

Q4

RomReal Limited
Fourth Quarter 2023 Report
23 February 2024



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

Highlights Fourth Quarter 2023

Net Asset Value (NAV)

- Net Asset value was EUR 0.41 (NOK 4.60, before any tax) per share, an increase of 1.4% measured in EUR from the end of the third quarter 2023. EUR/NOK was 10.51 end 2022 versus 11.23 by the end of Q4.23.

Operational highlights

- During the Fourth quarter of 2023, the Company sold one plot on the Ovidiu Lake Side project for a total consideration of EUR 0.06m.
- So far in Q1 2024, the Company concluded sale of one plot on the Ovidiu Lake Side project for a total consideration of EUR 0.13m.
- Total infrastructure investments by the end of 4th quarter 2023 was EUR 8.98m, of this EUR 4m represents finalised projects, mostly related to Ovidiu Lake Side.

Financial Results

- Net Result for the quarter was a loss of EUR 505,000, compared to a EUR 1,001,000 loss in 4Q 2022. Net change in cash flow for the quarter was a positive EUR 157,000 compared to positive of EUR 277,000 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 3.5 million plus a total of EUR 3.83m unsettled receivables related to binding sales agreements, totalling EUR 7.33m, or about EUR 0.2 per share. Due to the weaker market situation, the outstanding vendor financing agreements are followed up with extra attention.

Macro and real estate market highlights

- In January 2024, 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 Q4.2023, the annual inflation rate showed a drop to 6.6% (16.4%) versus 8.8% for the last 12 months by the end of the third quarter 2023.
- According to the latest release from the Romanian National Institute of Statistics, by the end of January the CPI accelerated to 7.4%, growing after months of deceleration. The main driver for this increase was the service sector.
- According to the European Commission (last update 15th Feb 2024), the 2023 GDP growth is estimated to have decelerated to 1.8%, a downward revision from the autumn statement.
- Asking prices for apartments and houses in Romania increased in the Fourth quarter of 2023 compared to third quarter of 2023 (EUR 1,437/m²) to EUR 1,500/m² at the end of 4Q 2023 and EUR 1,510/ m² at the end of January 2024. In Constanta, average prices increased by 0.58% during the Fourth quarter of 2023 (EUR 1,555/m² at the end of December 2023 compared to EUR 1,546/m² at the end of August 2023), according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q4 2023	Q4 2022
Operating Revenue	131	635
Operating Expenses	(705)	(982)
Other operating income/ (expense), net	(3)	(739)
Net financial income/(cost)	84	42
Pre-tax result	(494)	(1,044)
Result for the period	(505)	(1,001)
Total assets	17,398	16,724
Total liabilities	466	494
Total equity	16,931	16,230
Equity %	97.3%	97.0%
NAV per share (EUR)	0.41	0.39
Cash position	3,480	4,098

Movement in Net Asset Value

The Net Asset Value (NAV) increased to EUR 16,931,000 at the end of Q4 2023 compared to EUR 16,705,000 at the end of Q3 2023.

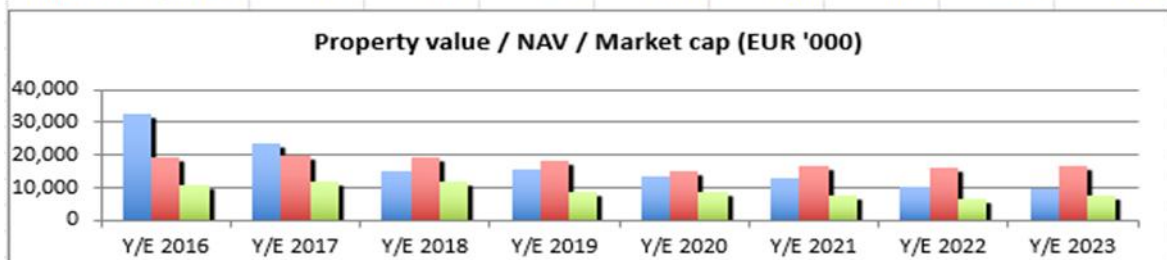
Asset base	Q4 2023			Q3 2023		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	3,016	0.07	0.82	2,877	0.07	0.78
Assets held for sale	0	0.00	0.00	0	0.00	0.00
Inventories	6,686	0.16	1.82	6,932	0.17	1.89
Cash	3,480	0.08	0.94	3,323	0.08	0.90
Other assets/(liabilities)	3,750	0.09	1.02	3,574	0.09	0.97
Net asset value	16,931			16,705		
NAV/Share		0.41	4.60		0.40	4.55
Change in NAV vs previous quarter	1.4%			5.6%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q3 2023.

Valuation of Properties

The end of year 2023 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 2024.

