

# **REPORT OF THE Board of Administration For year 2015**

**IMPACT DEVELOPER & CONTRACTOR SA**



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## 1. COMPANY PRESENTATION

### 1.1. About IMPACT

The company is one of the first companies active in real estate development in Romania, being founded in 1991 by public subscription.

In 1995, the Company has introduced the concept of residential assembly on the Romanian market and therefore it gradually transformed into a pure real estate developer. Starting in 1996, the company is listed on the Bucharest Stock Exchange (BVB).

In 2006, the company's shares were promoted to the first category of the Stock Exchange, becoming the **first** company in the real estate and construction sector which has done so. Since January 2015, the company is part of the **Premium** category, pursuant to the new segmentation of local capital market.

In the past 24 years IMPACT Developer & Contractor has completed **17 small and medium projects**, which included over **3,000 homes** and over 25,00 square meters of offices and business areas.

On 31st of December 2015, the company was involved in residential developments located in four cities in the country, each project with different sizes and found in different stages of completion. Activitatea IMPACT is dominated by a major project: **GREENFIELD residential assembly** in Bucharest.

2014 represented the year of IMPACT relaunching in the residential development sector.

Thus, in November 2014 the launch of the newest neighborhood in GREENFIELD, **Salcamilor assembly** took place. Today it consists of 35 buildings with GF + 5, 924 apartments respectively with 2, 3 or 4 bedrooms. Salcamilor assembly completes the GREENFIELD complex, joining the five existing districts - Blue, Rubin, Topaz, Onix and Quartz.

Nevertheless, documentation was prepared for the commencement of construction of another 39 blocks, which will represent **Platanior Assembly**, with 888 apartments, which will be completed this year starting with the 4<sup>th</sup> trimester.

The company's management follows the market trends and appropriately responds to any changes in demand and very quickly adapts to market changes.

IMPACT constantly endeavors all efforts to prove its customer focus by aligning to the specific needs thereof. By default, IMPACT proves a high level of adaptability to market conditions; it manages the existing realities and identifies resources for exploration of new business opportunities. To this end, the company's management continually seeks trends and market developments, so that the urban concepts of innovation products it offers, to ensure recognition of IMPACT Developer & Contractor as leader of the real estate market on local level, with focus on Romania's capital, Bucharest.

## 1.2. Board of Administration

Pursuant to the legislation in force and the company's Articles of Incorporation, the General Assembly of Shareholders is the managing and decisional body of the company, deciding upon its business.

The company is led by the Board of Administration, consisting of five administrators, individuals:

- Iuliana Mihaela Urda, Chairman of the Board of Administration;
- Liviu Stan, Administrator and General and Procurement Director;
- Gabriel Vasile, Administrator;
- Konstantinos Tasoulas, Administrator;
- Victor Rachita, temporary Administrator.

Mrs. Iuliana Mihaela Urda was elected in the Board of Administration in the General Ordinary Assembly in 26th of April 2013, by cumulative vote method, for a four years mandate, until April 2017.



Mr. Gabriel Vasile was appointed as administrator in the General Ordinary Assembly on 16th of September 2013, Mr. Liviu Stan was appointed as in the General Ordinary Assembly on 25th of April 2014, and Mr. Konstantinos Tasoulas was appointed as administrator in the General Ordinary Assembly held on the date of 25.04.2015.

Members of the Board of Administration of IMPACT, acknowledging the resignation of Mr. Lucian Claudiu Mateescu from the position of Administrator and General Director, as from the date of 14th of December 2015, appointed for a temporary period in the position of General Director, Mr. Liviu Stan, who also holds the position of Procurement Director.

The Board of Administration is structured such as to allow diligently fulfillment of duties. The Board regularly meets to ensure fulfillment of its duties in an efficient manner.

There is a clear distribution of responsibilities between the Board and the executive management.

## 1.3. Executive Management of the Company

The board of Administration decided that Mr. Liviu Stan, General and Procurement Director and Mr. Bogdan Nicolae Geanta, Financial Director, to be empowered to represent the company, pursuant to provisions under art.143 2 par. 5 in Law 31/1990, on trading companies, as from the date of 14.12.2015.

Surname	First name	Position	Citizenship
Stan	Liviu	General and Procurement Director	Romanian
Geanta	Bogdan Nicolae	Financial Director	Romanian

#### 1.4. IMPACT Auditor

By decision of GAS dated 7th of November 2015 the auditor KPMG ROMANIA SRL, appointed in GAS dated April 2015, was revoked as result of the impossibility of signing the agreement under the conditions offered as from April 2015. The new auditor appointed in GAS dated 7th of November 2015 is DELOITTE AUDIT SRL.

DELOITTE AUDIT SRL was appointed by GAS to audit the financial statements for year 2015, as drafted under the responsibility of the company's manager responsabilitatea pursuant to international standards – IFRS (including consolidated financial statements). Auditor's liability to the company and GAS is set fort hand limited pursuant to the law.

#### 1.5. IMPACT on the Capital Market

*IMPACT stock price evolution (feb.2014 – feb. 2015)*

IMPACT DEVELOPER & CONTRACTOR SA has been listed at the Bucharest Stock Exchange since the year 1996. Starting with the year 2006 its shares are quoted in the first category of BVB, and since 2015, IMPACT shares, in a number of 277,866,574, are traded on the Premium category according to the new segmentation of Bucharest Stoc Exchange.



The market capitalization of the company at the end of December 2015 was of 58 mill. EUR.

*BET Index Evolution (feb.2014 – feb. 2015)*

There are no restrictions for the security transfer, there are no restrictions for the voting rights, and there are no holders of securities with special control rights.

According to the situation reported by the Central Depository and reports to the Bucharest Stock Exchange, among the shareholders that held over 10% of the company shares



on 07.01.2016 are: Gheorghe Iaciu with 49.04%, Andrici Adrian with 11.73% of the share capital, SWISS CAPITAL together with a group of shareholders affiliated to SWISS CAPITAL holds 10.67% of the share capital, and 28.56% of the shares are held by other shareholders.

On 07.01.2016, 28.06% of the shares were held by legal entities and 71.94% of the shares were held by individuals.



The BET index recorded on 31st of December 2015 a decrease of 1% compared to the beginning of the year, and the IMP shares have recorded a decrease of 37% (0.97 RON/share on 31.12.2015 compared to 1.4850 RON/share on 31.12.2014), after a sustained growth in the previous year.

## 2. CORPORATE GOVERNANCE

Corporate governance complies with the Romanian legislation in force, aiming to ensure both accuracy and transparency in terms of company's outcomes, and equal access of all shareholders to relevant information on the company.

IMPACT Developer & Contractor SA is managed under unitary system, its management being provided by the General Director, under surveillance of the Board of Administration.

Corporate governance elements are implemented within the company, pursuant to the code of Corporate Governance adopted by the Board of the Stock Exchange in December 2007, with implementation term as from the annual report of 2010.

IMPACT Developer & Contractor SA submitted and shall further submit all professional, legal and administrative efforts, necessary to ensure alignment with the provisions of the Code and transparent presentation of such outcomes.

IMPACT Developer & Contractor SA publishes in a dedicated section of its own website details on GAS development, namely convocation notices, materials/documents afferent to agenda, special power fo attorney forms, correspondence voting forms, decision drafts.

Nevertheless, the company ensures information of all shareholders immediately after HAS taking place, through its own website dedicated section, on decisions adopted in General Assemblies of Shareholders and the voting detailed result. The Company also makes available for the shareholders / investors current reports, notices, the financial schedule, annual, quarterly, trimestrial reports. Direct relation with the investors is provided by an appointed person, dedicated to informing the shareholders depending on their questions addressed in writing or by phone.

Information on corporate governance are periodically reported through corporative governance statement in the annual report and permanently updated through current reports and internet page.

Since 2014 Impact adopted the following documents fundamenting corporate governance:

- Code on anticorruption
- Code of conduct
- Ethical values of the Company
- Policy on security and health at the place of work, labor, environment law
- Reportung Policy

In September 2015, BVB issued a new Code of Corporate Governance. The provisions of the Code are carefully examined by the Company, and the status of compliance with its provisions is properly assessed by the Company.

Along the years, the company complied with the provisions of CCG and at the moment it carries out arrangements to comply with the provisions of the New Code as well.



