**IMPACT DEVELOPER & CONTRACTOR SA**
Registered office: Willbrook Platinum Business & Convention Center, 172-176 Bucharest – Ploiesti Road, Building A, 1st floor, Bucharest, 1st District, Phone:+40 21.230.75.70/71/72, Fax: +40 21.230.75.81/82/83
Subscribed and paid up share capital: RON 265,000,000.
Registered with the Trade Registry Office within Bucharest Court under no. J40/7228/2018, S.R.C. RO 1553483

# Quarterly Report
# 3rd Quarter 2020

Report date: 16.11.2020
Name of the issuing company: **IMPACT DEVELOPER & CONTRACTOR SA**
Registered office: Willbrook Platinum Business & Convention Center,
172-176 Sos. Bucuresti – Ploiesti, Building A, 1st Floor, Bucharest, District 1
Phone: 021– 230.75.70/71/72, fax: 021– 230.75.81/82/83
Fully subscribed and paid up capital: 265,000,00 RON
Regulated market where the issued securities are traded: Bucharest Stock Exchange

## THE FIRST 9 MONTHS OF 2020 ("9M 2020") – HIGHLIGHTS

- **258** apartments sold (21,877 sqm built area without common spaces), of which **156** (13,477 sqm) in **GREENFIELD Baneasa Residence** ("**GREENFIELD**") and **102** (8,400 sqm) in **LUXURIA Domenii Residence** ("**LUXURIA**");

- **217** pre-sale agreements and reservations on 30 September 2020 (16,549 sqm built area without common spaces) are expected to be translated into sales in Q4 2020 – 133 apartments (61%), 2021 – 60 apartments (28%) and 2022 – 24 apartments (11%);

- Completion of the construction works of the first two phases of the **LUXURIA** project, with **500** apartments (45,028 sqm built area of apartments without common spaces, 51,786 sqm total built area of apartments). Starting the conversion of pre-sale agreements in sale agreements comencing May 2020 for the first phase with **232** apartments. For the second phase with **268** apartments, the transformation of pre-sale agreements into sale agreements will start in November 2020;

- Completing the procedures for obtaining the building permit for the fourth development phase of **GREENFIELD** (**Panoramic Assembly**, **Teilor Assembly**, **Greenfield Plaza**); **Greenfield Plaza** includes: a strip mall, an impressive wellness area equipped with gyms, SPAs, tennis court, semi-olympic pool, indoor pool, outdoor pool and its own office building that will become **the headquarters IMPACT Developer & Contractor** ("**IMPACT**"). The building permits were obtained in October 2020;

- Identifying solutions for framing the next stages of the **GREENFIELD housing concept** in the green buildings category;

- Continuing the construction works for the third phase of **LUXURIA**, **130** apartments, estimated to be completed in the first half of 2021;

- Continuing the construction works for the **18** villas part of the **BOREAL PLUS** project envisaged to be completed in the first half of 2021, for which the building permit was obtained in December 2019;

- Obtaining the building permit for **341** apartments out of the **676** apartments that will be brought on the market in Constanta, through the **BOREAL PLUS** residential project, designed to be developed in 4 consecutive phases;

- Acquisition of a plot of land of **24,333 sqm** in **Iasi** for the development of a **GREENFIELD housing concept**. The land is located in Copou in the area of the Botanical Garden and has a PUZ;

- The PUZ for the second district of Bucharest, where **IMPACT** owns a land of **2.6 ha** located in Barbu Vacarescu Blvd., was approved;

- The PUZ and PUG for the sixth district of Bucharest, where **IMPACT** owns a land of **25.9 ha** located in Timisoara - Prelungirea Ghencea Blvd, were approved.;

- Locations / plots of land in Bucharest and in other cities **(Iasi, Constanta)** throughout the country for future developments have been identified;

- S&P maintained for **IMPACT** the "B-" rating, outlook stable, rating granted in 2019;

- The financing solutions considered for the implementation of projects are the issuance of bonds listed on the main market of BSE, with private placement, bank financing and the issuance of new shares;

- **IMPACT donated a plot of land with an area of 9,620 sqm with a project for the construction of a public school and kindergarten in GREENFIELD, land with a value of 5.9 mLEI.** The school and kindergarten are to be built by the City Hall of the 1st district.

**MAIN FINANCIAL PERFORMANCE INDICATORS - CONSOLIDATED**

| LEI thousand | 9M 2020 | 9M 2019 | Var % | Q3 2020 | Q3 2019 | Var % |
|---|---|---|---|---|---|---|
| Revenue from real estate inventories | 135,349 | 100,550 | 35% | 69,541 | 21,019 | 231% |
| Gross profit | 51,279 | 47,509 | 8% | 24,971 | 10,326 | 142% |
| *Gross margin %* | *38%* | *47%* | *(20%)* | *36%* | *49%* | *(27%)* |
| Operating expenses, net | (23,974) | (19,734) | *21%* | (14,762) | (6,863) | *115%* |
| *Operating expenses % of revenue* | *18%* | *20%* | *(10%)* | *21%* | *33%* | *(35%)* |
| EBITDA | 28,739 | 28,397 | *1%* | 11,098 | 3,649 | *204%* |
| *EBITDA margin %* | *21%* | *28%* | *(25%)* | *16%* | *17%* | *(8%)* |
| EBIT | 27,546 | 27,682 | *(0%)* | 10,394 | 3,665 | *184%* |
| *EBIT margin %* | *20%* | *28%* | *(26%)* | *15%* | *17%* | *(14%)* |
| Net result | 13,278 | 18,494 | *(28%)* | 4,622 | 2,018 | *129%* |
| *Net result margin %* | *10%* | *18%* | *(47%)* | *7%* | *10%* | *(31%)* |
| *Adjusted EBITDA** | *34,645* | *28,397* | *22%* | *17,004* | *3,649* | *366%* |
| *Adjusted EBITDA margin %* | *26%* | *28%* | *(9%)* | *24%* | *17%* | *41%* |

** In 9M 2020 and Q3 2020, the adjustment refers to the cost of **land donated by IMPACT** for the construction of **a public school and kindergarten** in **GREENFIELD** (**5,906 thousand LEI**, included on the line of Operating expenses). The donated land was owned by **IMPACT** before 2019.*

In the first 9 months of 2020, revenues from dwelling sales increased by **35%** compared to the same period of 2019, due to the increase in the number of units sold (**258** in 9M 2020 vs. **210** in 9M 2019) of which **40%** are luxury units from the **LUXURIA** residential complex. The average selling price for all **IMPACT** projects increased by **12%** (on average, **1,152 EUR / sqm** built area in 9M 2020 vs. **1,027 EUR / sqm** built area in 9M 2019). In 9M 2020, revenues related to the first phase of the **LUXURIA** project were recorded, with **102** sale agreements for apartments signed.

On 30 September 2020, in addition to the registered sales, there were pre-sale agreements concluded for apartments whose value is not reflected in revenues in 9M 2020. The value of these pre-sale agreements is of **120.65 mLEI**, estimated to translate into revenues in Q4 2020 - 2022. Additionally, in Q4 2020, is expected to record **15.25 mLEI** as revenues for the sale of a plot of land in Constanta for which a sale contract was concluded at the end of 2019, with certain conditions that must be met by **IMPACT**.

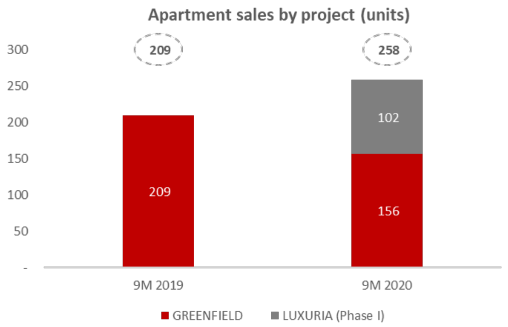
The gross margin of **38%** from 9M 2020 reflects the change in the revenue structure of the contribution of the projects developed by **IMPACT**; thus, considering to the number of dwellings sold, the **GREENFIRLD** project contributed by 60% and the **LUXURIA** project contributed by 40%.
The reported **EBITDA** had a constant evolution in the first 9 months of 2020 compared to the similar period in 2019. In 9M 2020, 5.9 mLEI representing the cost of land donated by **IMPACT** for the construction of **a public school and kindergarten** in **GREENFIELD** are included in operating expenses and in the reported **EBITDA**.

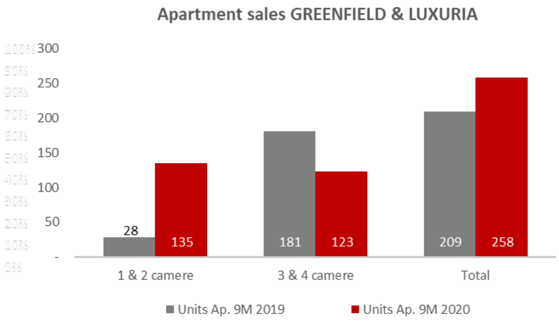
In 9M 2020, were recorded unrealized foreign exchange losses related to the revaluation of bonds and investment loans at the end of September 2020 as the exchange rate has risen to 4.8698 RON/EUR from 4.7793 as on 31 December 2019 (4.4 mLEI).

**SALE OF DWELLINGS**

In 9M 2020, sales have reached a number of **258** dwellings (apartments, plus parking spots and court yards included in the packages) compared to **210** dwellings sold in 9M 2019 (of which 209 apartments and 1 house in Constanta), to which are added 4 individual parking spaces sold in 9M 2020 versus 21 in 9M 2019.

The apartments sold in 9M 2020 totalized a built area without common spaces of **21,887 sqm**, (19,172 sqm in 9M 2019). Of the **258** apartments sold in 9M 2020, **156** were sales related to the **GREENFIELD** project (13,477 sqm) and **102** were sales related to the **LUXURIA** project (8,400 sqm).

