complex with service facilities with identifier 65231.918.189.2, of the lessor "Bulgaria Leasing" EAD. As a result, and under the terms of the reverse lease, "Intercapital Property Development" REIT received from the lessor the possession of the properties subject to the Financial Lease Agreement. On 13.11.2019, the Company signed an agreement whereby Bulgaria Leasing was replaced by "Investbank" AD as the lessor, and all other clauses of the contract remain unchanged.

As of 31.12.2022, the company has repaid its obligation to the leasing company.

Leases include fixed lease payments and an option to purchase at the end of the last year of the lease term. Lease contracts are irrevocable but contain no other restrictions.

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	31.12.2022	31.12.2021
	'000 BGN	000 BGN
Obligations under finance lease contracts current Total	6,408	1,270
	6,408	1,270

9. receivables

The following table shows the more important trade receivables:

	31.12.2022	31.12.2021
	'000 BGN	000 BGN
Grand Borovets 2013 EOOD	-	3,035
Marina Cape Management EOOD Other	1 859	2 071
Accrued	8	30
impairments Net receivables	-	(2,276)
	1 867	2,860

Receivables from customers represent unpaid, remaining installments due to the Company on transferred real estate from a complex of residential buildings for seasonal use "Marina Cape". The carrying amount of trade receivables is considered a reasonable approximation of their fair value.

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

10. Advances Provided

Advances granted to suppliers are presented in the following table:

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Gergana Nedina-notary Marina		6
Cape Management Ltd. Total The	6 2	4,944
	658 2 664	4,950

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

11. Other receivables

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Current:		
Refundable VAT Guarantees	1	285
provided Receivable from sale	-	16
of subsidiary Other Current other receivables	98	98
	108	17
	207	416

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12. Cash

The company's funds are kept in the depository bank - "Unicredit Bulbank" JSC - branch St. Sunday.

Cash includes the following components:

	31.12.2022	31.12.2021
	000 BGN	000 BGN
Cash and bank funds:		
- Bulgarian Leva -	7	4
Euro	1	14
Total	8	18

As of 31.12.2022, the fair value of cash and short-term deposits is BGN 8 thousand (2021: BGN 18 thousand).

13. Equity

Share capital

The registered capital of the Company consists of 27,766,476 ordinary shares with a nominal value of BGN 1 per share. All shares have the right to receive a dividend and a liquidation share and represent one vote from the General Meeting of the Company's shareholders.

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Issued and fully paid shares:		
- in the beginning of the year	27,766,476	27,766,476
- issued during the year	-	-
Total	27,766,476	27,766,476
shares authorized.	-	-

Share capital structure

	2022		2021	
	Number of shares	%	Number shares	%
"MARINA CAPE PROPERTIES" LTD UNIVERSAL	3 530 162	12.07%	3 530 162	12.71%
PENSION FUND FUTURE NDF ASSETS DF "EF RAPID" EXCHANGE	1,900,000	6.84%	1,900,000	6.84%
TRADED FUND EF	1,400,000	5.04%	1,800,000	6.48%
PRINCIPAL ETF	2,415,000	8.70%	2,730,000	9.83%
DF ASSETS HIGH INCOME FUND	2 074 483	6.57%	1 824 483	6.57%
	4.98%	1 730 818		6.23%
Other individuals Legal entities	1,664,291	5.99%	1,693,982	6.10%
	13 398 722	49.81%	12 557 031	45.24%
	27,766,476	100%	27,766,476	100%

14. Credits, loans, reported at amortized value

	31.12.2022			31.12.2021		
	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						
Obligatory loan	11,735		405 12 140	11,735		405 12 140
Other commercial obligations			-	6,367		1 270 7 637
	11,735		405 12 140	18 102		1,675 19,777

On 17.09.2021, the Company successfully placed a second corporate issue of bonds under the conditions of a primary private offering. The bond loan has a total nominal and issue value of EUR 6,000,000, divided into 6,000 ordinary, non-privileged, registered, non-current, 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 the refinancing of an existing loan and investments with an investment purpose in the v.c. Marina Cape. The characteristics of the bond loan are detailed in the memorandum to it. The Board of Directors elected "TEXIM BANK" AD as the trustee of the issue, which should be elected by the First General Meeting of the bondholders.

15. Commercial Obligations

The following table reflects the more significant obligations of the Company as of December 31, 2022.

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Marina Cape Management EOOD IP	2 101	10
Intercapital Markets AD Others Total	3	1
	46	13
	2 150	24

16. Amounts received in advance from customers

Amounts received in advance from customers include

	31.12.2022	31.12.2021
	000 BGN	000 BGN
Foreign natural persons Guarantee	878	928
deposits from customers under concluded contracts	559	559

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Total	1 437	1 487
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17. Tax obligations

	31.12.2022	31.12.2021
	'000 BGN	000 BGN
VAT Liabilities Real estate	-	5
tax and utility tax liabilities		
waste	38	26
Total	38	31

18. Obligations to staff and insurance institutions

	31.12.2022	31.12.2021
	'000 BGN	000 BGN
Current:		
Salary liabilities Insurance	100	171
liabilities Total	2	4
	102	173

19. Other obligations

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Current:		
Obligation to BGI Imo EAD Obligation to Marina	6 407	
Keep Management EOOD Obligation to Dika account Obligation	1 148	
to Telelink OPTIMA audit Others	208	208
Total:	522	522
	567	522
	194	193
	9 406	1 445

During the reporting period, the obligation to BGI Imo EAD arose in connection with a lease agreement (see note 9). The obligation is due on 31.03.2023/see p33/.

During the reporting period, the obligation to Marina Keep Management EOOD arose in connection with the payment of the last lease installment for the Borovets Grand site, in the capacity of a trustee under the lease agreement of Marina Cape Management EOOD. The obligation has a repayment term of 31.12.2023 and bears interest 6 % annually.

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20. Revenue from sales

Sales revenue includes:

	31.12.2022 '000 BGN	31.12.2021 000 BGN
Sale of investment properties Management of investment properties Other Total	50 822 3 875	5 114 822 5,935

21. Costs for external services

External service costs include:

	31.12.2022 '000 BGN	31.12.2021 000 BGN
Commissions and advertising Fees, Consulting services - valuation, accounting and auditing services Telecommunication services Other Total	(36) (79) (4) (28) (147)	(61) (42) (3) (62) (168)

22. Staff costs

Staff remuneration costs include:

	31.12.2022 '000 BGN	31.12.2021 '000 BGN
Salary expenses Compensable leave expenses Social security expenses Social security expenses for compensable leaves Total	(43) (4) (8) (1) (56)	(40) (3) (7) (1) (51)

23. Other expenses

Other costs include:

	31.12.2022 '000 BGN	31.12.2021 000 BGN
Impairment of receivables Write-off receivables Fines, fees and penalties Other Total	- (782) (136) (194) (1,112)	(2,276) (35) (521) (90) (2,922)

24. Book value of assets sold

In the article "Balance value of assets sold", the Company reports the book value of alienated investment properties.

Exemption of the investment property can occur through sale or through the establishment of a right of use. When determining the date of exemption for investment property, the Company applies the criteria in IAS 18 for the recognition of income from the sale of goods or takes into account the relevant instruction in the supplement to IAS 18 .

During the reporting period, the company sold a residential area of 48.71 square meters at a value of BGN 50,000.

25. Financial income and expenses

Financial expenses for the presented accounting periods can be analyzed as follows:

	31.12.2022	31.12.2021
	'000 BGN	000 BGN
Net income from the sale of a subsidiary		93
Negative exchange rate differences	(1)	(1)
Interest expenses	(944)	(875)
Other financial expenses (bank renegotiation fees)		
loans and other penalties)	(4)	(82)
Total financial income and expenses, net	(949)	(865)

26. Changes in the fair value of investment properties

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Negative revaluations	(1,182)	(2)
Positive revaluations	3,114	7,788
Net change in fair value of investment properties	1,932	7,786

27. Cost of Taxes

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

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28. Earnings/ (Loss) per share

Basic income/(loss) per share and diluted income/(loss) per share were 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 income/(loss) per share and net income/(loss) allocable to holders of common stock.

	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Profit/(loss),	473	3,740
Weighted average number of shares (in '000 BGN)	27 766	27,766
Basic income/(loss) per share (in '000 BGN)	0.017	0.136

For the purposes of dividend distribution, the financial result is converted according to point 5.p of the accounting policy.

Financial result of INTERCAPITAL PROPERTY DEVELOPMENT REIT for the period: 2022.	'000 BGN
accounting profit	473
accounting loss	
Increased/decreased by costs/income from subsequent real estate assessments properties;	
raise	1 182
reduction	(3,114)
Increased/decreased by losses/gains from real estate transfer transactions;	
raise	50
reduction	
Increased/decreased in the year of transfer of real estate ownership by the positive/negative difference between:	
a) the selling price of the real estate	
raise	
reduction	(20)
b) the sum of the historical price of the real estate and the subsequent costs that led to an increase in its book value	
raise	
reduction	
Increased/decreased by losses/profits from sales reported in the year of conclusion of finance lease contracts;	
raise	
reduction	
Increased/decreased in the year of expiry of the finance lease agreement by the positive/negative difference between:	

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a) the income from the sale of the real estate entered at the beginning of the term of the financial lease contract;	
raise	
reduction	
b) the amount of the historical price of the real estate and the subsequent costs that led to an increase in its book value;	
raise	
reduction	
Reduced in the year of their execution by the payments for interest on debt securities under Art. 26, para. 2, item 1 of the ZDSITSDS and on bank loans under Art. 26, para. 2, item 2 of the Income Tax Act, not included in the statement of comprehensive income;	
Reduced in the year of their execution with the payments for repayment of principals on debt securities under Art. 26, para. 2, item 1 of the ZDSITSDS and on bank loans under Art. 26, para. 2, item 2 of the ZDSITSDS;	
Dividend Distribution Amount; Annual	(1,429)
dividend - not less than 90 percent of the profit for the financial year, determined in accordance with para. 3 and in compliance with the requirements of Art. 247a of the Commercial Code law.	
Net value of the property under Art. 247a, para. 1 of the Commercial Law;	
The capital of the company, the "Reserve" fund and the other funds that the company is obliged to form by law or statute according to Art. 247a, para. 1 of the Commercial Law;	
Adjusted amount of the annual dividend, in accordance with Art. 247a, para. 3 of the Commercial Law:	

29. Related Party Transactions

a. Transactions with related enterprises

	31.12.2022	31.12.2021
	'000 BGN	000 BGN
Sale of goods and services		
- sale of services to "Marina Cape Management" EOOD	822	822
Receivables from affiliated companies	31.12.2022	31.12.2021
	'000 BGN	'000 BGN
Current:		
"Marina Cape Management" EOOD Total	4,517	7,051
current receivables from related parties	4,517	7,051
Liabilities to related enterprises	31.12.2022	31.12.2020
	'000 BGN	'000 BGN
Current:		
"Marina Cape Management" EOOD - commercial liabilities "Marina Cape Management" EOOD - other liabilities Total current liabilities to	2 101	10
related parties	1 148	10
	3 249	10

b. Transactions with key management personnel

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

	31.12.2022 '000	31.12.2021 000 BGN
Remuneration to individuals Remuneration to Aheloy 2012 Total The members of the	BGN 42	39
	-	-
	42	39

Board of Directors receive a fixed monthly remuneration determined by the General Assembly, which cannot exceed 10 minimum monthly wages. The General Assembly also decided that the executive director's remuneration should be up to 12 minimum wages.

By decision of the General Meeting of Shareholders, the 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 no more than 0.5% in total for the whole Advice.

The Company does not owe any other amounts and/or benefits in kind, nor does it set aside or charge 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 remuneration or compensation from subsidiaries of the issuer and the latter have not set aside or accrued amounts to provide pensions, benefits or other compensation upon retirement of the members of the Board of Directors in 2022.

The company's obligations to the members of the Board of Directors are as follows:

	31.12.2022 '000	31.12.2021 000 BGN
Remuneration to natural persons	BGN 100	171
Remuneration to Aheloy 2012 Total	-	-
	100	171

30. Objectives and policy of management regarding risk management

The company regularly analyzes 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, the realization of profits by economic entities, etc. These shocks include global economic and business conditions, fluctuations in national currencies, political events, changing legislation and regulatory requirements, priorities of national governments, etc. Trends in the macroeconomic environment affect market performance and the

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the final results of the activity of all sectors in 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 government policies of the respective countries and, in particular, the regulations and decisions made by the respective Central Banks regarding monetary and interest policy, exchange rates, taxes, GDP, inflation, budget deficit and external debt, the unemployment rate and the structure of the income.

Global macroeconomics and economic growth around the world were significantly affected and impacted in 2020 and 2021 by the scale and spread of the coronavirus (COVID-19) pandemic. This influence continues to the present.

The year 2022 was marked by the increase in the price of energy carriers around the world and by the rearrangement of global energy markets as a result of the Russian invasion of Ukraine and the policy of sanctions, price ceilings, etc.

2022 is the year of high inflation. All advanced economies reported an acceleration in consumer prices. Eurozone inflation reached 10.6% in October. Inflation in Bulgaria peaked in September at 18.7%, with the leading components for the sharp jump in the consumer price index being energy and food prices.

(-) Currency risk. The Company's expenses are denominated in BGN or Euro. The costs related to the construction, construction and operation of real estate are denominated in BGN. The cost price (purchase price) of real estate is most often negotiated in euros. On the other hand, all revenues of the Company are negotiated in Euros. Under the conditions of a currency board and a fixed exchange rate of the leva against the euro, 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 conducting transactions in foreign currency, income and expenses from foreign exchange operations arise, which are reported in the income statement. During the reporting periods presented, the Company was not exposed to currency risk, as far as it did not have positions positioned in currencies other than leva and euro.

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

The financial assets and liabilities, which are denominated in foreign currency (euro) and were recalculated in 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 of the real purchasing power of economic entities and the possible devaluation of assets denominated in local currency. The currency board system controls the money supply, but external factors (eg rising oil prices) can put upward pressure on price levels. After the accession of our country to the EU, there is a pressure to bring the price levels closer to those of the other EU countries, i.e.

