

**Interim report on the activities of
Intercapital Property Development REIT
for the first six months of 2023**

28 / 07 / 2023

1. General information

1.1. Financial results

In the first six months of 2023, the Company realized net revenues in the amount of BGN 8,199 thousand.

The overall result of the activity, including the financial costs, is described below.

<i>(thousand BGN except data per share)</i>	30/06/2023	30/06/202 2
Sales revenue	8 199	-
Other income from the activity	10	-
Financial income	-	-
Extraordinary income	-	-
Result of main activity	-195	-397
Net result of the activity	-195	-397
Net result per share	-0.0 07	-0.0143
Amount of assets	42,007	50,966
Land	8,316	9,387
Investment property	28,769	17,550
Work in progress	-	-
Net assets	36,220	28,512
Share capital	27,766	27,766
Number of shares	27 766 476	27 766 476

1.2. Stock trading

As of 30.06 . 2023 year , the market price of shares on the Bulgarian Stock Exchange - Sofia is BGN 0.88 per share.

In the period 01 . 01 .202 3 - 30.06. 2023 , the highest market price of the Company's shares on BSE-Sofia is BGN 0.90 , reached on 06/16/2023, and the lowest - BGN 0.88 per share on 05/18/2023 .

In August 2010, "Intercapital Property Development" REIT became the first Bulgarian company whose shares are traded on a capital market outside Bulgaria, as well as the first Bulgarian company whose shares are accepted for trading on a market organized by the Warsaw Stock Exchange. 11.08.2010 was the first date of quotation of the Company's shares on the alternative trading system for new companies " NewConnect ", organized by the Warsaw Stock Exchange.

2. Marina Cape

In the first six months of 2023 , activities were carried out to eliminate irregularities that occurred during the operation and repair works of the complex in order to prepare it for the summer season of the year. Repair activities are carried out by the subsidiary and service company "Marina Cape Management" EOOD.

The holiday complex is operated all year round. During the 2022-2023 winter season , 2 of the 4 restaurants are operational , as well as the bowling alley, spa, gym and squash courts . A minimum of 100 apartments are maintained for renting out to tourists - occasional and organized visitors.

Currently, during the 2023 summer season , the complex operates at about 85-90% occupancy (for the apartments that are owned by the Company and those that are not owned by it, but are managed by the company "Marina Cape Management" Ltd.).

Conference-type events are regularly held in the complex, and the company actively strives to develop this type of tourism.

2.1 Sales

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. The properties sold in 2022-2023 are owned by Bulgarian legal entities .

2.2 Financing and information on new material receivables and/or liabilities for the reporting period

In the period 01.01.2023-30.06.2023 , no new significant receivables and/or liabilities arose for the "Intercapital Property Development " REIT group .

3. 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 CMPs on the site are frozen for an indefinite period of time.

The Company's plans for the "Grand Borovets" project were to be completed with the funds from the capital increase, which was carried out in July-August 2010. However, the funds raised were not enough to complete the complex.

On 06.06.2011, the Board of Directors decided to start negotiations for the sale of the

Company's own real estate and the "Grand Borovets" hotel-apartment complex built on it, for an initial price of not less than 5 million euros.

In this connection, the advertisement for sale was published in several central daily newspapers in Bulgaria, as well as a publication in the newspaper "Vedomosti" in Russia. In addition, the Company presented the project for sale to brokers in the Arab States, Russia and Kazakhstan.

In parallel, the Company is looking for a partner to invest 2,500,000 euros for the completion of the "Grand Borovets" project, after which the complex will function as a hotel. In this regard, the Company has established contacts and is conducting negotiations with several potential investors.

On December 17, 2013, the Company entered into an agreement 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. 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 the lease installments was extended to 20.12.2022, 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 the lease installments was extended to 20.12.2022, and the lease price was accordingly changed to 3,411,746 euros without VAT. Pursuant to the Agreement dated December 17, 2013, "Intercapital Property Development" 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 property built on this property building representing the 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.

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.

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).

4 . Key risks and uncertainties facing Intercapital Property Development REIT during the remainder of the financial year

The main risks and uncertainties that "Intercapital Property Development" REIT may encounter in 2023 are :

- market risk - risk of a decrease in the market prices of the real estate that the company sells as a result of reduced demand for vacation properties, as well as the risk of low tourist flow for 2023 as a result of the slow recovery after the recent global financial crisis.
- risk of inability to service bank loans taken and the issued bond issue - in case the company fails to generate sufficient income to cover interest costs and repayment of principals.

