

IMPACT DEVELOPER & CONTRACTOR SA

REPORT of the Board of Directors For the year 2014



Translation from Romanian language

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1. PRESENTATION OF THE COMPANY

1.1. About IMPACT

IMPACT Developer & Contractor SA (IMPACT) is one of the first active companies in the field of real estate development in Romania, being established in the year 1991 by public subscription.

In 1995, The company has introduced in Romania the concept of “residential assembly”, becoming one of the most important players in this field. Since 1996, the company is quoted at the Bucharest Stock Exchange (BVB).

In 2006, company's shares were promoted to the 1st category of the Stock Exchange, becoming **the first** company in the real estate and construction sector that has done this. Since January 2015 IMPACT Developer & Contractor is part of the Premium category under the new local capital market segmentation.

In the past 20 years, IMPACT Developer & Contractor has completed 16 major projects totaling over 2,500 homes and 25,000 square feet of office and commercial spaces. On 31st of December 2014, the company was involved in residential developments located in four cities, each project having different sizes and being in various stages of completion. IMPACT activity is dominated by a major project: **GREENFIELD residential complex** Bucharest.

2014 is the year of redefining IMPACT, both in the field of residential developments, and in the field of strategic acquisitions of land in view of future developments.

In this regard, on November 6, 2014 took place the launch of Salcamilor complex - new development phase of GREENFIELD quarter.

Salcamilor complex completes the GREENFIELD complex, joining the five existing quarters – Blue, Rubin, Topaz, Onix and Quartz.

In the first stage, starting in 2014, inside Salcamilor complex were built nine blocks with 5 floors, consisting of 252 apartments with 2, 3 and 4 bedrooms each.

IMPACT makes constantly all the efforts in order to prove that it is customer-oriented, by being in line with the most specific needs of the consumer in this field. Implicitly, IMPACT proves a high level of adaptability to the specific market conditions, by succeeding in managing the existing realities and in identifying exploration resources of new business opportunities. To this end, the company's management continue to follow trends and market evolution and believes in innovation and reinvention of work processes, so that IMPACT Developer & Contractor remain among the leaders in the real estate market, locally and regionally.

1.2. Board of Directors

In accordance with the legislation in force and the articles of association of the company, the General Meeting of the Shareholders is the superior management and decision forum of the company, that decides upon its activity.

The company is led by the Board of Directors, composed of five administrators, natural persons:

- Iuliana Mihaela Urda, Chairperson of the Board of Directors;
- Lucian Claudiu Mateescu, Administrator and CEO;
- Gabriel Vasile, Administrator;
- Liviu Stan, Administrator;
- Konstantinos Tasoulas.

Mrs. Iuliana Mihaela Urda and Mr. Lucian Claudiu Mateescu were elected to the Board of Directors in the Ordinary General Meeting of 26 April 2013 by cumulative vote for a term of four years, until April 2017.



Mr. Gabriel Vasile was elected administrator in the Ordinary General Meeting of 16 September 2013, Mr. Liviu Stan was elected administrator in the Ordinary General Meeting of Apr. 25, 2014 and Mr. Konstantinos Tasoulas was appointed interim administrator on October 3, 2014 by the decision of the Executive Committee until the next Ordinary General Assembly.

During 2014, Mrs. Ecaterina Petre held the position of Administrator until April 25, 2014, when her responsibilities were taken over by Mr. Liviu Stan and Mrs. Draguta Mihaila served as Administrator until October 02 , 2014 when her responsibilities were taken over by Mr Konstantinos Tasoulas.

1.3 Executive Board of the Company

Lucian Claudiu Mateescu – General Manager

On June 14, 2013, the Board mandated in the position of CEO Mr. Lucian Claudiu Mateescu. Graduate of University of Bucharest, Faculty of Physics, he has an experience of over 10 years in real estate development. Between 2005 - 2011 he held the position of General Manager of Raptis Kavouras, real estate development company, and from 2011 until taking over the position of CEO at IMPACT, Mr. Mateescu has been shareholder and CEO of Devbon.

Bogdan Nicolae Geanta – Financial Manager

Bogdan Geanta graduated the Accounting Faculty and the Law School and has over 10 years experience in distribution, retail and real estate.

Responsible for financial planning of the business and for the daily monitoring of financial operations he is also responsible for the financial reporting and cost management.

Liviu Stan - Acquisitions Manager

Liviu Stan has an experience of over 20 years in the field of construction materials companies and has a rich experience in entrepreneurship, occupying the position of Managing Partner at the following companies: SC 2010 DufaTec SRL, SC Shop24Automatic LLC, in 2007-2010, SC Global Real Invest SRL, during 2004 - 2005, SC Dufa Romania SRL in 1997 - 2005. Since 2007 he developed his own real estate project - Nord Residence valued at 4.5 million euros.

The Acquisitions Manager coordinates and develops the acquisition policy of the company. Develops and expands the relationships with the network of providers and updates the partnerships with potential offerers.

1.4. Auditor of IMPACT

KPMG Audit SRL was designated by the resolution of the General Meeting of the Shareholders to audit the financial statements for the year 2014, prepared under the responsibility of the company management in accordance with the international standards – IFRS (including consolidated financial statements). The liability of the auditor towards the company and GMS is established by and limited according to law.

1.5 IMPACT on the Capital Market

Share price evolution IMPACT (feb.2014 – feb. 2015)

IMPACT DEVELOPER & CONTRACTOR SA is listed on the Bucharest Stock Exchange since 1996. Since 2006 its shares amounting at 277,866,574, are listed in the 1st category at Bucharest Stock Exchange, and since January 2015 IMPACT shares are traded on the Premium category, in accordance with the new segmentation of the BSE.



The market capitalization of the company by the end of 2014 was of 92 mil EUR.

Index evolution BET (feb.2014 – feb. 2015)

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

Among the holders of over 10% of the company shares at 31.12.2014 we mention: Gheorghe Iaciu with 49,04% and Andrici Adrian with 16,35% of the share capital.



By the end of 2014, 21.38% of shares were held by legal entities and 78.62% of shares were held by persons.

The BET index registered an increase of 9% during 2014, and IMP shares registered an increase of almost three times compared to the beginning of the year (1.4850 lei/share on 31.12.2014), after a sustained increase in the previous year.



The interest for IMPACT shares rose after Mr. Gheorghe Iaciu became one of the shareholders of the company, in March 2013.

In the period June – July 2014 was successfully completed the operation of capital increase with the amount of 80.000.000 lei, from 197.866.574 lei, to 277.866.574 lei, the 80.000.000 shares being integrally subscribed in two phases. In the 1st phase a number of 66.639.834 shares were subscribed, and in the 2nd phase 13.360.166 shares were subscribed.

2. CORPORATE GOVERNANCE

The Corporate Governance observes the Romanian legislation, aiming to ensure both accuracy and transparency regarding the results of the company and all shareholders have equal access to relevant information about the company.

IMPACT Developer & Contractor SA is administered in a single system, the leadership being provided by the CEO, under the supervision of the Board.

The elements of corporate governance are implemented in the company according to the Code of Corporate Governance adopted by the Board of the Stock Exchange in December 2007, the implementation starting with the 2010 annual report.

IMPACT Developer & Contractor SA submitted and will endeavor professional, legal and administrative measures to ensure consistency with the Code and transparent presentation of these results.

IMPACT Developer & Contractor SA published in a dedicated section on the company's website details of the GMS, respectively the convener, materials / documents related to the agenda, proxy forms, forms for voting by correspondence, draft resolutions.

The company also ensure the information of all shareholders immediately after the GMS, through the section dedicated to the website in connection with decisions taken in the General Meeting of Shareholders and detailed results of the vote. The company also makes available to the shareholders / investors current reports, releases, financial calendar, annual, half-yearly, quarterly reports. The direct relationship with investors is provided by a designated person, dedicated to informing the shareholders according to the questions addressed in writing or by telephone.