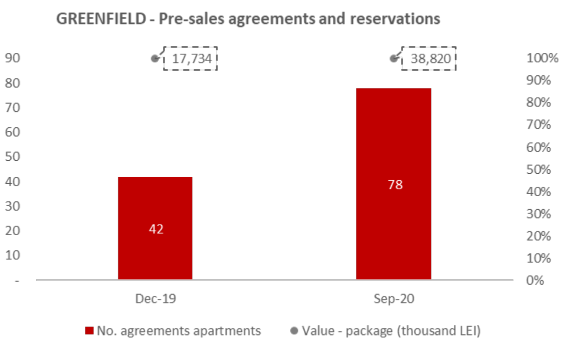


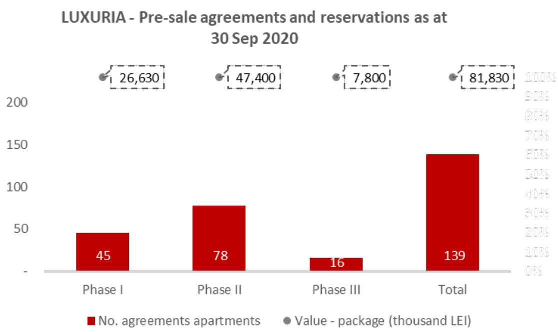




***Pre-sales of apartments***

In addition to the **258** sale agreements, whose value is reflected in the revenues booked in 9M 2020, on 30 September 2020, there were opened pre-sale agreements and reservations for **217** apartments located in **GREENFIELD** and **LUXURIA**, with a value of **120.65 mLEI**, estimated to be transformed into revenues as follows:

- Q4 2020 and Q1 2021: **20.95 mLEI** related to finalized apartments in **GREENFIELD**;
- Q4 2020: **26.63 mLEI** for the first phase of **LUXURIA**;
- Q4 2020 and Q1 2021: **47.4 mLEI** for the second phase of **LUXURIA**;
- Q3 2021: **7.8 mLEI** for the third phase of **LUXURIA**;
- Q2 2021 and Q1 2022: **17.87 mLEI** related to the new residential developments in **GREENFIELD ("Panoramic Assembly").**



***GREENFIELD and LUXURIA, completed phases – dwellings sold until 30 September 2020***

- ***GREENFIELD, first phase***: **680** apartments completed, of which **677** sold and **3** rented;
- ***GREENFIELD, second phase***: **924** apartments completed, of which **923** sold;
- ***GREENFIELD, third phase***: **944** apartments completed, of which **846** sold, **45** pre-sold and **53** for sale;
- ***LUXURIA, first phase***: **232** apartments completed, of which **102** sold, **45** pre-sold and **85** for sale.

**MAIN INDICATORS OF THE FINANCIAL POSITION – CONSOLIDATED**

| LEI thousand | 30-Sep-2020 | 31-Dec-2019 | Var % |
|---|---|---|---|
| **Non-current assets, of which** | **397,818** | **392,901** | ***1%*** |
| Investment property | 386,622 | 384,223 | *1%* |
| Property, plant and equipment | 10,322 | 8,535 | *21%* |
| **Current assets, of which** | **530,239** | **509,071** | ***4%*** |
| Inventories | 455,855 | 430,725 | *6%* |
| Trade and other receivables | 31,252 | 32,884 | *(5%)* |
| Cash and cash equivalents | 43,132 | 45,462 | *(5%)* |
| **Total assets** | **928,057** | **901,972** | ***3%*** |
| **Liabilities, of which** | **351,028** | **318,031** | ***10%*** |
| Loans and borrowings | 249,191 | 197,635 | *26%* |
| **Equity** | **577,029** | **583,941** | ***(1%)*** |
| **Total equity and liabilities** | **928,057** | **901,972** | ***3%*** |

The 6% increase in inventories as at 30 September 2020 compared to 31 December 2019 is driven by the construction works for **LUXURIA** and the start of the fourth phase of **GREENFIELD** and **BOREAL PLUS** in Constanta.

In September 2020, **24,333 sqm** of land (18 mLEI) were purchased in **Iasi** for the development of a **GREENFIELD housing concept.**

Land of **9,620 sqm** and a value of **5.9 mLEI** was donated for building **a public school and kindergarten** in **GREENFIELD**. The school and kindergarten are to be built by the City Hall of the 1st district.

In 9M 2020, there were utilized the loans granted by UniCredit Bank and Libra Internet Bank for the financing of **LUXURIA**, this being the main reason for the 26% increase in the outstanding balance of loans and borrowings as at 30 September 2020 compared to 31 December 2019.

In September 2020, a loan agreement of 8.67 mEUR was signed with Libra Internet Bank to finance the third phase of **LUXURIA**.

Equity was 1% lower on 30 September 2020 compared to 31 December 2019, particularly due to the cancellation of repurchased own shares. In July 2020, 9,443,532 own shares were canceled, the share capital of **IMPACT** being reduced to a number of 265,000,000 shares.

**LAND PORTFOLIO AS AT 30 September 2020**

At the end of September 2020, the Company owned **89.8 ha of land** with a book value of **533.7 mLEI**, land intended for sale and the development of new projects. Of these, **1.68 ha** located in Constanta are part of a sales contract signed in December 2019 for which certain conditions must be met to complete the sale.

Compared to 31 December 2019, the most important changes in the land portfolio that took place in the first 9 months of 2020 are the following:

- **3,629 sqm** of land acquired in **GREENFIELD**;
- **24,333 sqm** of land acquired in **Iasi**;
- **9,620 sqm** donated from the land owned in **GREENFIELD**.

| Location | City | Surface (ha) | IFRS book value (mRON) | IFRS book value (mEUR) | EPRA value (mRON) | EPRA value (mEUR) |
|---|---|---|---|---|---|---|
| GREENFIELD Baneasa | Bucharest | 39.8 | 273.4 | 57.2 | 312.1 | 65.3 |
| LUXURIA Domenii | Bucharest (Expozitiei Blvd.) | 0.6 | 12.4 | 2.6 | 36.3 | 7.6 |
| Bd. Timisoarei - Bd. Ghencea | Bucharest | 25.9 | 94.2 | 19.7 | 94.2 | 19.7 |
| Barbu Vacarescu | Bucharest | 2.6 | 116.1 | 24.3 | 116.1 | 24.3 |
| Zenit, Neptun, Boreal | Constanta | 10.2 | 17.2 | 3.6 | 41.1 | 8.6 |
| Iasi | Iasi | 2.4 | 18.0 | 3.7 | 18.0 | 3.7 |
| Other | Bucharest, Oradea | 8.3 | 2.4 | 0.5 | 2.4 | 0.5 |
| **Total** | | **89.8** | **533.7** | **111.6** | **620.2** | **129.7** |

*Note 1: The EPRA value considers the fair market value based on the market value according to the revaluations performed by Colliers Valuation and Advisory as at 31 Dec 2019, except for land located in GREENFIELD and LUXURIA for which the investment value was used and land located in Iasi for which the acquisition value was used. The investment value for GREENFIELD of 190 EUR / sqm (market value – 176 EUR / sqm) was determined by Colliers as at 31 Dec 2019 by using the income approach (residual value) for the 6 new phases of the GREENFIELD neighborhood estimated to start in 2020*

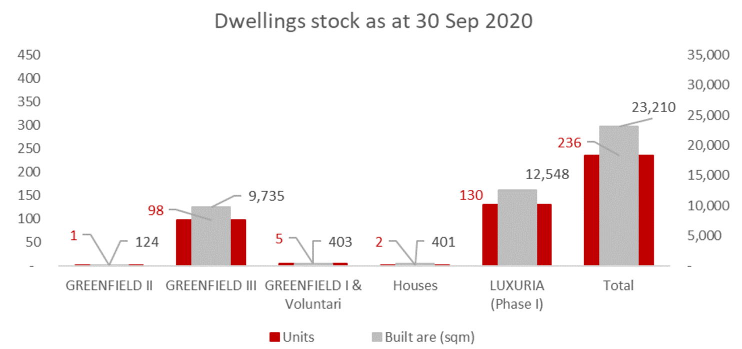
*Note 2: Land located in Constanta - 1.68 ha subject to a sale contract signed in December 2019 subject to certain conditions that are to be met for the sale to be completed*

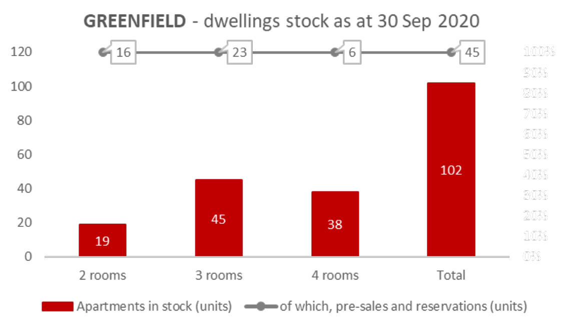
*Note 3: The FX rate used to translate the RON denominated amounts in EUR - 4.7793 RON/EUR, except for the land located in Iasi for which 4.8625 RON/EUR was used*

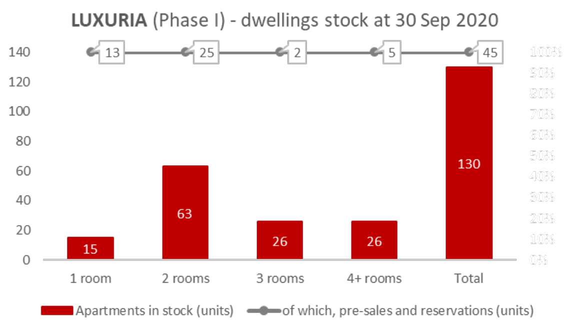
**DWELLINGS INVENTORY AS AT 30 September 2020**

As at 30 September 2020, the inventory included **236** apartments and houses fully completed, with a built area without common spaces of **23,210 sqm** and a book value of 86.58 mLEI.

The detailed status of the inventory of apartments and houses as at 30 September 2020 is the following:



## PROJECTS UNDER DEVELOPMENT

**IMPACT**'s activity during the first 9 months of 2020 was dominated by the development of two residential projects located in Bucharest, specifically **GREENFIELD Baneasa Residence**, **LUXURIA Domenii Residence** and the first phase of **BOREAL PLUS in Constanta**.

