

# Q3

**RomReal Limited**  
**Third Quarter 2023 Report**  
**24 November 2023**



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 2023

### Net Asset Value (NAV)

- Net Asset value was EUR 0.40 (NOK 4.55, before any tax) per share, an increase of 5.6% measured in EUR from the end of the second quarter 2023. EUR/NOK was 10.67 end 2022 versus 11.30 by the end of Q3.23.

### Operational highlights

- During the third quarter of 2023, the Company sold the second of the four older houses (on Oasis) for a total consideration of EUR 0.11m, In addition 40,054 m<sup>2</sup>, part of the Ovidiu Residence (50,000m<sup>2</sup>) for a total consideration of EUR 3m was agreed sold with a two year sellers credit. The Company also entered a pre-sale agreement for a different part of the Ovidiu Residence, for a total sellers-credit consideration of EUR 0.8m.
- Following the end of Q3 2023, the Company concluded sale of one minor plot on the Ovidiu Lake Side project for a total consideration of EUR 0.06m.
- Total infrastructure investments by the end of 3<sup>rd</sup> quarter 2023 was EUR 8.6m, from which EUR 4m represents finalised projects. Even though one large seller's credit transactions were agreed during the 3<sup>rd</sup> quarter, the underlying residential market is clearly slower with less activity and more limited bank financing available.

### Financial Results

- Net Result for the quarter was a profit of EUR 934,000, compared to a EUR 760,000 loss in 3Q 2022. Net change in cash flow for the quarter was a negative EUR 113,000 compared to negative of EUR 331,000 in the same period last year. This was mainly due to capitalized expenses related to infrastructure.
- At the end of the quarter, the Company had a cash position of EUR 3.3 million plus a total of EUR 4.68m unsettled receivables related to binding sales agreements, totalling EUR 8.0m, or about EUR 0.2 per share. Due to the weaker market situation, the outstanding vendor financing agreements are followed up with extra attention and presently two instalments are somewhat overdue.

### Macro and real estate market highlights

- On 8th November this year, the National Bank decided to keep the monetary "Policy rate" at 7%, unchanged since March 2023. Other key interest rates were also kept unchanged.
- By the end of Q3.2023, the annual inflation rate showed a drop to 8.8% versus 9.4% for the last 12 months by the end of second quarter 2023.
- The Romanian GDP slowed to 0.2% year-on-year in the third quarter of 2023, well below market expectations of 2.5% growth and following a 1% increase in the previous three-month period, a preliminary estimate showed. On a seasonally adjusted quarter-on-quarter basis, the economy expanded 0.4% in Q3 versus 1.3% by the end of Q2.2023.
- Asking prices for apartments and houses in Romania increased in the third quarter of 2023 compared to second quarter of 2023 (EUR 1,429/m<sup>2</sup>) to EUR 1,437/m<sup>2</sup> at the end of august 2023. In Constanta, average prices increased by 2.45% during the third quarter of 2023 (EUR 1,546/m<sup>2</sup> at the end of August 2023 compared to EUR 1,509/m<sup>2</sup> at the end of June 2023), according to [www.imobiliare.ro](http://www.imobiliare.ro) index.

## Key Financial Figures

EUR '000	Q3 2023	Q3 2022
Operating Revenue	3,140	2,212
Operating Expenses	(254)	59
Other operating income/ (expense), net	(1,615)	(1,458)
Net financial income/(cost)	59	64
Pre-tax result	1,329	876
Result for the period	934	760
Total assets	17,384	17,704
Total liabilities	679	467
Total equity	16,705	17,237
Equity %	96.1%	97.4%
NAV per share (EUR)	0.40	0.42
Cash position	3,323	3,831

### Movement in Net Asset Value

The Net Asset Value (NAV) increased to EUR 16,705,000 at the end of Q3 2023 compared to EUR 15,813,000 at the end of Q2 2023.