### 3. IMPACT ACTIVITY IN 2015

#### 3.1. Romanian real estate market and economy in 2015 - Overview.

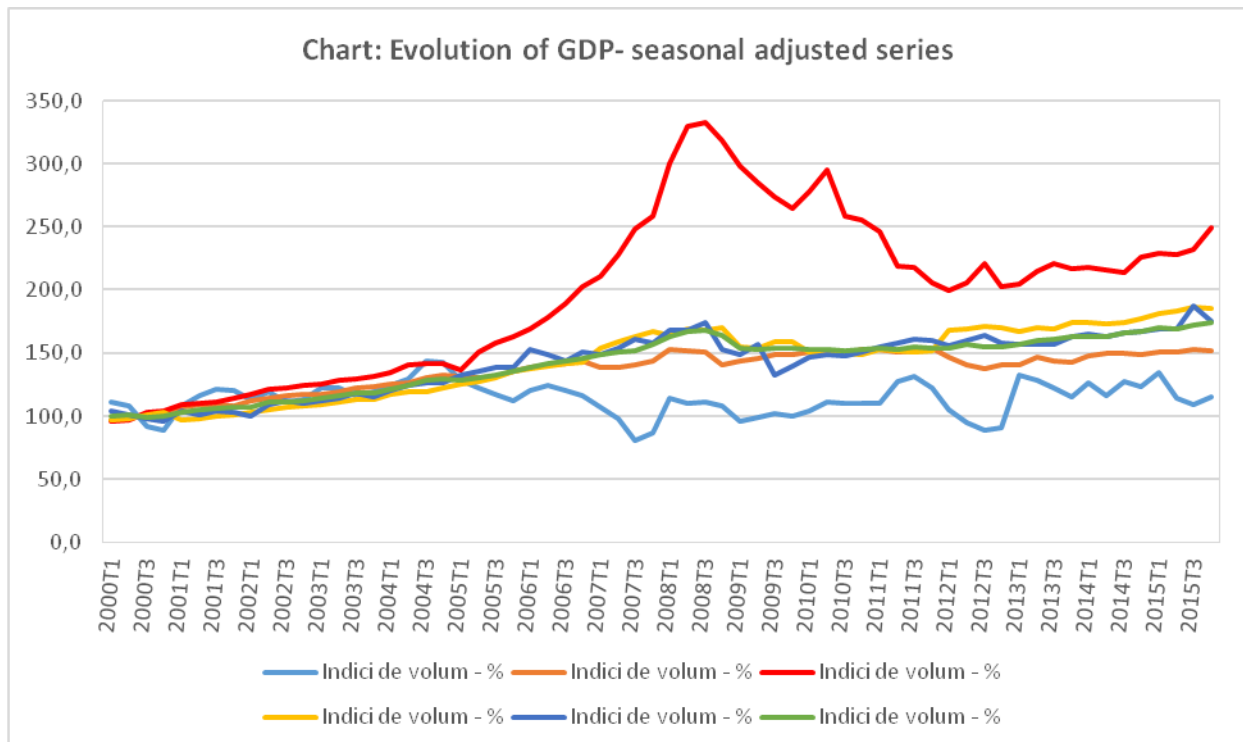
##### GDP.

In 2015 Romania recorded an economic growth in real terms by 3.7% compared to 2014, in 2015 maintaining one of the highest increases in Europe as well.

Estimated GDP for 2015 was RON 710,266.6 million in current prices.

According to the National Statistics Institute (INS), in the GDP growth in 2015 compared to 2014 contributed all sectors of the economy, except agriculture, forestry and fisheries, major positive contributions having the following branches:

- Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; hotels and restaurants (+ 1.0%), with a share of 15.8% to the GDP and of which workload was increased by 6.4%;
- Construction (+ 0.6%), with a share of 7.4% to GDP and of which workload was increased by 8.8%;
- Information and communications (+ 0.6%), with a lower share in GDP (5.7%), but which have recorded a significant increase in business volume (11.8%);
- Industry (+ 0.5%), with a share of 23.2% to the GDP and of which workload was increased by 2.0%;
- Net taxes on products (+ 0.7%), with a share of 12.1% to GDP, and of which workload was increased by 5.7%.



From the viewpoint of using GDP the growth was due mainly to final consumption expenditure of households, of which volume was increased by 6.2%, contributing by 3.8% to GDP growth.

Also, gross fixed capital formation has contributed by 1.8% after its volume increased by 7.5%.

A significant negative contribution to GDP growth had the net export (-1.6%), consequence of the increase by 4.7% of exports of goods and services correlated with a greater increase in imports of goods and services, 8.4%.

### **Unemployment rate**

In late December 2015, the nationally registered unemployment rate was 4.90%, 0.2 pp higher than in November 2015 and by 0.39 pp less than in the month of December 2014.

In terms of the total number of unemployed registered by the territorial agencies for employment at the end of December 2015 it increased by 1,503 individuals compared to the previous month, reaching 436 242 people.

### **Inflation rate**

"Consumer prices in December 2015 compared to December 2014 were lower by 0.9% as measured by the CPI, and by 0.7% as measured by the HICPs, " a press release of the National Institute of statistics reads.

Overall, in 2015 consumer prices fell by 0.6% y / y (ie by 0.4% y / y on HICP), evolution influenced by factors such as: lowering the VAT rate on food and food services (from 24% to 9 % on June 1<sup>st</sup>), the decline in the international prices of crude oil (about 47% y / y), with the impact on prices at the pump, fluctuations in currency markets (EUR / RON, EUR / USD, USD / RON), liberalization calendar of energy market.

### **Real estate market**

In 2015, the volume of construction works increased compared to 2014, as gross series by 10.4%. On structure elements there were increases as follows: overhauling by 31.8%, for maintenance and current repair works by 13.3% and by 5.2% for new construction. By construction objects, the volume of construction works increased by 20.0% for engineering and by 1.1% in non-residential buildings. In residential buildings the volume of construction works decreased by 5.8%.

Investments in new construction works increased in 2015 to RON 31718.10 million, representing 44.5% of total investments in the national economy, which amounted to RON 71335.30 million, according to data from National Statistics Institute (INS).

In 2015, 47 017 dwellings were completed, up by 4,428 homes compared to 2014.

Completed housing situation by region and main sources of funding in 2015 is as follows:

	Completed dwellings	Public Funds	Private Funds
- total -			
<b>TOTAL</b>	<b>47017</b>	<b>1325</b>	<b>45692</b>
North– East	7664	212	7452
South – East	4938	106	4832
South – Muntenia	4968	223	4745
Sout – West Oltenia	2428	89	2339
Eest	4112	205	3907
North – West	6167	201	5966
Center	5658	275	5383
Bucharest – Ilfov	11082	14	11068

Source: INS

After seven years of declining, the real estate market began to slightly rebound in 2015, being the year in which the price of apartments began to return to growth. End of this year shows that the market trend is growing, given that the number of acquisitions of housing is higher than the previous year. Analysts say that these are the first signs of a possible recovery of the real estate market.

Another study on real estate market, cited by Agerpres, shows that, in some areas, increase in the price of apartments has even exceeded the 10% threshold. The cited study shows that the largest housing price increases were recorded this year in Cluj, Timisoara and Suceava and discounts were reported in Sibiu, Resita and Focsani. Thus, among the most expensive cities, relative to the price of apartments, are Cluj-Napoca, Bucharest and Constanta and the cheapest homes are in Resita, Targoviste, Satu Mare and Zalau.

End of year results clearly show that in 2015 the volume of transactions nationwide was better than last year.

Market data show that some of the most spectacular real estate developments are still found in Bucharest.

By analyzing the official data of the National Statistics Institute (INS), we find that housing delivery in 2015 are superior to those of the boom in 2008, when 10 192 units were completed. Analysts said the large number of homes delivered shows that the market is thawing and during the crisis developers continued to work.

„The main developers on the Romanian market, which during the crisis, the prices lowering, between 2009-2012, were among the few who have built, have gained experience, they understood very well the market and today dominate the residential constructio " , Matei Malos said.

### 3.2. Strategic Directions and Activities Guidelines of IMPACT in 2015

2015 was marked on the one hand by the completion of the first stage consisting of 9 blocks with 252 apartments in the new residential developments in Salcamilor assembly, located in the GREENFIELD district, and on the other hand, by the start of three new production cycles (26 blocks with 672 apartments) related to Salcamilor assembly (Stage 2 in spring, and steps 4 and 3 had started in the summer and fall of 2015).



Since the spring of 2015 it has started the signing of contracts of sale and delivery of homes to new owners. Sales have continued at a rapid pace until the end of the year.

During 2015 there were reservations and promises of sale signed as of steps 1, 2 and 4 of Salcamilor assembly, in an increasingly intense pace. On 31<sup>st</sup> of December 2015 340 contracts of sale were signed in Salcamilor assembly and 138 promises and reservations, contracting degree of the first 3 stages of development on sale, being of almost 50%.

The development plan for 2015 was accelerated to prevent the existing demand in the market.

In terms of Greenfield neighborhood, management objective is that in the spring and summer of 2016 to start construction of the new residential assembly in Greenfield neighborhood - Platanilor, which will include 39 blocks and about 888 apartments.

Another major goal of the company in 2016 is launching technical documentation for development of a new residential project in Bucharest in the Ghencea Extension - Bd. Timisoara, where the company owns a land area of approximately 26 ha.

Also, in 2015 it began the analysis, preparation and realization of the project design documentation of Barbu Vacarescu Ave., a project that started in September 2014 with the acquisition of ownership over a land area of 2.6 ha.

Also, the company's activity is focused on preparing the necessary documentation for Greenfield Plaza urban center building, with a total area of 10,400 square meters, which will include a spa, shops and services of approximately 8,000 sqm and an administrative headquarters of 2,400 sqm.

The company intends accelerating the production cycles and product standardization, so IMPACT offer to adjust to market demand, these being the main concerns of the management in the current period, in order to achieve sales objectives and profitability.

To finance residential developments, in addition to its own sources of funding - reinvested profit, it aims to co-finance development costs through bank loans.

