Q3/2016 Quarterly Report

Date of the report: 12.11.2016
Name of Issuer Company: **SC IMPACT DEVELOPER & CONTRACTOR SA**
Registered office: Voluntari City, 4C Pipera-Tunari Road, Construdava Business Center, floors 6,7, Ilfov County
Working point: Willbrook Platinum Business & Convention Center, 172-176 Bucuresti – Ploiesti Road, Building A, 1st floor, Bucharest, 1st District,
Phone/Fax number: 230.75.81/82/83/ 230.75.70/71/72
Sole Registration Code with the Trade Registry Office J23/1927/2006
Subscribed and paid up share capital: 277,866,574 RON
Regulated market where the issued securities are traded: Bucharest Stock Exchange

1. Economic and financial situation

1.1. Presentation of an analysis on the economical and financial statement for S1/2016, compared to the previous year similar period.

Analysis of the results

In the first three quarters of year 2016, IMPACT recorded operating income of **123,4 million lei,** by 49% higher compared to the same period of the last year and a gross profit of about **27,9 million lei**, recording an increase of approximately two times the result compared to the same period in 2015, when it recorded a gross profit of 7,5 million lei. The increase was mainly influenced by sales of dwellings from Salcamilor Assembly (about 108 million lei) and the reversal of incomes on ANAF litigation provision afferent to the case 60772/3/2011 settled on 24th of March 2016.

The financial indicators on 30 September 2016 are the following:

Indicators according to IFRS (RON)	30-Sep-15	30-Sep-16	Difference	
			value	%
Operational revenues, out of which:	**82,710,266**	**123,359,685**	**40,649,419**	**49%**
Revenue from the sale of residential inventories	73,726,619	111,343,543	37,616,924	51%
Revenue from rental and utilities recharged	3,112,878	2,891,635	-221,243	-7%
Revenue from sale of investments properties	4,295,138	1,619,062	-2,676,076	-62%
Other revenue of operational nature	1,575,631	865,371	-710,260	-45%
Other revenue of operational nature - ANAF Litigation	0	6,640,074	6,640,074	
Operational expenses, out of which:	**-75,102,395**	**-95,973,364**	**-20,870,969**	**28%**
Accounting value of the sold residential inventories	-54,130,754	-76,768,160	-22,637,406	42%
Operating costs related to rented and sold properties	-2,011,949	-1,755,550	256,399	-13%
Accounting value of sold investments properties	-4,238,327	-1,461,265	2,777,062	-66%
Expenditure on raw materials and supplies	-392,217	-617,606	-225,389	57%
Services provided by third parties	-4,156,984	-6,147,701	-1,990,717	48%
Employee benefits expenses	-5,420,462	-5,652,709	-232,247	4%
Other expenses of operational nature	-4,751,702	-3,570,373	1,181,329	-25%
Operational results (EBITDA)	**7,607,871**	**27,386,321**	**19,778,450**	**260%**
Depreciation and amortization expenses	-473,435	-474,704	-1,269	0%
Assets loss of value other than real estate investments	1,088,043	1,990,461	902,418	83%
Operational results (EBIT)	**8,222,479**	**28,902,078**	**20,679,599**	**252%**
Net financial cost	-723,239	-950,801	-227,562	31%
Gross profit / loss (EBT)	**7,499,240**	**27,951,277**	**20,452,037**	**273%**
Income tax	0	0	0	0
Gross profit / loss of the period	**7,499,240**	**27,951,277**	**20,452,037**	**273%**

Until 30th of September 2016 IMPACT has sold a total of **353 houses and apartments**, 31% more than the same period last year (when there were recorded sales of over 271 dwellings).

Of the total dwellings sold, 331 apartments were sold in the Salcamilor Assembly (Greenfield 2, Bucharest), 14 apartments in Greenfield 1 and 8 houses were sold in province (Oradea, Ploiesti and Constanta).

The average transaction price of RON 317,696 (equivalent of EUR 70,895) had increased during the first three quarters of 2016 by 17% compared to the same period last year when the sales amounted to RON 271,643 (equivalent of EUR 61,142) /transaction.

Operating expenses increased by 28%, due to the optimization of production costs for the new residential development from Greenfield. An operational profit of approximately **27.4 million lei**

EBITDA on September 30, 2016 was achieved, compared to the operating profit of 7.6 million lei EBITDA on September 30, 2015.