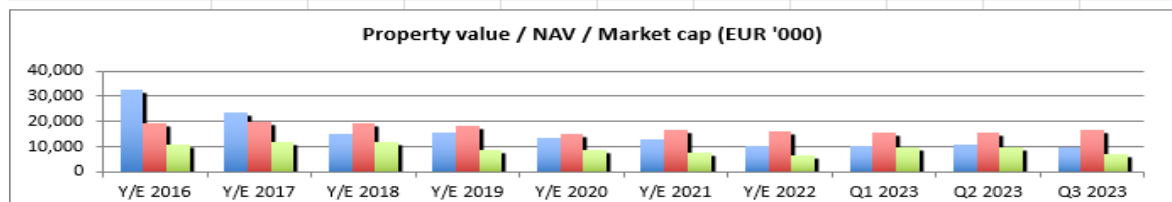
Asset base	Q3 2023			Q2 2023		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	2,877	0.07	0.78	4,399	0.11	1.24
Assets held for sale	0	0.00	0.00	0	0.00	0.00
Inventories	6,932	0.17	1.89	6,449	0.16	1.82
Cash	3,323	0.08	0.90	3,436	0.08	0.97
Other assets/(liabilities)	3,574	0.09	0.97	1,528	0.04	0.43
Net asset value	16,705			15,813		
NAV/Share		0.40	4.55		0.38	4.46
Change in NAV vs previous quarter	5.6%			(0.2%)		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q2 2023.

## Valuation of Properties

The end of year 2022 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. A new external valuation is scheduled to take place during December 2023.

EUR '000	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020	Y/E 2021	Y/E 2022	Q1 2023	Q2 2023	Q3 2023
Property value	32,787	23,419	14,962	15,435	13,420	13,192	10,118	10,064	10,848	9,809
NAV	19,369	19,930	19,603	18,501	15,035	16,826	16,230	15,839	15,813	16,705
Market cap	11,052	12,100	11,848	8,817	8,687	7,860	6,826	9,597	9,846	7,198
Market cap/NAV	57%	61%	60%	48%	58%	47%	42%	61%	62%	43%



## Cash Flow

EUR '000	Q3 2023	Q3 2022
Net cash flow from operating activities	(24)	(306)
Net cash flow used in investing activities	(89)	(25)
Net cash flows from financing activities	-	-
<b>Net cash change during period</b>	<b>(113)</b>	<b>(331)</b>

Operating cash flow for Q3 2023 was negative EUR 113,000 compared to a negative EUR 331,000 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 slowed to 0.2% year-on-year in the third quarter of 2023, well below market expectations of 2.5% growth and following a 1% increase in the previous three-month period, a preliminary estimate showed. On a seasonally adjusted quarter-on-quarter basis, the economy expanded 0.4% in Q3 versus 1.3% by the end of Q2.2023. On 15 October 2023, The European Commission said it has revised its economic growth projection for Romania, expecting a real GDP expansion of 2.2% in 2023. For 2024, the GDP European Commission forecast is 3.1%. Please note this full-year 2023 prognosis was made before the preliminary 3Q.23 GDP figures were made available.

## **Real Estate market facts**

Romanian commercial property Market: According to Colliers, 1st half 2023 was a very weak half with only about EUR 168 million in commercial transactions. Roughly half of last year's first half level. Industrial and logistics accounted for about 36% of the value and office about 31%. Retail was next, generating about 23% of the turnover and hotels with some 11%.

Both the residential and commercial market is clearly feeling the pressure of higher interest rates. That is unlikely to change significantly during the rest of the year. Even though, Colliers continue to see some buyer interest in local assets with several ongoing deals potentially to be closed before year-end 2023. Colliers estimate a total 2023 commercial transaction volume in the range EUR 5-600m, about half of the 2022 of about EUR 1.2bn.

The year's biggest deal was the sale-and-leaseback of the FM Logistic warehouses, a third part operator with a total 100,000 m2 portfolio located in several cities. The portfolio was bought by CTP and for an estimated EUR 60m.

Started from January 2023, the calculation methodology of the Imobiliare.ro index has been improved following a major upgrade. Therefore, the value of the Imobiliare.ro index have been replaced by the data obtained by applying the new methodology for the period 2012-present. Asking prices for apartments and houses in Romania increased in the third quarter of 2023 compared to second quarter of 2023 (EUR 1,429/m<sup>2</sup>) to EUR 1,437/m<sup>2</sup> at the end of August 2023. In Constanta, average prices increased by 2.45% during the third quarter of 2023 (EUR 1,546/m<sup>2</sup> at the end of August 2023 compared to EUR 1,509/m<sup>2</sup> at the end of June 2023), according to [www.imobiliare.ro](http://www.imobiliare.ro) index.