Also for assisting the development and financing of the mentioned projects, the company has proposed obtaining financing on the capital market up to RON 135 million by issuing corporate bonds. In this regard the General Assembly of 7<sup>to</sup> of November 2015

approved the modification of the conditions of the bond issue and the company's management began efforts to achieve the prospectus.

### 3.3. Main objectives of IMPACT in 2015:

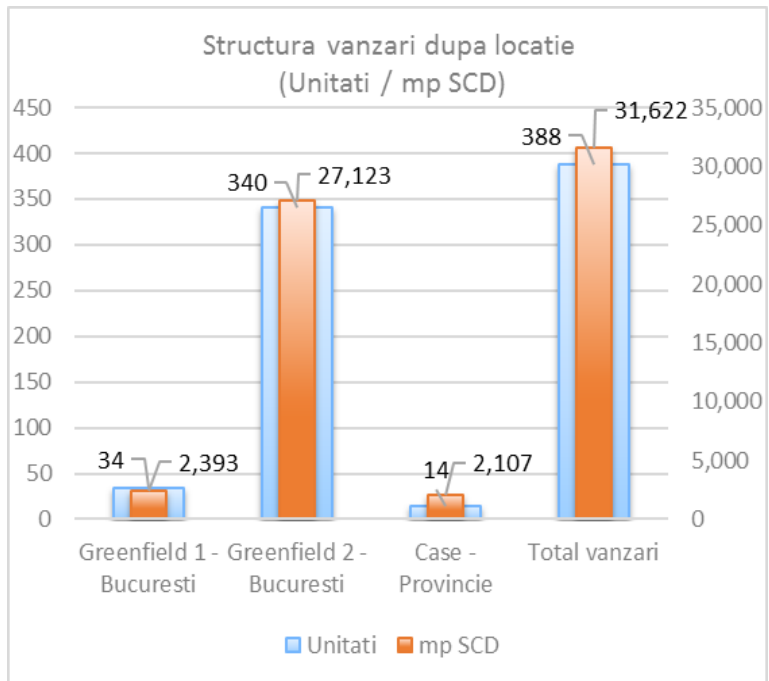
➤ **Vanzarea locuintelor finalizate in Bucuresti, Ploiesti, Oradea si Constanta;**

**In 2015, there were 388 houses and apartments sold, with a built developed area of 31.622 sq.m.**

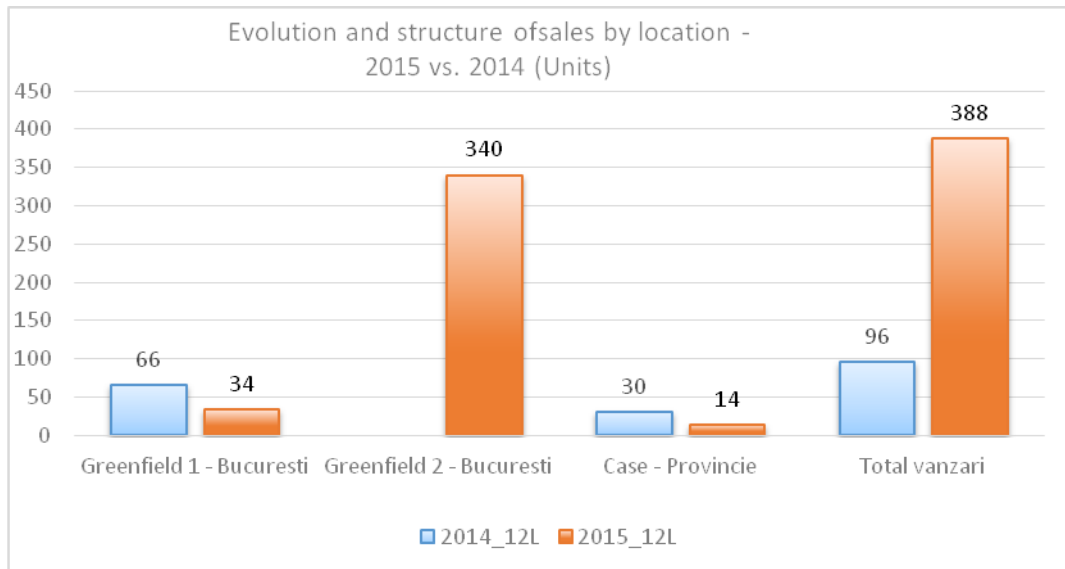
Housing sales were achieved in:

- Bucharest - GREENFIELD 2 - Salcamilor Assembly : 340 apartments
- Bucharest - GREENFIELD 1 - 34 apartments
- other neighborhoods in the country: 14 houses.

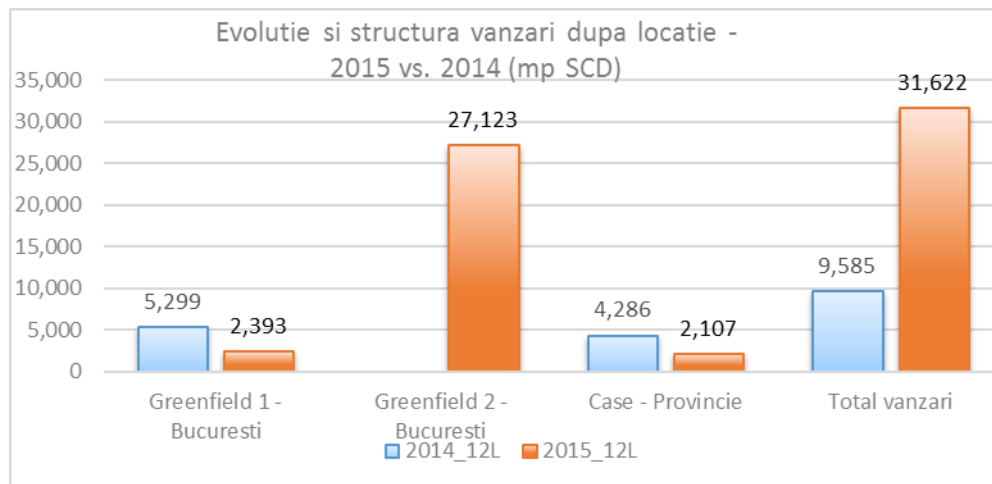
Compared to 2014, a significant increase was recorded in the sales of apartments in GREENFIELD, as result of completion of residential developments started by Impact in the summer of 2014 -- SALCAMILOR assemblies 1 and 2 (18 buildings and 504 apartments).



GREENFIELD sales growth was favored by the residential new product's quality as well as by the benefits offered by the residential assembly, which together have created a competitive advantage for the buyer. Also, buyers increased appetite associated with increased interest shown by the banks on granted financing favored sales increasing.

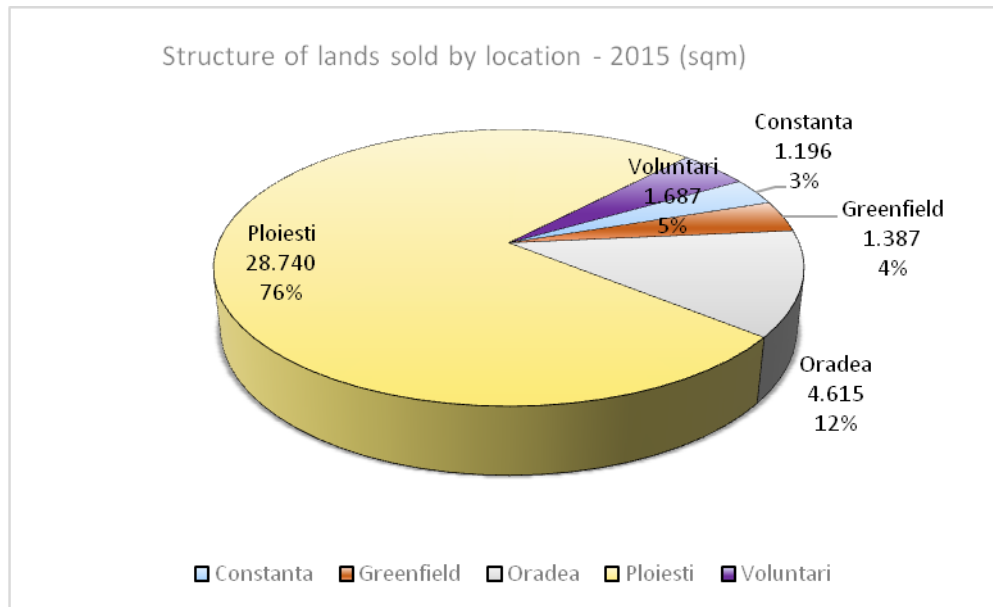


Given that the number of units sold in 2015 compared to 2014 considerably increased, the built sold area also proportionately increased by approximately 22,000 sqm.