Since 2014, IMPACT has adopted the following documents substantiating the corporate governance:

The anticorruption code

Code of conduct

Ethical values of the company

Policy for health and safety at work, employment, environment

Reporting Policy



3. ACTIVITY OF IMPACT IN 2014

3.1. Romanian Real Estate Market and Economy in 2014 - Overview.

GDP

2014 Romania registered a growth of 2.9% compared to the previous year, the engines of evolution being the industry, the communications and net taxes on products, according to the data provided by the National Statistics Institute (INS).

According to INS, gross domestic product last year stood at 669.5 billion lei (150.8 billion euros). To the GDP growth, the industry has had a contribution of 0.9% and a 24% share of its formation, is shown in the National Institute of Statistics communicate.

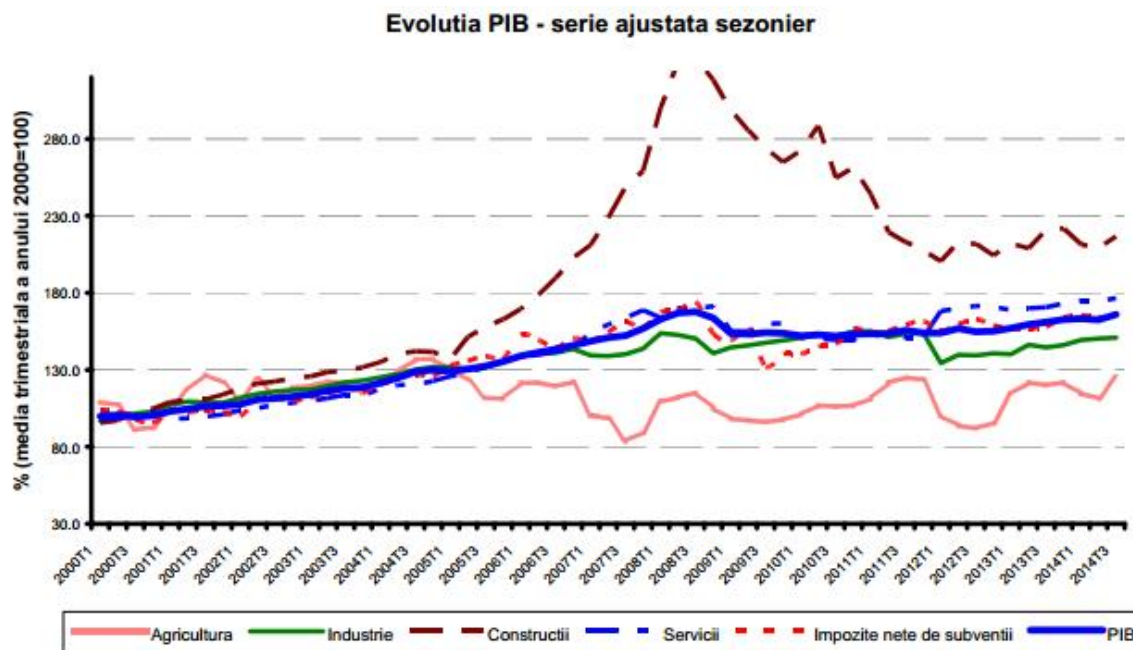
Also, the information and communication sector, with an additional volume of activity of 11%, had a 0.6% contribution to GDP growth at a 6% share in its formation.

A positive contribution had the net taxes on products (0.4%), whose share in GDP was 11.5% and their volume grew by 3.4%.

Also, contributions to economic growth 0.3% each were brought by the categories of wholesales and retail, as well as the professional activities.

Agriculture, forestry and fishing have brought a 0.1% economic growth last year, and also the activities such as arts, entertainment and recreation, repair of household goods and other services. The building sector represented a neutral sector, with "zero" contribution and also the category of public administration and defense.

On the other hand, reducing the activity volume of financial intermediation and insurance sector by 2.7% had a negative impact on GDP growth, its contribution to the economic growth being of -0.1%.



Source: INS

In terms of GDP use, the most important contributions to its growth have had final consumption expenditure of households (+ 2.9%), accounting for 60.9% of GDP and whose volume increased by 4.9% and final consumption expenditure of general government (+ 0.6%), accounting for 14.2% of GDP use and whose volume increased by 3.8%.

As a result of the decrease in gross fixed capital formation volume by 3.6%, it had a negative contribution to GDP growth of 0.8%.

Unemployment Rate

The registered unemployment rate at the end of December 2014, nationwide, was 5.29%, up 0.11 percentage points compared to that in November of 2014 and lower by 0.36 percentage points compared to that of the month December 2013.

In terms of total number of unemployed registered with the county agencies for employment at the end of December 2014, it was higher by 9489 people compared to the end of the previous month, reaching 478,338 people.

Inflation rate

In 2014 inflation stood at 1.07% y / y, evolution in deceleration from 4% / year in 2013. This development was mainly determined by factors that influenced the aggregate demand, in a context characterized by the contraction of productive investments : crop production in 2013/2014; significant decline in international prices of crude oil in the second half of 2014; dynamics of import prices in the context of deflation spectrum in the Eurozone.

Real Estate market

In 2014, the overall real estate market activity was noticeably more intense than the previous year - the volume of investments amounted in 2014 to about 2 billion euros. Last year confirmed the end of the crisis and the repositioning of the market. Estate developments were resumed and are better connected to the demand and market needs, the banks showing again increasing availability to end customer lending, while customers prove to be more informed and more careful on which real estate to choose.

In 2014, the number of new delivered homes increased up to 7,500 units in the Capital city and 45,000 in total according to National Statistics Institute. Positive signals came also from the number of concluded transactions that reached last year from about 800,000 with more than 100,000 over the level of the year 2007 and in growth with 50,000 compared to 2013.

The fact that customers' confidence in real estate investments increased results not only from the number of offers, higher by 25% compared to the previous year, but also from the demand directly proportional to this, with 62% higher than in 2009, according to the National Statistics Institute. The harmonization of the demand-supply relation explains the stability in terms of house prices, with oscillations in the range of $\pm 2-3\%$.

3.2. Strategic Directions and Activity Lines of IMPACT in 2014

Year 2014 was marked by the restart of the development activity respectively 9 blocks with 252 apartments in Salcamilor complex, located in the GREENFIELD quarter, according to the company's development strategy, established in September 2013 General Meeting of Shareholders.



The capital increase from 2014 allowed besides starting a new stage of development of the GREENFIELD quarter and purchase in September 2014 of a land located in Bucharest, Barbu Vacarescu Blvd., for a new future property development (was purchased a 1/3 share of ownership of the real estate property consisting of 5 plots with a total area of 78,970 square meters). The land was acquired due to the positioning in an area of intense development and due to its excellent purchase price.

This acquisition is part of the company's strategy for the period 2014-2018, development of a new large project in Bucharest.

In 2014, IMPACT has contracted two credit facilities totaling 18 million lei from Banca Transilvania, in order to complete the works at Salcamilor complex - the new residential development of the Greenfield project.

One of the main priorities of the management team led by Mrs. Iulia Urda and by Mr. Lucian Mateescu, was the most efficient adaption to the new market conditions by measures to:

- (i) improve the competitiveness of the company's products by developing apartment concepts tailored to the residential market demand at a very good price / quality ratio;
- (ii) adjust the prices of the dwellings existing in the portfolio in order to better respond to the market needs and provide the necessary cash flow to the company;
- (iii) urbanization and viability with utilities of the lands from the portfolio in order to ensure their liquidity;
- (iv) decrease of the indebtedness degree and rescheduling of the loan contracts.

