

Q1

RomReal Limited
First Quarter 2022 Report
27May 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 First Quarter 2022

Net Asset Value (NAV)

- Net Asset value was EUR 0.41 (NOK 4.04, before any tax) per share, about 1.9% higher compared to the end of the fourth quarter 2021.
- The year-end 2021 valuation was concluded by Colliers in January 2022 and reflects the updated market conditions and the respective valuations of the Group's land bank.

Operational highlights

- During the first quarter of 2022, the Company sold 4 plots from the Ovidiu Lake Side project for a total consideration of EUR 0.23m.
- Following the end of Q1 2022, the Company concluded sale of one plot (on Lake Side) for a consideration of EUR 0.04m. Total infrastructure investments by the end of 1st quarter 2022 was EUR 4.3m.

Financial Results

- Net Result for the quarter was EUR 332,000 profit, compared to a EUR 3,958,000 loss in 1Q 2021. Net change in cash flow for the quarter was a positive EUR 563,000 compared to positive of EUR 183,000 in the same period last year. This was mainly due to the ongoing sales realised during the quarter.
- At the end of the quarter, the Company had a cash position of EUR 4.4 million plus a total of EUR 3.0m in unsettled receivables related to binding sales agreements, totalling EUR 7.4m, or about EUR 0.19 per share.

Macro and real estate market highlights

- The situation on the ground in Romania is stable and normal. Romania has seen the second largest influx of Ukrainian refugees of about 950,000 by 18 May according to the Border Police. Most of the Ukrainians use Romania as a transfer country to other EU countries.
- Romania's GDB rose 6.5%, the highest in the EU, year-on-year in the first quarter of 2022, compared to a 2.4% annual increase in the first quarter of 2021, based on non-adjusted flash data. On a seasonally adjusted annual comparison basis, Romania's gross domestic product (GDP) also rose by 6.5%, compared to a 2.4% real growth in the first quarter of 2021, INS, said in a statement 17 May 2022.
- Asking prices for apartments and houses in Romania continued to raise in the first quarter of 2022 compared the fourth quarter of 2021 (EUR 1,593), up to EUR 1,654/m² at the end of Q1 2022 and EUR 1,707/m² at the end of April 2022. In Constanta, average prices increased by 3.05% during the first quarter of 2022 (EUR 1,451/m² at the end of March 2022, compared to EUR 1,408/sqm at the end of December 2021), according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q1 2022	Q1 2021
Operating Revenue	1,901	258
Operating Expenses	(316)	(37)
Other operating income/ (expense), net	(1,093)	(2,472)
Net financial income/(cost)	(89)	(642)
Pre-tax result	403	(3,962)
Result for the period	332	(3,958)
Total assets	18,218	15,294
Total liabilities	1,064	289
Total equity	17,154	15,003
Equity %	94.2%	98.1%
NAV per share (EUR)	0.41	0.36
Cash position	4,370	1,247

Movement in Net Asset Value

The Net Asset Value (NAV) slightly increased to EUR 17,154,000 at the end of Q1 2022 compared to EUR 16,819,000 at the end of Q4 2021.