### *LUXURIA Domenii Residence (Bucharest)*

**LUXURIA** is a new **housing concept** of **IMPACT** and is addressed to the premium segment of the residential market. The **LUXURIA Domenii Residence** project was commenced in 2018, is developed on an area of app. 2.25 ha and has 630 apartments.

The construction for the first 500 apartments was completed in the first 9 months of 2020. The next 130 apartments are expected to be completed in the first half of 2021.

### *GREENFIELD Baneasa Residence (Bucharest)*

In 2019, was obtained the PUZ for the new development phases in **GREENFIELD Baneasa Residence** that will bring to the market more than 4,300 dwellings, namely the fourth phase (to include app. 1,900 apartments) and the fifth phase (to include over 2,400 apartments).

In the first 9 months of 2020, the procedures for obtaining the building permit for the fourth phase were completed. This phase will include the **Greenfield Plaza**, to incorporate a Strip Mall, an office area, a SPA area and a gym/sports hall. These new phases will include Smart City facilities and buildings designed as green buildings, reducing energy consumption and using energy from renewable sources to minimize the carbon footprint.

### *BOREAL PLUS (Constanta)*

In 2019, was obtained the PUZ for **BOREAL PLUS** residential project, which will be developed in Constanta and will bring to the market over 694 homes (apartments and villas).

In 9M 2020, the steps for obtaining the building permit were continued, and in September 2020 the building permit for 341 apartments was obtained.

The building permit for the 18 villas was obtained in 2019. In the first 9 months of 2020, the construction of the 18 villas began, expected to be completed in the first half of 2021.

## CSR ACTIVITIES

**IMPACT** pays special attention to international business standards and corporate social responsibility standards. As a result, sustainability is a priority branch in the development of the company's projects. The certification of the Project and the construction of the **LUXURIA Domenii Residence** compound at **BREEAM Excellent** energy efficiency standards, with classification in energy category A and in the class of Green categories, denotes the commitment that the developer assumed when entering the premium real estate market.

According to **Build Green**, the leader of the local consulting market in the field of design, development and certification of sustainable constructions, at this moment, in Bucharest, only one residential project meets the **BREEAM criteria, with the rating Excellent: LUXURIA Domenii Residence**.

The project raises the quality standard in the residential construction process, which is why the **IMPACT** team started an awareness campaign to raise awareness of the need for green buildings in Bucharest, but also in other cities in Romania. The aim is to make known the benefits of residents who opt for housing built to high standards, which comply with the energy efficiency standards, so necessary in a constantly evolving society.

https://www.revistabiz.ro/luxuria-domenii-residence-obtine-certificarea-breeam-excellent/
https://business-review.eu/property/residential-property/the-new-efficiency-standard-in-real-estate-breeam-excellent-certification-for-luxuria-domenii-residence-project-212626

## IMPACT ON THE CAPITAL MARKET

**IMPACT Developer & Contractor** is listed at the Bucharest Stock Exchange since 1996. As of 2006, its shares are traded in the 1st category of the Bucharest Stock Exchange, and since January 2015, **IMPACT**'s shares are traded in the Premium category, according to the new segmentation of the Bucharest Stock Exchange.

In August 2019, following the decision of the General Shareholders' Meeting of April 24, 2019, the share capital was reduced by 3,423 thousand LEI as a result of the cancellation of a number of 3,423,042 own shares acquired by the Company. Thus, the total number of shares of **IMPACT** was reduced from 277,866,574 shares to 274,443,532 shares.

In April 2020, following the decision of the General Shareholders' Meeting of April 28, 2020, it was approved the reduction of the Company's share capital from 274,443,532 LEI, with the amount of 9,443,532 LEI to 265,000,000 mLEI,  by reducing the number of shares, from 274,443,532 shares to 265,000,000 shares, as a result of the cancellation of a number of 9,443,532 own shares, acquired by the Company. The reduction of the share capital took place and was recorded in July 2020.

*Evolution of **IMPACT** share price (IMP) 2017 – Sep 2020*


*Relative evolution of IMP vs. BET index 2017 – Sep 2020*


Blue line – IMP          Orange line – BET index

There are no restrictions related to the transfer of securities, there are no restrictions related to the voting rights, there are no holders of securities with special control rights. **IMPACT**, as the holder of its own shares, as a result of the redemption programs, does not have the right to vote in the general meetings, its votes being suspended.

| METRICS | 31-Dec-17 | 31-Dec-18 | 31-Dec-19 | 30-Sep-20 |
|---|---|---|---|---|
| Price per share (LEI) | 1.05 | 0.99 | 1.49 | 1.49 |
| Number of shares  (Impact Developer & Contractor) | 277,866,574 | 277,866,574 | 274,443,532 | 265,000,000 |
| Market capitalization (LEI) | 291,759,903 | 275,087,908 | 408,920,863 | 394,850,000 |
| ***IFRS (consolidated)*** | | | | |
| Net profit (LEI) | 51,098,000 | 20,828,000 | 154,484,000 | 13,277,908 |
| Net asset value ("NAV") | 427,450,000 | 446,807,255 | 583,941,000 | 577,029,000 |
| NAV/Share (LEI) | 1.54 | 1.61 | 2.13 | 2.18 |
| ***EPRA* (consolidated)*** | | | | |
| Net asset value ("NAV") | 599,972,909 | 720,021,200 | 839,419,797 | 826,489,978 |
| NAV/Share (LEI)** | 2.16 | 2.59 | 3.06 | 3.12 |

**European Public Real Estate Association*

The reconciliation between the Net Book Assets according to the IFRS consolidated financial statements and the EPRA standard is the following:

| LEI | 31-Dec-17 | 31-Dec-18 | 31-Dec-19 | 30-Sep-20 |
|---|---|---|---|---|
| **NAV per the IFRS financial statements** | **427,450,000** | **446,807,255** | **583,941,000** | **577,029,000** |
| **Include:** | | | | |
| i) Revaluation of property developed for sale | 77,743,519 | 32,208,675 | 39,796,419 | 57,530,902 |
| ii) Revaluation of land and WIP held as inventory | 68,574,389 | 203,296,632 | 148,565,856 | 124,672,433 |
| iii) Revaluation of land held as fixed assets / investment property | - | 7,760,639 | 21,146,521 | 21,816,644 |
| **Exclude:** | | | | |
| iv) Deferred tax | 26,205,000 | 29,948,000 | 45,970,000 | 45,441,000 |
| **EPRA NAV** | **599,972,909** | **720,021,200** | **839,419,797** | **826,489,978** |

The

Colliers valuations as at 31 December 2019 were used to determine the EPRA value on 30 September 2020, except for the stocks related to the first phase of the **LUXURIA** project for which the most recent valuation was performed by Colliers on 21 May 2020. On 30 September 2020, the adjustment for the EPRA NAV related to the first phase of the **LUXURIA** project represents 20% of the total adjustments other than deferred tax.

***i) Revaluation of property developed for sale.***
The inventories/finished goods (apartments) were revaluated at market value by Colliers Valuation and Advisory on 31 Dec 2019 for **GREENFIELD** and on 21 May 2020 for the first completed phase of **LUXURIA**. The increase / difference between the market value resulted after the revaluation and the book value of apartments at the reporting date (the lowest value between the cost and the net realizable value) has been included in the Net Asset Value according to EPRA.

***ii) & iii) Revaluation of land and WIP held as inventory and land held as fixed assets / investment property***
The land (included in investment properties, inventories and fixed assets) and WIP for **LUXURIA** (Phase II and Phase III) were revaluated on 31 Dec 2019 by Colliers Valuation and Advisory. The adjustment was done to reflect the market value of the lands included in inventories and fixed assets, except for land related to **GREENFIELD** and land & WIP related to **LUXURIA** as at 31 Dec 2019 which are reflected at the investment value.

The market value for land classified as investment property is recorded in the IFRS financial statements. Land classified as inventories / fixed assets and works in progress for projects are valued in the IFRS financial statements at cost.

The investment value, both for land and for the work in progress, is not reflected in the IFRS financial statements but is considered for the adjustments related to the EPRA NAV.

The investment value for **GREENFIELD** of 190 EUR / sqm (market value – 176 EUR / sqm) was determined by Colliers as at 31 Dec 2019 by using the income approach for the 6 new phases of **GREENFIELD** estimated to start in 2020.

For **LUXURIA**, the investment value was determined for each phase of the project and was included in EPRA NAV for both construction works (Phase II) and land (Phase III). The investment value for the land related to Phase III is 1,312 EUR / sqm (cost - 455 EUR / sqm, at the exchange rate of 4.7793 as at 31 Dec 2019).

***iv) The deferred tax*** recorded in the IFRS financial statements mainly resulted from the difference between the book value and the tax value of investment properties (lands).

**OTHER ASPECTS**

On 29 January 2020, the Board of Directors of **IMPACT** decided to appoint Mr. Apostol Sorin as General Manager of the Company for 6 (six) months, starting with 1 February 2020, with the option to change it to a permanent designation.

On 27 July 2020, the Board of Directors of **IMPACT** decided to extend the General Manager mandate for Mr. Apostol Sorin for 12 months starting 2 August 2020.

**PERSPECTIVES FOR OCTOBER - DECEMBER 2020**

- Completion of the dismantling and tabulation of the apartments related to the second phase of **LUXURIA** in November 2020 (268 apartments);
- Continuing the works for the third phase of the **LUXURIA** project (130 apartments);
- Obtaining building permits and starting the works for the fourth phase of **GREENFIELD**;
- Obtaining financing for the fourth phase of **GREENFIELD** and **BOREAL PLUS**.