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inflation in the country is higher than the average rate of inflation in EU member states. The company may be exposed to risks of rising prices of some individual goods, materials and services related to the activity and to the risk of falling prices of the owned properties.

- Risk of rising prices of plots and lands. The plots of land are one of the main "raw materials" used in the Company's activity for the construction of real estate. A significant increase in the prices of plots could reduce the company's profits and the possibilities of carrying out activities. The possibility of losses is eliminated by the Company's policy, according to which real estate is sold (advance) only after the land or the right to build on it is purchased or negotiated (in cases of compensation).

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

(-) Risks related to increased competition. Due to the significant growth of the Bulgarian real estate market in recent years before the onset of the recent global financial crisis, many new players entered the sector, including many foreign investors. As a result, we have witnessed the increasing competition between construction companies, real estate agencies, special investment companies, 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 on cash flows and fair value

The company may be exposed to interest rate risk if there is a discrepancy between the type (fixed or floating income or interest) of assets and liabilities. The main assets of the Company are properties (land or under construction). These assets can be considered to have a fixed price or income, as their price is not directly affected by changes in interest rates. The Company will seek to finance these assets with debt instruments that will also be at a fixed rate. When this is not possible or not favorable for the company, it can also resort to the use of floating rate debt. In these cases, the Company will constantly analyze the forecasts regarding interest rates. In the case of significant risks of a large rise in interest rates, which would have a material negative impact on the company's earnings, it may use derivatives or other financial instruments to hedge this risk.

Liabilities exposed to interest rate risk:

	2022	2021
	000 BGN	000 BGN
Liabilities to financial institutions		
Obligations to bond loan Obligations under	11,735	11,735
finance lease	-	6,367

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Other duties	8 122	1 002
	19 857	14,007

(c) Credit Risk

In its activity, 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 deferred payment). The Company's policy envisages avoiding advance payments as much as possible. When such are necessary (for example, for the purchase of joinery, elevators, etc. for buildings under construction), the Company will analyze in detail and thoroughly the reputation and financial status 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 counterparties.

Assets exposed to credit risk

	2022 '000 BGN	2021 000 BGN
Cash and cash equivalents Trade and other receivables	8 2	18 3,276
	074 2 082	3,294

(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 of the Company not being able to meet its obligations when they become due and the risk of the Company not being able to realize its assets at an appropriate price and within acceptable terms. The company aims to maintain a balance between the urgency of the attracted resource and flexibility in the use of funds with different maturity structures. The company strives to reduce the risks of a shortage of liquid funds by undertaking investments and construction works only when their financing is provided with own funds, advance payments from customers or borrowed funds. The company closely monitors the financial markets and the opportunities to raise additional funds (own or debt). The Company strives to shorten the terms for raising such funds if necessary. In the conditions of the current financial crisis, when liquidity risk is increasingly relevant for operating companies, "Intercapital Property Development" REIT strives to reduce its negative impact, and for this purpose has taken the following measures:

- The company monitors strict compliance with its contracts with financial institutions, for to exclude the possibility of demanding early repayment;
- Priority work with financial institutions (banks) in good financial condition;
- Optimization of costs, revision of the investment program;
- Active search for buyers for properties offered by the Company in order to generate cash receipts and maintaining adequate cash balances.

000 BGN

On request Until 3 6-12

1-5 Total

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	m.	months	years
Bond Loan Obligations Lease Obligations	203	202 11 735	12 140
Obligations to personnel	100		100
Commercial and other obligations	11 196	1 437	- 12,663
	11,296	203 1 639 11 735	24,873

31. Capital Management Policy and Procedures

The objectives of the Company in relation to capital management are:

- to ensure the Company's ability to continue to exist as a going concern enterprise and
- to ensure adequate profitability for shareholders by setting the price of products and its services according to the level of risk.

The company manages the capital structure and makes the necessary adjustments in accordance with the changes in the economic situation 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.

32. Categories of financial assets and liabilities

The balance sheet values of the Company's financial assets and liabilities can be presented in the following categories:

Financial actives	2022	2021
	'000 BGN	000 BGN
Financial assets reported at fair value in profit and loss:		
Cash and cash equivalents Trade and other receivables	8 2	18 3,276
	074 2 082	3,294
Financial liabilities	2022	2021
	'000 BGN.	'000 BGN.
Liabilities to financial institutions	12 140	11,938
Retention to bond loan Obligations under finance lease Trade and other obligations		1,270
	12 735	10,836
	24 875	22,774

33. Information on important events after the balance sheet date

On 20.03.2023, the Company signed an agreement with "BI GI IMO" AD, by virtue of which it transferred to "BI GI IMO" AD the right to acquire the right of ownership of leased objects under a Real Estate Financial Lease Agreement, under which contract the Company is the lessee. "BI GI IMO" JSC acquires the right for the amount of 8,069

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BGN 527.13 (eight million sixty-nine thousand five hundred twenty-seven BGN and thirteen cents).

In this connection, a set-off of counterclaims of "BI GI IMO" EAD to the Company in the amount of BGN 6,669,527.13 (six million six hundred sixty-nine thousand five hundred twenty-seven BGN and thirteen cents) was made, as a result of which the remaining claim of INTERCAPITAL PROPERTY DEVELOPMENT REIT to BI IMO EAD is in the amount of BGN 1,400,000 (one million four hundred thousand BGN).

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

34. Approval of the financial statement

The financial statement as of December 31, 2022 (including comparative information) was approved and adopted by the Board of Directors on March 24, 2023.

March 24, 2023

Signature:



/ Velichko Klingov – Ex. Director/

"Intercapital Property Development" REIT Annual
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2022.

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ANNUAL ACTIVITY REPORT
of INTERCAPITAL
PROPERTY
DEVELOPMENT REIT for 2022

**2022 COMPENSATION
POLICY IMPLEMENTATION REPORT**

March 2023

I. History

"Intercapital Property Development" REIT is a joint-stock company with a special investment purpose, which was established on 18.02.2005 and entered in the register of the Sofia City Court with Decision No. 1 of 29.03.2005, part. No. 92329, volume 1204, reg. I, page 23 in company case No. 3624/2005.

With decision No. 702-DSITS dated 16.11.2005 of the Commission for Financial Supervision, the Company received a license to operate as a company with a special investment purpose. With the same decision, the Prospectus for the public offering of 750,000 new shares of the Company, issued for the purpose of an initial capital increase of the company.

History of changes in share capital:

- The company was registered with capital in the amount of **BGN 2,500,000** according to Decision No. 1 of 29.03.2005 of the Sofia City Court under fi.d. No. 3624/2005
- In January 2006, the first capital increase of "Intercapital Property Development" REIT was carried out with new 750,000 shares with a nominal value of BGN 1 each. Pursuant to Decision No. 4 of 26.01.2006 of the Sofia City Court under the f.d. No. 3624/2005, the capital increase to the amount of **BGN 3,250,000 was entered.**
- In September 2006, a second increase in the capital of "Intercapital Property Development" REIT was carried out with new 1,625,000 shares with a nominal value of BGN 1 each. Pursuant to Decision No. 6 of 18.09.2006 of the Sofia City Court under the f.d. No. 3624/2005, the capital increase to the amount of BGN 4,875,000 was entered.
- With Decision No. 7 of 25.09.2006 of the Sofia City Court under the f.d. No. 3624/2005, an obvious factual error in Decision No. 6 of 18.09.2006 was removed and the correct statement was made, namely that the Company's capital was increased to **BGN 4,823,627** through the issuance of 1,573,627 new shares with a nominal value of BGN 1 each.
- On 23.08.2010, according to entry No. 20100823172414 in the Commercial Register, a capital increase to **BGN 6,011,476** was entered through the issuance of new 1,187,849 shares with a nominal value of BGN 1 each.
- On 13.10.2020, according to entry No. 20201013143520 in the Commercial Register, a capital increase to BGN **27,766,476** was entered through the issuance of 27,766,476 new shares with a nominal value of BGN 1 each.

The company is not limited by the term of existence.

"Intercapital Property Development" REIT is a public joint-stock company within the meaning of the LPA.

The company's shares are traded on the BSE AD, alternative market BaSE Market, with stock code: ICPD.

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The company's shares are also admitted to trading on the Warsaw Stock Exchange, Poland, on the "NewConnect" market with stock code: ICD.

Activity overview

The company has the following subject of activity according to the ZDSITSDSS: investment of funds raised through the offering of securities in the purchase of real estate and limited property rights; development of own real estate by carrying out constructions and improvements; sale of real estate; renting out or managing own real estate and any other activity related to

investing in real estate and permitted by law.

The company may not carry out any other activities outside of those mentioned above and directly related to their implementation, unless they are allowed by ZDSITSDS.

At least 70 percent of the Company's assets at the end of each quarter follows be as a result of the activity according to its subject.

Investments in real estate

The main assets of "Intercapital Property Development" REIT are located in the city of Aheloy, Marina Cape. Assets are held and managed by Marina Cape Management Ltd. (third party within the meaning of Art. 27, para. 4 of ZDSCIDS). "Marina Cape Management" EOOD has two managers who can guarantee functioning and representativeness. The company has imposed measures to protect personnel, property and ensure the functioning of the complex in compliance with the orders of the state and municipal authorities. There are strict restrictions on entering the complex. Security has been increased.

At the moment, all the possibilities are available: a normal life in the complex of property owners, as well as the possibility of accommodation for tourists on their own basis kitchen.

The other major asset of "Intercapital Property Development" REIT is a building of Rough construction in Borovets complex, which is the only one that is guarded.

The main buyers of the properties that the Company sells are concentrated in the following countries: Bulgaria, Poland and, to a lesser extent, the Czech Republic, Slovakia, Lithuania, etc. former Russian republics.

Over the past several years, the Company's sales efforts have focused on reaching new geographic markets. The company has started business relations with partners from China for the properties it offers.

Development of the Company's investment projects

1. Marina Cape

The holiday complex was completely completed in August 2010, when sectors 26 and 27 (Zone 4) were put into operation on 12.08.2010 with certificates No. 45 (26 villages) and No. 48 (27 villages).

In 2022, activities were carried out to eliminate irregularities that occurred during the operation and repair works of the complex. The repair works are carried out by "Marina Cape Management" EOOD. Also in 2021, on the basis of a contract between "Intercapital Property Development" REIT and "Marina Cape Management" EOOD, the redevelopment of the 4th zone in the complex began, which envisages that the existing apartments in the zone will be converted into studios, with the aim of -efficient use and tourism. For this purpose, there is an approved project and a construction permit for the reconstruction has been issued. Construction is initially slated to be ready for the 2022 season. Despite the adverse international environment and disrupted supply chains,

the company hopes to be able to complete the project in the originally planned time deadlines.

The holiday complex is operated all year round. During the winter season, 2 of the 4 restaurants were operational, as well as the bowling alley, spa, gym and squash courts. A minimum of 100 apartments were maintained for renting out to tourists - occasional and organized visitors.

During the 2022 summer season, the complex operated at high occupancy (for the apartments owned by the Company and those not owned by the Company, but managed by the subsidiary "Marina Cape Management" EOOD).

Despite the difficulties and restrictions, conference-type events are regularly held in the complex, subject to compliance with all anti-epidemiological measures. The company actively strives to develop this type of tourism.

2. "Grand Borovets"

In May 2008, the Company received the building permit and began construction work on the project in the Borovets resort complex. The company Midia AD was chosen as the contractor for the building up to the rough construction stage. The land on which the project is being built has an area of 6,600 sq m. The site has a built-up area of 10,000 sq m and includes a residential part - 5,175 sq m, commercial areas - 3,140 sq m and underground garages – 1,685 sq. m.

In October 2008, the Company received Act 14 and a Certificate of completed rough construction for the project in Borovets. To date, the remarks on the additional prescriptions of CEZ have been removed. Act 15 for the external power supply of the site and the signing of the contract for the purchase of the substation will be done after the completion of construction (Act 15) for the building. At the moment, all SMRs on the site are frozen for an indefinite period of time.

On December 17, 2013, the Company concluded a contract for financial leasing of real estate with "Bulgaria Leasing" EAD with the lease object: the "Grand Borovets" investment project. The lease price to be paid was EUR 2,927,724.36 excluding VAT. Pursuant to the "Intercapital Property Development" Agreement, the REIT has transferred by notarial procedure the right of ownership to the land property with identifier 65231.918.189, located in the town of Samokov, Samokov municipality, Sofia region, and the building built on this property, representing the hotel apartment

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complex with service facilities with identifier 65231.918.189.2, of the lessor "Bulgaria Leasing" EAD. As a result, and under the terms of the reverse lease, "Intercapital Property Development" REIT received from the lessor the possession of the properties subject to the Financial Lease Agreement.

As a result of a signed 3-way agreement on 13.11.2019. between Intercapital Property Development REIT, Bulgaria Leasing and Investabank AD, Bulgaria Leasing was replaced as lessor by Investbank AD.

With the Annex from 10.2020, the interest on the lease contract has been reduced to 6% per annum.

As of 31.12.2022, all obligations under the contract have been paid.

Sales and operation of investment properties

In 2022, the Company reports revenues from property sales - residential buildings for seasonal use in the "Marina Cape" holiday complex in the amount of BGN 50,000. The total area of the sold properties is 48.71 sq.m.

The main buyers of the properties that the Company sells are concentrated in the following countries: Bulgaria, Poland and, to a lesser extent, the Czech Republic, Slovakia, Lithuania, etc. former Russian republics.

Over the past several years, the Company's sales efforts have focused on reaching new geographic markets. The company has started business relations with partners from China for the properties it offers.

In 2022, the company relies on the activation of the holiday property market, especially in connection with the need for insulation as a result of the Covid pandemic and the resumption of income from the sale of real estate. The company is working hard to restructure its liabilities in order to service them regularly and improve its liquidity.

In 2022, "Intercapital Property Development" REIT reports income from the operation of the investment properties in the complex (including commercial and residential properties). It is carried out by the third party "Marina Cape Management" EOOD, on the basis of a contract between MKM EOOD and IKPD REIT, regarding the management of the properties in the Marina Cape complex. The subject of the contract is the use and exploitation of all real estate owned by IKPD REIT, in the Marina Cape complex, as Marina Cape Management EOOD has the right to use and exploit the properties according to their purpose, unless something additional is agreed between the Parties, including has the right to sublease and/or exploit them in any other way, collecting income from it.

