

Q2

RomReal Limited
Second Quarter 2022 Report
26 August 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 Second Quarter 2022

Net Asset Value (NAV)

- Net Asset value was EUR 0.40 (NOK 4.13, before any tax) per share, a decrease of 3.6% measured in EUR from the end of the first quarter 2022.

Operational highlights

- During the second quarter of 2022, the Company sold one plot from the Ovidiu Lake Side project for a total consideration of EUR 0.04m.
- Total infrastructure investments by the end of 2nd quarter 2022 was EUR 4.6m.

Financial Results

- Net Result for the quarter was a loss of EUR 727,000, compared to a EUR 380,000 loss in 2Q 2021. Net change in cash flow for the quarter was a negative EUR 218,000 compared to positive of EUR 10,000 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 4.2 million plus a total of EUR 2.5m unsettled receivables related to binding sales agreements, totalling EUR 6.7m, or about EUR 0.16 per share.

Macro and real estate market highlights

- The situation on the ground in Romania is stable and normal. The shipments from the harbour of Constanta is extraordinary high, due to farming products from Ukraine as well as the regular harvest season in Romania. Even though the economy has held up well hitherto post covid, the budget fiscal deficit and the increasing inflation is a growing challenge.
- The Romanian GDP grew by 5.3% year-on-year in the second quarter of 2022, beating market consensus of a 3.5% growth, following a 6.4% gain in the previous period. It was the fifth straight quarter of expansion in the GDP, amid a lifting Covid-19 restrictions, On a seasonally adjusted quarterly basis, the economy advanced by 2.1%, after a 5.1% rise in the first quarter of 2022. In the first half of 2022, the economy expanded by 5.8% from a year earlier, INS said in a statement 17 August 2022.
- Asking prices for apartments and houses in Romania continued to increase in the second quarter of 2022 compared the first quarter of 2022 (EUR 1,654), up to EUR 1,745/m² at the end of 2Q 2022 and EUR 1,722/ m² at the end of July 2022. In Constanta, average prices increased by 2.07% during the second quarter of 2022 (EUR 1,481/m² at the end of June 2022, compared to EUR 1,451/m² at the end of March 2022), according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q2 2022	Q2 2021
Operating Revenue	105	331
Operating Expenses	(482)	(243)
Other operating income/ (expense), net	(336)	(58)
Net financial income/(cost)	20	(407)
Pre-tax result	(693)	(377)
Result for the period	(727)	(380)
Total assets	17,499	15,340
Total liabilities	958	311
Total equity	16,542	15,029
Equity %	94.5%	98.0%
NAV per share (EUR)	0.40	0.36
Cash position	4,152	1,257

Movement in Net Asset Value

The Net Asset Value (NAV) slightly decreased to EUR 16,542,000 at the end of Q2 2022 compared to EUR 17,154,000 at the end of Q1 2022.

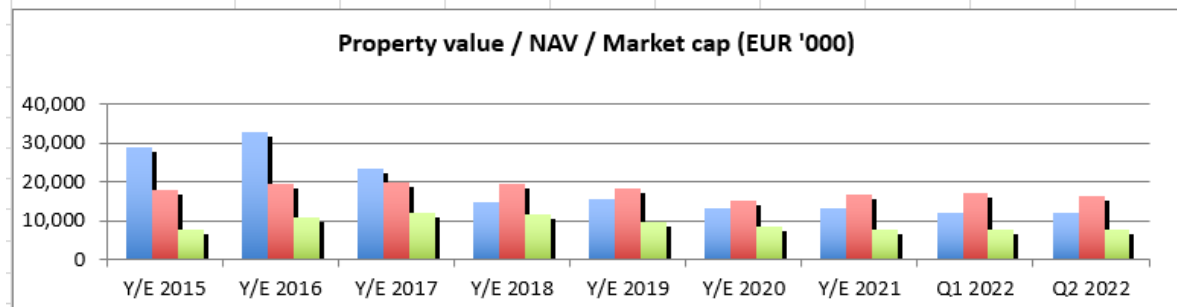
Asset base	Q2 2022			Q1 2022		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	2,297	0.06	0.57	2,034	0.05	0.48
Assets held for sale	2,480	0.06	0.62	2,482	0.06	0.58
Inventories	7,082	0.17	1.77	7,623	0.18	1.79
Cash	4,152	0.10	1.04	4,370	0.11	1.03
Other assets/(liabilities)	531	0.01	0.13	645	0.02	0.15
Net asset value	16,542			17,154		
NAV/Share		0.40	4.13		0.41	4.04
Change in NAV vs previous quarter	(3.6%)			1.9%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q1 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
Property value	28,736	32,787	23,419	14,962	15,435	13,420	13,192	12,139	11,859
NAV	18,089	19,369	19,930	19,603	18,501	15,035	16,826	17,154	16,542
Market cap	7,933	11,052	12,100	11,848	9,602	8,687	7,860	7,694	7,653
Market cap/NAV	44%	57%	61%	60%	52%	58%	47%	45%	46%