In addition to the impact of the pandemic declared on 11/03/2020 by the World Health Organization regarding the spread of COVID-19, another event with an extremely negative impact is the outbreak of the military conflict between Russia and Ukraine. The company has no direct exposures in financial instruments issued by issuers in Russia and Ukraine and relations with Russian banks.

The indirect effects for the Company are expected to be expressed in the increase of uncertainty and the significant deterioration of the investment environment in 2023. The Company considers that it is possible for the solvency of its customers to deteriorate as a result of inflation, increased energy prices and the loss of workers. places. Due to the unpredictability of the military conflict, at this stage it is practically impossible to make a definite forecast about the impact on the Company's financial situation.

5 . Information about concluded major deals with related and/or interested parties

During the considered period, "Intercapital Property Development" REIT did not enter into large transactions with related and/or interested parties.

6. Information on the regular annual general meeting of the Company's shareholders

On 27.06.2023, in the city of Sofia, at the address of the Company's management, a regular annual General Meeting of the Company's shareholders was held, at which 16,467,935 shares representing 59.308% of the Company's capital were presented.

Agenda:

"Point one: Report of the management body on the Company's activities in 2022;

Draft decision: The General Meeting of Shareholders accepts the report of the Board of Directors on the Company's activities in 2022;

Point two: Annual report of the Company's Audit Committee on the activity in 2022;

Draft decision: The General Meeting of Shareholders accepts the annual report of the Company's Audit Committee on the activity in 2022;

Item three: Report of the selected registered auditor on the annual financial statements of the Company for 2022;

Draft decision: The General Meeting of Shareholders accepts the report of the elected registered auditor on the Company's annual financial report for 2022;

Item four: Adoption of the Company's annual financial report for 2022;

Draft decision: The General Meeting of Shareholders adopts the annual financial report of the Company for 2022;

Point five: Adoption of a decision regarding the financial result of the Company for 2022;

Draft decision: The General Meeting of Shareholders adopts a decision regarding the financial result of the Company for 2022 according to the proposal contained in the materials on the agenda;

Point six: Exoneration of the members of the Board of Directors for their activities during the period 01.01.2022 - 31.12.2022;

Draft decision: The General Meeting of Shareholders exempts the members of the Board of Directors Velichko Stoychev Klingov, Tsvetelina Chavdarova Hristova and "AHELOY 2012" OOD, with EIK 202371390, from liability for their activities during the period 01.01.2022 - 12.31.2022. ;

Point Seven: Selection of a registered auditor for the verification and certification of the Company's annual financial statements for 2023;

Draft decision: To verify and certify the annual financial report of the Company for 2023. The General Meeting of Shareholders elects the registered auditor proposed by the Board of Directors and recommended by the Audit Committee, according to the proposal contained in the materials on the agenda;

Item Eight: Report of the Director of Investor Relations;

Draft decision: The General Meeting of Shareholders adopts the report of the Investor Relations Director for 2022;

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 2022;

Draft decision: The General Meeting of Shareholders adopts 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 2022;

Point ten: Adoption of a decision to empower the executive director;

Draft decision: The general meeting of shareholders assigns the executive director of the Company, personally or through duly authorized persons, to carry out all legal and factual actions necessary for the implementation of the adopted decisions, including, but not limited to, announcing those adopted by the general meeting to the shareholders acts and decisions before the Commercial Register, Financial Supervision Commission, BSE and the public." At the meeting, all points were accepted.

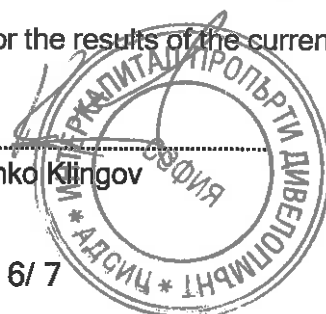
7. Information on important events that occurred after the reporting period

There are none.

8. Information regarding the opinion of the governing body regarding the possibilities of realization of published forecasts

The company has not published forecasts for the results of the current financial year.

Velichko Klingov



CEO