**CONSOLIDATED ENTITIES**

The financial statements of **IMPACT** group include the results of **IMPACT Developer & Contractor SA** and the results of its subsidiaries: **Bergamot Developments SRL, Bergamot Developments Phase II SRL, Actual Invest House SRL, Impact Finance & Developments SRL, Clearline Development and Management SRL** and **Greenfield Rent SRL.**

The **IMPACT Group** closely monitors the effects of the Coronavirus pandemic and its effects on the real estate market and the economic environment in the country and will take all necessary measures to minimize the impact and respect its commitments towards customers, financers and shareholders.

Favorable aspects to mention for the industry in which the **IMPACT Group** operates are the implementation of the New House program and the increase of the ceiling to 140 thousand EUR and 120 usable sqm for the apartments for which 5% VAT is granted.

The rapid development of the Covid-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year.

| | | |
|---|---|---|
| **Chief Executive Officer** | **Chairman of the Board of Directors** | **Chief Financial Officer** |
| **Sorin Apostol** | **Iuliana Mihaela Urda** | **Giani Iulian Kacic** |

## ANNEX 1 – CONSOLIDATED STATEMENT OF PROFIT OR LOSS – 9M 2020 (UNAUDITED)

| LEI thousand | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Revenue from real estate inventories | 135,349 | 100,550 |
| Costs of real estate inventories | (84,070) | (53,041) |
| **Gross profit** | **51,279** | **47,509** |
| Net rental income | 535 | 44 |
| General and administrative expenses | (13,908) | (13,474) |
| Marketing expenses | (3,107) | (3,296) |
| Depreciation and amortization | (1,434) | (622) |
| Other operating income/expenses | (6,060) | (2,385) |
| **Total other income / expenses** | **(23,974)** | **(19,734)** |
| Unrealized gains / (loss) on investment property | - | - |
| **Adjusted operating profit before exceptional items and impairment of long term assets** | **27,305** | **27,775** |
| Impairment of assets | 241 | (93) |
| Other income/expense (exceptional) | - | - |
| ***Operating profit*** | **27,546** | **27,682** |
| Finance costs, net | (10,599) | (4,343) |
| ***Profit before income tax*** | **16,947** | **23,339** |
| Income tax credit/(charge) | (3,669) | (4,845) |
| ***Profit / (loss) for the period*** | **13,278** | **18,494** |

## ANNEX 2 – CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020 (UNAUDITED)

| LEI thousand | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 10,322 | 8,535 |
| Intangible assets | 874 | 143 |
| Investment property | 386,622 | 384,223 |
| Financial assets | - | - |
| Long term trade and other receivables | - | - |
| **Total non-current assets** | **397,818** | **392,901** |
| **Current assets** | | |
| Inventories | 455,855 | 430,725 |
| Trade and other receivables | 31,252 | 32,884 |
| Cash and cash equivalents | 43,132 | 45,462 |
| **Total Current Assets** | **530,239** | **509,071** |
| **Total Assets** | **928,057** | **901,972** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' equity** | | |
| Share capital | 272,424 | 281,907 |
| Share premium | 65,711 | 68,760 |
| Revaluation reserves | 3,001 | 3,001 |
| Other reserves | 9,179 | 9,179 |
| Own shares | (4,889) | (7,771) |
| Retained earnings | 218,325 | 74,381 |
| Result for the period | 13,278 | 154,484 |
| **Total equity** | **577,029** | **583,941** |
| **Non-current liabilities** | | |
| Loans and borrowings | 90,082 | 138,813 |
| Trade and other payables | 1,698 | 330 |
| Deferred tax liability | 45,441 | 45,970 |
| **Total non-current liabilities** | **137,221** | **185,113** |
| **Current liabilities** | | |
| Loans and borrowings | 159,109 | 58,822 |
| Trade and other payables | 53,791 | 73,189 |
| Provisions for risk and charges | 907 | 907 |
| **Total current liabilities** | **213,807** | **132,918** |
| **Total liabilities** | **351,028** | **318,031** |
| **Total shareholders' equity and liabilities** | **928,057** | **901,972** |

**IMPACT Developer & Contractor SA**

**Financial ratios as at 30 September 2020**

## A. Annex 13 A to the ASF Regulation No. 5/2018

**IMPACT - Individual**

| Ratio | 30-Sep-2020 | Calculation method |
|---|---|---|
| Current ratio | 5.27 | Current assets/Current liabilities |
| Gearing ratio | 21.58% | Borrowed capital/Equity x 100 |
| Receivables turnover | 39.78 | Average balance for receivables/Revenues x 270 |
| Non-Current assets turnover | 0.16 | Revenues/Non-current assets |

**IMPACT - Consolidated**

| Ratio | 30-Sep-2020 | Calculation method |
|---|---|---|
| Current ratio | 2.48 | Current assets/Current liabilities |
| Gearing ratio | 43.19% | Borrowed capital/Equity x 100 |
| Receivables turnover | 20.74 | Average balance for receivables/Revenues x 270 |
| Non-Current assets turnover | 0.34 | Revenues/Non-current assets |

## B. Gearing ratio calculated based on EPRA NAV

**IMPACT - Individual & Consolidated**

| Ratio | 30-Sep-2020 | Calculation method |
|---|---|---|
| Gearing ratio (individual) | 17.75% | Borrowed capital/EPRA NAV x 100 |
| Gearing ratio (consolidated) | 30.15% | Borrowed capital/EPRA NAV x 100 |

*Note: The financial ratio were calculated based on the unaudited individua and consolidated financials as at 30 September 2020, both the ones calculated according to the ASF Regulation No. 5/2018 and the Gearing ratio calculated based on EPRA NAV*

| Chief Executive Officer | Chairman of the Board of Directors | Chief Financial Officer |
|---|---|---|
| **Sorin Apostol** | **Iuliana Mihaela Urda** | **Giani Iulian Kacic** |

# IMPACT DEVELOPER & CONTRACTOR S.A.

## INDIVIDUAL FINANCIAL STATEMENTS
## AS OF 30 SEPTEMBER 2020

## DRAFTED ACCORDING TO THE
## INTERNATIONAL FINANCIAL REPORTING STANDARDS
## ADOPTED BY THE EUROPEAN UNION

**UNAUDITED**

**CONTENTS:** **PAGE:**

**IMPACT DEVELOPER & CONTRACTOR S.A.**
**STATEMENT OF FINANCIAL POSITION**
**ON 30 SEPTEMBER 2020**
**(all amounts are expressed in thousand RON, unless stated otherwise)**

| | Note | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible non-current assets | | 6,671 | 6,309 |
| Intangible non-current assets | | 106 | 128 |
| Investment properties | **10** | 385,722 | 383,285 |
| Financial assets | **12** | 56,221 | 56,191 |
| Trade and other receivables | | - | - |
| **Total non-current assets** | | **448,720** | **445,914** |
| **Current assets** | | | |
| Inventories | **11** | 169,799 | 201,787 |
| Trade and other receivables | | 132,653 | 91,938 |
| Cash and cash equivalents | **13** | 18,858 | 35,357 |
| **Total current assets** | | **321,311** | **329,081** |
| **Total assets** | | **770,031** | **774,995** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | **14** | 272,464 | 281,907 |
| Share premium | | 65,711 | 68,760 |
| Revaluation reserves | | 3,001 | 3,001 |
| Other reserves | | 8,787 | 8,787 |
| Own shares | **15** | (4,889) | (7,771) |
| Retained earnings | | 220,548 | 76,858 |
| Net profit for the period | | 10,723 | 154,139 |
| **Total equity** | | **576,345** | **585,681** |
| **Long-term liabilities** | | | |
| Loans | **16** | 86,996 | 115,723 |
| Trade and other payables | **17** | 330 | 330 |
| Deferred tax | | 45,441 | 46,051 |
| **Total long-term liabilities** | | **132,767** | **162,105** |
| **Current liabilities** | | | |
| Loans | **16** | 37,368 | 1,765 |
| Trade and other payables | **17** | 22,643 | 24,537 |
| Provisions for risk and charges | **18** | 907 | 907 |
| **Total current liabilities** | | **60,919** | **27,209** |
| **Total liabilities** | | **193,686** | **189,314** |
| **Total shareholders' equity and liabilities** | | **770,031** | **774,995** |

| **Sorin Apostol** | **Giani Kacic** | **Iuliana Mihaela Urda** |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Chairman of the Board of Directors |

**IMPACT DEVELOPER & CONTRACTOR S.A.**
**STATEMENT OF PROFIT OR LOSS**
**FOR THE PERIOD FROM 2020 ENDED ON 30 SEPTEMBER 2020**
**(all amounts are expressed in thousand RON, unless stated otherwise)**

| | Note | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|---|
| Revenue from sale of residential properties | **19** | 73,914 | 100,550 |
| Costs related to residential properties | | (37,624) | (52,403) |
| **Gross profit** | | **36,289** | **48,147** |
| Net rental income | **19** | 778 | 88 |
| General and administrative expenses | **20** | (12,772) | (13,880) |
| Marketing expenses | | (2,170) | (2,731) |
| Amortization | | (538) | (520) |
| Other operating income/expenses | **21** | (5,461) | (1,242) |
| **Total other income / expenses** | | **(20,163)** | **(18,285)** |
| **Adjusted operating profit before exceptional items and impairment of other non-current assets** | | **16,126** | **29,862** |
| Impairment of assets | | 121 | (96) |
| ***Operating profit*** | | **16,248** | **29,766** |
| Financial costs, net | **22** | (3,339) | (5,779) |
| ***Profit before tax*** | | **12,908** | **23,988** |
| Income tax expenses | **23** | (2,185) | (4,843) |
| ***Result for the period*** | | **10,723** | **19,145** |

| | | |
|---|---|---|
| **Sorin Apostol** | **Giani Kacic** | **Iuliana Mihaela Urda** |
| Chief Executive Officer | Chief Financial Officer | Chairman of the Board of Directors |