Cash Flow

EUR '000	Q2 2022	Q2 2021
Net cash flow from operating activities	56	(61)
Net cash flow used in investing activities	(274)	71
Net cash flows from financing activities	-	-
Net cash change during period	(218)	10

Operating cash flow for Q2 2022 was negative EUR 218,000 compared to a positive EUR 10,000 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 grew by 5.3% year-on-year in the second quarter of 2022, following a 6.4% gain in the first quarter. It was the fifth straight quarter of expansion in the GDP, amid a lifting of Covid-19 restrictions. On a seasonally adjusted quarterly basis, the economy advanced by 2.1%, after a 5.1% rise in the first quarter of 2022. In the first half of 2022, the economy expanded by 5.8% from a year earlier, INS said in a statement 17 August 2022.

The consumer story is still more or less intact. Nominal yearly wage growth (+12.5%) by the end of May 2022, has remained more or less on par with the headline CPI (14.5%). A second positive factor is the huge inflow of EU funds. The availability of some of this money is subject to certain material reforms by the Government. The sum conditionally allocated Romania could add up to about 40% of estimated GDP up to 2027, or about 6% per year. A negative red flag is the state budget fiscal balance with a deficit estimated to be at least 6.5% this year, among the worst in the EU and trending higher.

Real Estate market facts

In line with 2020, the Romanian investment market recorded transactions of almost EUR 900 million 2021, representing over 8% of the total EUR 11.7 billion investment volume recorded by the 6 largest countries in Eastern Europe. The first half 2022 closed with a total value of transactions of EUR 336m in Romania, up some 13% compared to first half 2021. Office assets represented about 63% of the volume according to a recent Colliers 1H. 2022 report.

Offices: In terms of sector activity, the office sector saw again the biggest transaction of 2021 - the purchase of Atenor's Hermes Business Campus for around EUR 150 million by Hungarian fund Adventum. The first half 2022 largest transaction was S IMMO purchase of Expo Business Park, located in the Northern part of Bucharest with an estimated price of EUR 110m.

Retail: The retail segment has also been active in first half with about 27,000m² have been added in modern stock during first half 2022. Another 120,000m² retail area is expected to be added during second half 2022. Hitherto, the consumers has been the heart of the post hopefully post covid economic recovery in Romania supported by a strong labour market.

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 important Bucharest market. During first half this year about 400,000 m² was signed in new rental contracts.

Residential: Bucharest and Cluj-Napoca remaining the most expensive markets for home buyers, according to a report by Imobiliare.ro portal. The increase in apartment prices have continued according to the same source on a nationwide basis during first half, but with a lower pace during the last few weeks.

Operational Overview

Lake Side (No.1 on the table) – The Company has sold only one plot 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 few plots for sale.

Oasis (No. 3 on the table) – The Company has commenced the process to re-authorise the works to finalise the blocks erected on site. During May this year, one block structure has already been re-authorised by Ovidiu City Hall. This in order to add value to the plot and authorise the works for constructing the utilities in the area, with required permits hopefully granted also during first half 2022. The other apartment structure is expected to be re-authorised within about a month. The Company has commenced the works for water and sewage on the plot as well as finalisation of the authorised block erected on site.

