

Q3

RomReal Limited
Third Quarter 2022 Report
25 November 2022



RomReal is a Company focusing on the Romanian Real Estate market. Established in 2005 and it owns premium properties in the Constanta region.

Highlights Third Quarter 2022

Net Asset Value (NAV)

- Net Asset value was EUR 0.42 (NOK 4.39, before any tax) per share, an increase of 4.2% measured in EUR from the end of the second quarter 2022.

Operational highlights

- During the third quarter of 2022, the Company sold 2 plots from the Ovidiu Lake Side project for a total consideration of EUR 0.2m. After the end of the quarter, a plot was sold on the Oasis project for EUR 115,000.
- Total infrastructure investments by the end of 3rd quarter 2022 was EUR 6.7m versus EUR 4.6m by the end of 2nd quarter 2022.

Financial Results

- Net Result for the quarter was a profit of EUR 760,000, compared to a EUR 903,000 profit in 3Q 2021. Net change in cash flow for the quarter was a negative EUR 331,000 compared to positive of EUR 2,374,000 in the same period last year. This was mainly due to capitalized expenses realised during the quarter.
- At the end of the quarter, the Company had a cash position of EUR 3.8 million plus a total of EUR 5.0m unsettled receivables related to binding sales agreements, totalling EUR 8.8m, or about EUR 0.21 per share.

Macro and real estate market highlights

- The National Bank has increased the "Policy rate" 9 times since October 2021 to the present 6.75%, to try to protect the currency and control inflation. The CPI for the last twelve months ending October 2022 was 15.3% versus 15.9% by the end of September 2022.
- The Romanian GDP advanced to 4% year-on-year in the third quarter of 2022, easing from 5.1% growth in the previous period, a preliminary flash estimate showed. It was the third straight quarter of expansion in the GDP, but the weakest growth in the sequence for the year of 2022. On a seasonally adjusted quarterly basis, the economy grew by 1.3%, the same pace as in the previous period. For the first nine months of 2022, the GDP increased by 5% from a year earlier, INS said in a statement 15 November 2022.
- Asking prices for apartments and houses in Romania decreased in the third quarter of 2022 compared the second quarter of 2022 (EUR 1,745), to EUR 1,705/m² at the end of 3Q 2022. In Constanta, average prices decreased by 3.58% during the third quarter of 2022 (EUR 1,428/m² at the end of September 2022, compared to EUR 1,481/m² at the end of June 2022), according to www.imobiliare.ro index. The Romanian housing market has been increasing since 2015 with a nationwide average price increase of about 84%. This trend turned negative from June this year.

Key Financial Figures

EUR '000	Q3 2022	Q3 2021
Operating Revenue	2,212	2,043
Operating Expenses	59	366
Other operating income/ (expense), net	(1,458)	(1,413)
Net financial income/(cost)	64	(92)
Pre-tax result	876	904
Result for the period	760	903
Total assets	17,704	16,744
Total liabilities	467	798
Total equity	17,237	15,947
Equity %	97.3%	95.2%
NAV per share (EUR)	0.42	0.39
Cash position	3,821	3,581

Movement in Net Asset Value

The Net Asset Value (NAV) slightly increased to EUR 17,237,000 at the end of Q3 2022 compared to EUR 16,542,000 at the end of Q2 2022.

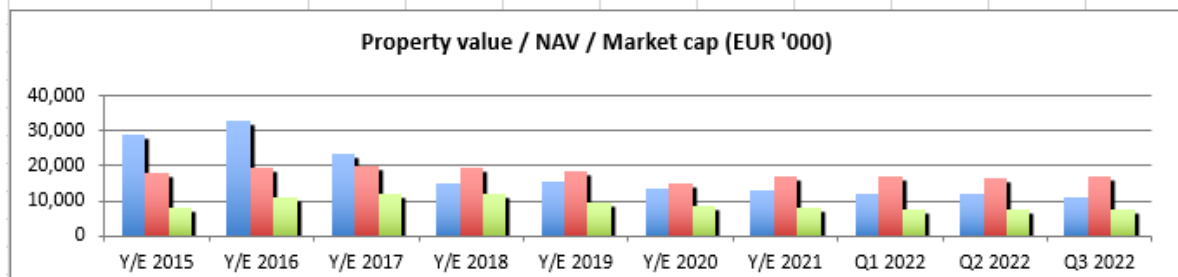
Asset base	Q3 2022			Q2 2022		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	2,094	0.05	0.57	2,297	0.06	0.57
Assets held for sale	2,480	0.06	0.62	2,480	0.06	0.62
Inventories	6,544	0.16	1.77	7,082	0.17	1.77
Cash	3,821	0.09	1.04	4,152	0.10	1.04
Other assets/(liabilities)	2,297	0.06	0.13	531	0.01	0.13
Net asset value	17,237			16,542		
NAV/Share		0.42	4.13		0.40	4.13
Change in NAV vs previous quarter	4.2%			1.9%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q2 2022.