For the use and operation of the Properties, MKM EOOD undertakes to pay the Owner an annual fee in the amount of 75% (seventy-five percentage points) of the net amount of the annual positive financial result of the activity of the Manager on the territory of the entire "Marina Cape" Vacation Complex, town of Aheloy, for the relevant year, before taxes, but not less than 420,000 (four hundred and twenty thousand) euros without VAT included.

The contract is from 01.04.2019, and the payments cover the period until the following April year.

In the past year, the Company realized revenues from operating activities in amount of BGN 872 thousand

In 2022, the company generated revenues from revaluations worth BGN 3114 thousand. BGN 97,000 was recorded as a reduction of other comprehensive income. The financial costs are worth BGN 949 thousand. and mainly represent interest costs and loan fees.

At the end of 2022, in accordance with the requirements of the current legislation, an assessment was made of the investment properties, lands and assets under construction owned by the Company. The Company's investment properties include all sites - residential and commercial areas in the "Marina Cape" holiday complex, as well as unfinished construction in KK Borovets. As of 31.12.2022, their value is BGN 49,452 thousand. at BGN 43,440 thousand as of 31.12.2021

II. Important events that occurred in 2022

The regular annual General Meeting of Shareholders for 2021 was held on 29.06.2022 at 12:00, in the city of Sofia, Dobrudzha Street No. 6, Floor 4 on the following day
row:

"Item one: Report of the management body on the Company's activities in 2021;

Draft decision: The General Meeting of Shareholders accepts the report of the Board of Directors on the Company's activities in 2021;

Point two: Annual report of the Audit Committee of the Company on the activity in 2021;

Draft decision: The General Meeting of Shareholders accepts the annual report of the Company's Audit Committee on the activity in 2021;

Item three: Report of the selected registered auditor on the annual financial statement of the Company for 2021;

Draft decision: The General Meeting of Shareholders accepts the report of the selected registered auditor on the Company's annual financial report for 2021;

Item four: Adoption of the Company's annual financial report for 2021;

Draft decision: The General Meeting of Shareholders adopts the annual financial report of the Company for 2021;

Item five: Adoption of a decision regarding the financial result of the Company for 2021;

Draft decision: The General Meeting of Shareholders adopts a decision regarding the financial result of the Company for 2021, according to the contents of the materials on the agenda
proposal;

Point six: Exoneration of the members of the Board of Directors for their activities during the period 01.01.2021 - 31.12.2021;

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Draft decision: The General Meeting of Shareholders exempts from liability the members of the Board of Directors Velichko Stoychev Klingov, Tsvetelina Chavdarova Hristova and "AHELOY 2012" OOD, with EIK 202371390, for their activities during the period 01.01.2021 - 12.31.2021. ;

Item Seven: Selection of a registered auditor for the verification and certification of the Company's annual financial statements for 2022;

Draft decision: To verify and certify the Company's annual financial report for 2022. The General Meeting of Shareholders elects the registered auditor, proposed by the Board of Directors and recommended by the Audit Committee, according to the materials on agenda proposal;

Item Eight: Report of the Director of Investor Relations;

Draft decision: The General Meeting of Shareholders accepts the report of the Director in relation to the investors;

Item nine: Report of the management body on the implementation of the Policy on the remuneration of the members of the Board of Directors of the Company for 2021;

Draft decision: The General Meeting of Shareholders accepts the report of the Board of Directors on the implementation of the Policy on the remuneration of the members of the Board of Directors of the Company for 2021;

Item ten: Adoption of a new Statute of the Company;

Draft decision: The General Meeting of Shareholders adopts a new Statute of the Company according to the proposal contained in the materials on the agenda;

Item eleven: Adopting a decision to empower the executive director;

Draft decision: The General Meeting of Shareholders assigns the executive director of the Company, Velichko Klingov, personally or through duly authorized persons, to perform all legal and factual actions necessary to announce the acts and decisions adopted by the General Meeting of Shareholders to the Commercial Register, Commission for financial supervision, BSE and the public."

All points were accepted at the meeting.

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, divided into 6,000 ordinary, non-privileged, registered, non-current, secured, interest-bearing, non-convertible, freely transferable bonds, with a nominal value of one bond - EUR 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 the refinancing of an existing loan and investments with an investment purpose in the v.c. Marina Cape. The characteristics of the bond loan are detailed in the memorandum to it. The Board of Directors elected "TEXIM BANK" AD as the trustee of the issue, which should be elected by the First General Meeting of the bondholders.

In 2022, the Company disclosed inside information in a timely manner, including information about the notifications received for significant shareholdings under Art. 145 of the Civil Procedure Code.

III. The main risks faced by the company are:

• Choosing an inappropriate market strategy

The future earnings as well as the market value of the Issuer depend on the business strategy chosen by the company's senior management team. The Company strives to control strategic risk by constantly monitoring its market strategy and results in order to adjust them in a timely manner if necessary in order to protect investor interest. Any inappropriate or delayed changes in the Company's strategy could have a serious adverse effect on its activity, measured in losses or lost benefits in its financial and operational condition.

• Operational risks. Risks related to the management of the issuer

Operational risks are related to the management of the Company. This is the risk of unexpected losses or expenses related to the Company's activities as a result of inadequate actions or malfunctioning internal processes. The main risk is related to

the making of wrong investment decisions by the management of the company, actions of the third party under Art. 27 of the ZDSITSDS for service of the investment properties and the depository bank. These risks could lead to losses for the Company, and hence deterioration of the Issuer's liquidity. Other operational risks could be - possible technical errors of the unified information system; departure

of key employees and inability to appoint personnel with the necessary qualities; risk from an excessive increase in the cost of management and administration leading to reducing the company's overall profitability.

The persons who would invest in the Company's securities expect the investment to be influenced by the main risks related to the company's activity -

Issuer. The actual occurrence of these risks during the period of ownership of the debt securities leads to a decrease in cash receipts for the Issuer, and from there to the possibility of generating profit for the Company and profitability for its

shareholders.

• Liquidity Risk

The inability of the Company to cover its counter-obligations according to their maturity leads to liquidity risk. Liquidity mainly depends on the availability of strong liquid assets, mainly cash or their respective equivalents.

Effective management of liquidity risk requires a conservative policy by constantly maintaining optimal liquidity, flexible loans to finance the company's activity, adequate credit resources, daily verification

of the available liquid assets to cover the upcoming maturities arising from the Company's liabilities.

Investments in real estate assets are generally low liquidity - there are likelihood that a property will not sell at a fair market price, with low costs and

quickly, because of the long terms for the transfer, legal and factual complications related to the transfer of ownership. This means that in order to avoid this type of risk, a continuous very careful monitoring and assessment of the Company's liquidity is required.

- **Risk of the company not being able to service the bond issue**

This risk for the Issuer is related to the probability of a negative impact of various factors that may affect the successful repayment of the bond loan and is associated with the possibility that the Issuer may not pay the interest and principal due on the bond on time or at all. Such a risk would also arise from poor management of the company's cash flows, which is why the Issuer will manage

this risk by maintaining sufficient liquid assets, evaluates and controls the credit risk risk.

- **Credit Risk**

This type of risk arises in the event of the appearance of borrowed funds and the probability that the borrower will not fulfill his commitments untimely, partially or fully commitments in the contract between him and the creditor or when the company's customers are unable to pay partially or fully on schedule the foreseeable amounts owed by them, which will result in losses for the company. To control this risk, the Company has created an organization for ongoing collection monitoring and preparation of analysis of the current state of its receivables from customers and other counterparties to it and uses this information to control credit risk. Also, the Issuer strictly monitors the emergence of new obligations and their timely payment.

The Law on Special Investment Purpose Companies and Securitization Companies (ZDSITSDS) provides a mechanism for limiting this risk through the requirement that all real estate owned by the company be evaluated by independent experts with the necessary qualifications and experience.

- **Dependence on key personnel**

The construction of new and innovative business, economic and financial models requires highly specific qualifications in the company's employee team - the lack of such specialists in the country due to the high competition between employers in Bulgaria and the European markets leads to a serious deficit in their number. The success of the company's goals will depend, to some extent, on its ability to retain its managers. The inability to maintain sufficiently experienced and qualified personnel in key positions for the company could have a significant adverse effect on its financial and operational condition. At this time, the Company has not concluded "key personnel" insurance.

- **Macroeconomic and microeconomic risk**

Macroeconomic risk is the risk of shocks that may affect economic growth, population income, supply and demand, the realization of profits 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 activity 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 policy, exchange rates, taxes, GDP, inflation, budget deficit and external debt, the unemployment rate and the income structure.

Global macroeconomics and economic growth around the world were significantly affected and impacted in 2020 and 2021 by the scale and spread of the coronavirus (COVID-19) pandemic. This influence continues to the present.

The year 2022 was marked by the increase in the price of energy carriers around the world and by the rearrangement of global energy markets as a result of the Russian invasion of Ukraine and the policy of sanctions, price ceilings, etc.

2022 is the year of high inflation. All advanced economies reported an acceleration in consumer prices. Eurozone inflation reached 10.6% in October. Inflation in Bulgaria peaked in September at 18.7%, with the leading components for the sharp jump in the consumer price index being the prices of

energy and food.

• Risk related to dependence on the activity of third parties within the meaning of Art. 27, para. 3 of the ZDSITSDS

The financial condition of the Company is directly dependent on the activities of third parties within the meaning of Art. 27, para. 3 of the ZDSITSDS. In order to limit possible losses, "Intercapital Property Development" REIT has concluded written contracts with the third parties, which clearly regulate the rights, obligations and responsibilities of the parties in case of breach of contracts.

• Risk that the Issuer will not be able to finance its planned capital expenditures and investments

Investing in real estate requires a hefty capital outlay. In case of unfavorable economic, financial or other negative events for the Company, it may be necessary to finance these costs mainly from external sources. However, there is no certainty that external financing will be able to be found and attracted on acceptable terms. As a result, it is likely that the Company will be required to reduce capital expenditures and investments, which would adversely affect its operating results and financial condition. In order to minimize this risk, the Company carries out strict planning of future investments and the need for financing in order to take timely actions

on its provision, with the aim of not delaying the activity and missing out benefits.

• **Risk of insufficient working capital to pay dividends**

Companies with a special investment purpose are obliged to distribute a minimum of 90% of the converted profit for the year (according to the provisions of Article 29 of the Income Tax Act and Article 247a of the Tax Code) in the form of a dividend. The dividend should be paid within twelve months from the end of the relevant financial year. The Board of Directors is therefore responsible for the precise management of cash inflows and outflows in the Company so that it has sufficient cash to pay the dividend due. In the event of adverse economic and financial consequences, it may be necessary to finance these costs primarily from external sources such as bank loans or other credit lines. However, there is no certainty that if external financing is needed, it will be able to be attracted under acceptable conditions. There is also a possibility after conversion of the financial result for the year, according to the provisions of Art. 29 para. 3 of the ZDSITSDS that no distributable financial result is available.

• **Risk related to the payment of fixed interest on the bond issue**

With a fixed interest rate for the period of a given issue, the Issuer assumes the obligation to pay a certain interest regardless of market levels and the income it receives. Thus, there is an impossibility for the Issuer to take advantage of a reduction in interest rates (as is the case with a floating rate) and continue to pay higher interest regardless of the dynamics of its income (which may be decreasing) and the prevailing interest rate market levels. On the other hand, a fixed interest rate allows the Issuer to better plan its cash flows. Also, to some extent, a fixed rate protects an investor from a negative decline in

interest rates.

• **Unethical and illegal behavior**

This is the risk that the Company will suffer damages due to unethical behavior of persons, p which it is in a contractual relationship with it or with a net subsidiary, incl. persons from the management bodies of companies of the group. To avoid this risk, the Council of Directors intends to adhere to strict rules for transparency in decision-making and to avoid conflicts of interest. The risk of unethical and illegal behavior of counterparties external to the Company will be minimized

through a preliminary analysis of these partners and their reputation.

• **Risks related to the activity and structure of the issuer**

As of the date of the Intercapital Property Development Prospectus, REIT does not have a majority shareholder and does not belong to a specific economic group. In the event of a need for financing the implementation of the Issuer's investment policy, this circumstance may create a risk for the Issuer from the lack of support from majority shareholder when making a decision to issue debt securities, apply for a bank loan or increase the Company's capital.

• **Risks related to competition**

The real estate market is highly competitive and multi-player. The main competitors of the Company are the other companies with a special investment purpose securitizing real estate and in particular those aimed at offering tourist and holiday services.

The main part of the company's assets are real estate on the territory of the town of Aheloy (vacation complex "Marina Cape"), the other asset is in the resort Borovets (unfinished construction). The vacation rental market is highly competitive, and there are no individuals who have a significant market share and can influence the economic environment. The price of real estate owned by "Intercapital Property Development" REIT depends on the general state of the market of

holiday properties.

There are no guarantees that "Intercapital Property Development" REIT will be able to achieve better profitability than its competitors and/or will attract more tourists and partner organizations to hold events at Marina Cape holiday complex.

• **Risk of possible execution of transactions between the Company and related to him persons, in different from the market conditions**

All transactions of the Issuer with related parties are concluded under market conditions. Although the management of the Issuer expects that all future transactions or agreements will be concluded under conditions no worse for "Intercapital Property Development" REIT than those under which it can conclude transactions with unrelated parties, the possibility is not excluded that a similar situation occurs.

Macroeconomic and microeconomic risk

Macroeconomic risk is the risk of shocks that may affect

economic growth, incomes of the population, demand and supply, the realization of profits by economic entities, etc. These shocks include global economic and business conditions, fluctuations in national currencies, political events, changing legislation and regulatory requirements, priorities of national governments, etc. Trends in the macroeconomic environment affect the market performance and the final results of the activity 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 policy, exchange rates, taxes, GDP, inflation, budget deficit and external debt, the unemployment rate and the income structure.