Financial result	30-Sep-15	30-Sep-16	Difference	
			value	%
Financing costs	-1,103,755	-1,183,053	-79,298	7%
Financial income	100,330	32,330	-68,000	-68%
Exchange rate differences	353,072	171,231	-181,841	-52%
Other financial items, net	-72,886	28,691	101,577	-139%
Total	**-723,239**	**-950,801**	**-227,562**	**31%**

Interest expenses increased by 7% after closing of three new credit contracts for financing Stages 5 and 6 in the Platanilor Assembly.

Analysis of the balance sheet items

Asset items	31-Dec-15	30-Sep-16	Difference	
			value	%
Tangible assets	5,722,775	5,958,856	236,081	4%
Intangible assets	117,491	194,855	77,364	66%
Investment immobilization	214,898,889	172,910,520	-41,988,369	-20%
Financial assets	14,377,226	14,377,226	0	0%
Non-current receivables	11,367,047	10,938,372	-428,675	-4%
Total non-current assets	***246,483,428***	***204,379,829***	***-42,103,599***	***-17%***
Inventory	177,887,026	231,696,031	53,809,005	30%
Trade receivables and other receivables	26,405,139	17,683,194	-8,721,945	-33%
Prepayments	118,140	85,871	-32,269	-27%
Cash and cash equivalents	17,080,848	16,054,316	-1,026,532	-6%
Total current assets	***221,491,153***	***265,519,412***	***44,028,259***	***20%***
Total assets	***467,974,581***	***469,899,241***	***1,924,660***	***0%***

Investment immobilization have registered a significant decrease by 20%, due to 101,787 sqm land surface transferred from investment immobilization to inventories, to be used in development of Phases 5, 6 and 7 in Platanilor Assembly.

Cash and cash equivalents of the Company had decreased by 6% in the first three quarters of 2016, due to payments for the new rezidential development in Greenfield and payments to ANAF for the litigation in case 60772 settled in March 2016.

Trade receivables have decreased by 33%, the main reason being the fact that the receipts flow had increased for houses and apartments sale-purchase agreements, almost all the sale-purchase agreements being financed by bank loans or clients' own sources of funds.

Compared to the situation at the beginning of the year, the inventories registered an increase by 30%, due to production costs capitalization of the new development stages of Greenfield Assembly.

The company's tangible and intangible assets have increased based on purchase of vehicles and modernization of IT equipments.

Total assets have maintained at approximately the same level as at the end of year 2015.

Liabilities items	31-Dec-15	30-Sep-16	Difference	
			value	%
Equity	***361,140,518***	***389,091,796***	***27,951,278***	***8%***
Loans	13,228,061	39,626,477	26,398,416	200%
Trade payables and other liabilities	2,832,954	2,451,534	-381,420	-13%
Deferred tax	13,000,347	13,000,347	0	0%
Total long term liabilities	***29,061,362***	***55,078,358***	***26,016,996***	***90%***
Loans	32,560,942	10,339,384	-22,221,558	-68%
Trade payables and other liabilities	25,384,120	15,383,085	-10,001,035	-39%
Provisions for risks and charges	19,827,639	6,618	-19,821,021	-100%
Total current liabilities	***77,772,701***	***25,729,087***	***-52,043,614***	***-67%***
Total liabilities	***106,834,063***	***80,807,445***	***-26,026,618***	***-24%***
Total equity and liabilities	***467,974,581***	***469,899,241***	***1,924,660***	***0%***

In the first three quarters of 2016, the company loans recorded an increase due to loan withdrawals for further completion of Stages 3 and 4 (420 apartments) from Salcamilor Assembly and also due to construction of Stage 5 and Stage 6.

Commercial debts of the company decreased due to the suppliers' loans reaching their maturity as well as due to the co-financing of the production expenses through bank loans.

Provisions have recorded a decrease by 100% due to revenue reversals of the provision set up for ANAF litigation in case 60772/3/2011.

The equities maintained at approximately the same level as at the end of year 2015, due to the profit for the first three quarters of 2016.

Analysis of the cash flow items

Decrease in cash at the end of the third quarter of 2016 compared to the beginning of the year is determined by the payment for the new rezidential development in Greenfield and by the payment to ANAF of debts resulted from the litigation settled during March 2016.