**IMPACT DEVELOPER & CONTRACTOR S.A.**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE PERIOD FROM 2020 ENDED ON 30 SEPTEMBER 2020**
**(all amounts are expressed in thousand RON, unless stated otherwise)**

| | Note | Share capital | Share premium | Revaluation reserve | Other reserves | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on January 1st 2020** | | **281,907** | **68,760** | **3,001** | **8,787** | **(7,771)** | **230,996** | **585,681** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 10,723 | 10,723 |
| Other comprehensive income | | - | - | - | - | - | - | - |
| **Total other comprehensive income** | | **-** | **-** | **-** | **-** | **-** | **10,723** | **10,723** |
| **Transactions with owners of the Company** | | | | | | | | |
| Own shares acquired during the year | 15 | - | - | - | - | (9,610) | - | (9,610) |
| Paid dividends | | - | - | - | - | - | (10,449) | (10,449) |
| Share capital reduction by cancelling shares | | (9,444) | (3,049) | - | - | 12,249 | - | - |
| **Other changes in equity** | | | | | | | | |
| Set up of legal reserves | | - | - | - | - | - | - | - |
| Transfer of reserves | | - | - | - | - | - | - | - |
| Revaluation reserves | | - | - | - | - | - | - | - |
| **Balance on September 30 2020** | | **272,464** | **65,711** | **3,001** | **8,787** | **(4,889)** | **231,271** | **576,345** |

**Sorin Apostol**
Chief Executive Officer

**Giani Kacic**
Chief Financial Officer

**Iuliana Mihaela Urda**
Chairman of the Board of Directors

**IMPACT DEVELOPER & CONTRACTOR S.A.**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE PERIOD FROM 2020 ENDED ON 30 SEPTEMBER 2020**
**(all amounts are expressed in thousand RON, unless stated otherwise)**

| | Note | Share capital | Share premium | Revaluation reserve | Other reserves | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on January 1st 2019** | | **285,330** | **68,760** | **3,064** | **730** | **(3,038)** | **94,020** | **448,866** |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 154,139 | 154,139 |
| Other comprehensive income | | - | - | - | - | - | 26 | 26 |
| **Total other comprehensive income** | | **-** | **-** | **-** | **-** | **-** | **154,165** | **154,165** |
| **Transactions with owners of the Company** | | | | | | | | |
| Own shares acquired during the year | 15 | - | - | - | - | (8,156) | - | (8,156) |
| Paid dividends | | - | - | - | - | - | (9,195) | (9,195) |
| Share capital reduction by cancelling shares | | (3,423) | - | - | - | 3,423 | - | - |
| **Other changes in equity** | | | | | | | | |
| Set up of legal reserves | | - | - | - | 8,058 | - | (8,058) | - |
| Transfer of reserves | | - | - | (63) | - | - | 63 | - |
| Revaluation reserves | | - | - | - | - | - | - | - |
| **Balance on December 31st 2019** | | **281,907** | **68,760** | **3,001** | **8,787** | **(7,771)** | **230,996** | **585,681** |

**Sorin Apostol**
Chief Executive Officer

**Giani Kacic**
Chief Financial Officer

**Iuliana Mihaela Urda**
Chairman of the Board of Directors

**IMPACT DEVELOPER & CONTRACTOR S.A.**
**STATEMENT OF CASH FLOW**
**FOR THE PERIOD FROM 2020 ENDED ON 30 SEPTEMBER 2020**
**(all amounts are expressed in thousand RON, unless stated otherwise)**

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit for the period** | **10,723** | **19,145** |
| **Adjustments for:** | | |
| Amortization of tangible non-current assets | 450 | 459 |
| Amortization of intangible non-current assets | 62 | 52 |
| Depreciation of tangible non-current assets, net | 77 | - |
| Depreciation of inventories | 2,004 | 2,637 |
| Depreciation of trade and other receivables, net | (198) | 1,344 |
| Land Donation | 5,906 | - |
| Income tax | 2,185 | 4,843 |
| Net changes in provisions for risk and charges | - | (6) |
| Interest expenses | 5,798 | 6,186 |
| Interest income | (4,651) | (2,924) |
| Foreign exchange differences, net | 2,192 | 1,815 |
| Other | 22 | - |
| | **13,846** | **14,406** |
| **Changes in:** | | |
| Inventories | 24,077 | 23,102 |
| Trade and other receivables | (1,450) | (7,390) |
| Trade and other payables | 686 | 8,998 |
| **Cash from operating activities** | **20,856** | **58,260** |
| Income tax paid | (4,766) | (5,728) |
| Interest paid | (4,985) | (6,279) |
| **Net cash from operating activities** | **38,132** | **46,253** |
| **Cash flows from investing activities:** | | |
| Acquisitions of tangible non-current assets and investment property, net | (3,319) | (6,759) |
| Acquisitions of intangible non-current assets | (40) | (113) |
| **Net cash used in investing activities** | **(3,359)** | **(6,872)** |
| **Cash flow from financing activities:** | | |
| Dividends paid | (10,344) | (3) |
| Loan repayments | (16,532) | (37,565) |
| Loan proceeds | 20,299 | 41,030 |
| Loans granted to affiliates | (37,386) | (37,069) |
| Repayment of loans granted to affiliates | 2,331 | 2,225 |
| Acquisitions of own shares | (9,610) | (4,881) |
| Other | 30 | - |
| **Net cash from (used in) financing activities** | **(51,273)** | **(36,263)** |
| **Net increase/ (decrease) of cash and cash equivalents** | **(14,499)** | **3,118** |
| **Cash and cash equivalents on January 1** | **35,357** | **26,676** |
| **Cash and cash equivalents on September 30** | **18,858** | **29,794** |

| | | |
|---|---|---|
| **Sorin Apostol** | **Giani Kacic** | **Iuliana Mihaela Urda** |
| Chief Executive Officer | Chief Financial Officer | Chairman of the Board of Directors |

## 1. REPORTING ENTITY

Impact Developer & Contractor S.A ("the Company") is a Company registered in Romania whose business object is real estate development.

The registered office of the Company is Willbrook Platinum Business & Convention Center, 172 -176 Sos. Bucuresti-Ploiesti, Building A, 1st floor, district 1, Bucharest.

The shareholding structure on September 30, 2020 is described in Note 12.

The Company controls several other entities and prepares consolidated financial statements. According to the provisions of Law no. 24/2017, these entities are required to also prepare individual financial statements.

The Company is one of the first companies active in real estate development sector in Romania, being established in 1991 through public subscription. Initially, its main activities were rental and maintenance of deluxe villas in the Bucharest area. In 1995, the Company introduced the residential concept on the Romanian market and, consequently, progressively changed into a pure real estate developer. Since 1996, the Company is listed at the Bucharest Stock Exchange (BVB).

During the first 9 months of 2020, Impact's activity was mainly focused on the development of the Greenfield residential project in Bucharest and Boreal Plus in Constanta.

## 2. THE BOARD OF ADMINISTRATION

The Board of Administration represents the decision-making body on all significant aspects for the Company as a whole due to its strategic, financial or reputational implications. The Board delegates the management powers of the Company, under the conditions and to the extent provided for by law and by the Articles of Association.

The Board of Administration consists of 5 members:

- Iuliana Mihaela Urda, chairperson of the Board of Administration
- Intrepid Gem SRL, through Ion Petru Vaduva, Administrator
- Ruxandra-Alina Scarlat, Administrator
- Daniel Pandele, Administrator
- Laviniu Dumitru Beze, Administrator

### Executive Management of the Company

On 29.01.2020 the Board of Administration of Impact decided to appoint Mr. Apostol Sorin as General Manager of the Company for 6 (six) months, starting with 01.02.2020, with the option to change it to a permanent designation. He replaced Mr. Bogdan Ionut Oslobeanu, who requested his mandated to be terminated to follow other carrier opportunities, starting with de 31.01.2020.

On 27.07.2020, the Board of Directors of Impact decided to extend the General Manager mandate for Mr. Apostol Sorin for 12 months starting 02.08.2020.

## 3. BASIS OF PREPARATION

These financial statements have been prepared according to the International Financial Reporting Standards adopted by the European Union („EU IFRS").

### Going concern principle

The financial statements have been prepared according to the going concern principle, at the historical cost, except for the revaluation of certain properties and financial instruments that are measured at their revalued amounts or fair values. The historical cost is generally based on the fair value of the consideration granted in exchange for goods and services.

## 4. FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements are presented in Romanian Lei („RON"), this being also the functional currency of the Company. All financial information is presented in thousand RON.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been constantly applied by the Company, for all periods presented in these Financial Statements.

The significant accounting policies are presented below.

### (a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company's entities using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currency at the date of reporting are translated to the functional currency at the exchange rate prevailing at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rate prevailing at the date of the determination of fair value. The non-monetary elements denominated in a foreign currency that are valuated at their historical cost are converted using the exchange rate prevailing at the date of transaction.

The exchange rate differences resulted from translation are recognized in the statement of profit or loss and other comprehensive income.

### (b) Tangible non-current assets

Land and buildings held for use in production, or for administrative purposes, are stated in the statement of the financial position at their revalued amounts, which is the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Any revaluation increase arising from the revaluation of such land and buildings is credited to the non-current assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recorded as an expense, in which case the increase is credited to the profit or loss account to the extent that the decrease was previously expensed. A decrease in the book value arising from the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the non-current assets revaluation reserve relating to a previous revaluation of that asset.

The depreciation of revalued buildings is recorded in the profit or loss account. On the subsequent sale or transfer of a revalued property, the attributable revaluation surplus remaining in the non-current assets revaluation reserve shall be transferred directly to retained earnings.

The land shall not be depreciated.

Fixtures and equipment are stated at their cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, as follows:

The estimated useful lives of tangible non-current assets are as follows

- buildings 40 years
- plant, equipment and vehicles 3–5 years
- fixtures and fittings 3–12 years

The estimated useful lives, residual values and depreciation method are revised on each reporting date.

## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Intangible non-current assets acquired separately

Intangible assets with finite useful lives that acquired separately are recorded at their cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are revised at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible non-current assets with indefinite useful lives that are acquired separately are valuated at their cost less accumulated impairment losses.

### (d) Investment properties

Investment properties, representing properties held for the purpose of earning rentals and/or for capital appreciation (including properties under construction for such purposes) are valuated initially at their cost, including transaction costs. Subsequent to initial registration, investment properties are valuated at their fair value.