Global macroeconomics and economic growth around the world were significantly affected and impacted in 2020 and 2021 by the scale and spread of the coronavirus (COVID-19) pandemic. This influence continues to the present.

The year 2022 was marked by the increase in the price of energy carriers around the world and by the rearrangement of global energy markets as a result of the Russian invasion of Ukraine and the policy of sanctions, price ceilings, etc.

2022 is the year of high inflation. All advanced economies reported an acceleration in consumer prices. Eurozone inflation reached 10.6% in October. Inflation in Bulgaria peaked in September at 18.7%, with the leading components for the sharp jump in the consumer price index being the prices of

energy and food.

- Credit risk of the country

Credit risk is the likelihood of a country's international credit ratings deteriorating. Low credit ratings of the country may lead to higher interest rates, more difficult financing conditions for economic entities, including the Company.

The country's credit risk is related to the country's ability to regularly repay its debts. In this regard, Bulgaria is constantly improving its positions

on the international debt markets, which facilitates the access of the state and economic agents to financing from external sources. The most important effect of credit rating improvement is to lower risk premiums on loans, leading (other things being equal) to more favorable interest rates.

The determination and measurement of the credit risk of the state is carried out by specialized international credit agencies.

Bulgaria's credit rating according to the latest rating by international credit agencies is as follows:

On 18.11.2022, the international rating agency Fitch Ratings confirmed the long-term credit rating of Bulgaria in foreign and local currency 'BBB' with a positive outlook. Fitch Ratings estimates GDP growth for this year at 3.5% (up from 3% previously forecast) due to better-than-expected economic development in the first half of the year. In the second half of 2022, the robust performance of the energy sectors and strong export growth will partially offset the negative impact of the decline in real disposable income and the fall in investment. Pass-throughs and a slowdown in private and public consumption will reduce economic growth in 2023 to 1.4% (versus the 3.8% expected in the June rating estimate). Investment growth should

increased in line with increased EU funding next year. Fitch Ratings expect growth to normalize in 2024 and return to levels around 3%.

Fitch Ratings raised their forecast for annual average inflation (HICP) to 13.1% in 2022 and 9.2% in 2023, from 11.8% and 6.0% respectively in their June estimate. They expect inflation to remain in double digits in the first quarter of 2023 and to slow to 5.5% year-on-year at the end of the year. Food, energy and transport prices are the main drivers of inflation, but price pressures are also rising in other sectors, particularly services. The spillover from high energy prices to non-energy components could limit the positive impact of base effects next year and likely push core inflation higher.

The budget deficit is projected to remain broadly unchanged in 2022-2023 at around 3.8% of GDP, in line with the current median for BBB-rated countries. The caretaker government decided to propose for the first months of 2023 an extension law of the 2022 budget, keeping the spending and the introduced measures unchanged.

Fitch Ratings expects slower economic growth to lead to lower tax revenues, while expected dividend payouts by state-owned energy companies should keep total budget revenues broadly flat in 2023.

Main factors that could lead to positive actions on the rating are:

progress towards joining the Eurozone, including greater confidence that Bulgaria meets the membership criteria and the likely timeframe for adopting the Euro; improving the growth potential of the economy, for example by introducing structural and management reforms to improve the business environment and/or efficient use of EU funds.

Factors that could lead to negative actions on the rating are: a significant delay in joining the Eurozone, due to, for example, non-fulfillment of convergence criteria or unfavorable economic policy developments; a period of energy shortage in Bulgaria or in countries that are important trading partners of the country or an increased risk of such a scenario, the materialization of which will significantly lower the growth outlook compared to the rating agency's current expectations.

On 26.11.2022, the international rating agency S&P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB/A-2'. The outlook for the rating remains stable.

The stable outlook balances, on the one hand, the weaker expectations for Bulgaria's economic growth in the short term and the increased internal political uncertainty, and on the other hand the country's low net public debt and low interest costs. According to S&P Global Ratings, this development of Bulgaria gives

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policy opportunity and makes its public finances less sensitive to rapidly rising interest rates worldwide. Bulgaria is currently experiencing high inflation, which according to S&P Global Ratings could pose a challenge to its membership of the Eurozone from 2024.

S&P Global Ratings expect Bulgaria's GDP growth to weaken significantly in the coming months. Although the economy remained more resilient in 2022 from the fallout from the Russia-Ukraine conflict than the rating agency initially expected, several challenges lie ahead. External demand from Bulgaria's main trading partners in the EU is expected to decline and consumption to weaken as continued high inflation, estimated at nearly 10% on average in 2023, will weigh on real wages. Projects financed with EU funds, which will provide some support for the economy, are assessed as a positive influence. S&P Global Ratings forecast real growth in 2023 of less than 1%, a significant slowdown from their expectations of 3% in 2022.

According to S&P Global Ratings, Bulgaria is gradually making progress in its efforts to join the eurozone, but it remains unclear whether it will receive membership from 01.01.2024 due to several remaining obstacles. Bulgaria's successful accession to the Eurozone will eliminate the residual currency risk vis-à-vis the Euro in the economy, improve the country's access to European capital markets and allow local commercial banks direct access to the ECB's resources. However, Bulgaria currently has high inflation (nearly 15%), which, according to the rating agency, may complicate the task of covering

the convergence criteria, for this indicator, in the next year. Domestic political uncertainty also continues with a caretaker government following the last snap election in October 2022, complicating

the process of preparation for joining the Eurozone.

The rating agency would raise the credit rating upon the country's accession to the Eurozone, as well as upon significant improvement of Bulgaria's external position.

S&P noted that they would downgrade the rating if Bulgaria's economic outlook worsened significantly from their current expectations, which could happen, for example, due to stronger spillover effects from a slowdown in global growth, significantly deterioration of the regional security situation or interruption of energy imports from Russia, threatening the availability of sufficient supply of energy supplies for the Bulgarian economy.

Source: www.minfin.bg

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· Inflation risk

Inflation risk is associated with the likelihood that inflation will affect real investment returns. The current bond issue is issued in Leva and inflation in the country may affect the value of investments over time.

In general, the inflation risk is the risk of a rise in the general level of prices, which leads to a decrease in the purchasing power of the population, a reduction in consumption and a decrease in the demand for all types of loans and credit products. In recent years, the Bulgarian government has adhered to a strict fiscal policy under the conditions of the Currency Board. The tendency is to maintain such a policy in the coming years, especially with a view to achieving the goals of Bulgaria's accession to the Eurozone in the shortest possible time. The main risks related to the inflation forecast relate to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices can

increased more significantly as a result of political crises or increased demand. The limited supply of some agricultural goods and especially cereals internationally in connection with unfavorable climatic phenomena may additionally cause higher inflation in the country. The risk of an increase in inflation is related to a possible devaluation of assets denominated in BGN and EUR. The currency board system controls the money supply, but external factors (e.g. rising fuel prices – gas and oil) put pressure in the direction of

increase in price levels.

According to data from the National Statistical Institute, as of December 2022, inflation and consumer price indices have the following levels:

In December 2022, the monthly inflation was 0.9% compared to the previous month, and the annual inflation for December 2022 compared to December 2021 was 16.9%.

The average annual inflation for the period January - December 2022 compared to the period January - December 2021 is 15.3%.

According to the Harmonized Index of Consumer Prices (HICP) in December

2022 monthly inflation is 0.8% compared to the previous month, and annual inflation for December 2022 compared to December 2021 is 14.3%.

The average annual inflation for the period January - December 2022 compared to the period January - December 2021 is 13.0%.

Eastern to: www.nsi.bg

The Company's activity implies exposure to a significant inflation risk, because the company's liabilities, in addition to bond issues with fixed interest rates, already contain bank credit obligations with floating interest rates, which also reflect inflation levels in the European Union and in the country.

- **Currency risk**

This risk is related to the possibility of depreciation of the local currency. For Bulgaria specifically, this is a risk of premature rejection of the conditions of the Currency Board at a fixed rate of the national currency. On July 10, 2020, the European Central Bank announced that Bulgaria was officially accepted into the ERM II currency mechanism. The central rate of the Bulgarian lev is fixed at 1 euro = 1.95583 leva, and it was assumed that Bulgaria joins the currency mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.

Any significant depreciation of the BGN may have a significant adverse effect on business entities in the country, including the Company. Risk also exists when the income and expenses of a business entity are formed in different currencies. The exposure of business entities operating on the territory of Bulgaria to the US dollar, which is the main currency of a significant part of the world markets of raw materials and products, is particularly pronounced.

- **Risk of changing the taxation regime of investments in securities**

The taxation of income realized from transactions with shares of public companies on a regulated and unregulated market, as well as income from dividends and liquidation shares, is discussed in detail in item 20.9 "Tax legislation" of this Document.

The risk of changing the described taxation regime consists in the possibility of changing the stated tax status of income from securities, from dividends and liquidation shares, in the direction of increasing the tax burden for shareholders and reducing their profits.

IV. Analysis of financial and non-financial key performance indicators relevant to business activity, including information on environmental and employee issues

The results in 2022 are due to the targeted efforts of the management, increase in revenues from for the activity, reduction of costs, optimization of the guarantees provided by the company.

This is evident from the evolution of the following main coefficients indicated below:

	2022	2021
Price/earnings ratio	54.12	7.28
Earnings per share	0.017	0.14
Debt to equity	0.42	0.63

V. Important events that occurred after the date on which the annual financial statement was drawn up

On 20.03.2023, the Company signed an agreement with "BI GI IMO" AD, by virtue of which it transferred to "BI GI IMO" AD the right to acquire the right of ownership of leased objects under a Real Estate Financial Lease Agreement, under which contract the Company is the lessee. "BI GI IMO" AD acquires the right for the sum of BGN 8,069,527.13 (eight million sixty-nine thousand five hundred twenty-seven BGN and thirteen cents).

In this connection, a set-off of counterclaims of "BI GI IMO" EAD to the Company in the amount of BGN 6,669,527.13 (six million six hundred sixty-nine thousand five hundred twenty-seven BGN and thirteen cents) was made, as a result of which the remaining claim of INTERCAPITAL PROPERTY DEVELOPMENT REIT to BI IMO EAD is in the amount of BGN 1,400,000 (one million four hundred thousand BGN).

VI. Possibly a future development

The main and future activity of the Company is related to the investment of funds raised through the issuance of securities, in the purchase of real estate and limited real rights on real estate, development of own real estate by making improvements, sale of real estate, letting for rent or for the management of own real estate and any other activity related to the investment and development of real estate permitted by law.

The future earnings as well as the market value of the Issuer depend on the business strategy chosen by the company's senior management team. The Company strives to control strategic risk by constantly monitoring its market strategy and results in order to adjust them in a timely manner if necessary in order to protect investor interest. Any inappropriate or delayed changes in the Company's strategy could have a serious adverse effect on its activity, measured in losses or lost profits in its financial and operational

condition.

In 2023, the company expects an increase in the vacation property market and activation of sales of apartments in the "Marina Cape" holiday complex.

In 2021, the company concluded a contract with MKM OOD for the reconstruction and modernization of the so-called zone 4, The same envisages the reconstruction of the existing large and non-functional apartments to be made into small functional studios, with the aim of easy and practical use for tourist purposes, and also with the aim of easy sale. Modern technologies for heating and ventilation, access control, video surveillance, etc. will be introduced. The area is intended to function practically 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 redevelopment and it is planned to be completed in the second quarter of 2023 and to be maximally used in the 2023 season

VII. Actions in the field of research and development

In 2022, the Company did not carry out research and development activities.

VIII. Information on the acquisition of own shares, required pursuant to Art. 187d of Trade Law

In 2022, "Intercapital Property Development" REIT did not acquire or transferred its own shares.

IX. The presence of branches of the enterprise

The company has not established and registered branches in 2022.

X. Financial instruments used by the enterprise

Not applicable.

XI. Information according to Appendix No. 2 of Regulation No. 2 of the Financial Supervisory Service of information initially subsequent to public disclosure on 9.11.2021 for offering of securities and admission of securities to trading on a regulated market

1. Information, given in value and quantitative terms, about the main categories of goods, products and/or services provided, indicating their share in the sales revenue of the issuer, in general, and the changes that occurred during the reporting financial year

1.1 The reported income from the Company's activities in 2022 is income from the sale of investment properties and income from services (income from the operation of the investment properties in the complex) from the sale of properties - residential buildings for seasonal use in the "Marina Cape" holiday complex in amount of BGN 50 thousand The total area of the sold properties is 48.71 sq.m

Income from the activity (in thousand BGN)	2022	2021
Net sales revenue of:		
1. Investment properties	50	5114
2. Services	822	822
3. Others	3	93
Total:	875	6,029

In 2022, "Intercapital Property Development" REIT for 2022 reports income on a non-consolidated basis from the operation of the investment properties in the complex (including commercial and residential properties). It is carried out by the service

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company "Marina Cape Management" EOOD, on the basis of a contract between MKM EOOD and IKPD REIT, regarding the management of the properties in the Marina Cape complex. The subject of the contract is the use and exploitation of all real estate owned by IKPD REIT, in the Marina Cape complex, as Marina Cape Management EOOD has the right to use and exploit the properties according to their purpose, unless something additional is agreed between the Parties, including has the right to sublease and/or exploit them in any other way, collecting income from

this.

In 2022, the Company reports revenues from property sales - residential buildings for seasonal use in the "Marina Cape" holiday complex in the amount of BGN 50,000. The total area of the sold properties is 48.71 sq.m.

In 2022, "Intercapital Property Development" REIT for 2022 reports revenues of unconsolidated basis from the operation of the investment properties in the complex (including commercial and residential properties). It is carried out by "Marina Cape Management" EOOD, on the basis of a contract between MKM EOOD and IKPD REIT, regarding the management of the properties in the Marina Cape complex. The subject of the contract is the use and exploitation of all real estate owned by IKPD REIT, in the Marina Cape complex, as Marina Cape Management EOOD has the right to use and exploit the properties according to their purpose, unless something additional is agreed between the Parties, including has the right to sublease and/or exploit them in any other way, collecting income from it.