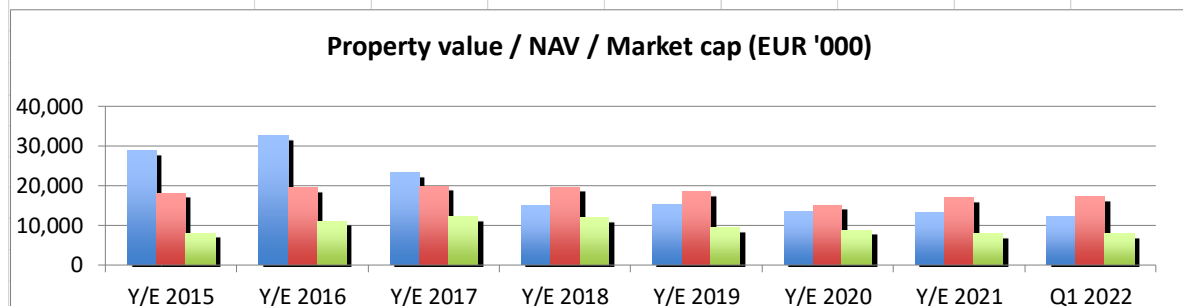
Asset base	Q1 2022			Q4 2021		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	2,034	0.05	0.48	4,997	0.12	1.29
Assets held for sale	2,482	0.06	0.58	2,480	0.06	0.64
Inventories	7,623	0.18	1.79	5,707	0.14	1.47
Cash	4,370	0.11	1.03	3,807	0.09	0.98
Other assets/(liabilities)	645	0.02	0.15	(173)	(0.00)	(0.04)
Net asset value	17,154			16,819		
NAV/Share		0.41	4.41		0.41	4.10
Change in NAV vs previous quarter	1.9%			5.5%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q4 2021.

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
Property value	28,736	32,787	23,419	14,962	15,435	13,420	13,192	12,139
NAV	18,089	19,369	19,930	19,603	18,501	15,035	16,826	17,154
Market cap	7,933	11,052	12,100	11,848	9,326	8,687	7,860	7,694
Market cap/NAV	44%	57%	61%	60%	50%	58%	47%	45%



Cash Flow

EUR '000	Q1 2022	Q1 2021
Net cash flow from operating activities	(171)	(1,343)
Net cash flow used in investing activities	734	(4)
Net cash flows from financing activities	-	-
Net cash change during period	563	(1,347)

Operating cash flow for Q1 2022 was positive EUR 563,000 compared to a negative EUR 1,347,000 in the same quarter last year. The net positive change is mainly explained by the disposals made during the quarter. The net cash from investing activities includes the collections made in respect of the sold plots.

Market Facts – Macro

Romania's economy rose 6.5%, the highest in the EU, year-on-year in the first quarter of 2022, compared to a 2.4% annual increase in the same quarter of 2021, based on non-adjusted flash data. On a seasonally adjusted annual comparison basis, Romania's gross domestic product (GDP) also rose by 6.5%, compared to a 2.4% real growth in the first quarter of 2021, INS, said in a statement 17 May 2022.

Even though the flash GDP figures for first quarter this year was surprisingly strong and the highest in the EU, a recent indicator signalling a gradual weakening trend in Romania in line with most comparable countries with a reduction in growth. 76% of Romanian managers consider they will be affected much and very much by the Ukraine war according to a recent survey by the Impetum Group.

Real Estate market facts

In line with 2020, the Romanian investment market recorded transactions of almost EUR 900 million last year, representing over 8% of the total EUR 11.7 billion investment volume recorded by the 6 largest countries in Eastern Europe. Bucharest has some of the highest yields in the region for the industrial and logistics facilities (7.5%), compared to at most 4% in Prague, 4.1% in Warsaw, or 5.7% in Budapest and Bratislava. In fact, according to Colliers, industrial assets in Romania recorded in 2021 their highest volume since 2015, attracting transactions totalling around EUR 260 million, representing over 29% of total volume. According to Colliers Romania:

Offices: In terms of investment dimensions, 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 second biggest office deal was the sale of Skanska's Campus 6.2 and 6.3 to Austrian fund S IMMO for EUR 97m, marking the latter's first major purchase on the local market, previously primarily acting as a developer. Other major deals included the sale of Atenor's Dacia One office project to the owners of the Romanian DIY chain Dedeman for EUR 50m.

Retail: The retail segment has also been active, as new projects totalling almost 100,000m² were completed last year, mostly in secondary and tertiary locations, with a clear preference towards retail parks being observed, as these projects have been less impacted by the pandemic and the subsequent Government restrictions, a development trend which is expected to continue going forward.