All investment properties held by the Company for the purpose of earning rentals and/or for capital appreciation are recorded as investment properties and are measured using the fair value model. Profits or losses arising from changes in the fair value of investment properties are included in the profit or loss account in the period during which they arise.

When the use of a property is changed, so that it is reclassified as a tangible non-current asset or inventories, its fair value as of the date of reclassification becomes the cost of the non-current asset for the purpose of subsequent registration.

An investment property is de-registered upon transfer or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the transfer. Any profit or loss arising from the derecognition of the property (calculated as the difference between the net proceeds from the transfer and the book value of the asset) shall be included in the profit or loss account in the period during which it is de-registered.

### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost comprises direct materials and, where applicable, direct labour costs and overheads costs that have been incurred for bringing the inventories to their current location and condition. The net realisable value represents the estimated sale price less all estimated costs of completion and the costs to be incurred for marketing, sale and distribution.

### (f) Trade and other receivables

Regular trade receivables, excluding derivative financial instruments do not carry any interest and are valuated at their nominal value as reduced by appropriate provisions for estimated unrecoverable amounts. The book value of the trading transactions and of other receivables that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows generated by the asset expire or when transferring the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substentially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amounts it might have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company shall continue to recognize the financial asset and also a secured loan for the received proceeds.

## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Cash and cash equivalents

Cash and cash equivalents include the cash held by the Company, as well as short term bank deposits with an original maturity of less than three months and that are subject to an insignificant risk of changes in value.

### (h) Share capital

- **Ordinary shares**

Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity at its value net of any fiscal effects.

- **Repurchase and reissue of ordinary shares (treasury shares)**

When the share capital recognised as equity is repurchased, the amount of the consideration paid, which includes also other directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as treasury share reserves. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity and the surplus or deficit resulting from the transaction is presented as a share premium.

### (i) Dividends

Dividends are recognised as liabilities in the period when their allocation is approved.

### (j) *Own shares*

Own shares consist of treasury shares and shares held within an employee benefit plan. The Company has an employee benefit plan designed to satisfy the exercise of share purchase options that have been vested under the Company's share purchase option schemes.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds from the original cost being recovered in retained earnings. No profit or loss is recognised in the performance statements on transactions in own shares.

### (k) Loans

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs.

- **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to the profit or loss account when the qualifying asset impacts the profit or loss.

To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned from the temporary investment of specific loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss account in the period in which they are incurred.

## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Trade and other payables

Regular trade payables are not interest-bearing and are stated at their nominal value. Long-term trade payables, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. The book value of trade and other payables that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the book value of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss account.

### (m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Company will be required to settle that obligation and a reliable estimate can be made related to the amount of that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation on the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its book value shall be the updated value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (n) Revenues

The Company has initially applied IFRS 15 starting 1 January, 2018.

Revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Revenue comprises the fair value of the consideration received or receivable, net of value added tax. Revenue and profit are recognized as follows:

*(i) Revenue from sale of residential properties*

Revenue from sale of residential properties during the ordinary course of business are valued at fair value of the amount collected or to be collected on legal completion. The revenues are recognised when the significant risks and rewards of ownership have been transferred to the customer, this is deemed to be when title of the property passes to the customer on legal completion, the associated costs and possible return of goods can be estimated reliably. This is the point at which all performance obligations are satisfied and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable for certain rebates to be granted, and their value can be measured reliably, then these are recognised as a reduction of the revenues when the sale revenues are recognised. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the payment is almost always less than one year, the company has also instalments payments over a period more than one year but those are not significant.

## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(ii) Revenues from re-charging utilities*

The revenues from recharge of utilities are recognised when they are realised, together with the utilities expenses invoiced by the suppliers. The Group recharges the utilities under the form of administrative costs. These revenues refer to the rented properties, to the properties sold without the transfer of ownership (sales in installments) and to the sales of properties fully paid, up to the moment when the buyer concludes contracts with the utilities suppliers in their own name.

### (o) Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

- **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the profit and loss account, because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted until the balance sheet date.

- **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable based on differences between the book value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, and deductible temporary differences can be applied thereto.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising from investments in subsidiaries and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax is measured on a non-updated basis using the tax rates and laws that have been subsequently enacted or substantially enacted, until the balance sheet date.

The book value of deferred tax receivables is revised on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the profit or loss account, except where it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

### (p) Share-based payments

The Company has applied the requirements of IFRS 2 'Share-based payment'. The Company makes equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value on the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting the effect of vesting conditions that do not depend on the market price.

## 5. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Financial instruments – fair values and risk management

The risk management function within the Company is related to financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and - then ensure that exposure to risks stays within these limits.

### (r) Operating leases

Rentals payable under operating leases are charged to the profit or loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also registered on a straight-line basis over the lease term.

### (s) Contingent liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or several uncertain future events not entirely within the control of the Group; or

(b) a present obligation that arises from past events that is not recognized because:

i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. the amount of the obligation cannot be measured with enough reliability.

Contingent liabilities are not recognized in the Company's financial statements, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or several uncertain future events not entirely within the control of the Company.

A contingent asset is not recognized in the Company's financial statements but disclosed when an inflow of economic benefits is probable.

### (t) Subsequent events

Events occurring after the reporting date September 30, 2020, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements. When the going concern, assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

### (u) Segmental reporting

The Group operates only in Romania. The main operating segment is be considered the development of real estate.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 5, the directors (managers) are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the book values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (i) Fair value measurements and valuation processes

Valuation and recoverable amounts of the property developed for sale, investment property and property, plant and equipment.

The Company has obtained a report from an international valuation company, Colliers Valuation and Advisory SRL, setting out the estimated market values for the Company's investment property, property developed for sale and property, plant and equipment in their current state. The most recent real estate investment assessment took place on December 31st. 2019. Colliers is an independent professionally qualified valuation specialist who holds a recognized relevant professional qualification and has recent experience in the locations and categories of the valued properties. The valuation was based on the assumption as to the best use of each property by a third-party developer.

For inventory the development projects' recoverable amount was determined based on the best estimates of future cash flows, supported by the terms of any existing contracts and by external evidence such as current market prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

For investment property assets are mainly valued using the sales comparison approach. The key assumptions underlying the market value of the groups land assets are:

- the selection of comparable land plots resulting in order to determine the "offer price" which is taken as the basis to form an indicative price
- the quantum of adjustments to apply against the offer price to reflect deal prices, and differences in location and condition.

The key inputs are summarized in note 8. The valuation is highly sensitive to these variables and adjustments to these inputs would have a direct impact on the resulting valuation.

The management considers that the valuation of its property developed for sale and investment property is currently subject to an increased degree of judgment and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

### (ii) Transfers of assets both from and to investment property

IAS 40 (investment property) requires that transfers from and to investment property are evidenced by a change in use. Conditions which are indications of a change in use are judgemental and the treatment can have a significant impact on the financial statements since investment property is recorded at fair value and inventory is recorded at cost.

- For the Ghencea and Barbu Vacarescu projects, management has taken the view that legal restrictions on the use of assets are an indication of change in use and Consequently these assets are reclassified to investment property and recorded at fair value as at the balance sheet date.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

For the Greenfield project, management consider that activities with a view to sale have not yet commenced on phases which are projected to be developed more than two years from the balance sheet date. Consequently, these assets continue to be accounted for at fair value within investment property.

Had different judgements been applied in determining a change in use, then the financial statements may have been significantly different as a result of the differing measurement approach of inventories and investment properties.

## 7. Legal issues

The management of the Company analyses regularly the status of all ongoing litigations, and, following a consultation with the Board of Administration decides upon the necessity of recognizing provisions related to the amounts involved or their disclosure in the individual financial statements.

On 30 September 2020, a subsidiary company is engaged in a dispute with Cluj City Council. The company is seeking reimbursement of costs amounting to RON 17 million plus expenses. Based on advice from the Groups lawyers, management believes that the outcome of the case will not result in an adverse outcome in these financial statements. However, the matter is judgmental and, in the event, that recoveries are less than the carrying value of the asset then a financial loss will result.

## 8. Cost allocation

In order to determine the profit that the Company should recognize from its developments in a specific period, the Company has to allocate site-wide development costs between units sold in the current year and to be sold in future years. Industry practice does vary in the methods used and in making these assessments there is a degree of inherent uncertainty. In the event that there is a change in future development plans from those currently anticipated then the result would be fluctuations in cost and profit recogntion over different project phases.

## 9. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted and applied the following accounting standards issued by the International Accounting Standards Board that are mandatory for financial years beginning on or after 1 January 2019.

- **IFRS 16:** Leases
- **IFRS 9:** Prepayment features with negative compensation (Amendment)
- **IAS 28:** Long-term Interests in Associates and Joint Ventures (Amendments)
- **IAS 19:** Plan Amendment, Curtailment or Settlement (Amendments)

The impact of the adoption of these new standards on the Group's financial statements is explained below. None of these standards had a material impact on the financial statements of the Company.

- **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The adoption of IFRS 16 did not have a material impact on the Company's financial statements.

## 9. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28.

The adoption of IAS 28 amendments did not have a material impact on the Company's financial statements.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The adoption of IFRIC INTERPETATION 23 did not have a material impact on the Company's financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.**

  - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  - **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

  - **IAS 23 Borrowing Costs**: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The Company asesses that none of these amendments have a significant impact on the financial statements.

**(all amounts are expressed in thousand RON, unless stated otherwise)**

## 10. INVESTMENT PROPERTIES

**Reconciliation of book value and investment properties**

| | 30-Sep-20 | 31-Dec-19 |
|---|---|---|
| **Balance on January 1st.** | **383,285** | **217,113** |
| Additions | 2,935 | 12,300 |
| Entries by transfer | - | 95,381 |
| Disbursements by transfer | - | (85,130) |
| Disposals | (498) | (939) |
| Changes in fair value on projects transferred from inventory | - | 144,559 |
| **Balance on September 30 / December 31st.** | **385,722** | **383,285** |

Investment properties mainly include land held for capital increase or lease towards third parties. During the first 9 months of 2020, the Company has acquired land with an area of 3,629 sqm and an acquisition value of 2,935 thousand RON.