2. Information on revenues distributed by individual categories of activities, internal and external markets, as well as information on the sources of supply of materials necessary for the production of goods or the provision of services, reflecting the degree of dependence in relation to each individual seller or buyer/ user, and in case the relative share of any of them exceeds 10 percent of the costs or revenues from sales, information is provided for each person separately, about his share of sales or purchases and his connections with

the issuer.

The company operates only on the Bulgarian market.

The distribution in 2022 of revenues by activity categories and volume is shown in the preceding point.

1.1. For the use and operation of the Properties, MKM EOOD undertakes to pay the Owner an annual fee in the amount of 75% (seventy-five percentage points) of the net amount of the annual positive financial result of the activity of the Manager on the territory of the entire "Marina Cape" Vacation Complex, town of Aheloy, for the relevant year, before taxes, but not less than 420,000 (four hundred and twenty thousand) euros without VAT included.

1.2. The contract is from 01.04.2019, and the payments cover the period until April each next year.

In the past year, the Company realized revenues from operating activities in amount of BGN 875 thousand

In 2022, the company generated revenues from revaluations worth BGN 3,114 thousand. Financial expenses were worth BGN 944 thousand. and represent mainly costs for interest and loan fees.

At the end of 2022, in accordance with the requirements of the current legislation, an assessment was made of the investment properties, lands and assets under construction owned by the Company. The Company's investment properties include all sites - residential and commercial areas in the "Marina Cape" holiday complex, as well as unfinished construction in KK Borovets. As of 31.12.2022, their value is BGN 49,452 thousand. at BGN 43,440 thousand as of 31.12.2021

3. Information on concluded material transactions.

There are none.

4. Information regarding the transactions concluded between the issuer and related parties during the reporting period, proposals for concluding such transactions, as well as transactions that are outside of its usual activity or significantly deviate from the market conditions under which the issuer or its subsidiary is party indicating the value of the transactions, the nature of the relationship and any information necessary to assess the impact on the issuer's financial position

in BGN thousand	2022	2021
Sales/purchases of goods and services		
- Paid advances to Marina Cape Management EOOD from Intercapital Property Development REIT	2 658	3 944
- Performed services of Intercapital Property Development REIT by Marina Cape Management EOOD in connection with the performance of CMR services for the completion of zone 4 in the "Marina Cape" holiday complex.	3432	
- services provided by Intercapital Property Development REIT for Marina Cape Management EOOD	822	822

In 2022, there were no proposals to conclude transactions with related parties, as well as transactions that are outside of its usual activity or significantly deviate from the market conditions to which the Company is a party.

5. Information on events and indicators of an unusual nature for the issuer, having a significant impact on its activity, and the revenues realized by it and

expenses incurred; assessment of their impact on results in the current year

In 2022, there were no events and indicators of an unusual nature that would have a significant impact on the Company's activity and its results income and expenses incurred.

6. Information on off-balance sheet transactions - nature and business purpose, indicating the financial impact of the transactions on the activity, if the risk and benefits of these transactions are material for the issuer and if the disclosure of this information is essential for the assessment of the issuer's financial condition.

In 2022, there are no transactions conducted off-balance sheet by the Company.

7. Information on equity holdings of the issuer, on its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as investments in equity securities outside its economic group and the sources/methods of financing.

Information about the owned real estate is presented above in item II.

8. Information regarding the loan agreements concluded by the issuer, its subsidiary or parent company, in their capacity as borrowers, indicating the conditions under them, including the repayment deadlines, as well as information on provided guarantees and assumption of obligations

As of 31.12.2022, "Intercapital Property Development" REIT has the following principal obligations under a bond loan:

Long-term liability, EUR	Interest	Maturity
6,000,000	6%	17.09.2026

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

Bond loan collateral provided

Number of real estates under the collateral	Area of real estate under the collateral	Book value of the collateral provided BGN 000

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60 residential objects	4,810.67 sq.m	6,932
19 commercial/warehouse sites	1,554.63 sq.m	2010
land	40,000 sq.m.	4,517

9. Information about the loans granted by the issuer or its subsidiaries, provision of guarantees or assumption of obligations in general to one person or its subsidiary, including related persons with indication of names or name and EIC of the person, the nature of the relationship between the issuer or its subsidiaries and the borrower, the amount of the outstanding principal, the interest rate, the date of the conclusion of the contract, the deadline for repayment, the amount of the assumed obligation, specific conditions other than those specified in this provision, as well as the purpose for which they are granted , in case they are

concluded as targeted.

In 2022 "Intercapital Property Development" REIT and/or its subsidiary company did not enter into loan agreements in their capacity as lenders, including providing guarantees of any kind, including to related parties.

10. Information on the use of funds from a new securities issue during the reporting period.

In 2021, the Company issued a new issue of bonds, with ISIN BG2100010219, at the following parameters:

- 1) Amount of the concluded bond loan – 6,000,000 (six million) euros.
- 2) Number of bonds – 6000 (six thousand) pieces.
- 3) Nominal value of each bond – 1,000 (one thousand) euros.
- 4) Issue value of each bond - 1,000 (one thousand) euros.
- 5) Type of bonds – ordinary, non-cash, registered, interest-bearing, term, secured, non-convertible, freely transferable, corporate.
- 6) Maturity and maturity of the issue – 5 (five) years (equivalent to 60 months) from the date of conclusion of the bond loan.
- 7) Date from which the period until the maturity of the bonds runs – 17.09.2021.
- 8) Payment of the principal - payable once upon maturity of the bond loan along with the last tenth interest payment.
- 9) Interest – 6% (six percent) per annum, fixed interest rate payable every 6 (six) months. The base for calculating the interest is: Actual number of days in the period over actual number of days in the year (Actual /Actual). All interest bearing

payments are calculated as simple interest on the face value of the bond loan.

10) Frequency of interest payments – once every 6 months; maturity dates of interest payments – 1) 17.03.2022; 2) 17.09.2022; 3) 17.03.2023; 4) 17.09.2023; 5) 17.03.2024; 6) 17.09.2024; 7) 17.03.2025; 8) 17.09.2025; 9) 17.03.2026; 10) 17.09.2026 In case the payment date coincides with a non-working day, the payment is made on the first following working day.

11) Institution servicing interest and principal payments - "Central Depository" AD.

12) Trustee of the bondholders, proposed by the issuer - "TEXIM BANK" AD, EIK 040534040, address: Sofia, p.k. 1303, Vazrazhdane district, 117 Todor Aleksandrov Blvd., www.teximbank.bg, who should be elected by the First General Meeting of Bondholders.

13) Collateral - The Company undertakes to provide collateral for the issue in the form of first-order mortgages on real estate, representing apartments and commercial premises, as well as on land (UPI) and facilities owned by the Issuer, established in favor of the trustee of the bondholders. The issuer will initially establish second mortgages which

will subsequently become first mortgages, on the real estate, representing apartments and commercial premises, which currently secure with first mortgages an existing bank loan in the amount of 3,447,000 (three million four hundred and forty seven thousand) euros, subject to refinancing with funds raised from the current bond issue. Regarding the mortgages that will be established on the land (UPI) and the facilities, the same will be first in order already at their initial establishment.

14) Conditions of offer - under the conditions of a private (non-public) offer in accordance with Art. 205, para. 2 of the Commercial Law through invitations to investors in the Republic of Bulgaria (no more than 150 in number).

15) Secondary trade - After publication of the announcement in the Trade Register at the Registration Agency in accordance with Art. 206, para. 6 of the Commercial Law, but no later than 6 months from the conclusion of the bond loan, the Company will submit an application for the issued bonds to be accepted for trading on the Bulgarian Stock Exchange and/or another regulated market in the EU.

The funds raised from the issue were used to repay:

bank loan in the amount of EUR 3,580,000;

advance payment for finishing works and reconstruction EUR 2,420,000 according to the objectives entered in the Proposal for the Subscription of the Issue of Corporate Bonds at the terms of the private offering.

11. Analysis of the ratio between the achieved financial results, reflected in the financial statement for the financial year, and previously published forecasts of these results

The company does not publish estimated financial results.

12. Analysis and evaluation of the policy regarding financial management resources indicating the possibilities for servicing the obligations, the possible threats and measures that the issuer has taken or is about to take take with a view to their removal.

The issuer's policy regarding the management of financial resources is focused in several main directions: increasing the income from sales of real estate and the income from management of real estate owned by the Company; to restructure the Company's liabilities; to increase the collection of the issuer's receivables. The purpose of all these measures is to improve the company's financial condition, including number and of its liquid position. In terms of increasing revenue from property sales, the company is constantly

makes efforts to find new markets and attract potential buyers, as well as to search for new forms of realization of income from sales related to the real estate that the Company owns.

13. Assessment of the possibilities for the realization of the investment intentions, indicating the amount of available funds and reflecting the possible changes in the financing structure of this activity.

Investment property "Grand Borovets" is currently under construction (this procedure has been suspended for an unknown period of time) and has not been put into operation. To finalize the construction activities and put the investment property into operation, funds amounting to

approximately 2,500,000 euros.

In the event that the Company fails to sell the investment property in the short- to medium-term plan, the necessary funds for finishing the property and putting it into operation will be financed through borrowed funds or a new issue of securities. The same will be implemented in the long term, since the commissioning of "Grand Borovets" does not affect the investment plans of the Company in the medium term.

During the considered historical financial periods, despite the fact that the Company's management had made a decision to sell the investment property "Grand Borovets" and the same was announced publicly, it did not actively look for a buyer. Since the beginning of 2021, the management has intensified its search for an investor willing to buy the unfinished property, considering that in the short to medium term (although as of the date of the report this is not yet a fact), it will be able to reach an agreement for purchase and sale of the investment property.

14. Information on changes that occurred during the reporting period in the main ones management principles of the issuer and its economic group.

No such changes occurred during the reporting period.

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15. Information on the main characteristics of the internal control system and the system of**risk management.**

"Intercapital Property Development" REIT has adopted and applies rules and procedures regulating the effective functioning of the company's reporting and information disclosure systems. The rules describe in detail the different types of information created and disclosed by the company, the processes of the internal company document circulation, the different levels of access to the types of information of the responsible persons and the deadlines for processing and managing the information flows. The created risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including the financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.

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

There have been no changes in the composition of the Company's Board of Directors.

17. Information on the amount of remuneration, awards and/or benefits to each of the members of the management and control bodies for the reporting financial year, paid by the issuer, which is not a public company, and its subsidiaries, regardless of whether they were included in the issuer's expenses or arising from profit distribution, including:

a) sums received and non-monetary rewards;

b) contingent or deferred remunerations incurred during the year, even if the remuneration is due at a later date;

(c) an amount due from the issuer or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.

"Intercapital Property Development" REIT is a public company that pays remuneration to the members of the Board of Directors in an amount determined by a decision of the General Meeting of Shareholders and according to the adopted Remuneration Policy.

The members of the Board of Directors receive a fixed monthly remuneration, determined by the General Assembly, which cannot exceed 10 minimum monthly wages. The General Assembly also decided that the executive director's remuneration should be up to 12 minimum wages.

By decision of the General Meeting of Shareholders, the 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 no more than 0.5% in total for the whole Advice.

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The Company does not owe any other amounts and/or benefits in kind, nor does it set aside or charge 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 remuneration or compensation from subsidiaries of the issuer and the latter have not set aside or accrued amounts to provide pensions, benefits or other compensation upon retirement of the members of the Board of Directors in 2022.

Remuneration was paid for the reporting period as follows:

- Mr. Velichko Stoychev Klingov, in his capacity as an executive member of the Company's Board of Directors, was paid remuneration in the amount of BGN 105,020, including for Past years.

- of "AHELOY 2021" EOOD, in his capacity as a member of the Company's Board of Directors, is remuneration paid in the amount of BGN 0;

- Ms. Tsvetelina Chavdarova Hristova, in her capacity as a member of the Company's Board of Directors, was paid remuneration in the amount of BGN 4,328, including for past years.

18. Information on shares of the issuer owned by the members of the management and control bodies and procurators, including the shares owned by each of them separately and as a percentage of the shares of each class, as well as options granted to them by the issuer on its securities - type and amount of securities on which the options are based, exercise price of the options, purchase price, if any, and term of the options.

As of 31.12.2022, the members of the Board of Directors own shares of The Company as follows:

	Number of shares	% of capital
Velichko Klingov	5,305	0.02%

The issuer has not issued options on the equity securities.

19. Information about the arrangements known to the company (including after the end of the financial year), as a result of which changes may occur in the relative share of shares or bonds owned by current shareholders or bondholders in a future period.

To the Management Body of the Company not for known arrangements, as a result of which in a future period changes may occur in the relative share of shares owned by current shareholders.

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20. Information on pending judicial, administrative or arbitration proceedings concerning the issuer's obligations or claims in the amount of at least 10 percent of its own capital; if the total value of the issuer's liabilities or claims for all initiated proceedings exceeds 10 percent of its own capital, information is presented for each proceeding separately

Arbitration proceedings

In the last 12 months, the Company has not been a party to pending arbitration proceedings, but has been a party to judicial and enforcement proceedings. As a result of management's efforts to settle claims against the Company, there are currently no legal or enforcement proceedings against

the company.

Pending lawsuits

As of 31.12.2022, the company has no pending cases.

Other court cases with effect in the last 12 months

In the period for the year 2022, the Company provides legal representation on court appeals against the following criminal decrees /NP/ issued by the Financial Supervision Commission /FSC/:

- NP N P-06-510 from 29.07.2020 - on 21.02.2022 the NP was finally confirmed by the second instance (Administrative Court - Sofia - city);
- NP N P-06-19 from 12.01.2021 - on 05.05.2022 the NP was finally confirmed by the second instance (Administrative Court - Sofia - city);
- NP N P-06-18 from 12.01.2021 – on 13.06.2022 the NP was finally confirmed by the second instance (Administrative Court - Sofia - city);

Total amount of the sanctions imposed under the criminal decrees that entered into force: BGN 12,000.

In 2022, proceedings were initiated under N 600/2018 according to the inventory of the Sofia City Court. The case was initiated by a claim of "Investbank" AD as a trustee of the bondholders of a bond issue issued by the Company. In the case, decisions of the general meeting of bondholders from 14.13.2018 are challenged. By decision of 08.06.2022. production is discontinued.