EUR '000	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020	Y/E 2021	Y/E 2022	Y/E 2023
Property value	32,787	23,419	14,962	15,435	13,420	13,192	10,118	9,702
NAV	19,369	19,930	19,603	18,501	15,035	16,826	16,230	16,931
Market cap	11,052	12,100	11,848	8,837	8,687	7,860	6,826	7,570
Market cap/NAV	57%	61%	60%	48%	58%	47%	42%	45%



Cash Flow

EUR '000	Q4 2023	Q4 2022
Net cash flow from operating activities	(526)	(210)
Net cash flow used in investing activities	683	488
Net cash flows from financing activities	-	-
Net cash change during period	157	277

Operating cash flow for Q4 2023 was negative EUR 526,000 compared to a negative EUR 210,000 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

According to the European Commission (last update 15th Feb 2024), the 2023 GDP growth is estimated to have decelerated to 1.8%, a downward revision from the autumn statement. After a weak 3rd quarter, short term indicators signal that the Romanian economy regained some speed in the last months 2023. Main drivers were retail sales, service sector and robust construction activity. The Romanian economy expanded 2.9% year-on-year in the fourth quarter of 2023, following a 1.1% rise in the previous three-month period, preliminary estimates showed.

The European Commission forecast a GDP growth of 2.9% in 2024 and 3.2% in 2025.

The annual Consumer Price Index in Romania by the end of December 2023 was 6.6% (16.4%). According to the latest release from the Romanian National Institute of Statistics, by the end

of January the CPI accelerated to 7.4%, growing after months of deceleration. The Commission forecasts an inflation of 5.8% and 3.6% in 2024 and 2025 respectively.

Real Estate market facts

The transaction market: Based on data from Colliers 2023 summary the investment market in 2023 was EUR 476m, versus EUR 1,249m in 2022. The average over the last five years was EUR 921m. The biggest transaction in 2023 was the sale of Mitiska REIMs 25 retail assets to M Core for EUR 219m.

Retail market 2023: According to Colliers, 226,100 m² was added in 2023 and the projected additions in 2024 is about 83,000 m². 2023 started relatively gloomy for the consumer with double digit inflation and below inflation wage growth. During first half 2023 the real salary growth shifted back to positive territory, and this resulted in a gradual uptick in spending during the year.

Industrial and logistics market 2023: According to Colliers, the gross delivery was 768,000 m² in 2023 (830,000 m²) bringing the total stock to about 7m m². Around half of the new stock is in Bucharest, even though the capital's market share is gradually reduced. The growth in 2023 was somewhat above the average of 645,000 m² per year in the period 2018-2022.

Residential: 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 Fourth quarter of 2023 compared to third quarter of 2023 (EUR 1,437/m²) to EUR 1,500/m² at the end of 4Q 2023 and EUR 1,510/ m² at the end of January 2024. In Constanta, average prices increased by 0.58% during the Fourth quarter of 2023 (EUR 1,555/m² at the end of December 2023 compared to EUR 1,546/m² at the end of August 2023), according to www.imobiliare.ro index.

Operational Overview

Lake Side (No.1 on the table) – Following the end of Q4 2023, the Company concluded sale of one plot from the Ovidiu Lake Side project. Two houses on the plot are still for sale as well as one plot of land for EUR 0.06m. 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. The final transfer of the agreed land (about 700m²) to the municipality of Ovidiu is planned to take place during 2nd quarter 2024.

Oasis (No. 3 on the table) –The Company has finalised the works for water and sewage on the plot as well as the gas connection for all plots on site. The construction of roads and parking as well as electrical works have commenced. The first apartment block is about 80% finished and costs hitherto is slightly below the budget. The target completion date of the first block is 1 September 2024.

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. In order to renew the building permit, an infrastructure investment for electricity connection on the development plot of about EUR 140,000 (to be paid in instalments) is required during 1st quarter 2024.

Balada Market (No. 6 on the table) – The project is for sale. The installation of the parking system was completed in May 2023 and the parking income is picking up. This income is a mix of spot parking and monthly rental agreements.

Ovidiu Residence (former Badulescu plot (No. 2 on the table)) – In October 2023 the Company signed a two year contract (with vendor financing) for 40,054 m², for a large part of the Ovidiu Residence (50,000m²) for a total consideration of EUR 3m. Also in October 2023, the Company entered a pre-sale agreement for a different part of the Ovidiu Residence, for a total sellers-credit consideration of EUR 0.8m. This sellers-credit agreement has a maturity of 2 years and is serviced monthly.

Ovidiu Residence 2 (former 7,900 sqm) - The urbanistic regulation/PUZ of the plot has been approved by local authorities, during fourth quarter 2023. 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 industrial and logistic use. It is expected to include infrastructure investments and the urbanistic regulation/PUZ of the plot to be approved by local authorities, now most likely during fourth quarter 2024.