3.3. Main Objectives of IMPACT in the Year 2014:

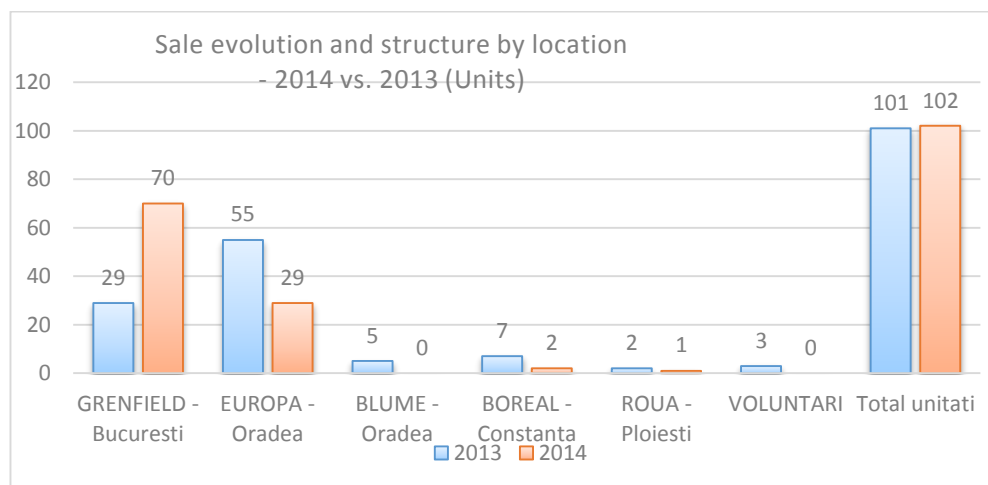
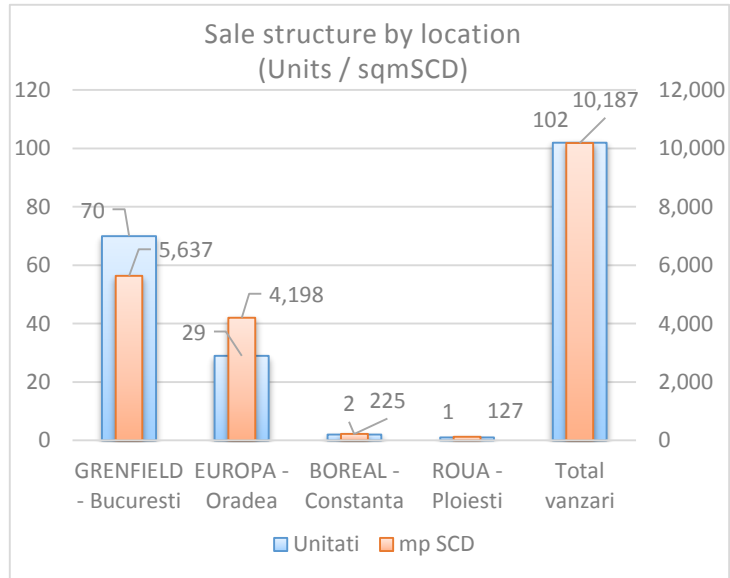
➤ Sale of finished dwellings in Bucharest, Ploiesti, Oradea and Constanta;

In 2014 were sold 102 houses and apartments, with a total built area of over 10,000 square meters, also registering 6 terminations of installment sale contracts signed in previous years.

Most housing sales were made in GREENFIELD quarter of Bucharest (70 apartments) and in the Europe complex in Oradea (29 houses).

Compared to 2013, the sales of GREENFIELD apartments increased more than double in 2014 (from 29 to 70 units) and sales of houses in Oradea were almost half (from 55 to 29 units), they recorded a rate of sale slower as a consequence of depletion of stock.

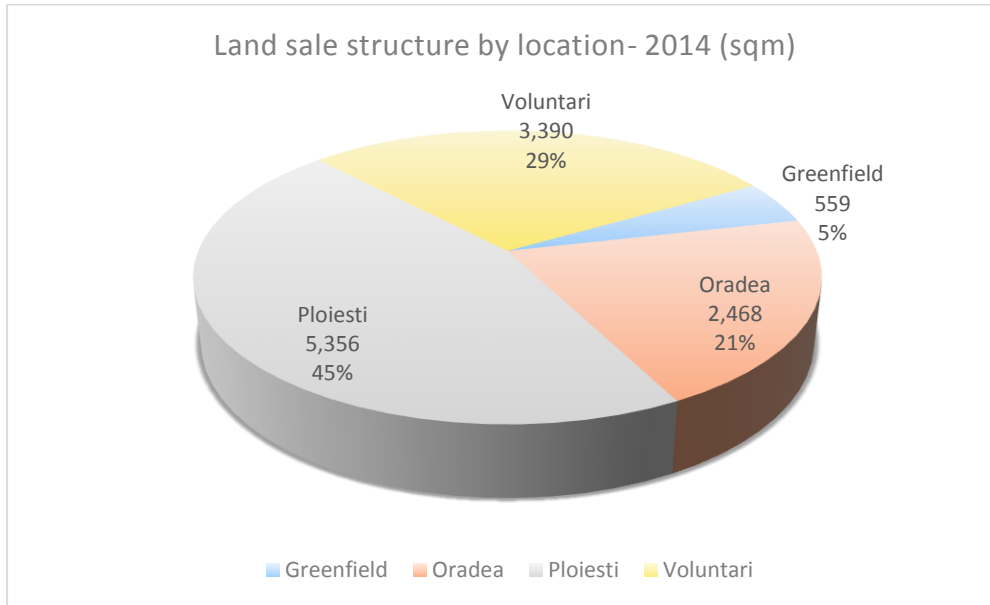
The considerable increase in sales in GREENFIELD complex was favored by buyers' increased appetite, increased interest shown by banks on financing, the adjustment of the price to the new features of the market, but also a more intensive promotion of the products.



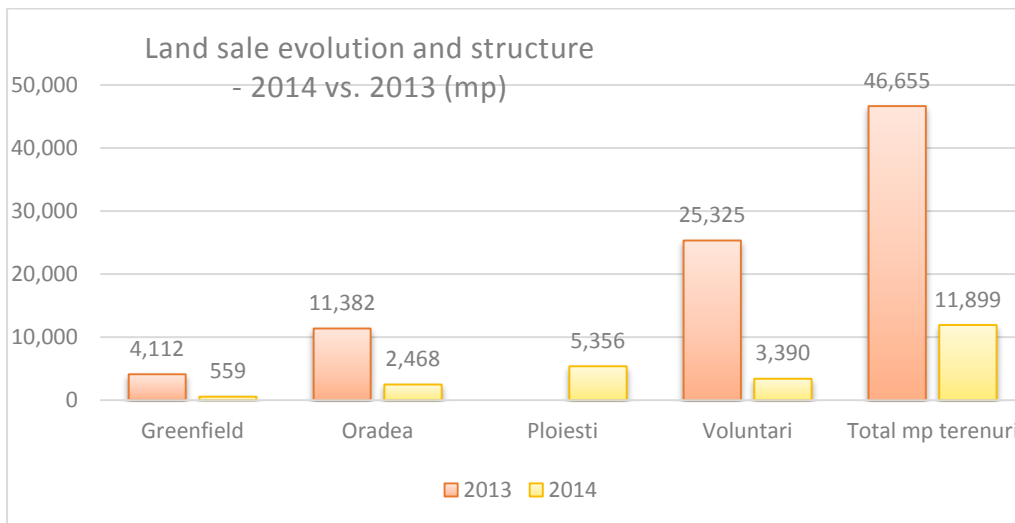
Since the number of units sold had a slight increase in 2014 the change of the sales mix, with fewer sales of houses in Oradea (with larger surfaces) and more sales of apartments in GREENFIELD, made the built sold area to be 20% lower in 2014.

➤ **Offering for sale land plots to natural persons and legal entities, for the development of houses or of small commercial spaces.**

In 2014 there were sold land plots with a surface of 11.800 mp in Ploiesti, Voluntari, Oradea AND Bucuresti, nearly half of the parcels being sold in Ploiesti.



Compared to 2013, sales of land plots are at 25%, mainly due to the sale in 2013 of land related to the deposit of Voluntari - Depact (area of over 22,000 square meters).



➤ **Less leases and sale of rented dwellings**

The activity of apartment lease has never been a priority in 2014, only 4 lease agreements being signed. Most homes whose leases were terminated in 2014 were sold, so that the number of leased homes dropped to almost half, from 40 homes in late December 2013 to 21 homes by the end of December 2014.

➤ **Resuming a new cycle of production by starting works on a new phase of residential development in the GREENFIELD quarter**

In June 2014 began the construction of the first 9 blocks (approximately 22,000 sqm SCD) of the new residential development stage of GREENFIELD quarter, the first 252 apartments with 2, 3 and 4 bedrooms.