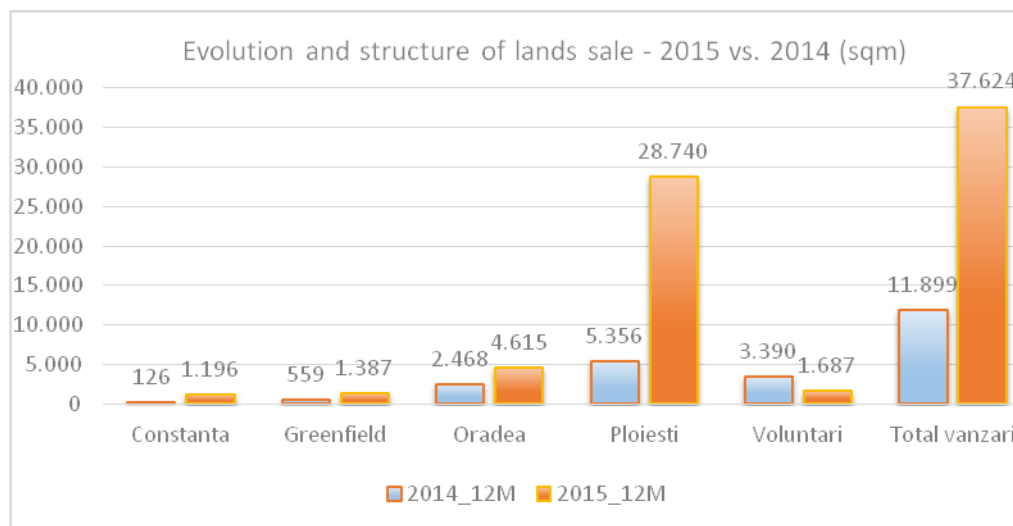


- **Providing the sale of plots of land to individuals and legal entities for the development of homes or small commercial areas.**

In 2015 land plots were sold in 37.624 sqm land area in Ploiesti, Volunteer, Constanta, Oradea and Bucharest.



Compared to 2014, sales of plots of land have increased 3 times, mainly on account of intense and sustained sales activities embodied in liquidating lands portfolio of the project in Ploiesti (an area of more than 28,000 sqm).



➤ **Less lease contracts and sale of leased housings**

Leasing activity of the apartments is no longer a priority for the company in recent years. Most dwellings of which leases have ended in 2015, were sold so that the number of rented homes fell from 21 homes in late December 2014, to 8 homes in late December 2015.

➤ **Continuation of the production cycle, by commencing the works in a new residential development stage in GREENFIELD neighborhood**

In April 2015 work started on the 2<sup>nd</sup> phase of Salcamilor assembly, with a built area of 22,000 sqm and 9 blocks with 252 apartments, phase completed in November 2015.

The work for the 3<sup>rd</sup> and 4<sup>th</sup> stage of Salcamilor assembly, totaling other 420 apartments, started in the summer of 2015 and it will be completed in the first half of 2016. Salcamilor assembly is composed of 35 blocks with 924 apartments.

GREENFIELD district's development strategy is the following:

- A new concept for ground floor apartments - they benefit from a tennis court beside the apartments that will be purchased with the apartment;
- To each new residential development a dedicated parking area for visitors is assigned, so that each apartment is assigned an undivided share of visitor car parks;
- Indoor traffic roads of the assembly are allocated in undivided share to each apartment and are transferred to future owners.

### **3.4. Strategic directions for the sale of portfolio projects in 2015**

As a result of the changes that were recorded in the real estate market in the past four years, in 2015, IMPACT has continued to make changes in its operational activities, aiming at the best possible adaptation to current market conditions.

In the past two years, the main priority of the company was more efficient exploitation of portfolio dwellings.

IMPACT mainly concentrated on selling homes at the expense of renting them, in order to increase company liquidity. This explains the low number of rentals in 2015.



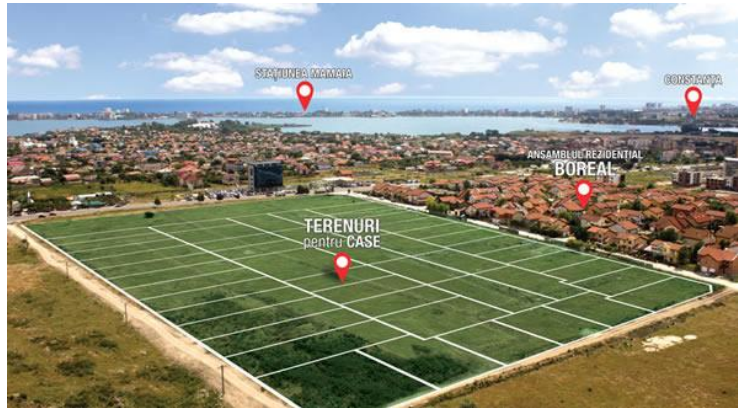
The economic situation in recent years has influenced the level of consumer confidence, along with increased expectations in terms of quality of the living environment.

The considerable increase in sales in GREENFIELD (from 66 in 2014 to 374 units in 2015), was favored by increased appetite of the buyers in the new post crisis economic climate, by the price adjustment to the new features of the market, but also by the greater promotion of products and interest on granted financing manifested by banks.

### 3.5. Strategic directions for the sale of land plots in the portfolio

In 2015, the company has searched for solutions to boost sales of plots of land for building houses. In this respect, there were put on sale viable / ongoing viability plots for construction of houses in Bucharest, Voluntari, Ploiesti, Constanta and Oradea.

A plot of land of about 2 hectares owned by the company in Constanta was dismantled in 48 lots for homes, which are already on sale. These plots are near the Boreal villas assembly developed by IMPACT.



### 3.6 2015 budgeted versus achieved comparison

Sales budget for 2015 has a deviation of 29%, both in quantity and value.

The approved Sales plan was the following:

- 71 units of old stock of buildings
- 450 units in new developments
- 43,340 sqm of land plots in Constanta, Ploiesti, Oradea and Bucharest.

Sales budget of old stock had a deviation of about 28% due to provincial decreased appetite for houses, and buyers' preferences in Greenfield for new apartments.

In terms of new development, due to the authorization documents that were obtained late, plus some delays from contractors, the company has not finalized the timing budgeted construction of 252 apartments in phase 2 of the Salcamilor assembly, thus their trading in fiscal year 2015 was not in line with the budget. We mention that at the end of 2015 the company recorded a total of 138 buildings reserved in Salcamilor assembly, phase 2.

In 2015 there were sold plots of land in area of 37 624 sq m in Ploiesti, Voluntari, Oradea and Bucharest, more than half of the sold plots of land were in Ploiesti, deviation registered to the budget is 67%, being generated from non-performance of sales in Constanta.

The appetite for land acquisition is further reduced, the company makes an effort to make them viable and to accelerate their sales process.

Significant variations to the budget were registered in:

- 8% increase in expenditure on administration of projects based on works carried out in Greenfield District I: recovery against property, waterproofing restoration;
- 11.5% increase in administrative costs, in particular due to commencement of the production flow;
- The company recorded provisions for ANAF litigation, in the net amount of RON 17.2 mill., amount which has not been budgeted.

<b>Budget proposed for 2015 (RON)</b>	<b>Budgeted</b>	<b>Achieved</b>	<b>%</b>
<b>Total Incomes, out of which</b>	<b>161,760,194</b>	<b>112,834,798</b>	<b>-30.25%</b>
Income from existing inventory dwellings sales	16,414,585	11,865,331	-27.71%
Income from land sales	15,094,527	4,930,316	-67.34%
Income from new development dwellings sales	130,251,082	96,039,152	-26.27%
<b>Total Operational Expenditure, out of which</b>	<b>-127,302,811</b>	<b>-99,673,602</b>	<b>-21.70%</b>
Sold goods cost – existing inventory dwellings	-15,750,603	-11,869,115	-24.64%
Sold goods cost – lands	-10,752,244	-7,046,335	-34.47%
Sold goods cost – new development dwellings	-90,267,333	-69,113,269	-23.43%
Project portfolio administration expenditure	-2,851,757	-3,079,432	7.98%
Administrative expenditure	-7,680,874	-8,565,451	11.52%
<b>Operational Result (EBITDA)</b>	<b>34,457,383</b>	<b>13,161,196</b>	<b>-61.80%</b>
Depreciation and amortization expenditure	-548,845	-625,115	13.90%
Provisions and other unexpected expenditure	-5,308,655	-15,495,475	191.89%
<b>Operational Result (EBIT)</b>	<b>28,599,883</b>	<b>-2,959,394</b>	<b>-110.35%</b>
Net interests	-2,419,321	-1,439,883	-40.48%
Exchange rate differences	244,557	-60,132	-124.59%
<b>Gross Result (EBT)</b>	<b>26,425,119</b>	<b>-4,459,409</b>	<b>-116.88%</b>
Profit tax	0	0	
<b>Net Result</b>	<b>26,425,119</b>	<b>-4,459,409</b>	<b>-116.88%</b>

*Note: The figures in this section are compliant with the internal reporting standard.*

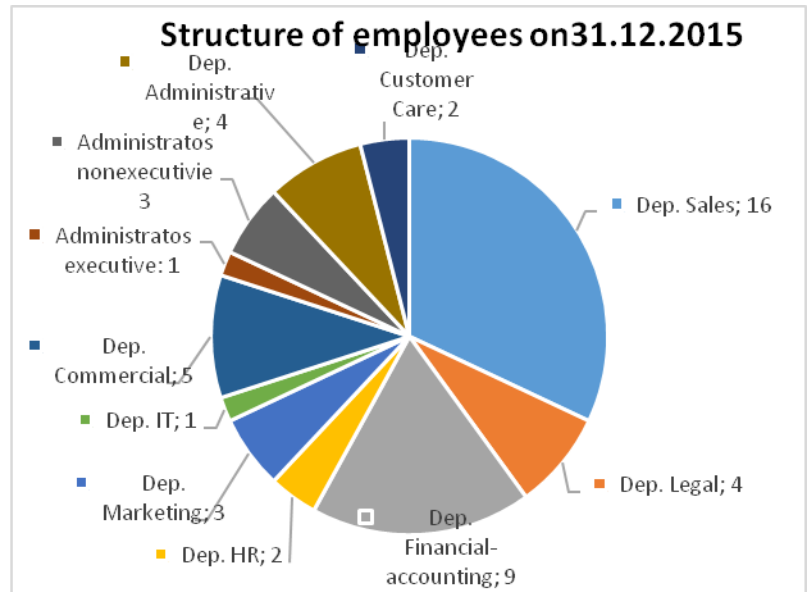
## 4. OTHER INFORMATION ON THE COMPANY:

### 4.1. Structure of employees

The company had at the end of 2015 a total of 50 employees of which 1 person is in child care leave, personnel structure is indicated in the chart.