Valuation of Properties

The end of year 2021 independent valuation of the Company's property was executed by Colliers Romania. The property portfolio was evaluated in accordance with the ANEVAR Valuation Standards 2013, which include the International Valuation Standards, issued by the IVSC in 2011. The valuation also complies with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB); and it is performed in accordance with the RICS Valuation Standards, 8th edition.

EUR '000	Y/E 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020	Y/E 2021	Q1 2022	Q2 2022	Q3 2022
Property value	28,736	32,787	23,419	14,962	15,435	13,420	13,192	12,139	11,858	11,119
NAV	18,089	19,369	19,930	19,603	18,501	15,035	16,826	17,154	16,542	17,237
Market cap	7,933	11,052	12,100	11,848	9,413	8,687	7,860	7,694	7,653	7,529
Market cap/NAV	44%	57%	61%	60%	51%	58%	47%	45%	46%	44%



Cash Flow

EUR '000	Q3 2022	Q3 2021
Net cash flow from operating activities	(306)	(246)
Net cash flow used in investing activities	(25)	2,569
Net cash flows from financing activities	-	-
Net cash change during period	(331)	2,324

Operating cash flow for Q3 2022 was negative EUR 331,000 compared to a positive EUR 2,324,000 in the same quarter last year. The net negative change is mainly explained by the capitalized expenses made during the quarter. The net cash from investing activities includes the collections made in respect of the sold plots.

Market Facts – Macro

The Romanian GDP advanced to 4% year-on-year in the third quarter of 2022, easing from 5.1% growth in the previous quarter, and missing market expectations of 5.5%, a preliminary flash estimate showed. It was the third straight quarter of expansion in the GDP, but the weakest growth in the sequence for the year of 2022. On a seasonally adjusted quarterly basis, the economy grew by 1.3%, the same pace as in the previous period. For the first nine months of 2022, the GDP increased by 5% from a year earlier, INS said in a statement 15 November 2022.

The National Bank has increased the "Policy rate" 9 times since October 2021, to the present 6.75%, to try to protect the currency and control inflation. The CPI for the last twelve months

ending October 2022 was 15.3% versus 15.9% by the end of September 2022. Cost for non-food products slowed (14.37% vs 16.61%) from end October to end September, while prices increased for food (20.58% vs 19.12%) and services (8.3% vs 8.0%). On a Monthly basis, consumer prices rose 1.28% in October, easing from 1.33% a month earlier. From August this year, the Government has reduced the petrol taxes by Leu 0.5 (Eur 0.09) per litre.

Real Estate market facts

Offices: In the main market Bucharest, about 100,000 m² of new modern offices has been delivered in the nine first months this year and another about 50,000 is expected before the year-end 2022. The pace of demand is clearly cooling off and the vacancy rate of prime offices is estimated to be about 10%. Hitherto, this has not resulted in lower rates, but this is a natural next step.

Retail: The retail sector has been active in first half with about 27,000m² have been added in modern stock during the six first months. Another 120,000m² retail area is expected to be added during second half 2022. With a modest downward tick in retail sales from 2nd quarter to 3rd quarter of 0.9%, combined with a slight increase in unemployment evidenced so far, the short term outlook for the retail sector is not particularly positive.

Industrial/logistics: The industrial and logistic sector reached 5.6m m² of modern stock during first half this year following completion of several larger projects, About 50% of the new stock came in the capital Bucharest. During first half this year about 400,000 m² was agreed in new rental contracts. The negative macro signals including higher interest rates is expected to gradually cool down this segment too.