The 252 apartments built are part of the company strategy of development of the GREENFIELD quarter, as follows:

- To each new residential developments will be assigned a parking area dedicated to visitors, so that each apartment will be assigned an undivided share of visitor car parks;
- The internal circulation roads are allocated in an undivided share for each apartment and will be transferred to future owners;
- We will implement a new concept for ground floor apartments - they will have a yard field next to the apartments, that they will buy with the apartment;
- Also, to diversify the IMPACT offer, for two of the new blocks were arranged terraces above the block, which will be sold along with apartments on the top floor.

3.4. Strategic Lines for the Sale of Projects in the Portfolio in 2014

Following the changes that were recorded on the real estate market during the last four years, in 2014, IMPACT continued to operate modifications in its operational activity, for the purpose of a better adaption to the current market conditions.

During the last two years, the main priority of the company was the more efficient exploitation of the dwellings from its portfolio.

IMPACT focused, mainly, on the sale of dwellings, to the detriment of their lease, for the purpose of increasing the company liquidities. Thus is explained the low number of leases in the year 2014.



The economic situation from the latest years determined a decrease of the level of confidence in the consumer, concomitantly with an increase of his/her expectations with regard to the quality of the environment he/she lives in.

The considerable increase in sales in GREENFIELD (from 29 in 2013 to 70 units in 2014), was favored by the increase of the buyers appetite in the new economic climate post crisis, the price adjustment to the new features of the market, and a greater promotion of products and the interest paid by the banks to their financing.

3.5. Strategic Lines for Sale of Land Plots from the Portfolio

In the year 2014, the company sought after solutions to stimulate the sales of land plots for the building of houses. In this respect there were put to sale land plots with utilities / under their provision with utilities for the building of houses in Bucharest, Voluntari, Ploiesti, Constanta and Oradea.

A land plot of approximately 2 ha held by the company in Constanta was dismembered in 48 plots for houses that were already put for sale in 2012. These land plots are in the close vicinity of the Boreal villa assembly, developed by IMPACT.



3.6 Comparison Budgeted versus Accomplished 2014

The sales budget for the year 2014 has a deviation of 49%, both in quantity and value terms.

The approved sale plan was the following:

- 96 units from current stock of dwellings
- 70 units from new developments
- 26.865 mp plots of land.

The sales budget was accomplished from the value point of view, but also from the quantity one, the sales value being higher from the point of view of sold the mix of products – more apartments in Greenfield compared to the houses in Oradea.

Due to adverse weather conditions - rainfall existing especially in the early stages of the building, the construction of 252 apartments in phase two of the Greenfield complex suffered delays, so that they could not be received and sold in the fiscal year of 2014. We mention that by the end of 2014 IMPACT owned a total of 42 properties in Salcamilor residential complex.

In 2014 were sold plots of land with a surface of 11,800 sqm in Ploiesti, Voluntari, Oradea and Bucharest, nearly half of the parcels being sold in Ploiesti, a deviation of 56% over budget. The appetite for land acquisition remains low, but the company is looking for solutions to ensure their viability and to accelerate the sales process.

Significant variations to the budget:

- A difference over 57% of the rental income and other net income as a result of non valorification of some noncore assets which would have generated a profit of over 1 million lei;
- Increase by 20% of the expenses with project management on the account of the works made in Greenfield quarter: remake of building facades, remake of waterproofing;
- Increase by 20 % of the administrative costs, particularly due to the start of the production flow;
- The company recorded revenues from revaluation of real estate investment of 16.9 million lei.
- The net result registered an increase of 35% compared to the budget.

Budget proposed for 2014 (RON)	Budgeted	Accomplished	%
Total Revenues, out of which	56,705,295	28,842,365	-49.14%
Revenues from sales of existent stock dwellings	21,983,233	25,676,518	16.80%
Revenues from sales of lands	8,912,744	2,416,189	-72.89%
Revenues from sales of new development dwellings	24,040,265	0	-100.00%
Revenues from rents and other net revenues	1,769,053	749,659	-57.62%
Total Operational Expenses, out of which	(50,284,383)	(38,696,820)	-23.04%
Cost of sold goods - existent stock dwellings	(22,545,246)	(26,102,301)	15.78%
Cost of sold goods - lands	(5,199,624)	(1,915,818)	-63.15%
Cost of sold goods - new development dwellings	(14,007,017)	0	-100.00%
Expenses with the management of project portfolio	(2,406,940)	(2,892,483)	20.17%
Administrative expenses	(6,079,011)	(7,613,163)	25.24%
Other unforeseen expenses	(46,545)	(173,056)	271.80%
Operational result (EBITDA)	6,420,912	(9,854,455)	-253.47%
Expenses with depreciation and amortization	(550,422)	(522,974)	-4.99%
Gain / (losses) of the value of assets and provisions	0	16,967,592	
Operational result (EBIT)	5,870,490	6,590,163	12.26%
Net interest	(2,607,757)	(2,493,318)	-4.39%
Net exchange rate differences	(223,338)	129,549	-158.01%
Gross Result (EBT)	3,039,395	4,226,394	39.05%
Tax on profit	0	(135,252)	
Net Result	3,039,395	4,091,142	34.60%

Note : The figures in the present section are according to the internal reporting standard.

4 FURTHER INFORMATION ABOUT THE COMPANY:

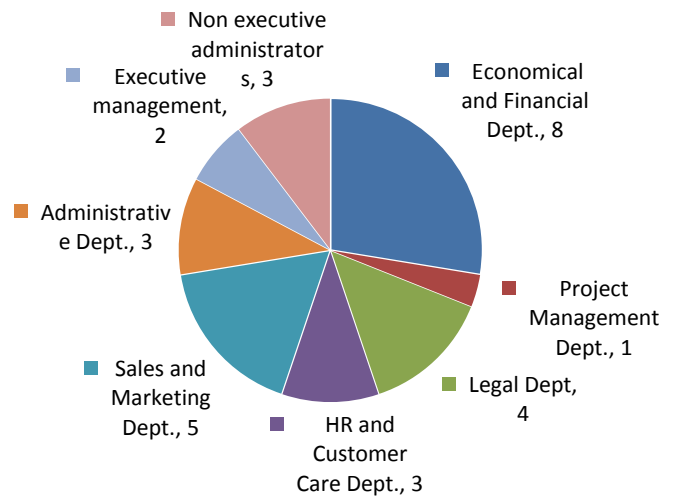
4.1 Structures of Employees

The company had, at the end of the year 2014 a number of 29 employees, out of which 2 were on child care. The personnel structure being indicated in the diagram herein.

In the company, no trade union is established.

The relationships between the management and the employees are regulated by the Individual Employment Agreements and by the Job Descriptions.

Structure of Employees as at 31.12.2014



4.2 Risk Management Elements

In order to prevent the liquidity risks, the company prepares cash-flow reports for periods of 5 years, 1 year and on a monthly basis; analyzes the projections made and compares them to the real situation in order to be able to prevent the situations when liquidity problems could occur.

Market Risks:

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

The internal control of the company is made:

- By means of the Contracting Department: the contracts are signed by the Legal Department, Chief Financial Officer and General Director;
- By means of the Sales Department: the contracts are analyzed by the Price and Analysis Department and signed by the General Director;
- By means of the preventive financial control by which the observance of contract compliance is checked;
- By following-up the payments that are checked by the Preventive Financial Control and are approved by the Chief Financial Officer and/or the General Director.
- The implementation of codes of business conduct and ethics are essential to implement specific procedures applicable to all employees with supervisory or management role, directors, employees with executive positions, auditors, business partners and employees. In the IMPACT are applied : the Anticorruption Policy, the Code of Conduct, the Essential Ethical Values Policy, Policy for Safety and Health at Work, the Employment law, the Environment law, the Reporting Policy.