There is no union constituted in the Company.

Relations between management and employees are governed by individual labor contracts and job descriptions.



### 4.2. Elements of risk management

To prevent liquidity risk, the Company prepares cash flow reports for periods of 5 years, 1 year and on monthly bases; it examines projections done and compares them to the real situation in order to prevent situations where liquidity problems may occur.

#### Market Risks:

The global financial crisis combined with recession in Europe, exposed Romania to certain risks on the financial market.

#### Company Internal Control is provided:

- Through Acquisitions Department: Contracts are signed by the Legal Department, Head of Procurement, CFO and General Director;
- Through the Sales Department: Contracts are reviewed by the Department of Prices and Analysis and signed by the General Director;
- Through preventive financial control by which contracts compliance is verified;
- By tracking payments checked by the Preventive Financial Control and approved by the Chief Financial Officer and / or General Director.
- By implementation of essential codes of conduct and business ethics specific procedures are implemented, applicable to all directors, officers, managers, people with a role in control or management, employees, auditors, business partners, collaborators. Thus, IMPACT applies Anticorruption Policy, Code of Conduct, Essential Ethical Values Policy, and Policy for Safety and Health at Work, Employment, Environment, and Report Policy.

## 5. ACTION PLAN FOR 2016

General principles underlying the preparation of the activity plan and budget for 2016 and subsequent years have been:

- increase in turnover and income from the sale of new homes
- Focusing on developing the next stages of construction in GREENFIELD
- destocking land in other localities
- viability / allotment of lands for sale, identification of opportunities for lands in portfolio by attracting partnerships
- rigorous planning of new projects
- careful management and liquidization of non-core assets (assets that are not required in the main activity of the company)
- maximizing the profitability of invested capital, minimizing terms of return on investment
- the principle of budget system superposition, on the system of authority within the company
- Implementation of a standard and efficient communication in order to promote transparency in the investors and analysts community
- interdepartmental solidarity and correspondence principle with the general policy of the company
- Establishment of a business plan with long-term vision allowing an optimal financial structure
- hiring credits, optimum leverage ratios around 20%
- Financial management focused on controlling costs and maximizing revenue
- optimizing operating and administration costs, overheads control
- Implementation of appropriate and effective entrepreneurial and project management policies
- reporting principle by each department. For each project, the works will be executed only on the basis of a well documented and beforehand established budget. Each contract must be within the set budget
- The principle of consistency with human resources policy to determine motivation and adherence to strategic objectives by implementing an attractive motivation plan based on periodic evaluation of employee performance and results
- Establishment of a clear structure and responsible teams for the development of each project, procedures and workflows
- Implementation of a cost control system in real time
- Indirect costs control

- careful management of non-core assets (assets that are not required in the main activity of the company) for the purpose of their liquidation.
- in preparing the current budget of revenues and expenditures for 2016, influentials for which there is no reliable information of anticipation were not estimated.

In line with the strategic vision imposed by the new management team of IMPACT, the permanent adaptation to the real estate market and maintaining the company's efficiency, the company has set for this year, goals that effectively respond to the needs of market, clients, but also partners.

Optimism over the market, but also in terms of the relationship that IMPACT has with its customers is based on both real estate and financial product diversification offered by the company, being able to respond to so difficult access to funding sources, and rising customer expectations on habitat quality.

### **5.1. Greenfield Residence – Stage II**

In the spring of 2016 IMPACT launches the construction of a new neighborhood in Greenfield II, Platanilor assembly. The first production cycle consists of 21 blocks, respectively 476 apartments (48,000 sqm BDA), and in the second half of 2016 it will begin work on another 18 blocks, respectively 412 apartments (42,000 sqm BDA).

New residential developments will benefit from all the advantages of location disclosed under the Greenfield brand (900 ha of forest in the Baneasa Forest, 5 minutes from the commercial area Baneasa - Metro Cash & Carry, Selgross, IKEA, Mobexpert, Carrefour Extravaganza, Bricostore, immediate access to DN1 Bucharest - Ploiesti, 10 minutes from two airports: Baneasa and Henri Coanda).

The second development phase of the Greenfield neighborhood aimed at extending the living area in an improved concept, adapted to current market conditions and attracting investors / operators for improvement of facilities / services serving the residential area.

In the fall of 2016 it will begin authorization of a complex dedicated to the community in Greenfield neighborhood that will include a spa, football, tennis fields and swimming pools, school and kindergarten, supermarket, restaurant, space for events, and the new administrative headquarters of IMPACT will have 1,200 square meters and will be A class building at the current technological level.

### **5.2. Land plots for houses**

Given the increasing number of private individuals interested in smaller individual plots for building houses, especially in residential areas outskirts of large cities, IMPACT will continue offering the sale of parcels of land for construction of houses in Voluntari, Constanta and Oradea, with areas ranging from 200 to 1,000 sqm.

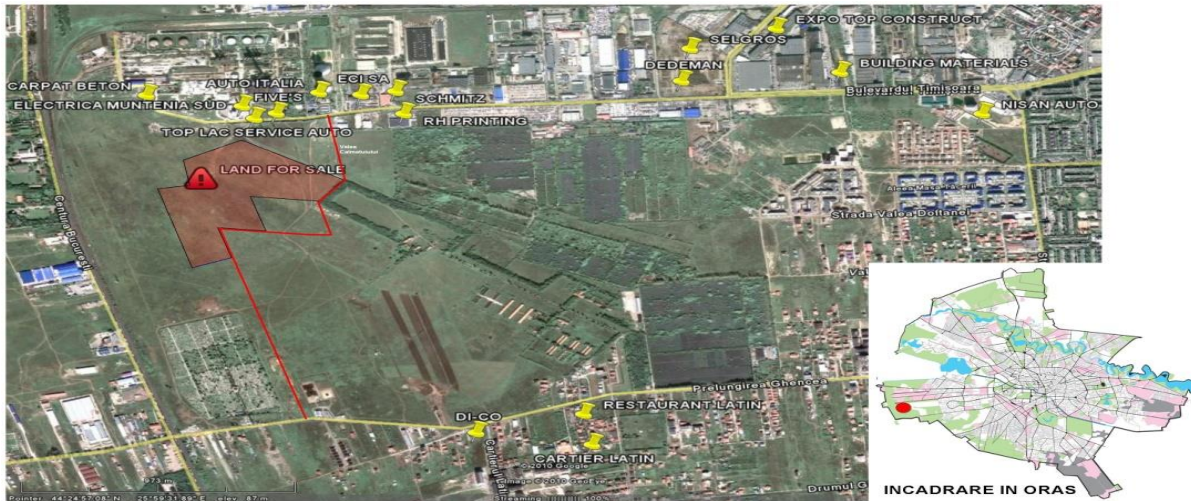
For even greater flexibility to the needs of its clients, IMPACT offers them the opportunity to acquire plots of land in the company's portfolio to develop their own dream

house. Meanwhile, the company provides consulting regime services, customers being able to turn anytime to the team of specialists recommend by the company, from architects, engineers, up to project managers. Customers appreciate the freedom and flexibility to build the desired house in the chosen location and IMPACT provides them, in this respect, over 20 years experience in real estate.

### 5.3. Development of new residential projects in new locations in Bucharest

#### 5.3.1. Development of a new project in Bucharest, located in Timisoara Ave.- Prelungirea Ghencea

In the course of 2016, IMPACT has started developing the technical documentation for a new residential project in Bucharest in the Prelungirea Ghencea - Timisoara Ave., where the company owns a land area of approximately 26 ha.



The size of Impact's new project in Prelungirea Ghencea - Timisoara Ave. is about 2,350 apartments, 65 blocks, representing over 220,000 sqm, SPA, trade area, school and kindergarten. The project will be built in six production cycles, during a period of 4-5 years.

#### 5.3.2. Development of a new project in Bucharest, located on Barbu Vacarescu Ave.

In September 2014, IMPACT purchased a land located in Bucharest, in a semi-central area, on Barbu Vacarescu Ave., intended for a new real estate development. It has acquired a share of 1/3 (representing 2.7 ha) of ownership of the property consisting of 5 lands, with a total area of 78 970 sq. m.

Upon purchase of the land, the development degree of infrastructure in the area, proximity to public means of transportation, shops, business buildings, schools, kindergartens and green spaces was taken into account.