Residential: Asking prices for apartments and houses in Romania decreased in the third quarter of 2022 compared the second quarter of 2022 (EUR 1,745), to EUR 1,705/m² at the end of 3Q 2022. In Constanta, average prices decreased by 3.58% during the third quarter of 2022 (EUR 1,428/m² at the end of September 2022, compared to EUR 1,481/m² at the end of June 2022), according to www.imobiliare.ro index. The Romanian housing market has been increasing since 2015 with a nationwide price average of about 84%. This trend turned negative from June this year. The Governmental project Noua Casa (New Home), which gives favourable, state-guaranteed loans to those who intends to buy their first home, has seen less demand this year. Only 70% of the available funds in the programme has been used this year vs 100% take-up after two months in 2021. The main reasons are increased interest rates and building costs and reduced consumer confidence.

Operational Overview

Lake Side (No.1 on the table) – The Company has sold 2 plots during the quarter. Street and utilities have been delivered to the City Hall for public use according to agreement. The City Hall is presently delivering the utilities to the water company. RomReal is marketing the remaining 4 small plots for sale.

Oasis (No. 3 on the table) – The Company has commenced the process to re-authorise the works to finalise the two blocks erected on site, as well as regular utilities. Both block structures have already been re-authorised by Ovidiu City Hall. This in order to add value to the plot

and commence the works for constructing the utilities in the area. The Company has commenced the works for water and sewage on the plot as well. After the end of 3rd quarter, a frontline plot was sold for EUR 115,000.

Industrial Park (No. 4 on the table) – The project is partly or fully still for sale. Some investments is required on the plot to maintain its existing PUZ and building Authorisation before October 2023.

Balada Market (No. 6 on the table) – The project is for sale. A regulation process to utilise a larger part of the plot for parking has commenced and progress has been made with the local authorities. The parking authorisation is granted in November 2022.

Ovidiu Residence (former Badulescu plot (No. 2 on the table)) – Based on the Lakeside plot experience, the Company has commenced a process to regulate this plot located nearby Lakeside for residential and commercial use. Regular meetings with local and national road authorities are taking place. The Company has signed a precontract for sale of the plot with a local investor.

Ovidiu Residence 2 (former 7,900 sqm) – The Company has commenced a process to regulate the plot located nearby Lakeside for residential use. This will include infrastructure investments. It is expected the urbanistic regulation of the plot to be approved by local authorities during first quarter 2023.

Ovidiu Residence 3 (former 7,100 sqm) – The Company has commenced a process to regulate the plot located nearby the road between Ovidiu and Constanta for residential use. It is expected to include infrastructure investments. It is expected the urbanistic regulation of the plot to be approved by local authorities during first quarter next year.

The Property Portfolio

The Company's land bank consists at the end of Q3 2022 of 6 plots with a total size of 222.900 m2:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	5.937
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	23,103
4 Centrepont	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
Total		222.900

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 18 November 2022.

Rank	Name	Holding	Stake
1	SIX SIS AG	10,331,934	24.98%
2	GRØNSKAG, KJETIL	5,913,006	14.29%
3	THORKILDSSEN, WENCHE	5,392,985	13.04%
4	SAGA EIENDOM AS	3,386,636	8.19%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,557,838	3.78%
7	ENERGI INVEST AS	1,253,611	3.03%
8	Orakel AS	1,101,000	2.66%
9	BNP Paribas Sec. Services	991,717	2.40%
10	GRØNLAND, STEINAR	958,073	2.32%
11	SPAR KAPITAL INVESTOR AS	940,236	2.27%
12	THORKILDSSEN INVEST AS	829,478	2.01%
13	PERSSON, ARILD	718,000	1.74%
14	HOEN, ANDERS MYSSSEN	689,557	1.67%
15	KVAAL INVEST AS	660,320	1.60%
16	AKSEL MAGDAHL	466,092	1.13%
17	Frenico AS	396,000	0.96%
18	NORDNET LIVSFORSIKRING AS	307,989	0.74%
19	CITIBANK	220,000	0.53%
20	Jo Egil Aalerud	166,864	0.40%
	TOP 20	38,389,836	92.84%

(1) This is the Top 20 Shareholder list as per 18 November 2022.

(2) The total issued number of shares issued at end Q3 2022 was 41,367,783.

(3) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

(4) Chairman Kjetil Grønskag owns directly and indirectly 5,913,006 shares corresponding to 14.29%.