5 ACTION PLAN FOR 2015

The general principles underlying the preparation of the business plan and budget for 2015 and subsequent years were:

- increase in turnover and income from the sale of new homes
- focus on developing the next stages of construction in GREENFIELD complex
- destocking of land in other cities
- maximize the profitability of invested capital, minimizing payback periods
- the principle of superposition of budget system, the system of authority in the company
- the implementation of an efficient standard of communication and transparency in order to promote the investment community and analysts
- the interdepartmental solidarity principle and the one of correspondence with the general policy of the company
- viability / allotments of land for sale, identifying opportunities for lands in portfolio by attracting partnerships
- rigorous planning of new projects
- careful management and liquidation non-core assets (assets unnecessary to the main activity of the company)
- establishing a business plan with long-term vision allowing optimal financial structure
- restructuring of loans and / or taking new ones at optimal leverage ratios around 20%
- financial management focused on controlling costs and maximizing revenue
- operating cost optimization and control, control of indirect costs
- implementing appropriate entrepreneurial and project management policies
- the principle of reporting on each department (for each project will be executed only works under a budget well documented and established in advance and each contract must be within the set budget)
- principle of consistency with human resources policy to determine employee motivation and adherence to strategic objectives by implementing a periodic performance and employee outcomes evaluation plan
- establish a clear structure and team responsible for the development of each project , procedures and workflows
- quality management and environmental systems implementation ISO9001, ISO14001
- implementation of a cost control system in real time
- keeping under control indirect costs

- careful management of non-core assets (assets unnecessary to the main activity of the company) in order to eliminate them.
- in preparing the current budget of revenues and expenses for 2015 were not estimated the influences for which there is reliable evidence of anticipation.

In line with the strategic vision imposed by the new management team of IMPACT, of permanent adaption to the real estate market evolutions and of maintaining the company efficiency, the company proposed, for the current year, objectives by which it would respond efficiently to the needs of the market, of the customers, but also of the partners.

The optimism about the market, but also with regard to the relationship that IMPACT has with its customers has at its basis both the diversification of the real estate products and of the financial ones that are offered, the company succeeding thus in responding both to the difficult access to the financing sources, and to the higher and higher expectations of the customers related to the living quality.

5.1.Greenfield Residence – Phase II

In the spring of 2015, IMPACT will continue the development of the second phase of the GREENFIELD project with another production cycle consists of 9 blocks (22,000 sq SCD), and in the second half of 2015 will begin the works on another production cycle with the same dimensions.

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

The second development phase of the Greenfield quarter envisages the expansion of the dwelling area within an improved concept, adapted to the current market conditions, as well as to attract investors/operators for the improvement of the facilities/services that serve the dwelling area.

By autumn of 2015, in the Greenfield Quarter will begin the building of a great sized sports complex, that will include football, tennis grounds and waterpool. The complex will also include a spa centre, a restaurant and an event space. Also will begin the works on the new administrative headquarters of IMPACT that will have 1,200 square meters and will be located in a class A building at the current technological level.

5.2. Land Plots for Houses

Taking into account the increase of the number of customers natural persons interested in small, individual land plots for the building of houses, especially in peripheral residential areas of the big cities, IMPACT will continue to offer for sale land plots for the building of houses in Bucharest, Voluntari, Constanta and Ploiesti, with surfaces comprised between 200-1000 sqm.

For a greater flexibility towards the needs of its customers, IMPACT gives them the possibility to purchase land plots from the company portfolio in order to develop themselves the dream house. At the same time, the company makes available its services under consultancy regime, the customers being able to request, at any moment, the help of the specialized team recommended by the company, from architects, engineers, up to project managers. The customers appreciate the freedom and flexibility to build their dream house in the chosen location, and IMPACT makes available for them, in this respect, its experience of over 20 years in the real estate field.

5.3. Development of new projects in Bucharest, located on Barbu Vacarescu Blvd

In September 2014, IMPACT has purchased land for a new real estate development located in Bucharest, in a semi-central area, respectively Barbu Vacarescu Blvd . To acquire a share of 1/3 (representing 2.7 ha) of ownership of the building consisting of 5 plots with a total area of 78,970 square meters.

The land purchase took into account the degree of development of infrastructure in the area, proximity to public transport and commercial spaces, business buildings, schools, kindergartens and green spaces.

The size of the new IMPACT project located on Barbu Vacarescu Blvd. is about 1,000 apartments, representing more than 150,000 sqm, of which 100,000 square meters above ground and 50,000 sqm underground parking and ALA shelter.

The project will be carried out during 2016 -2019 , on a land area of 27,000 square meters in three production cycles. Along with the sale process, the estimated project completion period is approximately 50 months.



The characteristics of the Barbu-Vacarescu area:

Excellent location, in close proximity to the business center of Romania:

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

A good transport network

- 2 subway stations available;
- Easy access to downtown and the airport Henri Coanda International;
- A few steps from the business centers;
- In the proximity of green parks Floreasca

Excellent proximity to commercial area - Promenada shopping center

6. FINANCING SOURCES FOR THE ACTIVITY IN THE YEAR 2015

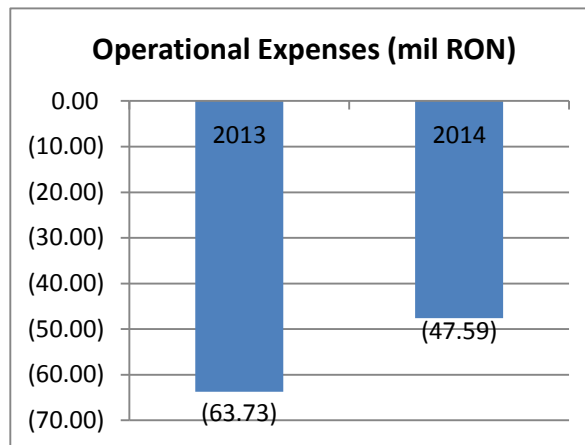
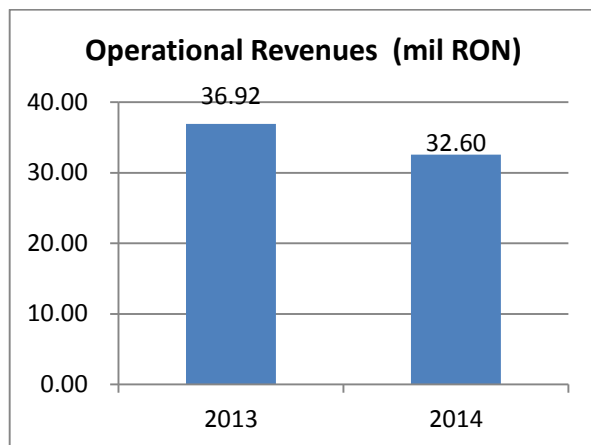
In order to continue the activity for the company project development, IMPACT will use mixed financing sources:

- financial resources obtained from the sale of the dwellings and land plots existing in the portfolio, according to the sales programme for the year 2015
- self-financing by contracting dwellings in the second stage of development of the GREENFIELD quarter – Salcamilor complex.
- attraction of financing from the stock market by the increase of the share capital
- attraction of financing from the stock market by the issue of bonds
- attraction of bank loans for the development of the second phase of the Greenfield project and for the development of the residential projects from other areas of Bucharest
- partnerships with financiers that will be attracted in the facilities that follow to be developed in the GREENFIELD project area from Bucharest.