Indicator (RON)	30-Sep-16
Cash at the beginning of the period	***17,080,848***
Net cash derived from operating activities	(4,925,706)
Net cash derived from investment activities	673,117
Net cash derived from financing activities	3,226,057
Cash at the end of the period	***16,054,316***

Economic and financial indicators – evolution:

Indicators	31-Dec-13	31-Dec-14	31-Dec-15	30-Sep-15	30-Sep-16
Return on Assets	-11.42%	0.93%	-0.95%	1.68%	5.95%
Return on Equity	-15.09%	1.12%	-1.23%	2.01%	7.18%
Debt ratio (Total liabilities vs. Total asset)	24.28%	17.32%	22.83%	16.53%	17.20%
Leverage (Equity vs. Total asset)	75.72%	82.68%	77.17%	83.47%	82.80%
Gearing ratio (Loans vs. Equity)	21.19%	10.05%	12.68%	9.63%	12.84%
Current ratio	3.26	4.54	2.85	4.22	10.32
Quick ratio	0.43	0.34	0.56	0.89	1.31

Return on flows-clients	30-Sep-15	30-Sep-16
Clients average balance (A)	30,747,022	33,196,876
Turnover (B)	82,710,266	123,359,685
(A /B)*270 zile	**100**	**73**

Return on fixed assets	30-Sep-15	30-Sep-16
Turnover (A)	82,710,266	123,359,685
Fixed assets (B)	247,369,596	204,379,829
(A/B)	**0.33**	**0.60**

Stock exchange indicators - evolution:

Indicators	31-Dec-13	31-Dec-14	30-Sep-15	31-Dec-15	30-Sep-16
Price per share	0.544	1.485	1.150	0.940	0.698
No of shares	197,866,574	277,866,574	277,866,574	277,866,574	277,866,574
Market capitalization (RON)	107,639,416	412,631,862	319,546,560	261,194,580	193,950,869
Exchange rate	4.4847	4.4821	4.4167	4.5245	4.4523
Market capitalization (EUR)	24,001,475	92,062,172	72,349,619	57,728,938	43,561,950
Net Asset Value (RON)	281,430,511	365,579,741	373,078,980	361,140,518	389,091,796
Net Asset Value (EUR)	62,753,475	81,564,387	84,470,075	79,818,879	87,391,190
Result (RON)	(42,457,620)	4,091,143	7,499,240	(4,459,409)	27,951,277
Result (EUR)	(9,607,970)	920,475	1,688,790	(1,003,242)	6,231,783
Earning per share (RON)	-0.215	0.015	0.027	-0.016	0.101
Earning per share (EUR)	(0.049)	0.003	0.006	(0.004)	0.022
NAV/Share (RON)	1.422	1.316	1.343	1.300	1.400
NAV/Share (EUR)	0.317	0.294	0.304	0.287	0.315
Premium/discount compared to the net asset value	-62%	13%	-14%	-28%	-50%

2. Analysis of the company's business

In the first three quarters of 2016 the sale of apartments finished in 2015 within the Salcamilor assembly (Stage 1 and 2), as well as the sale of apartments in Stage 3 and 4 finished in 2016.

In Salcamilor assembly (924 apartments), there were totally 722 contracts concluded (out of the total of 924 apartments) until the end of month September 2016: 671 sale-purchase agreements and 51 pre-agreements and reservations.

Form Platanilor assembly, currently under construction and 476 units will be finished, there were 32 reservations concluded until the end of month September 2016.

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

Detailed structure is found in the notes to the financial statements.

2.2. Presentation and analysis of the effects on the financial situation of the company of all capital expenditures, current or anticipated.

The company started the construction of Platanilor Assembly with 39 blocks and with 888 apartments. In this regard, besides own financing sources - reinvested profit, it is aimed to co-finance the development costs through bank loans.

Detailed structure of expenses is found in the notes to the financial statements.

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

Resuming the production cycle with the new stages of residential development in Greenfield assembly, favoured the obtaining of a competitive and market appreciated product and thus the company achieved a significant increase in sales, achieving a market share giving it the status of market leader respectively.

The speeding of the production cycles and product standardization ensure the market requirements and this is one of the concerns of the essential management in the current period, and represent a strength in order to reach the sales objectives and profitability.

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

In April 2016, Mr. Victor Rachita was elected Administrator, member of the Board of Directors. His mandate is valid starting from April 25, 2016 until April 26, 2017.

As of the date of 01st of September 2016, the position of General Director of the company shall be exercised by Mr. Bartosz Puzdrowski, for a 3 years mandate.

The Board of Administration decided that Mr. Bartosz Puzdrowski, General Director and Mr. Bogdan Nicolae Geanta, Financial Director, to be empowered to represent the company, pursuant to provisions under art.143 2 par. 5 in Law 31/1990, on trading companies, as from the date of 02.09.2016.

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

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

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

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

General Director
Bartosz Puzdrowski

Financial Director
Bogdan Nicolae Geanta