## **Operational Overview**

Lake Side (No.1 on the table) – The Company did not make any sales this quarter of the three remaining plots and two houses and the units are still for sale. Following the end of Q3 2023, the Company concluded sale of one plot from the Ovidiu Lake Side project. Street and utilities have been delivered to the City Hall for public use according to agreement. The City Hall delivered the utilities to the water company in February 2023.

Oasis (No. 3 on the table) – Both block structures have already been re-authorised by Ovidiu City Hall. The Company has finalised the works for water and sewage on the plot as well and the gas connection for all plots on site. The building authorisation of electrical works and the roads is obtained. The first apartment block is about 70% finished and costs hitherto is slightly below the budget. The second of the four old houses were sold and paid/sold during the third quarter 2023.

Industrial Park (No. 4 on the table) – The project is still advertised for sale. The development activity in the neighbourhood is expanding including various NATO/Romanian defence projects.

Balada Market (No. 6 on the table) – The project is for sale. The installation of the parking system was completed in May and the parking income is picking up, but still at a modest level. This income is a mix of spot parking and monthly rental agreements.

Ovidiu Residence (former Badulescu plot (No. 2 on the table)) – The Company has signed a two year contract (with vendor financing) for 40,054 m<sup>2</sup>, for a large part of the Ovidiu Residence (50,000m<sup>2</sup>) for a total consideration of EUR 3m. The Company also entered a pre-sale agreement for a different part of the Ovidiu Residence, for a total sellers-credit consideration of EUR 0.8m.

Ovidiu Residence 2 (former 7,900 sqm) - The Company has commenced a process to regulate the plot located nearby Lakeside for residential use. It is still expected the urbanistic regulation/PUZ of the plot to be approved by local authorities, now most likely during first quarter 2024. The Company has signed a pre-contract for sale of the plot with a local investor.

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 still expected the urbanistic regulation/PUZ of the plot to be approved by local authorities, now most likely during first quarter 2024.

### The Property Portfolio

The Company's land bank consists at the end of September 2023 of 6 plots with a total size of 178,322 m<sup>2</sup>:

Plot name	Location	Size (m <sup>2</sup> )
1 Ovidiu Lakeside	Constanta North/Ovidiu	2,475
2 Ovidiu residence	Constanta North/Ovidiu	9,946
3 Ovidiu (Oasis)	Constanta North/Ovidiu	22,041
4 Centrepont	Constanta North/Ovidiu	121,672
5 Ovidiu Residence 2 and 3	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
<b>Total</b>		<b>178,322</b>

## Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 20 November 2023:

Rank	Name	Holding	Ownership
1	SIX SIS AG	10,331,934	24.98%
2	GRØNSKAG, KJETIL	5,913,006	14.29%
3	THORKILDSEN, 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	1,543,851	3.73%
7	GRØNLAND, STEINAR	1,292,886	3.13%
8	Energi Invest as	1,253,611	3.03%
9	Orakel AS	1,101,000	2.66%
10	BNP Paribas	991,717	2.40%
11	SPAR KAPITAL INVESTOR AS	940,236	2.27%
12	THORKILDSEN INVEST AS	829,478	2.01%
13	KVAAL INVEST AS	725,000	1.75%
14	Arild Persson	721,000	1.74%
15	Anders Hoen	689,557	1.67%
16	AKSEL MAGDAHL	453,066	1.10%
17	Frenico AS	396,000	0.96%
18	NORDNET LIVSFORSIKRING AS	232,957	0.56%
19	CITIBANK	220,000	0.53%
20	Jo Egil Aalerud	166,864	0.40%
	<b>TOP 20</b>	<b>38,690,284</b>	<b>93.54%</b>

(1) This is the Top 20 Shareholder list as per 20 November 2023

(2) The total issued number of shares issued at end Q3 2023 was 41,367,783.

