IMPACT Developer & Contractor

IMPACT DEVELOPER & CONTRACTOR SA
Registered office: Willbrook Platinum Business & Convention Center,
172-176 Sos. Bucuresti – Ploiesti, Building A, 1st Floor, Bucharest, District 1, postal code 015016
Phone.: 021– 230.75.70/71/72, fax: 021– 230.75.81/82/83, mobile: 0729.100.001
Fully subscribed and paid up capital: RON 277,866,574
Registered with the Trade Registry's Office seconded to the Bucharest Court under the No. J40/7228/201[illegible] . RO 1553483
Personal Data Operator, registered with the Personal Data Processing Registry under the No. 3406

Consolidated Semester Report
Semester I / 2018

Report date: 13.08.2018
Name of the issuing company: **IMPACT DEVELOPER & CONTRACTOR SA**
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Phone: 021– 230.75.70/71/72, fax: 021– 230.75.81/82/83, mobile: 0729.100.001
Fully subscribed and paid up capital: RON 277,866,574
Regulated market where the issued securities are traded: Bucharest Stock Exchange

1. Consolidated economic and financial situation

1.1. Presentation of an analysis on the economic and financial status for S1/2018, compared to the similar period of the previous year.

Analysis of the result elements

In the first semester of 2018, IMPACT has recorded operating income of **45.8 million lei, 37% lower** compared to the same period of the previous year.

Profit is influenced by the donation of the lands with an area of 6.000 sq. m. to the Bucharest Municipality.
The lands were donated to the Bucharest Municipality in order to provide a compensation to Romsilva S.A. according to the procedures stipulated in Law No. 46/2008 art. 37, with the option to grant public access between Aleea Privighetorilor and Drumul Padurea Pusnicu, according to the Decision of the General Council of Bucharest No. 281/2017 and No. 608/2017 and to the Decision of the Local Council of District 1 No. 278/2017 and No. 345/2017. The offer has been accepted by the Decision of the General Council of Bucharest No. 513/2017.

Indicatorii financiari la data de 30 iunie 2018 sunt urmatorii:

Indicators according to IFRS (RON)	2017_S1	2018_S1	%
Operational revenues, out of which:	**72,724,324**	**45,831,129**	**-37%**
Revenue from the sale of residential inventories	69,444,573	41,891,699	-40%
Revenue from rental and tenants utilities recharged	1,990,505	2,502,462	26%
Revenue from sale of investments properties	0	0	0%
Activity performed and capitalized by the entity	0	0	0%
Other revenues of operational nature	1,289,246	1,495,713	16%

Other operational revenues - ANAF Litigation	0	0	0%
Operational expenses, out of which:	**(58,788,617)**	**(39,487,081)**	**-33%**
Book value of the sold residential inventories	(45,110,884)	(22,546,149)	-50%
Operating costs related to rented and sold properties	(1,591,043)	(1,795,484)	-13%
Book value of investments properties	0	0	0%
Expenditure on raw materials and supplies	(498,620)	(617,282)	-24%
Services provided by third parties	(3,904,739)	(4,033,481)	3%
Employee benefits expenses	(5,217,626)	(5,969,773)	14%
Other expenses of operational nature	(2,465,705)	(4,524,913)	84%
Operational result	**13,935,707**	**6,344,047**	**-54%**
Depreciation and amortization expenses	(378,320)	(-453,987)	20%
Assets loss of value other than investments properties	562,365	(644,490)	n/a
Gains / (losses) in investments properties fair value	0	0	0%
Operational result	**14,119,752**	**5,245,571**	**-63%**
Net financial cost	(1,276,521)	(3,417,633)	168%
Gross profit / loss	**12,843,231**	**1,827,937**	**-86%**
Income tax	(243,605)	(1,769,232)	626%
Gross profit / loss of the period	**12,599,626**	**58,705**	**-100%**

In the first half of 2018 sales reached 90 buildings (apartments and houses) and 10 parking spaces with a total gross area of 9,219 sq m, which is 42% lower compared to the previous year when sales reached a number of 175 properties (apartments and houses) and 22 parking spaces, with a total gross area of 16,032 sqm.