Industrial: The industrial and logistic sector also saw several major deals from the active developers, as well as two entries on the local scene, Colliers said. CTP Invest, the biggest developer in the local industrial market, added nearly 340,000 square meters of new warehouse spaces to its portfolio via 4 different purchases during 2021 for around EUR 170m in total. Another large industrial deal in terms of size marked the first direct local purchase by Fortress REIT, NEPI Rock castle's biggest shareholder, which acquired Element Industrial's ELI Park 1 near Bucharest for EUR 30m.

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 according to the same source on a nationwide basis continued in April.

Operational Overview

Lake Side (No.1 on the table) – The Company has on-going processes for plot sales in the area and sold 4 plots during first quarter and 1 plot after the end of the quarter. Street and utilities have been delivered to the City Hall for public use according to agreement.

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, one block structure has been re-authorised by Ovidiu City Hall. The second structure will most probably be re-authorised during June/July 2022. 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 Company has commenced the works for water, sewage and gas on the plot.

Industrial Park (No. 4 on the table) – The Company is engaged in a process with an international company to sell parts of the plot, but no binding agreement is signed. A final decision is expected before end of August 2022.

Balada Market (No. 6 on the table) - The project is for sale. In order to its increase income, 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.

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 road authorities are taking place.

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 Q4 2022.

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 Q4 2022.

The Property Portfolio

The Company's land bank consists at the end of Q1 2022 of 6 plots with a total size of 232.298m²:

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 23 May 2022:

Rank	Name	Holding	Stake
1	SIX SIS AG	10,331,934	24.98%
2	GRØNSKAG, KJETIL	5,813,322	14.05%
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	1,507,741	3.64%
7	ENERGI INVEST AS	1,253,611	2.66%
8	GRØNLAND, STEINAR	1,105,021	2.67%
9	Orakel AS	1,101,000	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	605,700	1.46%
16	AKSEL MAGDAHL	466,092	1.13%
17	NORDNET LIVSFORSIKRING AS	420,657	1.02%
18	FRENICO AS	396,000	0.96%
19	CITIBANK	220,000	0.53%
20	Jo Egil Aalerud	166,864	0.40%
TOP 20		38,369,941	92.40%

(1) This is the Top 20 Shareholder list as per 23 May 2022

(2) The total issued number of shares issued at end Q1 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 5,813,322 shares corresponding to 14.05%.

(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 also gradually stepped up its presence, in the region and Romania including recognised parts of the Black Sea. Romania has seen the second largest influx of Ukrainian refugees of about 950,000 by 18 May according to the Border Police.

Even though, the Romanian first quarter 2022 GDP flash growth numbers was the highest in the EU, the Board expects a slower growth ahead. This has hitherto not affected the residential market, but RomReal's land bank and project development activities are under constant review. With no external debt and very limited building activity, on-going and planned infrastructure investments to improve marketability could be paused very quickly, if deemed necessary.

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 first 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 Q1 2022 and Q1 2021

The interpretations below refer to comparable financial information for Q1 2022 and Q1 2021. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2022 was EUR 1,901,000 compared to a total of EUR 258,000 reported in Q1 2021. This consists of the revenue resulting mainly from the disposals made during the quarter as well as marginally the rent earned by the company in respect of some of the plots.

Operating Expenses

Total operating expenses amounted to a negative EUR 316,000 in Q1 2022 compared to a total negative EUR 37,000 in Q1 2021. The main elements of cost relate to the administrative expenses (EUR 194,000) and the payroll costs (EUR 62,000). The unrealised losses in respect of the inventories portfolio represented EUR 61,000 unrealised losses.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were loss of EUR 1,093,000, compared to a loss of EUR 2,472,000 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 Q1 2022, RomReal generated an operating profit of EUR 492,000, compared to a loss of EUR 3,321,000 in Q1 2021.