***Valuation processes***

The Company's investment properties were valued at December 31, 2019 by independent professionally Colliers Valuation and Advisory SRL, external, independent evaluators, authorized by ANEVAR, having recent experience regarding the location and nature of the properties evaluated.

For all investment properties, their current use equates to the highest and best use. Below there is description of the valuation technique used in determination of the fair value of investment property.

The land held for capital appreciation, amounting 386,968 thousand RON as at September 30, 2020 (2019: 384,343 thousand RON), with a total surface of 547,983 sqm (2019: 544,354 sqm). As at September 30, 2020, 485,961 sqm of this land is located in Bucharest and 62,022 sqm in other regions (Constanta, Oradea).

***Fair value hierarchy***

Based on the inputs to the valuation technique, the fair value measurement for investment property has been categorized as Level 3 fair value at December 31st, 2019. This assessment is deemed appropriate considering the adjustments of the date for comparable lands and of the construction assessments. These adjustments are based on location and condition and are not directly observable. There were no transfers from levels 1 and 2 to level 3 during the year.

***Valuation techniques***

The following table presents the valuation techniques used in the determination of the fair value of investment properties categorized as a Level 3 fair value

| **Approach** | **Key inputs** |
|---|---|
| The fair values are determined through the application of the market comparison technique. The valuation model is based on a price per square meter for both land and buildings, derived from data observable in the market, in an active and transparent market. The valuation derived by the external expert were adjusted downwards by management to take into account the legal status of certain assets. | • Offer price per square meter for land in Bucharest (98 Euro /square meter up to 200 Euro per square meter) (2018: 93 Euro /square meter up to 149 Euro per square meter)<br>• Adjustments to observable offer prices to reflect deal prices, location and condition (-25% discount +30% premium) (2018: -22% discount to 5% premium). |

(all amounts are expressed in thousand RON, unless stated otherwise)

## 11. INVENTORIES

| | 30-Sep-20 | 31-Dec-19 |
|---|---|---|
| Finished products and products intended for resale | 29,431 | 64,685 |
| Residential projects: | | |
| - Land | 116,430 | 121,925 |
| - Development and construction costs | 23,938 | 15,177 |
| | **169,799** | **201,787** |

Land with a book value of 116,430 thousand RON on September 30, 2020 consists of land held by the Company for the development of new residential properties, mainly in Bucharest, as well as land that the Company intends to trade by direct sale.

Completed investment properties with a book value of 29,431 thousand RON on September 30, 2020 relate entirely to apartments held for sale purposes by the Company.

## 12. FINANCIAL ASSETS

| | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| Participation in affiliates | 64,354 | 64,324 |
| Provisions for impairment of participation in affiliates | (8,133) | (8,133) |
| | **56,221** | **56,191** |

The Company holds participations in the following affiliates:

| | 30 September 2020 | | | |
|---|---|---|---|---|
| | **Percentage** | **Gross value** | **Impairment** | **Book value** |
| Actual Invest House | 6.23% | 110 | (110) | - |
| Clearline Development & Management | 100% | 22,420 | (8,023) | 14,397 |
| Bergamot Developments | 99% | 41,791 | - | 41,791 |
| Bergamot Developments Phase II | 99% | 1 | - | 1 |
| Impact Finance & Developments | 99% | 1 | - | 1 |
| Greenfield Rent | 99% | 1 | - | 1 |
| Star Residence Invest | 99% | 30 | - | 30 |
| | | **64,354** | **(8,133)** | **56,221** |

**(all amounts are expressed in thousand RON, unless stated otherwise)**

## 12. FINANCIAL ASSETS (continued)

| | 31 December 2019 | | | |
|---|---|---|---|---|
| | **Percentage** | **Gross value** | **Impairment** | **Book value** |
| Actual Invest House | 6.23% | 110 | (110) | - |
| Clearline Development & Management | 100% | 22,420 | (8,023) | 14,397 |
| Bergamot Developments | 99% | 41,791 | - | 41,791 |
| Bergamot Developments Phase II | 99% | 1 | - | 1 |
| Impact Finance & Developments | 99% | 1 | - | 1 |
| Greenfield Rent | 99% | 1 | - | 1 |
| | | **64,324** | **(8,133)** | **56,191** |

Clearline Development & Management SRL hold the rest of 93.77% in Actual Invest House S.R.L.

a) Actual Invest House S.R.L is a company that provides management services for residential projects developed by Impact Developer & Contractor SA.

b) Clearline Development & Management S.R.L. (formerly Lomb SA) is the project company through which IMPACT was to develop a residential project in Cluj-Napoca in partnership with the local authority. For investments made by Clearline Development & Management SRL in the development of the Lomb project in Cluj, the project company, as plaintiff, has a litigation amounting to 17,053 thousand RON, plus legal interest, a case that is currently pending with the Arges Court and currently, evidence (expert report) is submitted in the case. On September 11, 2017, by the Decision of the Board of Directors of Impact, the share capital of the company Clearline was increased by new contributions in cash, with the amount of 20,000 RON.

c) Bergamot Developments S.R.L. is a company within the Group, whose main business object is in real estate development, and starting 2018 shall develop a residential complex of approximately 51,382 sq. m., namely 500 apartments, on a land of approximately 17,213 sq. m., which is the first phase of the residential project Luxuria Domenii Residence, comprising a total area of app. 65,000 sq. m. built on a land of app. 22,982 sq. m. located in Bucharest, in the Expozitiei-Domenii area.

d) Bergamot Developments Phase II S.R.L. is a company within the Group, whose main business object is in real estate development, about to develop phase II (130 apartments) of the residential project Luxuria Domenii Residence, with an area of 13,618 sq. m., built on a land of 5,769 sq. m.

e) Impact Finance & Developments S.R.L. plays a major role in the diversification of services related to the sale of residences. Impact Finance&Developments collaborates with major financial institutions in Romania in order to provide solutions for attractive credit facilities for customers who acquire residences.

f) Greenfield Rent S.R.L. is a company within the group having as main object of activity the lease and sublease of its own or of rented property has been incorporated in December 2019.

g) Star Residence Invest S.A. is a company within the group having as main object of activity the lease and sublease of its own or of rented property has been incorporated in October 2020.

(all amounts are expressed in thousand RON, unless stated otherwise)

## 13. CASH AND CASH EQUIVALENTS

| | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| Current accounts | 18,837 | 35,346 |
| Cash | 13 | 4 |
| Cash advance payments | 9 | 7 |
| | **18,858** | **35,357** |

## 14. SHARE CAPITAL

| | 30-Sep-20 | 31-Dec-19 |
|---|---|---|
| Balance on January 1 | 281,907 | 281,907 |
| Share capital changes | (9,444) | - |
| Balance on September 30 /December 31 | **272,264** | **281,907** |

Shareholding structure at the end of the reporting periods was the following:

| | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| | % | % |
| Gheorghe Iaciu | 58.85% | 56.82% |
| Andrici Adrian | 15.98% | 15.43% |
| SWISS CAPITAL | 12.54% | 12.22% |
| Other shareholders | 12.63% | 15.53% |
| | **100%** | **100%** |

All shares are ordinary and have the same ranking in terms of the Company's residual assets. The nominal value of a share is 1 RON. The holders of ordinary shares are entitled to receive dividends, as declared after various time periods, and to one vote for every share at the Company's meetings.

## 15. OWN SHARES

In accordance with the Company's articles of association, authority was sought at the AGM dated 15.06.2017 to purchase up to 2.56% of the company's shares in issue as at the date of the decision. (Maximum 7,000,000 shares). The authority, that has been exercised, was approved and remains exercisable for 24 months from the approval date.

At the AGM dated 24.04.2019, the buy back of a maximum number of 10,000,000 (ten millions) shares, for a maximum period of 18 months from the date the resolution is published the Romanian Official Gazette, representing a maximum of 3.60 % of the subscribed and paid in share capital, representing a maximum of 3.60 % of the paid in share capital on the date of the resolution.

The own shares reserve represents the cost of shares in IMPACT purchased in the market, to satisfy options and conditional share awards under the Company's share option plans.

On September 30, 2020 the Company's balance shows 3,783 thousand own shares, at an average price of 1,0854 RON/share, with a book value of 4,888 thousand RON (2019: 7,771 thousand RON). In July 2020, 9,443,532 own shares were cancelled. In the first 9 months of 2020, the Company has not granted any shares to the employees.

## 16. LOANS

This note provides information related to the contractual terms of interest-bearing loans of the Company, valuated at amortized cost.

| | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| **Long-term liabilities** | | |
| Secured bank loans | - | - |
| Issued bonds | 86,996 | 115,723 |
| | **86,996** | **115,723** |
| **Short-term liabilities** | | |
| Current portion of secured bank loans | - | - |
| Short-term loans and bonds | 37,368 | 1,765 |
| | **37,368** | **1,765** |

**Loan terms and maturity**

The loan terms and conditions are the following:

| Lender | Currency | Maturity | Loan value in the original currency | Balance on 30/09/2020 (thousand RON) | Balance on 31/12/2019 (thousand RON) |
|---|---|---|---|---|---|
| **Loans** | | | | | |
| Credit Value Investments | EUR | 11.07.2021 | 12,000 | 58,966 | 58,586 |
| Bondholders through Bucharest Stock Exchange S.A. | EUR | 12.12.2022 | 12,060 | 59,020 | 58,902 |
| Libra Internet Bank | RON | 17.07.2020 | 19,700 | 6,378 | - |

The interest rate applicable to the Company is between 5.3% and 7.05% for loans in RON.