7. ECONOMIC-FINANCIAL INDICATORS

	Indicators according to IFRS (RON)	2013	2014
Result indicators	Operational revenues, out of which:	36,915,587	32,599,575
	Revenues from the sale of residential property stocks	21,985,516	21,171,873
	Revenues from leases and from reinvoiced utilities	5,062,229	4,377,164
	Revenues from the sale of real estate investments	8,698,124	6,088,013
	Other revenues of operational nature	1,169,718	962,525
	Operational expenses, out of which:	(63,728,594)	(47,586,325)
	Accounting value of the sold residential property stocks	(20,434,728)	(22,687,973)
	Operational costs afferent to sold / leased properties	(3,262,874)	(2,778,621)
	Accounting value of sold real estate investments	(9,576,654)	(6,829,995)
	Expenses with consumables	(1,692,434)	(3,465,610)
	Services supplied by thirds	(8,932,056)	(1,705,169)
	Expenses with the benefits of employees	(2,663,987)	(4,374,609)
	Other expenses of operational nature	(17,165,861)	(5,744,348)
	Operational result (EBITDA)	(26,813,007)	(14,986,750)
	Expenses with depreciation and amortization	(655,338)	(522,975)
	Value losses of assets, other than real estate investments	(23,149,027)	4,543,299
	Earnings / (losses) of real value of real estate investments	9,731,037	16,967,592
	Operational result (EBIT)	(40,886,335)	6,001,166
Net financial cost	(3,765,543)	(1,774,771)	
Gross profit / (loss) (EBT)	(44,651,878)	4,226,395	
Tax on profit	2,194,258	(135,252)	
Net profit / (loss) of the period	(42,457,620)	4,091,143	
Patrimony indicators	Tangible assets	7,148,126	6,596,081
	Real estate investments	230,662,919	230,979,061
	Intangible assets	17,840	154,405
	Financial assets	14,377,226	14,377,276
	Non-current receivables	19,823,286	19,300,941
	Total non-current assets	272,029,397	271,407,764
	Stocks	86,415,696	158,125,501
	Total current assets	99,631,101	170,749,931
	Total assets	371,660,498	442,157,695
	Share capital	197.866.574	277.866.574
	Ownership equities	281,430,511	365,579,741
Total debts	90,229,987	76,577,954	
Total liabilities	371,660,498	442,157,695	

Operational Activity

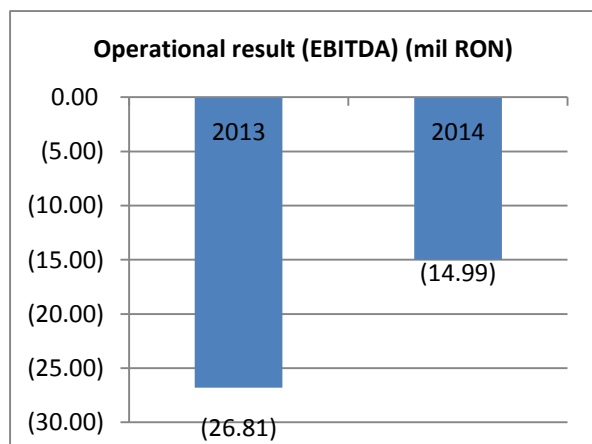


The revenues from the sale of immovable goods represent the main weight in the operational revenues of IMPACT. In 2014 the total operational revenues were 11% lower than in 2013, mainly due to the change in sales mix and lower sales of plots. Selling homes had a distinct structure in 2014 on account of increased sales in Greenfield quarter (70 units sold in 2014 compared with 29 sold in 2013) and the declining sales in Europe quarter in Oradea quarter due to the reduction of housing stock.

The 2014 sales of residential property stocks fell by 4%, and real estate investment sales fell by 30% over the previous year.

The real estate leasing activity experienced a 17% decrease in revenues in 2014 compared to 2013 being consistent with the company's strategy to focus on sales activity, including leased buildings.

	<u>31-Dec-13</u>	<u>31-Dec-14</u>
Revenues from the sale of residential property stocks	21,985,516	21,171,873
Accounting value of the sold residential property stocks	(20,434,728)	(22,687,973)
<i>Profit/loss from the sale of residential properties</i>	<i>1,550,788</i>	<i>(1,516,100)</i>
Revenues from leases	1,613,923	1,345,214
Reinvoiced operational costs	3,448,306	3,031,950
Operational costs afferent to leased properties	(3,262,874)	(2,778,621)
<i>Net income from leases</i>	<i>1,799,355</i>	<i>1,598,543</i>
Revenues from the sale of real estate investments	8,698,124	6,088,013
Accounting value of real estate investments	(9,576,654)	(6,829,995)
<i>Profit/loss from the sale of real estate investments</i>	<i>(878,530)</i>	<i>(741,982)</i>

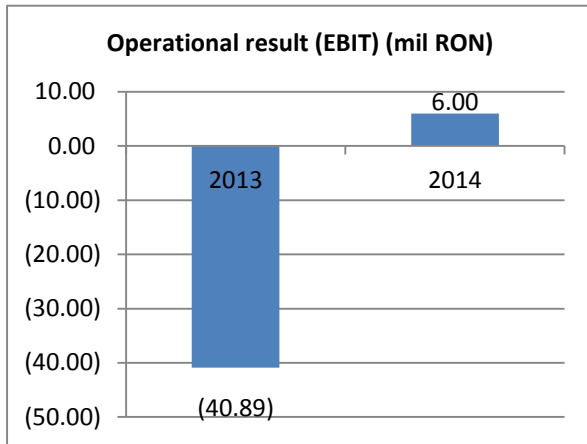


The total operational expenses decreased by 25% in 2014 (being with 16 mil RON smaller) compared to the preceding year and led to the diminution of the operational loss by 44% (from 26.8 mil RON to 15 mil RON, the operational loss being with 11.8 mil RON smaller)

To the operational loss contributed the sales of dwellings from the old stock that were sold with a negative margin.

Significant increases of the expenses recorded in 2014 were at chapter *Services supplied by thirds*, these decreasing by 81% (with 7 mil. RON smaller) and at chapter *Other expenses of operational nature* - these decreasing by 67% (representing a diminution of over 11 mil. RON). The diminution of these expenses in 2014 is justified also by the fact that in 2013 were significant expenditure made by the company for the closure of some disputes.

Significant increases in expenses in 2014 were recorded as expenditure on raw materials and materials that doubled on account of repairs to buildings in chapter *Warranty period and employee benefits expense* which increased by 64%.

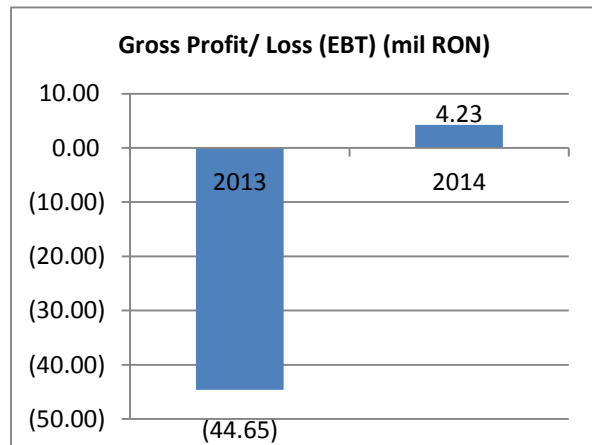


In terms of operational result before interests and taxes on profit, IMPACT has recorded a significant jump from nearly 41 mil RON loss in 2013 to 6 mil RON lei profit in 2014.

This positive financial result is determined on the one hand by the income from the reversal of provisions in 2014 (RON 4.5 million), compared with significant expenses with provisions made in 2013 (23 million RON), and on the other side gains from fair value of real estate investments, amounting to almost 17 million lei, are 74% higher than recorded in earnings revaluation 2013, according to IAS 40.

The real estate investments comprise residential lands and properties held for the purpose of increasing the capital value. Also, the residential properties included in real estate investments also comprise real estates leased to thirds.

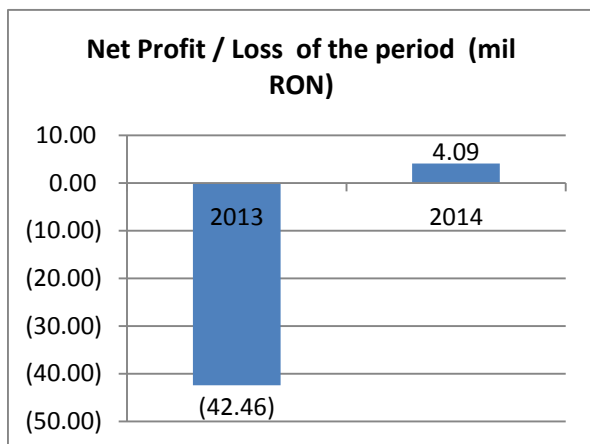
Gross profit recorded in 2014 is EUR 4.23 million was a significant trend compared to loss of USD 44.65 million recorded in 2013 mainly due to the appreciation of investment property and a smaller financial loss (IAS 40).