The Company is not aware of the possibility of future arbitration, court or administrative proceedings, which may have a significant impact on the issuer's financial condition and profitability.

21. Investor Relations Director details including telephone and address for correspondence.

Investor Relations Director of "Intercapital Property Development" REIT is: **Radostina Pantaleeva**, with correspondence address: Sofia, Dobrudzha St. No. 6, 4th floor, phone: 02 / 980 12 51, 02 / 921 05 16.

22. Changes in Company Share Prices



Source: www.infostock.bg

The Company's shares are traded on the BSE Sofia - AD since December 5, 2005.



Source: <https://newconnect.pl>

The Company's shares are traded on the "NewConnect" market, organized by the Warsaw Stock Exchange, since August 11, 2010.

XII. Information under Appendix No. 3 of Regulation No. 2 of the Financial Supervisory Service of 9.11.2021 for information offering of and subsequently disclosure on securities and admission of securities to trading on a regulated market on initial public

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1. Information about securities that are not admitted to trading on regulated market in the Republic of Bulgaria or another member state

The company has no securities that are not admitted to trading on a regulated market in the Republic of Bulgaria or another member country.

2. Information regarding the direct and indirect ownership of 5 percent or more of the voting rights in the company's general meeting, including data on the shareholders, the amount of their shareholding and the manner in which the shares are owned (as of 31.12.2022)

As of 31.12.2022, shareholders directly and indirectly owning 5 percent or more of voting rights in the company's general meeting are:

Shareholder	Number of shares held	% of capital	A way on possession (direct/indirect)
UNIVERSAL RETIRED FUND FUTURE	1,900,000	6.84%	direct
BORSOVO TRADED FUND EF PRINCIPAL ETFs	2,074,483	6.57%	direct
DF "EF RAPID	2,415,000	8.70%	direct
BORSOVO TRADED FUND ASSETS BALANCED ETF	1,400,000	5.04%	direct
MKP Ltd	3,530,162	12.07%	direct
EUROINS ROMANIA ASIGURARE-REASIGURARE S.	2,088,110	7.52%	direct

3. Data on shareholders with special control rights and a description of these rights

The company has no shareholders with special control rights

4. Agreements between the shareholders which are known to the company and which may lead to restrictions on the transfer of shares or voting rights

The Company is not aware of any agreements between shareholders that may lead to restrictions on the transfer of shares or voting rights.

5. Material contracts of the company, which give effect, are amended or terminated due to a change in control of the company in the implementation of a mandatory tender offer, and their consequences, except in cases where the disclosure of this information may cause serious damage to the company ; the exception under the previous sentence does not apply in cases where the company is obliged to disclose the information by virtue of the law.

The Company has no material contracts that take effect, are amended or terminated due to a change in control of the Company during the implementation of a mandatory tender offer. The company was not traded

supply.

6. Electronic reference to the website of the public company, where the internal information under Art. 7 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Directives 2003 /124/EC, 2003/125/EC and 2004/72/EC of the Commission (OJ, L 173/1 of June 12, 2014) (Regulation (EU) No. 596/2014) regarding the circumstances that occurred during the past year, or an electronic link to the issuer's chosen news agency or other media through which the company publicly discloses inside information

"Intercapital Property Development" REIT discloses internal information to the Financial Supervision Commission, "Bulgarian Stock Exchange" JSC and the public through the electronic information provision systems e-Register and X3 News, as well as on the Company's website - <http://www.icpd.bg/>. The e-Register system belongs to the Financial Supervision Commission and the information published through it can be found on the FSC website - <https://www.fsc.bg/bg/>. The internal information disclosed by the company can be found on the company's website (<http://www.icpd.bg/index.php?request=documents>) and in the company's profile in X3news: <http://www.x3news.com/>.

XIII. Non-financial declaration under Art. 41 of the Law on Accounting

The company does not fall under the scope of a person obliged to prepare a Non-Financial Statement declaration

XIV. Information under 247, para. 2 of the Commercial Law

Information on remuneration received in total during the year by members of the councils:

According to the Commercial Law and the Articles of Association of the Issuer Company, the remuneration of the members of the Board of Directors are determined by the General Assembly.

The executive members of the Board of Directors conclude with the Company a written contract for the assignment of management, while the other members of the Board of Directors may conclude employment contracts or contracts for the assignment of management.

The Company's key management personnel include the members of the Board of Directors. Compensation of key management personnel includes the following costs:

	31.12.2022	31.12.2021
	000 BGN	000 BGN
Remuneration to natural persons	42	39
Award to Aheloy 2012	-	-
Total	42	39

Information about acquired, held and transferred by members of the councils during the year shares and bonds of the company:

As of 31.12.2022, the members of the Board of Directors own shares of The Company as follows:

	Number of shares	% of capital
Velichko Klingov	5,305	0.02%

The other members of the Board of Directors do not own shares of the Company's capital.

Information regarding the rights of the members of the councils to acquire shares and company bonds:

The Articles of Association of the Company do not provide for special rights of the members of the Council of the directors in the acquisition of shares and bonds of the company.

Information regarding the participation of board members in commercial companies as unlimited partners, the ownership of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members:

Velichko Klingov participates as a partner in the following general partnerships, limited partnerships and/or limited liability companies, owning more

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from 25 percent of their capital:

Yul's name	EIC	Headquarters and	Participation
"NUTRICIOPHARMA" Ltd	address 2064	58992 Sofia, Sredets district, St. "Dobrudzha" No. 6	a partner holding 50% of the capital
"D.STOYANOV 94" OOD	204792776	Gr. Aheloy, Marina Cape No. 13, fl. 1, apt. A2 (identical to 22_1)	A partner holding 50% of the capital

Velichko Klingov participates in the following management / control bodies of others
commercial companies and organizations:

Yul's name	EIC	Headquarters and address	Function
"NEW BG" FOUNDATION	130982466	Sofia, Sredets district, "Dobrudzha" street No. 6, floor 3	member on The council on the trustees and executive director
THE NEW TIME FOUNDATION	175004387	Sofia, Sredets district, "Dobrudzha" street No. 6, floor 3	member of the Management Board and executive director
CHAMKORIA SKI CLUB ASSOCIATION	131220166	gr. Samokov, St. "Macedonia" No. 56	Member of the Management Board
MARINA CAPE PROPERTIES LTD	203701631	Aheloy, 13 Marina Cape St., 1st floor, apt. A2 / 22_1	manager
"Danube Meat" AD 20682	25253	Gr. Sofia, St. Dobrudzha No. 6, floor 3	Member of the Council of the directors and executive director
"D.STOYANOV 94" LTD	204792776	Gr. Aheloy, Marina Cape No. 13, fl. 1, apt. A2 (identical to 22_1)	manager
PP "NOVOTO VREME"	131287649	Sofia, Sredets district, "Dobrudzha" street No. 6, floor 3	Deputy Chairman of the Board of Directors

Tsvetelina Hristova is not a general partner and owns more than 25 per cent of the capital of the following commercial companies:

Yul's name	EIC	Headquarters and address	Participation
Neti Accounting" Ltd	20484553 1	City of Sofia, Sredets district, "Dobrudzha" street No. 6, 3rd floor	Sole proprietor of the capital
BOLKAN IMO' EOOD	17523629 3	City of Sofia, Sredets district, "Dobrudzha" street No. 6, 3rd floor	Sole proprietor of the capital
"Smart Trading Bulgaria" EOOD	20622404 6	S. Bistrica, 67 Stefan Stambolov St	Sole proprietor of the capital

Tsvetelina Hristova participates in management / control bodies of other commercial companies as follows:

Yul's name	EIC	Headquarters and address	Function
Neti Accounting" Ltd	20484553 1	City of Sofia, Sredets district, "Dobrudzha" street No. 6, 3rd floor	manager
BOLKAN IMO' EOOD	17523629 3	City of Sofia, Sredets district, "Dobrudzha" street No. 6, 3rd floor	manager
"Smart Trading Bulgaria" EOOD	20622404 6	S. Bistrica, 67 Stefan Stambolov St	manager

"Aheloy 2012" Ltd. is not a general partner and does not own more than 25 percent of the capital of a commercial company.

"Aheloy 2012" Ltd. does not participate in management / control bodies of other commercial companies. /

Petya Georgieva Yordanova (person appointed to represent "AHELOY 2012" EOOD in the Board of Directors of the public company), is not unlimitedly liable

partner and does not own more than 25 percent of the capital of a commercial company.

Petya Georgieva Yordanova does not participate in management / control bodies of others commercial companies.

Information about contracts under Art. 240b of the Labor Code concluded during the year:

In 2022, no contracts were concluded between the Company and the members of the Council of the directors or persons related to them under Art. 240b of the Criminal Code.

Planned business policy in the coming year, including the expected investments and personnel development, the expected income from investments and development of the company, as well as the upcoming transactions of essential importance for the activity of the company:

Information is available in the Likely Future Developments section.

XV. Information under Art. 31 of the ZDSITSDS and Art. 20 of Ordinance No. 2 of 9.11.2021 for initial and subsequent public offering disclosures of securities and admission of securities to trading on a regulated market

1. Relative share of assets given for use against payment, vs the total amount of investment in real estate.

As of 31.12.2022, the Company has leased for management to "Marina Cape Management" EOOD (a third party under Art. 27, para. 4 of the ZDSITSDS) real estate worth BGN 37,224 thousand, which represents 75.27% of the total amount of investments in Real Estate.

2. Information on the sale or purchase of a new asset with a value exceeding by 5 percent the total value of investments in real estate, as well as on such transactions carried out after the date of preparation of the annual financial report.

No such deals have been concluded.

3. Completed constructions, repairs and improvements to real estate.

During the reporting period, repair works and activities were carried out on elimination of irregularities in order to prepare the "Marina Cape" holiday complex for the summer season of the year. The repair works were carried out by "Marina Cape Management" EOOD - a third party under Art. 27, para. 4 of the ZDSITSDS.

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4. Relative share of unpaid rents, lease and lease installments compared to the total value of receivables arising from all contracts concluded by the company rental, lease, rental agreements.

As of 31.12.2022, the value of the Company's receivables arising from the Management and Maintenance Agreements, including advances made with "Marina Cape Management" EOOD, amount to BGN 4,523,000.

The company has not entered into any other contracts for rent, leasing, management and support.

5. Information on real estate on the territory of another member state, under countries.

The company has no real estate on the territory of another member state.

6. Information on what share of the company's assets is the result of its main activity under Art. 5, para. 1, item 2 of the ZDSITSDS.

As of 31.12.2022, over 70% of the assets of "Intercapital Property Development" REITs are the result of its main activity under Art. 5, para. 1, item 2 of the ZDSITSDS.

7. Information on what share of the company's gross revenues for the current financial year is the result of its main activity under Art. 5, para. 1, item 2 of the ZDSITS.

As of 31.12.2022, the gross revenues of "Intercapital Property Development" REITs are the result of its main activity under Art. 5, para. 1, item 2 of the ZDSITS.

8. Information about collateral provided or loans to third parties.

During the reporting period, "Intercapital Property Development" REIT was not secured foreign obligations and did not provide loans to third parties.

9. Information on issued debt securities admitted to trading on regulated market.

During the previous reporting period, a second corporate bond issue was issued with a nominal and issue value of EUR 6,000,000, divided into 6,000 ordinary, non-privileged, registered, non-current, secured, interest-bearing, non-convertible, freely transferable bonds at the nominal value of one bond - 1000 Euro. 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.

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During the reporting period, "Intercapital Property Development" REIT was not issued debt securities admitted to trading on a regulated market.

10. Term, amount and purpose (acquisition and commissioning of the acquired property) of the bank loan received by the company.

During the reporting period, "Intercapital Property Development" REIT did not receive bank loans.

11. Information on the amount of the investment in securities issued or guaranteed by a member state and in bank deposits in banks that have the right to operate on the territory of a member state.

As of 31.12.2022, "Intercapital Property Development" REIT has not invested in securities issued or guaranteed by a member state and in bank deposits in banks that have the right to operate on the territory of a member state.

12. Information on the amount of investment in mortgage bonds admitted to trading on a trading venue in a member state, relative to the total amount of the company's assets.

As of 31.12.2022 "Intercapital Property Development" REIT has not invested in mortgage bonds admitted to trading on a trading venue in a Member State.

13. Information on the size of the investment in other companies with a special investment purpose, investing in real estate, relative to the total size of the company's assets.

As of 31.12.2022 "Intercapital Property Development" REIT has not invested in other special investment purpose companies investing in real estate.

14. Information on the amount of the investment in a specialized company under Art. 28 of the Income Tax Act, the Tax Income Tax Act, relative to the total amount of the company's assets.

As of 31.12.2022, "Intercapital Property Development" REIT does not own shareholding in a specialized company under Art. 28 of the ZDSITSDS.

15. Information on the amount of the investment in third parties within the meaning of Art. 27, para. 4 from ZDSITSDS, relative to the size of the company's assets.

As of 31.12.2022, "Intercapital Property Development" REIT did not own any equity participation in third parties within the meaning of ZDSITSDS.

March 24, 2023

Signature:

/ Velichko Klingov – Ex. Director/



DECLARATION

according to Art. 100n, para. 4, item 4 of the Civil Code

The undersigned, Blagorodna Svilenova Atanasova, in her capacity as executive director of "Optima Audit" AD, with EIC 130582707 - compiler of the financial statements of "Intercapital Property Development" REIT, declare that to the best of my knowledge:

a) the annual financial report for 2022, drawn up in accordance with the applicable accounting standards, reflects truthfully and honestly the information about the assets and liabilities, the financial position and the profit or loss of "Intercapital Property Development" REIT;

b) the annual report on the activity of "Intercapital Property Development" REIT for 2022 contains a reliable overview of the development and results of the company's activity, as well as the state of the issuer, together with a description of the main risks and uncertainties it faces.