The decrease of the sales in terms of units is partially compensated by the increase of the sales in terms of value due to the fact that the average unit price has grown by over 21%, from approximately 378,571 lei/ unit in semester I 2017, to 459,399 lei/unit in semester I 2018.
The sales figures achieved in the 2nd quarter of 2017 include a number of 71 apartments, sales completed as a result of the reception of phases 5 and 6 starting February 2017. As a comparison, a number of 40 apartment presales performed in Q II 2018 shall be completed during Q III and the beginning of Q IV as a result of the reception of phases 7.2 and 7.3 scheduled for September 2018.

The operational expenses have dropped 33% compared to the similar period of 2017, mainly due to reduction of inventory tunover rate.

Compared to an operational result of 14.12 million lei on June 30th 2017, in 2018 the operational result was 5.24 million lei (-63%).

Financial result	**31-June-17**	**30-June-18**	**%**
Financing costs	(957,482)	(3,300,617)	245%
Financial income	(117,176)	58,934	n/a
Exchange rate differences	11,505	(98,220)	n/a
Other financial items, net	(213,368)	(77,731)	64%
Financial result	***(1,276,521)***	***(3,417,633)***	**168%**

Interest expenses have increased due to the attraction of funds from bonds issues for the future development of residential projects and using bank loans in order to finance the completion of phases 7.2 and 7.3 of the Platanilor Assembly and starting the construction works for phase 7.1.

Analysis of the balance sheet items

Asset items	31-Dec-17	30-June-18	%
Tangible non-current assets	8,916,883	9,105,701	2%
Intangible non-current assets	193,238	138,895	-28%
Non-current investments	193,342,626	193,342,626	0%
Financial assets	-	-	-
Non-current receivables	6,183,956	9,852,698	59%
Total non-current assets	**208,636,703**	**212,439,920**	**2%**
Inventories	363,622,778	356,588,364	-2%
Trade receivables and other receivables	7,095,796	16,016,600	126%
Prepayments	145,223	191,280	32%
Cash and cash equivalents	47,476,223	45,254,729	-5%
Total current assets	***418,340,019***	***418,053,973***	**0%**
Total assets	***626,976,721***	***630,493,893***	**1%**

The trade receivables have registered an increase compared to the previous year due to the initiation of the LUXURIA-DOMENII project.

The company's cash holdings have dropped -5% during the first half of 2018, due to the investments made in the new phases of the Platanilor Assembly and the decrease in sales.

The total assets remained at approximately the same level as at the end of the year 2017 (3%)

Liabilities items	31-Dec-17	30-June-18	%
Shareholders' Equity	***427,449,455***	***431,172,046***	***1%***
Loans	133,401,233	130,465,272	-2%
Trade payables and other liabilities	1,032,684	1,572,526	52%
Deferred tax	22,024,185	21,210,871	4%
Total long term liabilities	***156,458,102***	***153,248,669***	-2%
Loans	30,152,062	30,114,809	0%
Trade payables and other liabilities	12,592,951	15,952,413	27%
Provisions for risks and charges	324,152	5,956	-98%
Total current liabilities	***43,069,165***	***46,073,178***	7%
Total liabilities	***199,527,267***	***199,321,847***	**0%**
Total equity and liabilities	***626,676,721***	***630,493,894***	**1%**

The loans have registered a slight decrease of -2% due to the maturity of the instalments.

The equities remained at approximately the same level as at the end of 2017 (1%).

Analysis of the cash flow items

Decrease in cash at the end of the first semester of 2018 (-5%) is based on the investments made for the completion of phases 7.2 and 7.3 from phase 7, as well as on the initiation of the last construction phase 7.1) from the sale phase of Platanilor Assembly.

Indicator (RON)	**30-June-18**
Cash at the beginning of the period	***47,476,223***
Net cash derived from operating activities	3,802,192
Net cash derived from investment activities	(3,050,473)
Net cash derived from financing activities	(2,973,214)
Cash at the end of the period	***45,254,729***

2. Analysis of the company's activity

In Semester I of 2018, the sale of apartments in Salcamilor Assembly was continued (phases 2, 3 and 4) as well as in Platanilor Assembly (phases 5 and 6).