Financial Result

The net loss afferent to the financial result decreased by 53% in 2014 compared to 2013, on the account of the decrease of exchange rate differences but also of the expenses with the interests caused by the credit reimbursements.

	31-Dec-13	31-Dec-14	Variation
Financing costs	(3,618,319)	(2,616,747)	-28%
Financial revenues	631,229	742,881	18%
Exchange rate differences	(817,577)	129,549	-116%
Other financial elements, net	39,124	(30,454)	-178%
Financial result	(3,765,543)	(1,774,771)	-53%



Net Result

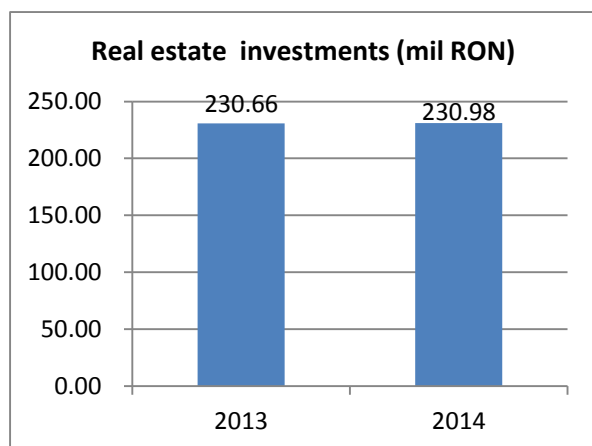
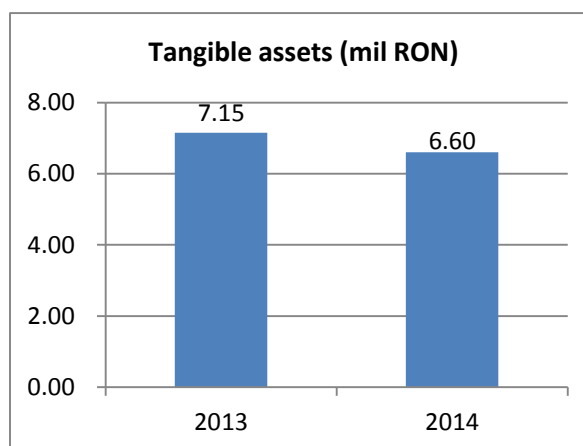
In 2014 the company registered a net profit according to IFRS, of 4,09 mil RON.

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

As at the 31st of December 2014, the buildings and lands of the Company were revaluated by the valuator Colliers International.

Tangible Assets

According to IFRS, the tangible assets decreased by 8% in 2014 compared to the year 2013, from 7,15 mil RON to 6,60 mil RON, on account of their depreciation.



Real estate Investments

In 2014 the real estate investments had a similar value to that of the year 2013.

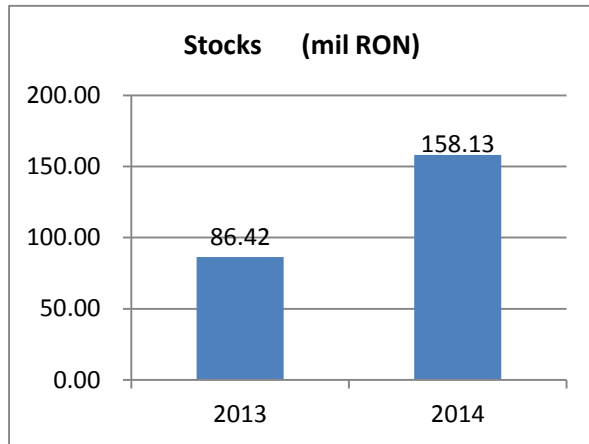
Given the allotments of the land located in Constanta (Zenit project) and providing it with utilities for its valorification by selling viable plots, the 38,000 square meters of land registered as real estate investment were transferred to the account of stocks of raw materials by the end of 2014.

Thus the entire land area of 7.4 ha of Zenit (Constanta) is found since the end of December 2014 in the account of raw materials.

The real estate investments comprise residential lands and properties held for the purpose of increasing the value.

The lands held for value appreciation, in an amount of 222,989,454 RON as at the 31st of December 2014 (2013: 214,973,314 RON), have a total surface of 720,947 mp (2013: 734,487) and represent 97% of the real estate investments in balance (2013: 93%). These lands are located in Bucharest (658,925 mp) and in the country (Constanta, Oradea).

Stocks



According to IFRS, the stocks recorded an increase of 83%, from 86,42 mil RON in 2013 to 158,13 mil RON in 2014. The increase is due in large part to the 2.7 ha land acquisition for the project from Barbu Vacarescu Blvd and the transfer in the account of raw materials of the 3.8 ha land from Constanta (Zenit project), but also due to the restart of the new cycle of production and capitalization of works on the second phase of the Greenfield project.

The lands with a recoverable value of 80.077.838 RON at 31st of December 2014 (2013: of 26.807.725

RON) include the land on which the Company intends to develop new real estate projects, especially in Bucharest, but also the land that the company plans to valorize it by selling viable plots (Oradea, Constanta, Ploiesti).

Utility networks and real estate properties under execution (Salcamilor Complex) with a recoverable value of 64.810.939 RON at 31st of December 2014 (2013: 29.061.679 RON) refer to the equivalent of the capitalized works and services, supplied by the Company or to the Company by suppliers, with regard to the connection of the properties to the utilities.

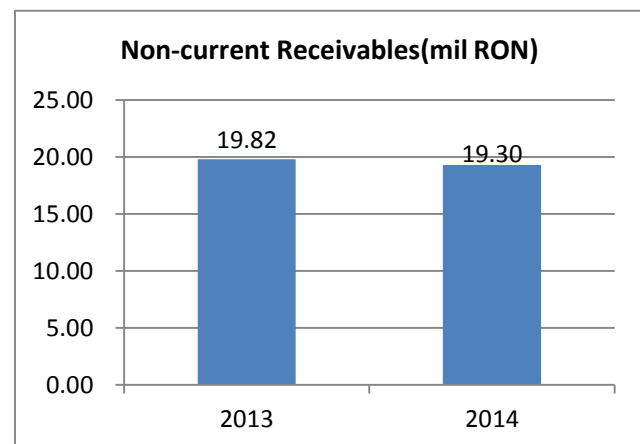
The finished real estate properties with a recoverable value of 12.561.359 RON at 31st of December 2014 (2013: 30.456.894 RON) refer integrally to apartments held by the Company in order to be sold.

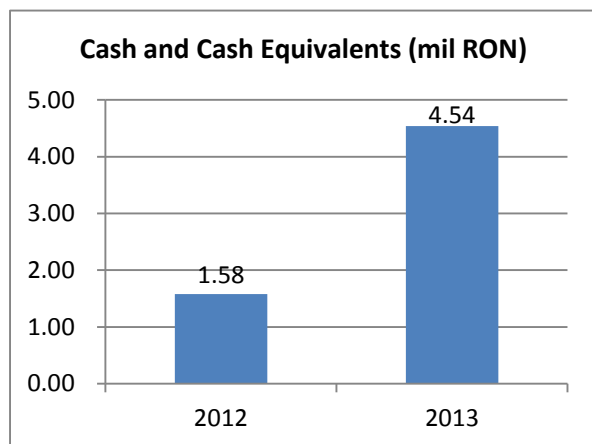
In 2014, inventories recognized in cost of sales were in the amount of 22.687.973 RON (2013: 20.434.728 RON). In 2014 the losses from the reduction of inventories up to the net realizable value were in the amount of 1.656.616 RON (2013: 19.669.903 RON). Reversals of losses from decreases of value were in amount of 2.517.649 RON (2013: 6.475.862 RON). Losses from diminuation of value and reversals of losses from diminuation of values are presentet on a net basis and included in „impairment of assets” of the individual situation of the profit or losses and other elements of the global result.

Non-current Receivables

In the non-current receivable category there are the receivables with a maturity longer than one year afferent to the receivables resulted from the portfolio of sales in installments.

The level of non-current assets decreased by 3% in 2014 from 19,82 mil RON as it was as at the 31st of December 2013 to 19.30 mil RON by the end of 2014, on the account of the collections from customers according to the payment schedules, but also on the account of the decrease of the number of contracts with payment in installments signed in 2014.