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

(4) Chairman Kjetil Grønskog 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

Both the CPI and GDP growth in Romania is heading lower hitherto 2023. The CPI is reduced less rapid than most experts expected and GDP the opposite. The weakening macro fundamentals have already resulted in clearly slower sales in all the remaining projects, Due

to the weaker market situation, the outstanding vendor financing agreements are followed up with extra attention, and presently one important instalment is somewhat overdue. The slower sales process and challenges with some of the vendor financing is presently slowing down the aimed Romanian exit. To maintain a solid cash position even in a bearish scenario, certain infrastructure investments are frozen.

## **INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS**

### **Accounting Principles**

The condensed consolidated interim financial statements for the third quarter of 2023, 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 2022. The financial statements have been prepared on a going concern basis.

To information presented in the interim report for the third quarter of 2023 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 2023, and major related party transactions.

### **Comparative data for Q3 2023 and Q3 2022**

The interpretations below refer to comparable financial information for Q3 2023 and Q3 2022. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

### **Operating Revenue**

The operating revenue during Q3 2023 was EUR 3,140,000 compared to a total of EUR 2,212,000 reported in Q3 2022. 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 negative EUR 254,000 in Q3 2023 compared to a total positive EUR 59,000 in Q3 2022. The main elements of cost relate to the administrative expenses (EUR 146,000) and the payroll costs (EUR 77,000). The unrealised loss in respect of the inventories portfolio was EUR 5,000.

### **Other operating income/ (expense), net**

The other operating income/ (expense) during the quarter were loss of EUR 1,615,000, compared to a loss of EUR 1,458,000 during the same period of the previous year. The vast part of the total amount is represented by the cost of the disposed assets.



## Profit/ (loss) from operations

During Q3 2023, RomReal generated an operating gain of EUR 1,270,000, compared to a profit of EUR 813,000 in Q3 2022.

## Financial Income and expense

Financial result for Q3 2023 was a net gain of EUR 59,000 compared to a net financial gain of EUR 64,000 in Q3 2022. During the quarter the RON lost 0.23% to the EUR.

The Company's policy is to hedge these effects by retaining most of its cash in Lei, receiving negotiated interest from the bank and also by denominating all receivables in Euros. 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 2023 was a profit of EUR 1,329,000 compared to a profit before tax of EUR 876,000 in Q3 2022.

## Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2023 was EUR 3,323,000 compared to EUR 3,436,000 as at end of Q2 2023.

RomReal portfolio / sale transactions to be completed in 2023/2025.

No	Plot name	Location	Agreed sale value (EUR)	Installments received@ 20.11.2023	To cash 2023	To cash 2024	To cash 2025
1	Ovidiu Lakeside 4 blocks	Ovidiu Constanta	1,714,750	978,582	245,386	490,782	
2	Ovidiu Lakeside 12 plots	Ovidiu Constanta	1,318,400	1,318,400			
3	Ovidiu Lakeside 10 plots	Ovidiu Constanta	452,600	452,600.19			
4	Ovidiu Lakeside block 9	Ovidiu Constanta	238,463	95,384.00	47,692.00	95,387.00	
5	Ovidiu 7.900 sqm plot Promissory	Ovidiu Constanta	474,000	123,240.00	28,440.00	227,520.00	94,800.00
6	Ovidiu Oasis plot Cocorilor 1	Ovidiu Constanta	108,000	5,000.00			103,000.00
7	Ovidiu Oasis plot Cocorilor 3	Ovidiu Constanta	108,000	108,000.00			
8	Ovidiu 5 ha plot 40.054 sqm	Ovidiu Constanta	2,958,480	338,890.68	162,169.32	1,404,240.00	1,053,180.00
9	Ovidiu 5 ha plot 9.946 sqm Promissory	Ovidiu Constanta	795,680	66,314.00	33,153.00	397,836.00	298,377.00
<b>Total</b>			<b>8,168,373</b>	<b>3,486,411</b>	<b>516,840</b>	<b>2,615,765</b>	<b>1,549,357</b>