As an overall, from Salcamilor Assembly of 924 apartments, 914 contracts (99%) were concluded since 2014 and until the end of June 2018: 906 sale contracts and 8 pre-contracts and reservations.

From Platanilor Assembly, under construction, phases 5 and 6, where 476 units were completed, 257 contracts (54%) were concluded since 2017 and until the end of June 2018: 218 sale contracts and 39 pre-contracts and reservations.

2.1. Presentation and analysis of events that are affecting or might affect the company's liquidity compared to the same period of the previous year.

Details are available in the Notes to the financial statements.

2.2. Presentation and analysis of the effects upon the Company's financial status of all capital, current or anticipated expenses.

The company has started the construction of the Platanilor Assembly phase 7, which shall include 18 buildings of 468 apartments. In 2017, the works for 12 buildings from phase 7 were commenced (out of the 18 buildings representing the project), specifically 276 apartments having scheduled their completion in the 3rd quarter of 2018. For the period left from the project, the delivery of the apartments is intended as follows: (i) 28,000 sq. m. – shall be delivered in Q III of 2018; and (ii) 14,000 sq. m. – where the works have started during the first semester of 2018, the delivery is estimated for the first half of 2019. The Platanilor Assembly aims to extend the residential area within an improved concept, adapted to the current market conditions, and to attract investors/operators in order to improve the facilities/services ancillary to the residential area.

In this respect, in addition to the company's own financing sources – reinvested profit, the co-financing of the development expenses by bank loans and bonds issues is intended.

The detailed structure of the expenses is provided in the Notes to the financial statements.

2.3. Presentation and analysis of events that significantly affect revenues from the main activity.

The resumption of production with the new stages of residential development in the Greenfield neighborhood has favored a competitive and market-conscious product and so the company has achieved a significant increase in sales, namely reaching a market share that will give it market leadership.

The acceleration of production cycles and the standardization of the offered product ensure the satisfaction of the market requirements, which is one of the key concerns of the management during the current period, which is also an asset in reaching the sales objectives and profitability.

3. Changes affecting the Company's capital and administration.

In the Ordinary General Meeting of Shareholders that took place on 28.04.2017, 4 directors were elected by secret vote, for a 4-year mandate, until April 27th 2021.

The Board of Directors consists of 5 members:

- Gabriel Vasile, Director;
- Laviniu Dumitru Beze, Director;
- Daniel Pandele, Director;
- Ruxandra-Alina Scarlat, Director;
- Iuliana Mihaela Urda, Chairman of the Board of Directors.

The Board of Directors has decided in the meeting dated September 15, 2017, according to the art. 137 index 2 of the Company Law No. 31/1990, to appoint Mr. Gabriel Vasile as temporary director, until the next Ordinary General Meeting of Shareholders is convened.

At the Ordinary General Meeting dated October 30th 2017, Mr. Gabriel Vasile was elected as a director for a valid mandate until April 27th 2021.

The Company's Executive Management

On January 19th 2018, Impact's Board of Directors has decided to appoint Mr. Bogdan Oslobeanu as the Company's Chief Executive Officer, for a 4-year mandate, starting March 1st 2018, until February 22nd 2022. He replaced Mr. Bartosz Puzdrowski, who requested the Company to terminate his mandate for personal reasons, starting March 1st 2018.

The Board of Directors has decided that Mr. Bogdan Oslobeanu, Chief Executive Officer and Mr. Gabriel Vasile, Director, are authorized to represent the company according to the provisions of the art. 1432 (5) of the Company Law 31/1990, starting 01.03.2018.

3.1 Description of the cases where the company was unable to meet its financial obligations.

The company is up to date with the payment of loans, taxes and charges.

3.2 Description of any change in the rights of holders of securities issued by the company.

The rights of holders of issued securities have not been changed.

Chief Executive Officer	**Chairman of the Board of Directors**	**Chief Financial Officer**
Bogdan Oslobeanu	**Iuliana Mihaela Urda**	**Giani Iulian Kacic**

DEVELOPER & CONTRACTOR S.A. IMPACT BUCUREȘTI ROMÂNIA