Sofia, 31.03.2023

Declarant:



DECLARATION

according to Art. 100n, para. 4, item 4 of the Civil Code

The undersigned, Velichko Stoychev Klingov, in the capacity of Executive Director of "Intercapital Property Development" REIT, declare that until as far as I know:

a) the annual financial report for 2022, drawn up in accordance with the applicable accounting standards, reflects truthfully and honestly the information about the assets and liabilities, the financial position and the profit or loss of "Intercapital Property Development" REIT;

b) the annual report on the activity of "Intercapital Property Development" REIT for 2022 contains a reliable overview of the development and results of the company's activity, as well as the state of the issuer, together with a description of the main risks and uncertainties it faces.

Sofia, 31.03.2023

Declarant:



Corporate Governance Statement

Since the adoption of the Program for Good Corporate Governance at the meeting of the Board of Directors held on 26.03.2006, including in 2022, the Board of Directors of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT has managed and organized its activities, observing and implementing the internationally recognized standards of good corporate governance. "INTERKAPITAL PROPERTY DEVELOPMENT" REIT considers good corporate governance as a set of rules, mechanisms and policies for managing and controlling the company, aimed at balancing the interests of the management bodies, shareholders and third parties - trading partners, creditors of the company, potential investors.

With Decision No. 461-KKU dated 30.06.2016, the Deputy Chairman of the FSC, managing the "Investment Supervision" department, approved the NKKU as a corporate governance code under Art. 100n, para. 7, item 1 in connection with para. 8, item 1 of the Civil Code. "INTERCAPITAL PROPERTY DEVELOPMENT" REIT will, as appropriate, comply with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021) and will carry out its activities in accordance with its provisions.

The overall organization of the Company's activities in 2022 on a day-to-day basis does not allow for an exhaustive listing of all actions representing the implementation of the program adopted by "INTERCAPITAL PROPERTY DEVELOPMENT" REIT, and the mandatory requisites according to Art. 100n, para. 8 of the Civil Procedure Code:

1. Information on whether the issuer complies, as appropriate:

a) The Corporate Governance Code approved by the Deputy Chairman of the FSC

With Decision No. 461-KKU dated 30.06.2016, the Deputy Chairman of the FSC, managing the "Investment Supervision" department, approved the NKKU as a corporate governance code under Art. 100n, para. 7, item 1 in connection with para. 8, item 1 of the Civil Code. The company complies as appropriate with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021) and conducts its activities in accordance with its provisions .

The actions of the Company's management and employees are aimed at affirming the principles of good corporate governance, increasing the confidence of shareholders, investors and persons interested in the management and activities of the Company and encouraging the Company's successful business activities and sustainable development.

b) another corporate governance code

From the adoption of the Program for Good Corporate Governance at the meeting of the Board of Directors held on 26.03.2006, including in 2022,

The company has managed and organized its activities, observing and applying internationally recognized standards for good corporate governance.

c) information on the corporate governance practices applied by the issuer in addition to the code under letter "a" or letter "b"

There are no additional practices.

2. Explanation by the issuer which parts of the corporate governance code under item 1, letter "a" or letter "b" it does not comply with and what are the reasons for this, respectively when the issuer has decided not to refer to any of the rules of the corporate governance code - grounds for this

The company complies as appropriate with the principles of the National Corporate Governance Code (created in 2007 and approved by the National Corporate Governance Commission, subsequently amended in February 2012, April 2016 and July 2021), with the following exceptions:

Chapter One - CORPORATE GUIDELINES

1.4. The Board of Directors adopts and complies with a Code of Ethics.

Grounds: The members of the Board of Directors are guided in their daily activities by the generally accepted principles of integrity, managerial and professional competence. Therefore, and taking into account the nature, scale and complexity of the Company's activity, it is not necessary to adopt a Code of Ethics, in which the principles observed by the management should be formally indicated.

1.6. The Board of Directors promotes the implementation and monitors compliance by the subsidiaries with the adopted principles for sustainable development at the group level, where applicable. It helps to establish a culture of sustainable development.

Grounds: The point is not applicable to the Company, insofar as as of 31.12.2021, it sold all its shareholding (100% of the capital), which it owned from the subsidiary "MARINA CAPE MANAGEMENT" EOOD.

2.3. The management contracts concluded with the members of the Board of Directors define their duties and tasks, the criteria for the amount of their remuneration, their obligations of loyalty to the company and grounds for dismissal.

Reasons: The practice is partially implemented. The Contracts for the Management of the members of the Board of Directors, in their part on grounds for dismissal, are simplified as much as possible in order to unambiguously interpret them in the event of a dispute, insofar as the dismissal takes place by decision of the General Meeting of Shareholders.

2.4 The activity of the members of the Board of Directors should be subject to an annual evaluation.

Grounds: "INTERKAPITAL PROPERTY DEVELOPMENT" REIT did not create a body to evaluate the activities of the Board of Directors. The competence of the general meeting of shareholders is to dismiss the members of the Board of Directors, who report annually on their activities to the shareholders.

3.5. Improving the qualifications of the members of the Board of Directors should be their permanent commitment.

Reasons: The practice is partially applied, as far as the improvement of the qualifications of the members of the Board of Directors is carried out in view of the specific needs of the Company.

3.6. It is recommended that the articles of association of the company determine the number of companies in which the members of the Board of Directors can hold management positions.

Reasons: This text is recommended. There is no limit to the number of companies in which the members of the Board of Directors can hold management positions, in view of the nature, scale and complexity of the Company's activities.

3.7. It is recommended that the number of consecutive terms of independent members be limited.

Reasons: This text is recommended and does not apply in view of the nature, scale and complexity of the Company's activities.

4. Remuneration

Reasons: The company partially implements the practices under this point, insofar as according to the Remuneration Policy adopted by the General Meeting of Shareholders, no variable remuneration is paid to the members of the Board of Directors.

5.2. The procedures for avoiding and disclosing conflicts of interest should be regulated in the articles of association of the company.

Grounds: In Art. 111 and Art. 124 of the Statute, the obligations of the Board of Directors are specified, including the avoidance of conflicts of interest. In view of the nature, scale and complexity of the Company's activity, the legal mechanism for avoiding and disclosing conflicts of interest sufficiently guarantees the rights of current and potential shareholders and of the company as such. The company strictly observes the directly applicable provisions of Art. 237 of the Criminal Code, Art. 114, 114a, 114b, 116b and 116d, para. 6 of the Civil Procedure Code, Art. 26 of the ZDSITS, as well as Art. 19 of REGULATION (EU) No. 596/2014.

6. Committees

Grounds: The Company partially implements the practices on this point, as far as considering the nature, scale and complexity of the Company's activity, no need for the creation of additional committees has been identified. In accordance with the requirements of the effective until 02.12.2016 art. 40g ZNFO, the members of the Board of Directors performed the functions of an audit committee, and the meetings were chaired by the chairman of the Board of Directors (non-executive member). At the general meeting of shareholders held on 01.06.2017, the company elected an Audit Committee under Art. 107 of the Law on the Independent Financial Audit and approved the Regulations (statute) of the Audit Committee according to Art. 107, para. 7 of the Law on the Independent Financial Audit.

As of 31.12.2022, members of the Audit Committee of the Company are: Iva Chavdarova Chorapinova, Tsvetelina Chavdarova Hristova and Zhivka Dimitrova Stankova – Nikolova.

By decision of the general meeting of shareholders dated 28.06.2021, the members of the Audit Committee were re-elected for a new 3-year term, starting from the date of the general meeting.

Chapter One - TWO-TIER SYSTEM

Reasons: The practices in this part are inapplicable, insofar as the Company has a one-tier management system.

Chapter Two - AUDIT AND INTERNAL CONTROL

19. It is desirable to apply a rotation principle in the proposals and selection of an external auditor.

Reasons: The company does not apply this practice. The proposal for the election of an external auditor comes from the Audit Committee, and his election is within the competence of the General Meeting of Shareholders. According to the current NFPA, the key auditor of an audit firm, as well as an auditor who works directly through individual practice, when they audit a public interest entity, must retire after having performed audit engagements for 7 consecutive years from the date of appointment in the audited enterprise. They may not participate in the audit of the same entity before the expiry of four years from their withdrawal from the audit engagement.

21. It is recommended to build an internal control system, which includes identifying the risks accompanying the company's activity and supporting their effective management. It should also guarantee the effective functioning of the reporting and information disclosure systems.

Reasons: This practice is partially implemented. Guaranteeing the effective functioning of the reporting and information disclosure systems is carried out by the Board of Directors and the Audit Committee.

Chapter Three - PROTECTION OF SHAREHOLDERS' RIGHTS

23.2. It is recommended that corporate managements maintain a database of contacts of their shareholders owning 5 or more of the capital of the company, allowing direct messages to be sent to them or to a person designated by them.

Reasons: This text is recommended and partially implemented by the Company. In view of the nature, scale and complexity of the Company's activities, the Company does not maintain a separate database with contacts of its shareholders owning 5 or more than 5% of the Company's capital. Initial information about the contacts of the shareholders holding 5% and over 5% is obtained through the received notifications of a significant shareholding within the meaning of Art. 145 et seq. of the Civil Procedure Code. In addition, the appointed Director of Investor Relations maintains constant contact with investors.

34. Where applicable, corporate management shall adopt rules that ensure disclosure on an annual basis of non-financial information in accordance with national legislation and applicable European law. In this regard, corporate management must include in their annual reports information on how and to what extent the company's activities can be qualified as environmentally sustainable, such as: what part of its turnover is the result of products and services that are related to economic activities that qualify as environmentally sustainable; what proportion of its capital expenditure, when applicable, as well as what proportion of its operating expenditure is related to assets or processes related to economic activities that qualify as environmentally sustainable. When corporate management prepares a separate report for non-financial reporting, this information must be included in the report.

Grounds: The requirements of this clause are not applicable to the Company in view of its nature, scale and size. According to Art. 8 of Regulation (EU) 2020/852, the specified requirement applies only to companies that are required to publish non-financial information according to Article 19a or Article 29a of Directive 2013/34/EU.

Chapter Four - DISCLOSURE OF INFORMATION.

Grounds: The company partially implements the practices under this chapter. In view of the nature, scale and complexity of the Company's activity, the legal mechanism for disclosure of information, provided for in the Civil Code, Ordinance No. 2 of the FSC and Regulation 596/2014, appears to be sufficient to guarantee the rights of investors. Next, in view of the nature, scale and complexity of its activity, the Company has not identified a need to disclose information of a non-financial nature beyond its statutory obligations.

The company strives to present as much information as possible on its website in English.

All shareholders of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT have the right to receive information about the company's affairs, as well as any other information, according to the requirements of the law. In 2020, the Company also maintains a website <http://icpd.bg/>, on which it publishes information about the Company's projects, investment policy, current news, legally defined information subject to publication, as well as other information that, at its discretion of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT may be of interest to investors and shareholders.

In addition, the Company complies with the requirements of the law for the disclosure of information, which it publishes in the statutory terms in the Financial Supervision Commission through E-register, "Bulgarian Stock Exchange" AD through "Extras" and in "Central Depository" AD, as well as in the electronic information system EBI system on the "NewConnect" market, organized by the Warsaw Stock Exchange.

In order to achieve greater transparency while complying with its legally defined obligations, the Company informs the public about the significant events related to its activity by publishing information subject to disclosure and through the X3 News Internet portal, available at: <http://www.x3news.com/>.

Chapter Five - INTERESTED PERSONS. SUSTAINABLE DEVELOPMENT

39. Corporate management should be committed to establishing specific actions and policies regarding the sustainable development of the company, including the disclosure of information related to the climate and social aspects of their activities.

Reasons: The company partially implements this point insofar as it has not currently created a separate policy in relation to the sustainable development of the company. The Company's management supports the idea of responsible and environmentally sustainable business, which not only benefits business and society, but also contributes to social, economic and environmental development and improvement of the quality of life in general. The Company's management strives for sustainable development of the organization, resources, people and society as a whole. The company ensures publicity and transparency of management, protects the rights of all shareholders and treats them equally. Basic principles are reasonable and effective management of the company's assets and control of risk in and their impact on the environment.

We are convinced that by following responsible and ethical business practices in relation to real estate investments, maintaining safe and healthy working conditions, and protecting the environment, we are building a stable company for the benefit of employees, shareholders and society as a whole.

The Company complies with all applicable regulations related to the protection of the environment, and the management monitors the Company's impact on it. Company employees are encouraged to submit proposals and ideas for reducing the Company's impact on the environment.

40. Corporate management ensures effective interaction with interested parties. In addition, corporate management guides, approves and oversees the stakeholder engagement policy. The group of interested persons refers to certain groups of persons on whom the company directly affects and who, in turn, can influence its activities, including suppliers, customers, employees, creditors, public pressure groups and others. The company identifies who are the interested parties in relation to its activity based on their degree and spheres of influence, role and attitude towards its sustainable development.

Reasons: The company implements this practice partially. The Company has not adopted a policy in so far as the Company's established practices ensure effective interaction with interested parties.

The management of the company maintains effective relations with all interested parties, observing the principles of transparency and business ethics. The company takes into account the interests of both shareholders and suppliers, customers/counterparts, employees, creditors and others and identifies them based on their degree, spheres of influence and relation to its development. The main criterion for the selection of management personnel is competence, education and experience in various areas of economic and social life, and not age, gender, social status or religion. Personal initiative is stimulated, individuality is developed and efforts are made to increase the motivation of staff.

43. It is recommended that, in accordance with this policy, corporate managements also develop specific rules to take into account the interests of the interested parties. The rules must ensure the participation of interested persons and their involvement in solving specific issues requiring their position. These rules should guarantee the balance between the development of the company and the economic, social and ecological development of the environment in which it operates.

Reasons: The company has not developed such rules. The practices established in the Company ensure a reliable balance between the development of the company and the economic, social and ecological development of the environment in which it operates.

44. It is recommended that periodically, in accordance with legal norms and good international practice for disclosing information of a non-financial nature, the company informs about economic, social and environmental issues concerning interested parties, such as: fighting corruption; dealing with employees, suppliers and customers; the social responsibility of the company; environmental protection and violation of human rights.

Reasons: This text is recommended, and in view of the nature, scale and complexity of its activity, the Company has not identified a need to disclose information of a non-financial nature beyond its statutory obligations.