(5) The above list is the 20 largest shareholders according to the VPS print out; please note that shareholders might use different accounts and account names, adding to their total holding.

Outlook

The macro picture in Romania is worsening day by day, as in most countries globally. The key indicators are among others slowing growth, higher interest rates and record high inflation.

RomReal is in a relatively strong financial position with zero external debt. Even The weakening macro fundamentals is expected to result in a slower sales progress of the remaining projects. Hitherto, all the vendor financing schemes have been 100% honoured. In addition, the infrastructure investments are reviewed on an on-going basis.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the third quarter of 2022, which have been prepared in accordance with IFRS as adopted by EU and IAS 34 Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. The accounting policies applied in the preparation of the quarterly result are consistent with the principles applied in the financial statements for the year to 31 December 2021. The financial statements have been prepared on a going concern basis.

To information presented in the interim report for the third quarter of 2022 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining of 2022, and major related party transactions.

Comparative data for Q3 2022 and Q3 2021

The interpretations below refer to comparable financial information for Q3 2022 and Q3 2021. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q3 2022 was EUR 2,212,000 compared to a total of EUR 2,043,000 reported in Q3 2021. This consists of the revenue resulting mainly from the disposals made during the quarter as well as the rent earned by the company in respect of some of the plots.

Operating Expenses

Total operating expenses amounted to a positive EUR 59,000 in Q3 2022 compared to a total positive EUR 366,000 in Q3 2021. The main elements of cost relate to the administrative expenses (EUR 140,000) and the payroll costs (EUR 65,000). The unrealised gains in respect of the inventories portfolio represented EUR 288,000 unrealised gains.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were loss of EUR 1,458,000, compared to a loss of EUR 1,413,000 during the same period of the previous year. The vast majority of the total amount is represented by the cost of the disposed assets.

Profit/ (loss) from operations

During Q3 2022, RomReal generated an operating profit of EUR 876,000, compared to a profit of EUR 904,000 in Q3 2021.

Financial Income and expense

Foreign exchange result for Q3 2022 was a net profit of EUR 64,000 compared to a net foreign exchange loss of EUR 92,000 in Q3 2021. During the quarter the RON lost 0.07% to the EUR. The Company's policy is to hedge these effects by retaining most of its cash in Lei, since the Romanian national currency has been very stable. Although not reflected from an accounting perspective, practice in real-estate is that transactions are denominated in EUR and payments made at the exchange rate ruling at the date of payment, hence reducing the risk of cash losses due to exchange rate movements.

Result before tax

The result before tax in Q3 2022 was a profit of EUR 876,000 compared to a profit before tax of EUR 904,000 in Q3 2021.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2022 was EUR 3,821,000 compared to EUR 4,152,000 as at end of Q2 2022.

RomReal portfolio / sale transactions to be completed in 2022/2025.

Romreal portfolio / sale transactions to be completed in 2022-2025								
No	Plot name	Location	Agreed sale value (EUR)	Installments received@ 11.11.2022	To cash 2022	To cash 2023	To cash 2024	To cash 2025
1	Ovidiu Oasis plot	Ovidiu Constanta	88,000	88,000				
2	Ovidiu Lakeside 2 blocks	Ovidiu Constanta	943,750	943,750				
3	Ovidiu Lakeside 4 blocks	Ovidiu Constanta	1,714,750	487,810		736,158	490,782	
4	Ovidiu Lakeside 28 plots	Ovidiu Constanta	1,318,400	824,000		494,400		
5	Ovidiu Lakeside 10 plots	Ovidiu Constanta	452,600	276,299	29,383	146,918		
6	Ovidiu Lakeside block 9	Ovidiu Constanta	238,463			143,076	95,387	
7	Ovidiu 5 ha plot 2	Ovidiu Constanta	2,958,160	150,000		351,020	1,404,080	1,053,060
8	Ovidiu Lakeside 1 plot	Ovidiu Constanta	46,200	14,247	31,953			
Total			7,760,323	2,784,106	61,336	1,871,572	1,990,249	1,053,060

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%. Starting 2013, based on turnover thresholds, some companies in the Group are subject to 16% taxable profits, while some are subject to 1% tax calculated on total revenue. This is the case for 4 of the Group companies (2 pays 1% tax and 2 of them 3% tax) while 1 company is subject to 16% on taxable profits.