Financial Income and expense

Foreign exchange result for Q1 2022 was a net loss of EUR 89,000 compared to a net foreign exchange loss of EUR 642,000 in Q1 2021. During the quarter the RON lost 0.02% to the EUR. The Company's policy is to hedge these effects by retaining most of its cash in Euros 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 Q1 2022 was a gain of EUR 332,000 compared to a loss before tax of EUR 3,962,000 in Q1 2021.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2022 was EUR 4,370,000 compared to EUR 3,807,000 as at end of Q4 2021.

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@ 17/05/2022	To cash 2022	To cash 2023	To cash 2024
1	Ovidiu Oasis plot	Ovidiu Constanta	88,000	72,400	15,600		
2	Ovidiu Lakeside 6 blocks	Ovidiu Constanta	2,658,500	940,780	490,780	736,170	490,770
3	Ovidiu Lakeside 28 plots	Ovidiu Constanta	1,318,400	329,600	494,400	494,400	
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta	452,600	188,150	117,533	146,918	
Total			4,517,500	1,530,930	1,118,313	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

	YTD 2022	YTD 2021
Rent revenue	45	38
Revenue from sale of assets	1,856	220
Operating revenue	1,901	258
Payroll expenses	(62)	(65)
Management fees	0	(24)
Inventory (write off)/reversal	(61)	179
General and administrative expenses	(194)	(127)
Operating expenses	(316)	(37)
Profit/ (loss) before other operating items	1,585	(849)
Other operating income/(expense), net	(1,093)	(2,472)
Profit from operations	492	(3,321)
Financial income	(70)	5
Financial costs	0	(10)
Foreign exchange, net	(19)	(637)
Result before tax	403	(3,962)
Tax expense	(71)	4
Result of the period	332	(3,958)

CONSOLIDATED BALANCE SHEET

Figures in thousand EUR

ASSETS	March 31, 2022	March 31, 2021	December 31, 2021
Non-current assets			
Investment properties	2,034	4,087	2,033
Property, plant and equipment	80	66	52
Deferred tax asset	55	115	55
Total non current assets	2,169	4,267	2,140
Current assets			
Inventories	7,623	7,094	8,680
Other short term receivables	1,573	446	880
Cash and cash equivalents	4,370	1,247	3,807
Total current assets	13,567	8,787	13,367
Assets held for sale	2,482	2,240	2,480
TOTAL ASSETS	18,218	15,294	17,986
EQUITY AND LIABILITIES	March 31, 2022	December 31, 2020	December 31, 2020
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	332	78	1,532
FX reserve	3,567	3,203	3,572
Total equity	17,154	15,003	16,826
Non current liabilities			
Deferred income tax	158	119	158
Total non current liabilities	158	117	158
Current Liabilities			
Other payables	880	87	963
Contract liabilities	25	25	25
Tax payable	1	60	14
Total current liabilities	906	172	1,002
TOTAL EQUITY AND LIABILITIES	18,218	15,294	17,986

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2022	December 31, 2021	March 31, 2021
Profit for the year	332	1,532	78
Other comprehensive income			
Exchange differences on translation of foreign operations	364	259	69
Other comprehensive income for the year, net of tax	364	259	69
Total comprehensive income for the year, net of tax	697	1,791	146

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2022	December 31, 2021	March 31, 2021
Net cash flow from operating activities	(171)	(725)	(549)
Net cash flow from investing activities	734	3,325	732
Net cash flows from financing activities	-	-	-
Net cash change during period	563	2,600	183
Cash at beginning of period	3,807	1,207	2,371
Cash and cash equivalents at end of the period	4,370	3,807	2,554

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2022	December 31, 2021	March 31, 2021
Equity at the beginning of the period	16,826	15,035	18,501
Result for the period	332	1,532	(520)
Other changes	(5)	259	400
Equity at the end of the period	17,154	16,826	18,381

Responsibility Statement

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

May 27, 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

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