### **The characteristics of Barbu Vacarescu area:**

***Excellent Location***, close to the business centres of Romania:

- The largest concentration of office buildings in Bucharest
- 290,000 square meters and 23 office buildings with an occupancy rate of 83%
- 2 projects with over 80,000 square meters, undergoing various stages of construction, to be delivered during 2015-2016.

***A very good transportation network***

- Between two subway stations;
- Easy access to downtown and to the International Airport;
- A few steps from the business centres;
- In the proximity of Verdi and Floreasca parks

***Excellent proximity to commercial area*** – Promenada Business Centre.

**Project's Highlights:**

<b><i>Land area:</i></b>	26,400 sqm
<b><i>Gross built area above ground:</i></b>	63,500 sqm
<b><i>Apartments stock:</i></b>	588 units (2, 3, 4 rooms) in 6 blocks gf+11
<b><i>Underground parking spaces:</i></b>	750 parking places
<b><i>Time table (development and sales, starting 2016):</i></b>	30 months in 2 production cycles
<b><i>Construction cost (w/o vat):</i></b>	eur 34.5 mil, of which eur 7.5 mil for parking, eur 13.5 mil for each cycle
<b><i>EBITDA MARGIN:</i></b>	40%

## **6. SOURCES OF ACTIVITY FINANCING IN 2016**

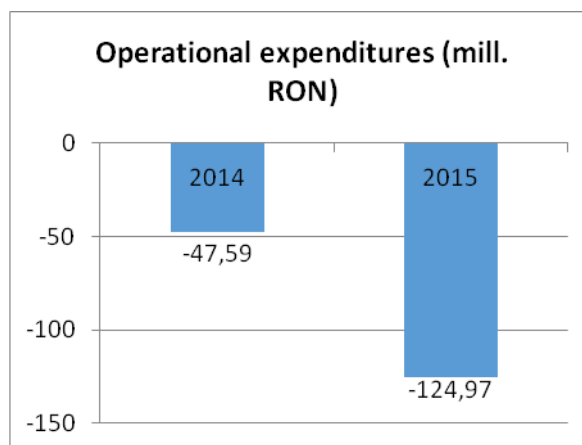
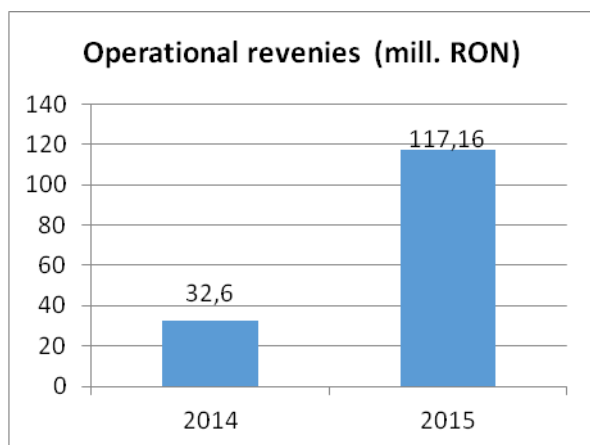
In order to continue the projects development activity of the Company, IMPACT will use mixed sources of funding:

- amounts from selling homes and land plots existing in the portfolio, according to the sales plan for 2016
- self-financing by contracting homes in the 2<sup>nd</sup> stage of development of the Greenfield II neighborhood
- attracting funding from the capital market by issuing bonds
- Attracting bank loans for development of phases conducted this year in Greenfield and for residential projects development in other areas of Bucharest
- partnerships with financiers to be drawn into the facility to be developed in the Greenfield project area in Bucharest.

## 7. ECONOMICAL-FINANCIAL INDICATORS

	Indicators pursuant to IFRS (RON)	2014	2015
Results indicators	<b>Operational revenues, out of which:</b>	<b>32,599,575</b>	<b>117,157,155</b>
	Revenues from sale of residential properties inventory	21,171,873	106,484,670
	Revenues from rentals and utilities re-invoiced to customers	4,377,164	4,123,351
	Revenues from sale of Investment properties	6,088,013	4,295,138
	Other operational revenues	962,525	2,253,996
	<b>Operational expenses, out of which:</b>	<b>(47,586,325)</b>	<b>(124,968,695)</b>
	Carrying value of sold residential properties inventory	(22,687,973)	(72,147,934)
	Operational costs afferent to rental and sold properties	(2,778,621)	(2,703,858)
	Carrying value of Investment properties	(6,829,995)	(4,238,327)
	Expenses concerning raw materials and materials	(3,465,610)	(4,687,171)
	Services provided by third parties	(1,705,169)	(9,843,405)
	Expenses with employee benefits	(4,374,609)	(8,162,218)
	Other operational expenses	(5,744,348)	(5,985,782)
	Provisions	-	(17,200,000)
	<b>Operational Result (EBITDA)</b>	<b>(14,986,750)</b>	<b>(7,811,540)</b>
	Expenses with depreciation	(522,975)	(625,588)
	Assets value loss, other than Investment properties	4,543,299	3,721,254
	Earnings / (losses) at fair value of Investment properties	16,967,592	1,745,128
	<b>Operational Result (EBIT)</b>	<b>6,001,166</b>	<b>(2,970,746)</b>
	Net financial cost	(1,774,771)	(1,488,663)
<b>Gross Profit / Loss (EBT)</b>	<b>4,226,395</b>	<b>(4,459,409)</b>	
Income tax	(135,252)	-	
<b>Net Profit/ (loss) of the period</b>	<b>4,091,143</b>	<b>(4,459,409)</b>	
Patrimony indicators	Tangible assets	6,596,081	5,722,775
	Investment properties	230,979,061	214,898,889
	Intangible assets	154,405	117,491
	Financial assets	14,377,276	14,377,226
	Receivables	19,300,941	11,367,047
	<b>Total fixed assets</b>	<b>271,407,764</b>	<b>246,483,428</b>
	Inventories	158,125,501	177,887,026
	<b>Total current assets</b>	<b>170,749,931</b>	<b>221,491,153</b>
	<b>Total assets</b>	<b>442,157,695</b>	<b>467,974,581</b>
	Share Capital	277,866,574	277,866,574
	<b>Equity</b>	<b>365,579,741</b>	<b>361,140,518</b>
	<b>Total debt</b>	<b>76,577,954</b>	<b>106,834,063</b>
	<b>Total liabilities</b>	<b>442,157,695</b>	<b>467,974,581</b>

## Operational Activity

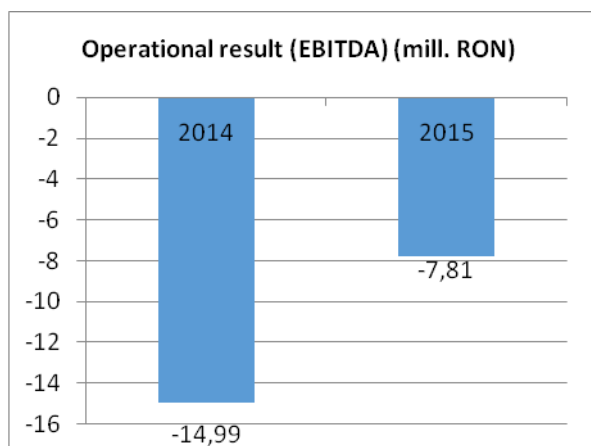


Revenue from the sale of real estate has the main share in operating income of IMPACT. In 2015 total operating revenues increased by 2.6 times due to commencement of sales in the second phase of Greenfield. The sale of Housing had a distinctive structure in 2015, due to increases in sales in Greenfield neighborhood and declining in sales in Oradea, Ploiesti and Constanta District on account of diminishing of the housing inventory.

Thus, in 2015 the sales of residential property inventory increased by 400% and the sales of real estate investments fell by 30% compared to the previous year.

The activity of renting buildings also experienced a decrease of 5.8% in revenues in 2015 compared to 2014, being consistent with the company's strategy of focusing on sales activity including of leased buildings.

	31-Dec-14	31-Dec-15	Variation
Revenues from sales of residential properties inventory	21,171,873	106,484,670	403%
Carrying value of sold residential properties inventory	(22,687,973)	(72,147,934)	218%
<b>Profit/loss from residential properties sales</b>	<b>(1,516,100)</b>	<b>34,336,736</b>	<b>-2365%</b>
Rentals revenue	1,345,214	1,307,380	-3%
Operating costs re-invoiced to tenants	3,031,950	2,815,971	-7%
Operating costs related to leased properties	(2,778,621)	(2,703,858)	-3%
<b>Net revenue from re-invoicing</b>	<b>253,329</b>	<b>112,113</b>	<b>-56%</b>
Revenues from investments properties	6,088,013	4,295,138	-29%
Carrying value of investments properties	(6,829,995)	(4,238,327)	-38%
<b>Profit/loss from Investment properties sales</b>	<b>(741,982)</b>	<b>56,811</b>	<b>-108%</b>



Total operational expenses have increased by 162% compared to the previous year and they led to decrease in operational loss by 48% (from RON 14,99 mill. to RON 7,81 mill., (operational loss being by RIN 7,18 mill. less)

To the operating loss significantly contributed a provision of RON 17.2 mill. for the ANAF dispute.