Industrial Park (No. 4 on the table) – The Company had a comprehensive sales process with a well-regarded developer well advanced, but the final closing did not materialise. The project is partly or fully still for sale.

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 some progress has been made with the local authorities. The parking authorisation is expected within a couple of months.

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 have active discussions at present for sale of the plot to local and international investors.

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 Q2 2022 of 6 plots with a total size of 232.298 m²:

Plot name	Location	Size (m ²)
1 Ovidiu Lakeside	Constanta North/Ovidiu	14.753
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	23,685
4 Centrepont	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
Total		232.298

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 15 August 2022.

Rank	Name	Holding	Stake
1	SIX SIS AG	10,331,934	24.98%
2	GRØNSKAG, KJETIL	5,792,823	14.00%
3	THORKILDSEN, WENCHE	5,392,985	13.04%
4	SAGA EIENDOM AS	3,311,526	8.01%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,501,662	3.63%
7	ENERGI INVEST AS	1,253,611	3.03%
8	Orakel AS	1,101,000	2.66%
9	GRØNLAND, STEINAR	1,100,972	2.66%
10	BNP Paribas Securities Services	991,717	2.40%
11	SPAR KAPITAL INVESTOR AS	940,236	2.27%
12	THORKILDSEN 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	640,000	1.55%
16	AKSEL MAGDAHL	466,092	1.13%
17	Frenico AS	396,000	0.96%
18	NORDNET LIVSFORSIKRING AS	393,738	0.91%
19	CITIBANK	220,000	0.53%
20	Jo Egil Aalerud	166,864	0.40%
TOP 20		38,346,695	92.68%

(1) This is the Top 20 Shareholder list as per 15 August 2022.

(2) The total issued number of shares issued at end Q2 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 5,792,823 shares corresponding to 14.00%.

(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 situation on the ground in Romania is normal, but as a precaution NATO has and is stepping up its presence, in the region/Romania including recognised parts of the Black Sea.

Even though, the Romanian first half 2022 GDP flash growth numbers was strong, the Board expects a slower growth ahead combined with an increasing inflation and weakening Government finances.

Even though a sale of only one small plot in second quarter is not satisfactory, the overall marketing and sales activities are steady, and a hopefully higher volume to materialise during second half.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the fourth quarter of 2021, 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 second 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 Q2 2022 and Q2 2021

The interpretations below refer to comparable financial information for Q2 2022 and Q2 2021. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q2 2022 was EUR 105,000 compared to a total of EUR 331,000 reported in Q2 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 negative EUR 482,000 in Q2 2022 compared to a total negative EUR 243,000 in Q2 2021. The main elements of cost relate to the administrative expenses (EUR 133,000) and the payroll costs (EUR 65,000). The unrealised losses in respect of the inventories portfolio represented EUR 235,000 unrealised losses.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were loss of EUR 336,000, compared to a loss of EUR 58,000 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 Q2 2022, RomReal generated an operating loss of EUR 712,000, compared to a profit of EUR 31,000 in Q2 2021.

Financial Income and expense

Foreign exchange result for Q2 2022 was a net profit of EUR 20,000 compared to a net foreign exchange loss of EUR 407,000 in Q2 2021. During the quarter the RON gained 0.05% 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 Q2 2022 was a loss of EUR 693,000 compared to a loss before tax of EUR 377,000 in Q2 2021.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q2 2022 was EUR 4,152,000 compared to EUR 4,370,000 as at end of Q1 2022.

RomReal portfolio / sale transactions to be completed in 2022/2024.

