

ANNUAL REPORT
OF
THE AUDIT COMMITTEE OF
“INTERCAPITAL PROPERTY DEVELOPMENT” ADSIC
FOR 2017

08 May 2018

I. General information

Pursuant to the requirements of the new Independent Financial Audit Act, promulgated in State Gazette, no. 95 of 29.11.2016, at an Extraordinary General Meeting of the Shareholders of Intercapital Property Development ADSIC, held on 01.06.2017, an Audit Committee was elected with the following members: Iva Chavdarova Chorapinova, Pavlinka Nedelcheva Bizeranova and Tsvetelina Chavdarova Hristova.

The shareholders approved also the Statute of the Audit Committee according to Art. 107, para. 7 of the Independent Financial Audit Act.

II. Activity of the Audit committee activity in 2017

Given the requirements of the current legislation and the activity of the Audit committee of "Intercapital Property Development" ADSIC in the year 2017 it can be made the following conclusion regarding the financial reporting, the internal control systems, the risk management and the independent financial audit in the enterprise:

1. Monitoring of the process of financial reporting in the enterprise

In 2017 the Company carried out adequate financial reporting in compliance with the International Financial Reporting Standards (IFRS) compiled by the International Accounting Standards Council and adopted by the European Union Commission. The financial reports of the Company were prepared on the basis of the acting enterprise principle and the historical price principle. The preparation of the financial reports in compliance with the IFRS required the application of approximate accounting valuations. In addition, for the implementation of the Company's accounting policy the Management of the Company should use its own assessment. The elements of the financial reports, the presentation of which includes higher level of assessment or complexity, as well as these elements for which the assumption and the valuation have significant influence over the financial reports refer mostly to recognition of the revenues from sale of services and to measuring the stage of completion of the service as of the date of preparation of the particular balance sheet.

2. Monitoring of the efficiency of the internal control systems in the enterprise

The internal control system meets the requirements of the standards defined by the Board of Directors of the Company. The efficiency of the internal control system allowed the timely submission of accurate quarterly financial reports of "Intercapital Property Development" ADSIC to the FSC, "BSE - Sofia" AD, "Central Depository" AD and the public. Financial analysis and control over the current accounting reporting in the enterprise have been carried out on a monthly basis and the relevant reports have been presented to the attention of the Board of Directors before the end of the next calendar month of the year. In addition, the Audit committee confirms that in 2017 the system for financial reporting of the Company was adequate and accurately presented the financial standing of "Intercapital Property Development" ADSIC as well as that the internal control system of the Company allowed effective management of the financial resources of the Company.

3. Monitoring of the efficiency of the risk management system in the enterprise

In 2017 the goal of the Management body of "Intercapital Property Development" ADSIC was the implementation of effective risk control through the application of a system for early

forecasting, identification and control of the potential risks. In this respect and in compliance with the law requirements the procedures for assessment and management of the risks related to the activity of "Intercapital Property Development" ADSIC was assigned to IP "Intercapital Markets" AD.

Given the specific activity of the Company during 2017 "Intercapital Property Development" ADSIC was exposed to the following risks arising due to the usage of financial instruments:

a) Credit risk b) Liquidity risk c) Market risk

Detailed description of the risks related to the activity of the Company is presented in the Annual report of the Board of Directors for the activity of the Company in 2017.

4. Monitoring of the independent financial audit in the enterprise

In accordance with the Accounting Law and the Independent Financial Audit Act regarding the independent financial audit of enterprises which carry out activity of public interest, on 30 June 2017 the General Meeting of the shareholders of "Intercapital Property Development" ADSIC chose NIBOS EOOD, under UIC 200635432, represented by the Manager and sole proprietor of the capital - Nikolay Mihaylov Polinchev - registered auditor with Dipl. 0684 with the IPCA, as a registered auditor to audit and certify the annual financial statement of the company for 2017.

The Audit committee observed the work of the elected independent auditor and confirms that the independent audit for 2017, both the individual and the consolidated annual financial statements of ICPD ADSIC, was legally conducted and prepared in strict compliance with the requirements for independent financial audit of enterprises performing activities of public interest under the current legislation.

5. Review of the independence of the Company's registered auditor pursuant to the law requirements and the Ethical Code of the professional accountants and observation for delivery of additional services by the registered auditor to the audited company

The review of the independence, of the elected by the Annual General Meeting of Shareholders for the year 2016, auditor for the audit of the annual financial statements of the Company for the year 2017 approved by the Annual General Meeting of Shareholders for 2017, showed that NIBOS EOOD meets the legal requirements and the requirements of the Board of Directors of the Company. Registered auditor did not provide additional services to the Company in 2017.

Pursuant to Art. 62 of the Law on the independent financial audit, the registered auditor periodically publishes transparency reports.

The requirement of Art. 65 of the Law on the independent financial audit has been completed as well.

III. Recommendation for a registered auditor to verify and certify the annual financial statements of the Company for 2018

Pursuant to Art. 108, para 1, p. 6 of the Independent Financial Audit Act, the Audit Committee recommends that the Independent Financial Audit of the Company's Annual Financial Statements for 2018 and the Consolidated Annual Financial Statements of the

Company for 2018 be carried out by NIBOS EOOD, under UIC 200635432, represented by the Manager and sole proprietor of the capital - Nikolay Mihaylov Polinchev - registered auditor with Dipl. 0684 with the IPCA.

Sofia,

08 May 2018

**Members of the Audit Committee of
“INTERCAPITAL PROPERTY DEVELOPMENT” ADSIC**

Iva Chorapinova

Pavlinka Bizeranova

Tsvetelina Hristova