3. Description of the main characteristics of the issuer's internal control and risk management systems in relation to the financial reporting process

The Company's financial statements have been prepared in compliance with Bulgarian legislation and applicable international accounting standards. The reports are certified by an independent auditor who confirms their compliance with Bulgarian legislation and applicable accounting standards.

In view of the requirements of Art. 36, para. 6 of the Accounting Act, in the audit a report necessarily expresses an opinion:

• does the activity report correspond to the financial statements for the same reporting period period;

• has the activity report been prepared in accordance with the applicable legal requirements and state whether, as a result of the acquired knowledge and understanding of the enterprise's activities and the environment in which it operates, they have identified cases of material misrepresentation in the activity report and indicate the nature of misrepresentation;

• in the declaration of corporate governance is presented the required by relevant legal acts information.

"Intercapital Property Development" REIT has adopted and applies rules and procedures regulating the effective functioning of the company's reporting and information disclosure systems. The rules describe in detail the different types of information created and disclosed by the company, the processes of the internal company document circulation, the different levels of access to the types of information of the responsible persons and the deadlines for processing and managing the information flows. The created risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including the financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.

4. Information under Article 10, paragraph 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids

4.1. Information under Article 10, paragraph 1, letter "c" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross shareholdings) within the meaning of Article 85 of Directive 2001/34/EC

As of December 31, 2022, the votes with more than 5% in the General Assembly are distributed between the following shareholders:

Name of the company	Country	Number of shares held	% of capital
UNIVERSAL PENSION FUND FUTURE	Bulgaria	1,900,000	6.84%
EXCHANGE TRADED FUND EF PRINCIPAL ETFs	Bulgaria	2,074,483	6.57%
DF "EF RAPID	Bulgaria	2,415,000	8.70%
EXCHANGE TRADED FUND ASSETS BALANCED ETF	Bulgaria	1,400,000	5.04%
MKP Ltd	Bulgaria	3,530,162	12.07%
EUROINS ROMANIA ASSURANCE REASIGURARE S.	Romania	2,088,110	7.52%

4.2. Information under Article 10, paragraph 1, letter "d" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - the holders of all securities with special control rights and a description of these rights

The company has no shareholders with special control rights.

4.3. Information under Article 10(1)(f) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - any restrictions on voting rights, such as restrictions on voting rights to the holders of a certain percentage or number of votes, deadlines for exercising a vote or systems by which, through cooperation with the company, the financial rights granted to the securities are separated from the ownership of the securities

There are no restrictions on voting rights. The deadlines for exercising the right to vote are in accordance with the provisions of the Law on the Public Offering of Securities.

4.4. Information under Article 10, paragraph 1, letter "3" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals - the rules governing the appointment or replacement of board members and the introduction of an amendment to the founding agreement

According to the company's Articles of Association, the Board of Directors is elected by a simple majority of the General Meeting of Shareholders. Council members can be re-elected without restrictions. After the expiration of their mandate, the members of the Board of Directors continue to perform their functions until the election of a new board by the General Assembly.

The Articles of Association are changed by the General Meeting with a majority of 3/4 of the voting shares presented at the General Meeting, and prior approval of the changes by the Financial Supervision Commission is also required.

The rules are described in detail in the Company's Articles of Association, which are published in the Company's electronic file in the Trade Register - <http://www.brra.bg>, giving all third parties the opportunity to familiarize themselves with it.

4.5. Information pursuant to Article 10(1)(i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - powers of the board, and in particular the right to issue or repurchase shares

The powers of the Board of Directors are specified in Art. 110 et seq. of the Company's Articles of Association. Buyback of shares is currently not provided for in the Company's Articles of Association and is regulated by the special provisions of Art. 111, para. 5 of the Civil Procedure Code and Art. 22, para. 4 of the ZDSITS.

According to Art. 33 of the Articles of Association, the Board of Directors is authorized by the shareholders at its discretion and by determining all the parameters of the relevant issue to increase the Company's capital up to a maximum amount of BGN 50,000,000 (fifty million), by issuing new shares, in this number and preference shares.

According to Art. 33a of the Articles of Association, the Board of Directors is authorized by the shareholders at its discretion and by determining all the parameters of the relevant issue to issue warrants and/or convertible bonds, on the basis of which the Company's capital can reach a maximum amount of 50,000,000 (fifty million) BGN. When issuing convertible bonds, the Board of Directors is authorized to determine the parameters of converting the bonds into shares even after the term under the previous sentence, if the issue was issued within this term.

According to Art. 56 of the Articles of Association, the Board of Directors is authorized by the shareholders to issue corporate bonds with a total value of up to BGN 50,000,000 (fifty million)

subject to the limitation of art. 54 of the Statute. The Board of Directors is free in its discretion in determining the type of bonds, the security of bond loans, the amount of interest payments and the method of repayment of the principal, taking into account the needs of the company and the conditions of the market for attracting external financing.

4.6. Composition and functioning of the administrative, management and supervisory bodies bodies and their committees

Members of the board of directors of INTERCAPITAL PROPERTY DEVELOPMENT REIT are Velichko Klingov - executive director, Tsvetelina Hristova - chairman of the board of directors, and AHELOY 2012 EOOD - independent member of the board of directors.

The financial report for 2022 and the attached Annual Report on the Company's activities for 2022 contain detailed information about the shares of the Company's capital owned by the members of the Board of Directors, the remuneration and/or compensation received, as well as about the participations of each of the members in control and/or management bodies of other commercial companies and the shares held by them in the capital of other companies.

The Board of Directors elects and dismisses the Executive Director(s) and Chairman and Deputy Chairman of the Board of Directors; adopts Rules for its activity and approves Rules for the internal organization of the Company; concludes, terminates and cancels a contract under Art. 100n, para. 12 of the Civil Procedure Code.

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REPORT

UNDER ART. 12, AL. 1 OF ORDER No. 48 DATED MARCH 20, 2013 ON THE
REQUIREMENTS FOR REMUNERATION, ISSUED BY THE FINANCIAL SUPERVISION COMMISSION,
PUBLIC. DV. BR. 32 OF APRIL 2, 2013 ("ORDINANCE No. 48")
TO THE ANNUAL FINANCIAL REPORT ON THE ACTIVITIES OF "INTERKAPITAL
PROPERTY DEVELOPMENT" REIT for 2022.

I. Remuneration policy implementation program for the following financial year or for a longer period

The remuneration policy prepared by the Board of Directors of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT and approved by the Extraordinary General Meeting of Shareholders held on 09/28/2020 lays down several basic principles that fully comply with the legal regulations:

- The remuneration of the members of the Board of Directors, including the executive director, is determined by the General Meeting of the Company's shareholders, and according to the policy, objective criteria have been determined when determining the remuneration;
- The members of the Board of Directors are paid permanent remuneration in accordance with the criteria laid down in the remuneration policy, approved by the extraordinary General Meeting of Shareholders, held on 28.09.2020.

The currently effective remuneration policy was adopted in accordance with the latest amendments to Ordinance No. 48 (SG, No. 61 of 10.07.2020) and provides for the payment of only permanent remuneration to the members of the Board of Directors. The changes in the policy reflect the normative requirements regarding its content - the order of its revision, publication, etc. In addition, it was reported that amendments to Ordinance No. 48 were adopted by SG No. 60 of 20.07.2021, as well as SG No. 64 of 3.08.2021, which are not applicable to the Company and do not require the adoption of changes in the Remuneration Policy approved by the shareholders.

The Board of Directors of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT intends to strictly observe the remuneration policy, which has been approved by the General Meeting of the company's shareholders, both in the next financial year and in a longer-term perspective.

II. Information under Art. 13 of Ordinance No. 48

1) Information regarding the decision-making process in determining the remuneration policy, including, if applicable, information on the mandate and composition of the remuneration committee, the names of the external consultants whose services were used in the determination of the remuneration policy:

The decision-making process for setting the remuneration policy is clearly defined in the Law on Public Offering of Securities (IPO) and Ordinance

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No. 48. Pursuant to the Civil Code, the remuneration of the members of the Board of Directors of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT is determined by the General Meeting of Shareholders and no external consultants were used in its development. The company does not have a special remuneration committee.

2) Information about the relative weight of the variable and the constant remuneration of the members of the management body:

The members of the board of directors of INTERCAPITAL PROPERTY DEVELOPMENT AD receive only permanent remuneration.

3) Information regarding the criteria for achieved results, based on which options on shares, shares of the company or other type of variable remuneration are granted and an explanation of how the criteria under Art. 14, para. 2 and 3 of Ordinance No. 48 contribute to the long-term interests of the company:

No options are granted on shares, company shares or any other type of variable remuneration.

4) Explanation of the applied methods for assessing whether the criteria for the achieved results have been met:

Not applicable.

5) Explanation regarding the dependence between the remuneration and the achieved results:

The amount of the permanent remuneration takes into account:

- the duties, the degree of workload, commitment and involvement of the members of the Board of Directors in the management of the company, as well as the contribution of each member of the Board of Directors to the activity and results of the company;
- the possibility of selecting and retaining qualified and loyal members of the Board of Directors;
- the presence of the interests of the members of the Board of Directors and the long-term interests of the Company.

6) The main payments and justification of the annual bonus payment scheme and/or all other non-monetary additional remuneration:

Not applicable.

7) Description of the main features of the supplementary voluntary pension insurance scheme and information on the contributions paid and/or due

by the company in favor of the relevant member of a management or control body for the relevant financial year, where applicable:

Not applicable.

8) Information on the periods of deferment of the payment of the variables rewards:

Not applicable.

9) Information on the compensation policy upon termination of contracts:

The compensation policy upon termination of the contracts is fully compliant with Bulgarian legislation, as the contracts with the members of the Board of Directors do not contain specific clauses in this direction, including and variable remuneration.

10) Information on the period during which the shares cannot be transferred and the stock options cannot be exercised, in the case of variable share-based awards:

There are no variable remunerations or stock options or share awards.

11) Information on the policy for keeping a certain number of shares until the end of the mandate of the members of the management and control bodies after the expiry of the period under item 10):

Not applicable.

12) Information regarding the contracts of the members of the management and control bodies, including the term of each contract, the term of the notice of termination and details of the benefits and/or other payments due in the event of early termination:

The contracts with the members of the governing body are open-ended. The due notices, respectively compensations, do not differ from those usual for commercial practice and defined in the Bulgarian legislation.

13) The full amount of the remuneration and other material incentives of the members of the management and control bodies for the relevant financial year:

The full amount of the accrued gross remuneration of the members of the Board of directors for 2022 amounts to BGN 42,139.

There are no other material incentives that are provided to the members of the Board of the directors.

14) Information on the remuneration of any person who was a member of a management or control body in a public company for a certain period during the relevant financial year:

a) The full amount of the gross remuneration paid and/or charged to the person for the relevant financial year:

According to the requirements of Art. 116c, para. 1 of the Civil Code, the members of the Company's Board of Directors receive remuneration in the amount determined by the General Meeting of Shareholders.

Remuneration was paid for the reporting period as follows:

- Mr. Velichko Stoychev Klingov, in his capacity as an executive member of the Company's Board of Directors, was paid remuneration in the amount of BGN 105,019.90 in this number for past years as well
- of "AHELOY 2021" EOOD, in his capacity as a member of the Company's Board of Directors, is remuneration paid in the amount of BGN 0;
- to Mrs. Tsvetelina Chavdarova Hristova, in her capacity as a member of the Board of Directors of The company was paid remuneration in the amount of BGN 4,328.31 for this number for past years as well.

b) The remuneration and other material and non-material incentives received from persons from companies of the same group:

Not applicable.

c) Remuneration received by the individuals in the form of profit sharing and/or bonuses and the grounds for granting them:

No such remuneration has been paid.

d) All additional payments for services provided by the persons outside their normal functions where such payments are permissible under contract concluded with them:

No such remuneration has been paid.

e) The paid and/or accrued compensation in connection with the termination of the functions of the persons during the last financial year:

During the reporting period, the functions of the members of the Board of Directors were not terminated.

f) Total assessment of all non-monetary benefits equated to remuneration, excluding those specified in letters "a" to "e":

No non-cash benefits equivalent to remuneration have been paid.

g) Information about all granted loans, social housing payments expenses and guarantees from the company or from its subsidiaries or other companies that are subject to consolidation in its annual financial statement, including details of the outstanding balance and interest:

None are available.

15) Information regarding shares and/or share options and/or other share-based incentive schemes:

No shares, stock options or other incentive schemes.

a) Number of stock options offered or shares granted by the company during the relevant financial year and the conditions under which they are proposed, respectively provided:

No options were offered and no shares were granted.

b) Number of exercised options on shares during the relevant financial year and for each of them, number of shares and the option exercise price or the value of the interest under the share-based incentive scheme at the end of the financial year:

There are no options on shares, respectively no similar ones have been exercised.

in) Number of unexercised stock options at the end of the financial year, including data regarding their price and exercise date and essential conditions for exercising the rights:

There are no options on shares, respectively there are no unexercised options.

Any changes to the terms and conditions of existing options on

d) shares accepted during the financial year:

There are no existing options.

16) Information on the annual change in remuneration, the results of the company and the average amount of remuneration on a full-time basis of the employees of the company, who are not directors, during at least the previous five financial years, presented together in a way that allows

matching:

Year	2018	2019	2020	2021	2022	
Average annual amount of the remuneration of the members of the Board of Directors (In thousand BGN)	33		39	39	39	40
Average annual amount of remuneration based on working hours of complete the non-director officers (in thousand BGN)	1		2	2	2	2
Result of the company ¹ (in thousand BGN)	-4 383	-66		506	3,740	473

17) Information on exercising the option to demand the return of the variable remuneration:

¹ The result is rounded for accounting purposes.

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Not applicable.

18) Information on all deviations from the procedure for applying the remuneration policy in connection with extraordinary circumstances under Art. 11, para. 13 of Ordinance No. 48, including an explanation of the nature of the extraordinary circumstances and an indication of the specific components that have not been implemented:

The remuneration policy does not specify extraordinary circumstances, at which the company temporarily does not apply part of the policy.

March 24, 2023

Signature:

Velichko Klingov
/ Velichko Klingov – Ex. Director/