Romreal portfolio / sale transactions to be completed in 2022-2024							
No	Plot name	Location	Agreed sale value (EUR)	Installments received@ 15/08/2022	To cash 2022	To cash 2023	To cash 2024
1	Ovidiu Oasis plot	Ovidiu Constanta	88,000	88,000			
2	Ovidiu Lakeside 6 blocks	Ovidiu Constanta	2,658,500	1,186,170	245,390	736,170	490,770
3	Ovidiu Lakeside 28 plots	Ovidiu Constanta	1,318,400	494,400	329,600	494,400	
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta	452,600	232,224	73,458	146,918	
Total			4,517,500	2,000,794	648,448	1,377,488	490,770

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

	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Rent revenue	47	43	92	81
Revenue from sale of assets	58	288	1,914	508
Operating revenue	105	331	2,006	589
Payroll expenses	(65)	(64)	(127)	(129)
Management fees	(49)	24	(49)	0
Inventory (write off)/reversal	(235)	(40)	(296)	138
General and administrative expenses	(133)	(162)	(326)	(289)
Operating expenses	(482)	(243)	(798)	(280)
Profit/ (loss) before other operating items	(376)	88	1,208	310
Other operating income/(expense), net	(336)	(58)	(1,429)	(143)
Profit from operations	(712)	31	(221)	167
Financial income	42	1	(28)	2
Financial costs	-	(410)	0	(410)
Foreign exchange, net	(22)	1	(41)	(54)
Result before tax	(693)	(377)	(290)	(294)
Tax expense	(34)	(3)	(105)	(8)
Result of the period	(727)	(380)	(395)	(302)

CONSOLIDATED BALANCE SHEET



Figures in thousand EUR

ASSETS	June 30, 2022	June 30, 2021	December 31, 2021
Non-current assets			
Investment properties	2,297	4,149	2,033
Property, plant and equipment	62	58	52
Deferred tax asset	55	115	55
Total non current assets	2,414	4,321	2,140
Current assets			
Inventories	7,082	7,014	8,680
Other short term receivables	1,371	501	880
Cash and cash equivalents	4,152	1,257	3,807
Total current assets	12,605	8,772	13,367
Assets held for sale	2,480	2,247	2,480
TOTAL ASSETS	17,499	15,340	17,986
EQUITY AND LIABILITIES	June 30, 2022	June 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)	(75,659)	(75,659)
Result of current period	(395)	(302)	1,532
FX reserve	3,682	3,609	3,572
Total equity	16,542	15,029	16,826
Non current liabilities			
Deferred income tax	157	119	158
Total non current liabilities	157	119	158
Current Liabilities			
Other payables	774	107	963
Contract liabilities	25	25	25
Tax payable	1	60	14
Total current liabilities	800	191	1,002
TOTAL EQUITY AND LIABILIT	17,499	15,340	17,986

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	June 30,2022	December 31, 2021	June 30, 2021
Profit for the year	(395)	1,532	(302)
Other comprehensive income			
Exchange differences on translation of foreign operations	73	259	220
Other comprehensive income for the year, net of tax	73	259	220
Total comprehensive income for the year, net of tax	(322)	1,791	(82)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	June 30,2022	December 31, 2021	June 30, 2021
Net cash flow from operating activities	(115)	(725)	(299)
Net cash flow from investing activities	460	3,325	349
Net cash flows from financing activities	-	-	-
Net cash change during period	345	2,600	50
Cash at beginning of period	3,807	1,207	1,207
Cash and cash equivalents at end of the period	4,152	3,807	1,257

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	June 30,2022	December 31, 2021	June 30, 2021
Equity at the beginning of the period	16,826	15,035	15,035
Result for the period	(395)	1,532	(302)
Other changes	110	259	296
Equity at the end of the period	16,542	16,826	15,029

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the second 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 second 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.

August 26, 2022

The Board of Directors RomReal Limited Hamilton, Bermuda:

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

Questions should be directed to: Kjetil Grønskag: Chairman & CEO, +44 776 775 4119



CONTACT INFORMATION

RomReal Limited

Postal address: Burnaby Building, 16 Burnaby street, Hamilton HM11, Bermuda Telephone:

Tel- +1-441-293-6268 Fax +1-441-296-3048 | www.RomReal.com

Visiting address: 54 Cuza Voda street, Constanța, Romania

Tel: +40-241-551488 Fax: +40-241-551322

IR

Kjetil Gronskog

+44 776 775 4119 | investors@RomReal.com

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

DISCLAIMER

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