On July 10, 2017, the Company has offered for subscription 120 A-series bearer bonds with a nominal value of 100 thousand EUR each and a total nominal value of 12,000 thousand EUR, issued in material form, to two investment funds managed by Credit Value Investments Sp. z o. o. (CVI). The bonds were issued on July 11, 2017 and are due on the anniversary of 54 months since their issuance, provided that, after 42 months from the issuance date, the Company repurchases mandatorily 50% of the nominal value of the Bonds. The bonds are interest-bearing, at a fixed rate of 6.00% per annum, payable twice a year.

Bonds are mainly secured by a first-rank mortgage covering the obligations arising from the Bonds, up to the maximum secured value of 18,000 thousand EUR (eighteen million Euros), established over nine plots of land with a total area of 196,407 sq. m. located in Bucharest, District 1, Romania, exclusively owned by the Company, and over their accessories. The Company has an anticipated Bond repurchase option, which may be exercised starting with the second payment date of the interest, provided that the minimum value of the repurchase is 1,000 thousand EUR.

The Bucharest Stock Exchange has approved the request to trade on the regulated market managed by the Bucharest Stock Exchange the non-secured bonds issued by the Company, at a fixed annual interest of 5.75% denominated in EUR, with a maturity of 5 years and a total nominal value of 12,060 thousand EUR.

The Bonds were issued based on the offer addressed to the Eligible Investors, as defined in the prospect issued on November 28, 2017, approved by ASF by the approval decision No. 1710 dated November 28, 2017, altered by the amendment dated December 8, 2017, approved by ASF by the approval decision No. 1766 dated December 8, 2017 and by the amendment dated December 13 approved by ASF by the approval decision No. 1816 dated December 13, 2017.

(all amounts are expressed in thousand RON, unless stated otherwise)

As at 30 September 2020, Impact has repurchased a number of 93 bonds with a nominal value of 5,000 EUR / bond.

In July 2020, the extension of the credit line from Libra Internet Bank was approved until 17.07.2021.

## 17. TRADE AND OTHER PAYABLES

| | 30-Sep-2020 | 31-Dec-2019 |
|---|---|---|
| **Non-current liabilities** | | |
| Guarantees | 330 | 330 |
| | **330** | **330** |
| **Current liabilities** | | |
| Trade payables | 2,231 | 3,225 |
| Customer deposits | 2,897 | 1,721 |
| Divides payable | 304 | 199 |
| Payable to affiliates | 404 | 275 |
| Other payables | 16,807 | 19,117 |
| | **22,643** | **24,537** |
| **Total liabilities** | **22,973** | **24,867** |

## 18. PROVISIONS FOR RISK AND CHARGES

| | Provisions for litigation | Other provisions | Total |
|---|---|---|---|
| **Balance on January 1, 2020** | **319** | **588** | **907** |
| Provisions established during the period | - | - | - |
| Provisions carried forward during the period | - | - | - |
| **Balance on September 30, 2020** | **319** | **588** | **907** |

## 19. REVENUE

The Company's revenue is presented as follows:

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Revenue from sale of residential properties | 72,553 | 100,550 |
| Other revenues | 1,361 | - |
| | **73,914** | **100,550** |

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Rental income | 338 | 267 |
| Income from utilities recharge | 3,134 | 2,902 |
| Operating expenses directly related to rented properties | (2,694) | (3,081) |
| **Net revenues from rental** | **778** | **88** |

(all amounts are expressed in thousand RON, unless stated otherwise)

## 20. GENERAL AND ADMINISTRATIVE CHARGES

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Consumables | 1,062 | 276 |
| Third-party services | 4,985 | 5,482 |
| Personnel expenses | 6,726 | 8,122 |
| | **12,772** | **13,880** |

## 21. OTHER OPERATING EXPENSES/INCOMES

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Other operating incomes (+) / expenses (-) | (1,329) | (646) |
| Rental charges | 329 | 416 |
| (Profit) / Loss from transfer of tangible non-current assets | 11 | 1 |
| (Income)/Expenses for fines and penalties | (22) | 184 |
| Other expenses | 6,472 | - |
| | **5,461** | **1,242** |

## 22. FINANCING COSTS/INCOME

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Interest charges | 5,673 | 6,606 |
| Interest income | (4,568) | (2,924) |
| Result from foreign currency exchange | 2,192 | 1,817 |
| Other financial reserves | 42 | 280 |
| | **3,339** | **5,779** |

## 23. PROFIT TAX

### *(i) Tax recognized in the profit and loss account*

| | 30-Sep-2020 | 30-Sep-2019 |
|---|---|---|
| Profit tax | 2,185 | 4,843 |
| **Total tax expenses** | **2,185** | **4,843** |

## 24. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Financial risk management

The Company is exposed to the following risks from the use of financial instruments:

- credit risk
- available cash risk
- market risk

**General framework for risk management**

The Company's risk management policies are defined in such manner as to ensure the identification and analysis of the risks faced by the Company, the determination of adequate limits and verifications, and the monitoring of risks and compliance with the set limits. Risk management policies and systems are revised on a regular basis to reflect the changes occurred in the market conditions and in the Company's activities. The Company, by its training and leadership standards and procedures, aims to develop an orderly and constructive control environment, where all employees understand their roles and responsibilities.

### (a) Credit risk

The credit risk is the risk that the Company suffers financial loss as a result of the failure by a customer to fulfill contractual his obligations or a consideration to a financial instrument, whereas this risk mainly results from the Company's trade receivables and financial investments.

**Trade and other receivables**

The Company's exposure to the credit risk is mainly influenced by the individual features of each customer. Nevertheless, the management also considers the demographic features of the Company's customer pool, including the non-payment risk specific for the business field and the country in which the customer operates, taking into account that all these factors affect the credit risk.

For the purpose of monitoring the credit risk related to customers, the Company checks monthly the payment arrears and takes the measures deemed necessary, on a case-by-case basis.

### (b) Available cash risk

The available cash risk is the risk that the Company encounters difficulties in the performance of its obligations associated to financial liabilities that are covered in cash or by the transfer of another financial asset. The Company's approach related to the available cash risk is to make sure, to the extent possible, that it permanently holds enough available cash amounts to pay its debts upon their maturity, both under normal circumstances and under stressful conditions, without suffering unacceptable loss or endangering the Company's reputation.

### (c) Market risk

The Company's activities expose it to the financial risk of a change in the foreign exchange rate and interest rate. The Company intends to manage the exposure to such risks by using fixed or variable rate loans, loans in foreign currency and derivate financial instruments.

*Foreign exchange risk*

The Company is exposed to the foreign exchange risk due to the sales, acquisitions and other loans denominated in a currency that is different from the functional currency of the Company's entities (Romanian Leu), mainly EUR.
The Company has not concluded any hedging agreements related to its obligations in foreign currency or to the exposure to the interest rate risk.

(all amounts are expressed in thousand RON, unless stated otherwise)

## 25. AFFILIATES

**Company's subsidiaries**

The Company's subsidiaries and the nature of their business are presented below:

| | Country of origin | Business object |
|---|---|---|
| Clearline Development & Management S.R.L. | Romania | Real estate development |
| Actual Invest House S.R.L. | Romania | Property management |
| Bergamot Developments S.R.L. | Romania | Real estate development |
| Bergamot Developments Phase II S.R.L. | Romania | Real estate development |
| Impact Finance & Developments S.R.L. | Romania | Activities ancillary to financial brokerage |
| Greenfield Rent SRL | Romania | Renting activities |
| Star Residence Invest S.A. | Romania | Renting activities |

Transactions and balances for affiliates in and for the period January – September 2020:

| | Transaction value on 30-Sep-2020 | Balance on 30-Sep-2020 |
|---|---|---|
| **Sale of goods and services** | | |
| **Subsidiaries** | | |
| Actual Invest House | 36 | 30 |
| Clearline Development & Management | 4 | 66 |
| Bergamot Developments | 972 | 1,006 |
| Bergamot Developments Phase II | 4 | 2 |
| Impact Finance & Developments | 25 | (3) |
| Greenfield Rent | 4 | 206 |
| | **1,045** | **1,307** |

| | Transaction value on 30-Sep-2020 | Balance on 30-Sep-2020 |
|---|---|---|
| **Acquisition of goods and services** | | |
| **Subsidiaries** | | |
| Actual Invest House | 920 | 469 |
| Clearline Development & Management | 6 | 1 |
| Bergamot Developments | - | - |
| Bergamot Developments Phase II | - | - |
| Impact Finance & Developments | - | - |
| Greenfield Rent | - | - |
| | **926** | **470** |

| | Transaction value on 30-Sep-2020 | Balance on 30-Sep-2020 |
|---|---|---|
| **Interest income** | | |
| **Subsidiaries** | | |
| Actual Invest House | - | - |
| Clearline Development & Management | 3 | 6 |
| Bergamot Developments | 2,836 | 8,020 |
| Bergamot Developments Phase II | 1,415 | 3,105 |
| Impact Finance & Developments | - | - |
| Greenfield Rent | 78 | 78 |
| | **4,332** | **11,209** |

(all amounts are expressed in thousand RON, unless stated otherwise)

| | Gross value | Impairment | Book value |
|---|---|---|---|
| **Granted loans** | | | |
| **Subsidiaries** | | | |
| Clearline Development & Management | 80 | - | 80 |
| Bergamot Developments | 55,532 | - | 55,532 |
| Bergamot Developments Phase II | 36,467 | - | 36,467 |
| Impact Finance & Developments | - | - | - |
| Greenfield Rent | 17,276 | - | 17,276 |
| | **109,355** | **-** | **109,355** |

## 26. SUBSEQUENT EVENTS

Impact closely monitors the effects of the Coronavirus pandemic and its effects on the real estate market and the economic environment in the country and will take all necessary measures to minimize the impact and respect its commitments towards customers, financers and shareholders.

The rapid development of the Covid-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects the assumptions and estimates used in determining to be affected. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

The Company's management does not opine that there are any events subsequent to September 30, 2020, until the approval date of these individual financial statements, which should be disclosed or adjusted.

| | | |
|---|---|---|
| **Sorin Apostol** | **Giani Kacic** | **Iuliana Mihaela Urda** |
| Chief Executive Officer | Chief Financial Officer | Chairman of the Board of Directors |