## 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 2 of the Group companies pays 1% 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 2023	Q3 2022	YTD 2023	YTD 2022
Rent revenue	67	49	170	141
Revenue from sale of assets	3,073	2,163	3,240	4,077
<b>Operating revenue</b>	<b>3,140</b>	<b>2,212</b>	<b>3,411</b>	<b>4,218</b>
Payroll expenses	(77)	(65)	(235)	(192)
Management fees	(26)	(24)	(78)	(73)
Inventory (write off)/reversal	(5)	288	4	(8)
General and administrative expenses	(146)	(140)	(464)	(467)
<b>Operating expenses</b>	<b>(254)</b>	<b>59</b>	<b>(773)</b>	<b>(739)</b>
<b>Profit/ (loss) before other operating items</b>	<b>2,886</b>	<b>2,271</b>	<b>2,638</b>	<b>3,479</b>
Other operating income/(expense), net	(1,615)	(1,458)	(1,892)	(2,887)
<b>Profit from operations</b>	<b>1,270</b>	<b>813</b>	<b>745</b>	<b>592</b>
Financial income	53	44	184	16
Financial costs	0	-	(1)	0
Foreign exchange, net	6	20	14	(21)
<b>Result before tax</b>	<b>1,329</b>	<b>876</b>	<b>942</b>	<b>587</b>
Tax expense	(395)	(116)	(378)	(221)
<b>Result of the period</b>	<b>934</b>	<b>760</b>	<b>564</b>	<b>366</b>

## CONSOLIDATED BALANCE SHEET

Figures in thousand EUR

ASSETS	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
<b>Non-current assets</b>			
Investment properties	2,877	2,094	4,398
Property, plant and equipment	43	61	54
Deferred tax asset	55	55	55
<b>Total non current assets</b>	<b>2,975</b>	<b>2,211</b>	<b>4,508</b>
<b>Current assets</b>			
Inventories	6,932	6,544	5,719
Other short term receivables	4,155	2,648	2,398
Cash and cash equivalents	3,323	3,821	4,098
<b>Total current assets</b>	<b>14,409</b>	<b>13,014</b>	<b>12,216</b>
Assets held for sale	-	2,480	0
<b>TOTAL ASSETS</b>	<b>17,384</b>	<b>17,704</b>	<b>16,724</b>
<b>EQUITY AND LIABILITIES</b>	<b>Sep 30, 2023</b>	<b>Sep 30, 2022</b>	<b>Dec 31, 2022</b>
<b>Equity</b>			
Share capital	103	103	103
Contributed surplus	87,117	87,117	87,117
Other reserves	160	160	160
Retained earnings	(74,762)	(74,127)	(74,127)
Result of current period	564	366	(635)
FX reserve	3,522	3,617	3,611
<b>Total equity</b>	<b>16,705</b>	<b>17,237</b>	<b>16,230</b>
<b>Non current liabilities</b>			
Deferred income tax	82	157	101
<b>Total non current liabilities</b>	<b>82</b>	<b>157</b>	<b>101</b>
<b>Current Liabilities</b>			
Other payables	242	169	366
Contract liabilities	-	25	25
Tax payable	355	116	2
<b>Total current liabilities</b>	<b>597</b>	<b>310</b>	<b>393</b>
<b>TOTAL EQUITY AND LIABILITIE</b>	<b>17,384</b>	<b>17,704</b>	<b>16,724</b>

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	Sep 30,2023	Dec 31,2022	30-Sep-22
<b>Profit for the year</b>	564	(635)	366
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	(95)	39	(22)
<b>Other comprehensive income for the year, net of tax</b>	(95)	39	(22)
<b>Total comprehensive income for the year, net of tax</b>	469	(596)	344

## CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	Sep 30,2023	Dec 31,2022	30-Sep-22
Net cash flow from operating activities	(721)	(631)	(421)
Net cash flow from investing activities	(55)	922	435
Net cash flows from financing activities	-	-	-
<b>Net cash change during period</b>	(776)	291	14
Cash at beginning of period	4,098	3,807	3,807
<b>Cash and cash equivalents at end of the period</b>	3,323	4,098	3,821

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	Sep 30,2023	Dec 31,2022	30-Sep-22
Equity at the beginning of the period	16,230	16,826	16,826
Result for the period	564	(635)	366
Other changes	(89)	39	45
<b>Equity at the end of the period</b>	16,705	16,230	17,237

## Responsibility Statement

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the third quarter of 2023, 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 2023 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 2023, and major related party transactions.

November 24, 2023

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](http://www.RomReal.com).

## DISCLAIMER

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