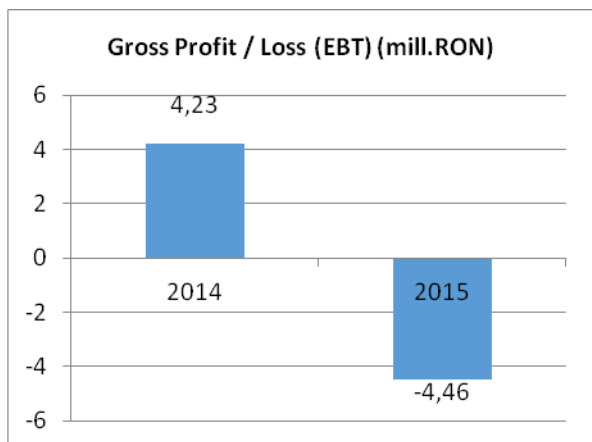
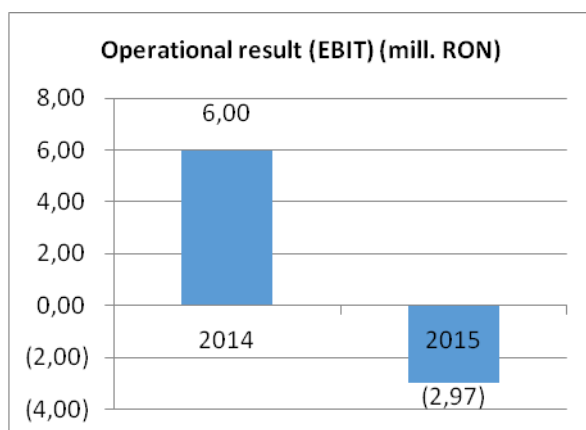
Significant increases in expenses were recorded in 2015 in Chapter –*Services provided by third parties*, they increased by 310% (over 5.28 mill. higher) and Chapters Employee benefits expenses and Other operating nature expenses - these increasing by 86%

and 53% respectively.

Also, significant increases in spendings registered in 2015 were also in *Expenditure on raw materials and equipment*, which increased by 35%.

In terms of earnings before interest and tax, IMPACT recorded a loss of RON 2.97 mill. Vs. RON 6 mill. Profit in 2014. This result is determined by the gains in the fair value of investment properties, which are 90 % lower than in 2014, according to IAS 40.

Investment properties include land and residential properties owned for the purpose of increasing the capital value. Also, residential properties included in investment properties also include properties leased to third parties.



Gross loss recorded in 2015 is of RON 4.46 mill., compared to profit of RON 4.23 mill. in 2014. The loss was influenced, as mentioned in Chapter *Operational expenses*, by set up og of the provision for the litigation with ANAF.

## Financial result

The net financial result was reduced by 16% in 2015 compared to 2014 due to the decrease in market interest.

	31-Dec-14	31-Dec-15	Variatie
Financing costs	(2,616,747)	(1,343,417)	-48.7%
Financial incomes	742,881	18,841	-97.5%
Currency exchange rate differences	129,549	(77,321)	-159.7%
Other financial elements, net	(30,454)	(86,766)	184.9%
<b>Financial result</b>	<b>(1,774,771)</b>	<b>(1,488,663)</b>	<b>-16.1%</b>

### Net Result

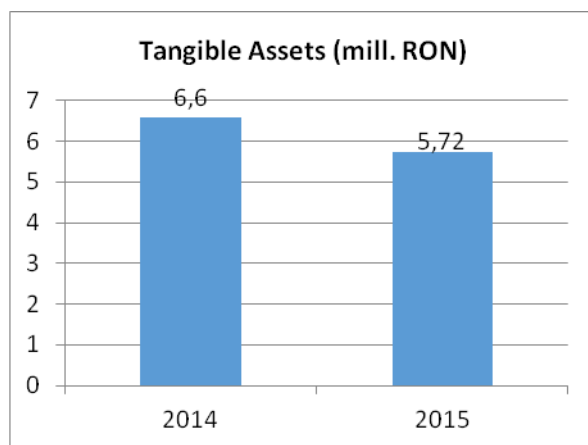
In 2015 the company recorded loss, according to IFRS of RON 4.46 million.

Profit tax is calculated based on tax provisions related to deferred income tax.

On 31<sup>st</sup> of December 2015 the Company's land and buildings were revalued by independent valuer Colliers International.

### Tangible Assets

Under IFRS, tangible assets fell by 13% in 2015 compared to 2014, from RON 6.6 million to RON 5.7 million, on account of their depreciation but also of the sale of tangible assets.



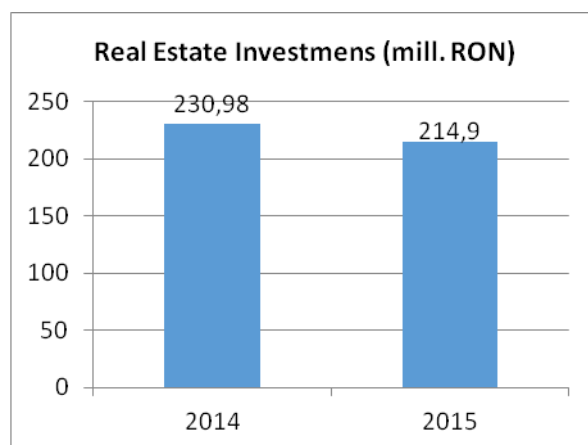
### Real Estate Investments

in 2015 the Investment properties decreased by 7% in 2015 compared to 2014, from RON 230.98 mill. to RON 214.9 mill.. In the course of 2015, partly from Greenfield land area registered in Investment properties, an area of 34 417 square meters, was transferred to the account of inventories in raw materials for further development.

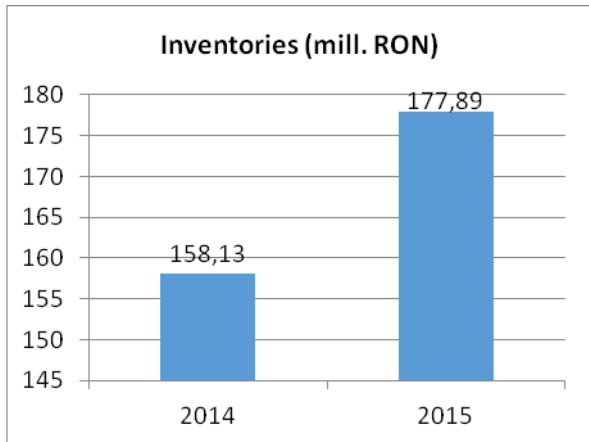
Investment properties include land and residential properties owned in order to increase value.

Lands held for assessing the value, amounting to RON 211 239 458 on 31<sup>st</sup> of December 2015 (2014:

RON 214 973 314), have a total area of 686.530 square meters and represent 98% of Investment properties in the balance. These lands are located in Bucharest (624.508 sqm) and in the country (Constanta, Oradea).



## Inventories

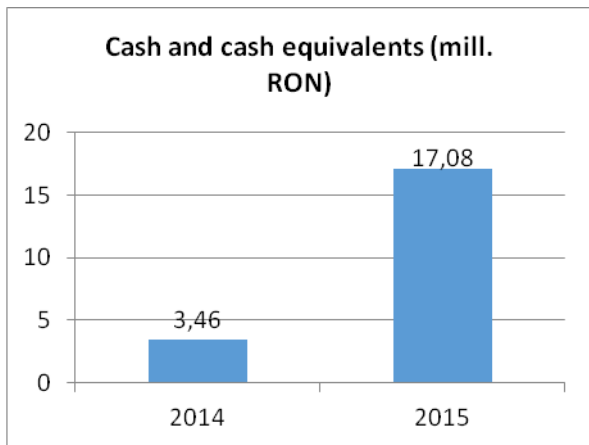
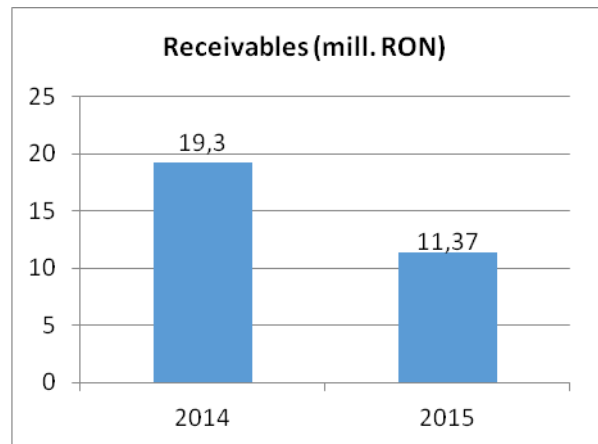


Under IFRS, inventories increased by 12.5%, from RON 158.13 mill. in 2014 to RON 177.89 mill. in 2015. The increase is due to capitalization of works on the second stage of the Greenfield project.

## Receivables

Category of receivables assets includes receivables with a maturity longer than one year afferent to receivables arising from installments sales portfolio.

The level of receivables decreased by 41% in 2015, from RON19.3 mill. which was as of December 31<sup>st</sup> 2014 to RON 11.37 mill. at the end of 2015, on account of receipts from customers pursuant to payment schedules, and to the reduction in the number of installments payment contracts signed in the past 2 years.