Cash and Bank Accounts

The cash availabilities recorded by the end of the year a decrease of 25%, from 4,54 mil RON in 2013 to 3,46 mil RON as at the 31st of Dec. 2014.

During 2014, the company's activity had a heavy financial flow.

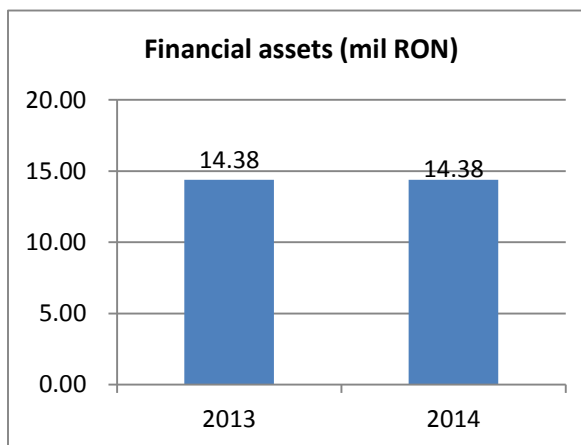
On the one hand there was a significant input of cash due to the capital increase by 80 million RON in the summer of 2014 and due to a loan in December 2014 for the development of the 9 blocks in GREENFIELD, and on the other hand were significant cash outflows for acquisition of land in Barbu

Vacarescu for the construction of the second phase of the Greenfield quarter, but also for early repayment of bank loans of the Company, entered into in previous years.

Cash flow	Indicators according to IFRS (RON)	2013	2014
	Cash and cash equivalents as at 1st of January		1,581,101
	Net cash from operating activities	(3,038,801)	(65,739,669)
	Net cash used in investing activities	3,628,010	7,174,009
	Net cash from (used in) financing activities	(7,557,767)	57,743,170
	Effect of exchange rate fluctuations on cash	(68,762)	(256,565)
	Cash and cash equivalents as at 31st of December	4,543,781	3,464,726

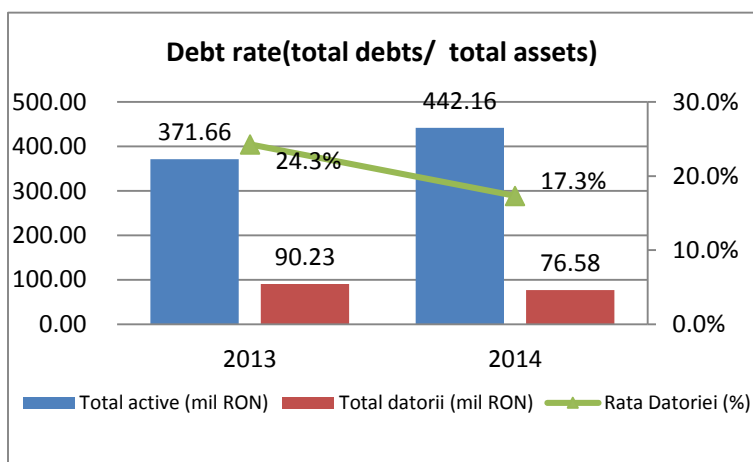
Financial assets

The financial assets registered the same value as in 2013 and represents the value of equity in group companies.



Total Debts

According to IFRS, the total debts decreased by 15%, from 90.23 mil RON in 2013 to 76,58 mil RON in 2014, on the reporting date the sums granted by the credit institutions having a weight of 45% (34,5 mil RON) in total debts. The sums owed to the credit institutions decreased in 2014 compared to 2013 by 38% following the payment of the credits in an amount of over 21 mil RON.



The Debt Rate had a slight decrease to 17,3% in 2014 compared to 24,3% as it was at the end of the year 2013

The total assets of the company increased by 19% from 371,66 mil RON in 2013 to 442,16 mil RON in 2014, mainly due to the increase of the portfolio with the field from Barbu Vacarescu Blvd and production capitalization at the second phase of the Greenfield quarter development.

Share Capital

The subscribed and paid-up share capital of the company as at the 31st of December 2014 is of 277.866.574 RON. The nominal value of a share is of 1 RON.

In April 2014, the General Meeting of Shareholders approved the capital increase with the amount of 80.000.000 RON by the issuance of new shares, from 197.866.574 RON to 277.866.574 RON. The subscription took place between 20.06.2014 – 29.07.2014, the 80.000.000 new shares being fully subscribed.

The share capital is adjusted for hyperinflation in accordance with IAS 29.

	31-Dec-13	31-Dec-14
Share Capital	197.866.574	277.866.574
Adjusted for hyperinflation in accordance with IAS 29	7.463.584	7.463.584
	205.330.158	285.330.158

Note : The presented figures are according to the audited financial statements for the year 2014.

8. PERFORMANCE INDICATORS

Stock exchange indicators - evolution:

Indicators	Dec-12	Dec-13	Dec-14
Price per share (RON)	0.115	0.544	1.485
Number of shares	197,866,574	197,866,574	277,866,574
Stock exchange capitalization (RON)	22,754,656	107,639,416	412,631,862
Exchange rate	4.4287	4.4847	4.4821
Stock exchange capitalization (EUR)	5,137,999	24,001,475	92,062,172
Net asset value (RON)	326,121,386	281,430,511	365,579,741
Net asset value (EUR)	73,638,175	62,753,475	81,564,387
Annual profit (RON)	-74,892,467	-42,457,620	4,091,143
Earnings per share (RON)	-0.378	-0.215	0.015
Bonus/discount compared to the net asset value	-0.93	-0.62	0.13

During 2014 the company's shares have appreciated significantly in particular due to the implementation of the development plan for the next five years, plus the company's strategy of liquidation of non-core assets.

Economic and financial indicators - evolution

Profitability indicators		Dec-13	Dec-14
Return on Assets (ROA)			
Net Profit (A)	[RON]	-42,457,620	4,091,143
Total Assets (B)	[RON]	371,660,498	442,157,695
A/B		-11.42%	0.93%
Return on equity (ROE)			
Net Profit (A)	[RON]	(42,457,620)	4,091,143
Shareholders equity (B)	[RON]	281,430,511	365,579,741
A/B		-15.09%	1.12%
Solvency indicators		Dec-13	Dec-14
Leverage rate (Debts vs Assets)			
Total Debts (A)	[RON]	90,229,987	76,577,954
Total Assets (B)	[RON]	371,660,498	442,157,695
A/B		24.28%	17.32%
Leverage rate (Equity vs Assets)			
Shareholders equity (A)	[RON]	281,430,511	365,579,741
Total Assets (B)	[RON]	371,660,498	442,157,695
A/B		75.72%	82.68%

Gearing rate (Loans vs Equity)			
Total Credits (A)	[RON]	59,632,807	36,749,543
Shareholders equity (B)	[RON]	281,430,511	365,579,741
A/B		21.19%	10.05%

Solvency indicators		Dec-13	Dec-14
Liquidity ratio			
Current assets (A)	[RON]	99,631,101	170,749,931
Current debts (B)	[RON]	30,566,850	37,640,818
A/B		3.26	4.54
Quick ratio			
Current assets (A)	[RON]	99,631,101	170,749,931
Stocks (B)	[RON]	86,415,696	158,125,501
Current liabilities (C)	[RON]	30,566,850	37,640,818
(A-B)/C		0.43	0.34

Indicators	Dec-13	Dec-14
Return on Assets	-11.42%	0.93%
Return on equity	-15.09%	1.12%
Leverage rate (Debts vs Assets)	24.28%	17.32%
Leverage rate (Equity vs Assets)	75.72%	82.68%
Gearing rate (Loans vs Equity)	21.19%	10.05%
Liquidity ratio	3.26	4.54
Quick ratio	0.43	0.34

There is noticeable a significant improvement in economic and financial indicators, on one hand by the profits generated by the Company and decrease of indebtedness, and on the other hand by the capital raised during 2014 by the share capital increase.

Chairperson of the BoD,
Iuliana Mihaela Urda

Translation from Romanian language