The Company accounts for deferred tax on all movements in the fair values of its investment properties at a flat rate of 16%. Any change in the deferred tax liability or change in the deferred tax asset is reflected as an element of income tax in the profit and loss statement. The Company recognises deferred tax asset for the amount of carried forward unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Rent revenue	49	47	141	128
Revenue from sale of assets	2,163	1,996	4,077	2,504
Operating revenue	2,212	2,043	4,218	2,632
Payroll expenses	(65)	(50)	(192)	(179)
Management fees	(24)	(23)	(73)	(71)
Inventory (write off)/reversal	288	689	(8)	827
General and administrative expenses	(140)	(250)	(467)	(491)
Operating expenses	59	366	(739)	86
Profit/ (loss) before other operating items	2,271	2,409	3,479	2,718
Other operating income/(expense), net	(1,458)	(1,413)	(2,887)	(1,555)
Profit from operations	813	996	592	1,163
Financial income	44	1	16	4
Financial costs	-	(97)	0	(507)
Foreign exchange, net	20	3	(21)	(50)
Result before tax	876	904	587	609
Tax expense	(116)	(1)	(221)	(9)
Result of the period	760	903	366	601

CONSOLIDATED BALANCE SHEET

Figures in thousand EUR

ASSETS	Sept 30, 2022	Sept 30, 2021	December 31, 2021
Non-current assets			
Investment properties	2,094	2,768	2,033
Property, plant and equipment	61	50	52
Deferred tax asset	55	114	55
Total non current assets	2,211	2,932	2,140
Current assets			
Inventories	6,544	7,700	8,680
Other short term receivables	2,648	277	880
Cash and cash equivalents	3,821	3,581	3,807
Total current assets	13,014	11,558	13,367
Assets held for sale	2,480	2,254	2,480
TOTAL ASSETS	17,704	16,744	17,986
EQUITY AND LIABILITIES	Sept 30, 2022	Sept 30, 2021	December 31, 2021
Equity			
Share capital	103	103	103
Contributed surplus	87,117	87,117	87,117
Other reserves	160	160	160
Retained earnings	(74,127)	(75,658)	(75,659)
Result of current period	366	601	1,532
FX reserve	3,617	3,639	3,572
Total equity	17,237	15,947	16,826
Non current liabilities			
Deferred income tax	157	119	158
Total non current liabilities	157	119	158
Current Liabilities			
Other payables	169	132	963
Contract liabilities	25	487	25
Tax payable	116	60	14
Total current liabilities	310	679	1,002
TOTAL EQUITY AND LIABILITIES	17,704	16,744	17,986

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	Sept 30,2022	December 31, 2021	30-Sep-21
Profit for the year	366	1,532	601
Other comprehensive income			
Exchange differences on translation of foreign operations	(22)	259	250
Other comprehensive income for the year, net of tax	(22)	259	250
Total comprehensive income for the year, net of tax	344	1,791	850

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	Sept 30,2022	December 31, 2021	30-Sep-21
Net cash flow from operating activities	(421)	(725)	(545)
Net cash flow from investing activities	435	3,325	2,919
Net cash flows from financing activities	-	-	-
Net cash change during period	14	2,600	2,374
Cash at beginning of period	3,807	1,207	1,207
Cash and cash equivalents at end of the period	3,821	3,807	3,581

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	Sept 30,2022	December 31, 2021	30-Sep-21
Equity at the beginning of the period	16,826	15,035	15,035
Result for the period	366	1,532	601
Other changes	45	259	311
Equity at the end of the period	17,237	16,826	15,947

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the third quarter of 2022, which have been prepared in accordance with IFRS as adopted by EU and IAS 34 Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the third quarter of 2022 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining period of 2022, and major related party transactions.

November 25, 2022

The Board of Directors RomReal Limited Hamilton, Bermuda:

Kjetil Grønskag (Chairman & CEO), Bendt Thorkildsen (Director), Heidi Sørensen Austbø (Director) and Lacramioara Isarescu (Director)

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For further information on RomReal, including presentation material relating to this interim report and financial information, please visit www.RomReal.com.

DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that RomReal Limited ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which RomReal is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors, we refer to RomReal's Annual Report for 2021. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and RomReal disclaims any and all liability in this respect.