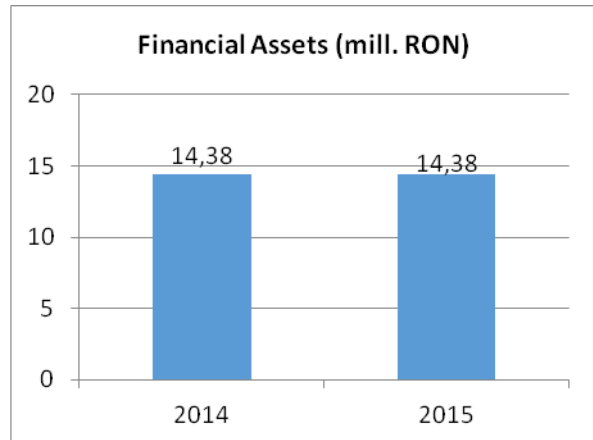
Cash and cash equivalents at the end of the year recorded an increase of 393%, from RON 3.46 mill. in 2014 to RON 17.08 mill. on December 31<sup>st</sup>, 2015.

During 2015, the company's activity had an intense cash flow. On one side were recorded significant inflows from the sale of real estate in Greenfield, contracting loans to finance construction stages, but also outputs for project financing and repayment of loans.

<b>Indicators pursuant to IFRS (RON)</b>		<b>2014</b>	<b>2015</b>
<b>Cash Flows</b>	Cash and cash equivalents on January 1 <sup>st</sup> 2015	4,543,781	3,464,726
	Net cash from operating activities	(65,739,669)	831,358
	Net cash used in investments activities	7,174,009	3,815,813
	Net cash from (used in) financing activities	57,486,605	8,968,951
	<b>Cash and cash equivalents on 31<sup>st</sup> of December 2015</b>	<b>3,464,726</b>	<b>17,080,848</b>

## Financial assets

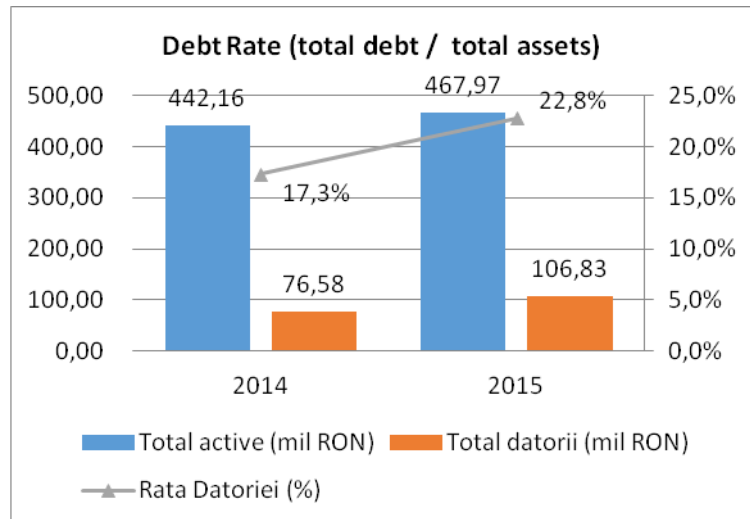
The financial assets recorded the same amount as in 2014 and they represent the value of equity in group companies.



## Total Debt

Under IFRS, total debt increased by 40%, from RON 76.58 mill. in 2014 to RON 106.86 mill. in 2015, on the reporting date the amounts granted by credit institutions having a share of 43% (RON 45.79 mill.) in total debts.

Thus, the debt ratio has slightly increased from 17.3% in 2014 to 22.8% in 2015.



The company's total assets increased by 6%, from RON 442.16 mill. in 2014 to RON 467.97 mill. in 2015, mainly due to capitalization of production in the second stage of the development of GREENFIELD district.

## Share Capital

Subscribed and paid up share capital of the Company on December 31<sup>st</sup>, 2015 is RON 277 866 574. The nominal value of a share is RON 1.

*Note : The figures presented are in accordance with the audited financial statements for 2015.*

## 8. PERFORMANCE INDICATORS

### Stock exchange indicators - evolution:

Indicators	Dec-12	Dec-13	Dec-14	Dec-15
Price per share	0.115	0.544	1.485	0.940
No. of shares	197,866,574	197,866,574	277,866,574	277,866,574
Market capitalization ( RON )	22,754,656	107,639,416	412,631,862	261,194,580
Exchange rate	4.4287	4.4847	4.4821	4.5245
Market capitalization ( EUR )	5,137,999	24,001,475	92,062,172	57,728,938
Net Asset Value ( RON )	326,121,386	281,430,511	365,579,741	361,140,518
Net Asset Value ( EUR )	73,638,175	62,753,475	81,564,387	79,818,879
<b>Annual Profit (RON)</b>	(74,892,467)	(42,457,620)	4,091,143	(4,459,409)
<b>Gain per share ( RON )</b>	-0.378	-0.215	0.015	-0.016
<b>Net Asset Value (RON)/share</b>	1.648	1.422	1.316	1.300
<b>Premium/discount compared to the net asset value</b>	-93%	-62%	13%	-28%

During 2015 the company's shares have declined, being both influenced by the local, and foreign markets evolution.

The stock exchanges were strongly affected by Chinese economy slowing, by the problems relating to the interest rate increase in the US and the collapse of oil prices.

2015 was the first year after 2011 in which the BET index depreciated after during the period 2012 to 2014 increased on average by 11.21% per year.

### Economic and financial indicators – evolution

Return Indicators		Dec-13	Dec-14	Dec-15
<b>Return on Assets (ROA)</b>				
Net Profit (A)	[RON]	(42,457,620)	4,091,143	(4,459,409)
Total Asset (B)	[RON]	371,660,498	442,157,695	467,974,581
<b>A/B</b>		-11.42%	0.93%	-0.95%
<b>Return on Equities (ROE)</b>				
Net Profit (A)	[RON]	(42,457,620)	4,091,143	(4,459,409)
Equity (B)	[RON]	281,430,511	365,579,741	361,140,518
<b>A/B</b>		-15.09%	1.12%	-1.23%

<b>Solvency Indicators</b>		<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15</b>
<b>Debt ratio (Debt vs. Asset)</b>				
Total Debt (A)	[RON]	90,229,987	76,577,954	106,834,063
Total Asset (B)	[RON]	371,660,498	442,157,695	467,974,581
<b>A/B</b>		24.28%	17.32%	22.83%
<b>Leverage (Equity vs. Asset)</b>				
Equity (A)	[RON]	281,430,511	365,579,741	361,140,518
Total Assets (B)	[RON]	371,660,498	442,157,695	467,974,581
<b>A/B</b>		75.72%	82.68%	77.17%

<b>Gearing ratio (Loans vs. Equity)</b>				
Total Laons (A)	[RON]	59,632,807	36,749,543	45,789,003
Equity (B)	[RON]	281,430,511	365,579,741	361,140,518
<b>A/B</b>		21.19%	10.05%	12.68%

<b>Ration Indicators</b>		<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15</b>
<b>Current Ration</b>				
Current Assets (A)	[RON]	99,631,101	170,749,931	221,491,153
Current Debts (B)	[RON]	30,566,850	37,640,818	77,772,701
<b>A/B</b>		3.26	4.54	2.85
<b>Quick Ration</b>				
Current Assets (A)	[RON]	99,631,101	170,749,931	221,491,153
Inventories (B)	[RON]	86,415,696	158,125,501	177,887,026
Current Debts (C)	[RON]	30,566,850	37,640,818	77,772,701
<b>(A-B)/C</b>		0.43	0.34	0.56

<b>Indicators Sumarizing</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15</b>
Return on Assets	-11.42%	0.93%	-0.95%
Return on Equity	-15.09%	1.12%	-1.23%
Debt ratio (Debt vs. Asset)	24.28%	17.32%	22.83%
Leverage (Equity vs. Asset)	75.72%	82.68%	77.17%
Gearing ratio (Loans vs. Equity)	21.19%	10.05%	12.68%
Current ratio	3.26	4.54	2.85
Quick ratio	0.43	0.34	0.56

It shows a stabilization of the economic and financial indicators, on the one hand by operating profits generated by the Company, but also by improving the capital attracted during 2015.

**EPRA<sup>1</sup> Net Asset Value:**

Description	31-Dec-14	31-Dec-15
<b>IFRS Net Asset Value</b>	<b>365,579,740</b>	<b>361,140,518</b>
Number of shares	277,866,574	277,866,574
<b>IFRS Net Asset Value /Share</b>	<b>1.32</b>	<b>1.30</b>
Revaluation of inventories / available land for sale	47,704,789	65,476,258
<b>Excludes:</b>		
Deffered tax	13,010,763	13,000,347
<b>EPRA Net Asset Value</b>	<b>426,295,292</b>	<b>439,617,123</b>
<b>EPRA Net Asset Value/Share</b>	<b>1.53</b>	<b>1.58</b>

The objective of the **EPRA Net Asset Value** is to highlight the fair value of net assets on an ongoing analysis on long term.

Adjustments are considering the revaluation of assets and land available for sale to net realizable value.

<sup>1</sup>"EPRA" European Public Real Estate is an association representing public real estate companies listed in Europe.