The Property Portfolio

The Company's land bank consists at the end of December 2023 of 6 plots with a total size of 178,000 m²:

Plot name	Location	Size (m ²)
1 Ovidiu Lakeside	Constanta North/Ovidiu	2,153
2 Ovidiu residence	Constanta North/Ovidiu	9,946
3 Ovidiu (Oasis)	Constanta North/Ovidiu	22,041
4 Centrepoint	Constanta North/Ovidiu	121,672
5 Ovidiu Residence 2 and 3	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
Total		178,000

Shareholder Information

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	1,283,211	3.02%
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	788,761	1.91%
14	Arild Persson	722,912	1.75%
15	Anders Hoen	689,557	1.67%
16	AKSEL MAGDAHL	453,066	1.10%
17	Frenico AS	396,000	0.96%
18	Citibank	220,000	0.53%
19	Nordnet Fors.	202,662	0.49%
20	Jo Egil Aalerud	166,864	0.40%
	TOP 20	38,715,987	93.53%

(1) This is the Top 20 Shareholder list as per 18 Feb 2024.

(2) The total issued number of shares issued at end Q4 2023 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

Romania has an open economy and should be mindful of the uncertain global backdrop. 2024 is also a mayor election year in Romania and that is always creating some extra political turbulence. The surprising uptick in inflation in January this year would indicate the first expected cut in interest rates by the National Bank could more likely be pushed into second half 2024. With such a scenario in horizon, RomReal will continue its careful approach including cost focus, minimised risks, and no cash return to its shareholders for the time being.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the Fourth 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 Fourth 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 Q4 2023 and Q4 2022

The interpretations below refer to comparable financial information for Q4 2023 and Q4 2022. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q4 2023 was EUR 131,000 compared to a total of EUR 635,000 reported in Q4 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 705,000 in Q4 2023 compared to a total negative EUR 982,000 in Q4 2022. The main elements of cost relate to the administrative expenses (EUR 164,000) and the payroll costs (EUR 80,000). The unrealised loss in respect of the inventories portfolio was EUR 416,000.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were loss of EUR 3,000, compared to a loss of EUR 739,000 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 Q4 2023, RomReal generated an operating loss of EUR 578,000, compared to a loss of EUR 1,086,000 in Q4 2022.

Financial Income and expense

Financial result for Q4 2023 was a net gain of EUR 84,000 compared to a net financial gain of EUR 42,000 in Q4 2022. During the quarter the RON remained stable compared to 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 Q4 2023 was a loss of EUR 494,000 compared to a loss before tax of EUR 1,044,000 in Q4 2022.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q4 2023 was EUR 3,480,000 compared to EUR 3,323,000 as at end of Q3 2023.

RomReal portfolio / sale transactions to be completed in 2024/2025.

No	Plot name	Location	Agreed sale value (EUR)	Installments received@ 15.02.2024	To cash 2024	To cash 2025
1	Ovidiu Lakeside 4 blocks	Ovidiu	1,714,750	1,223,968	490,782	
2	Ovidiu Lakeside block 9	Ovidiu	238,463	143,076	95,387	
3	Ovidiu 7.900 sqm plot Promissory	Ovidiu	474,000	180,120	199,080	94,800
4	Ovidiu Oasis plot Cocorilor 1	Ovidiu	108,000	5,000		103,000
5	Ovidiu 5 ha plot 40.054 sqm	Ovidiu	2,958,480	735,100	1,170,200	1,053,180
6	Ovidiu 5 ha plot 9.946 sqm Promissory	Ovidiu	795,680	165,773	331,530	298,377
Total			6,289,373	2,453,037	2,286,979	1,549,357

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

	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Rent revenue	63	47	233	188
Revenue from sale of assets	68	588	3,308	4,665
Operating revenue	131	635	3,542	4,853
Payroll expenses	(80)	(69)	(315)	(261)
Management fees	(45)	(24)	(123)	(97)
Inventory (write off)/reversal	(416)	(734)	(412)	(742)
General and administrative expenses	(164)	(155)	(628)	(622)
Operating expenses	(705)	(982)	(1,478)	(1,721)
Profit/ (loss) before other operating items	(575)	(347)	2,063	3,132
Other operating income/(expense), net	(3)	(739)	(1,895)	(3,627)
Profit from operations	(578)	(1,086)	168	(494)
Financial income	74	45	258	61
Financial costs	1	-	0	0
Foreign exchange, net	9	(3)	23	(24)
Result before tax	(494)	(1,044)	449	(457)
Tax expense	(11)	43	(389)	(178)
Result of the period	(505)	(1,001)	59	(635)

CONSOLIDATED BALANCE SHEET

Figures in thousand EUR

ASSETS	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
Non-current assets			
Investment properties	3,016	4,398	4,398
Property, plant and equipment	41	54	54
Deferred tax asset	55	55	55
Total non current assets	3,112	4,508	4,508
Current assets			
Inventories	6,686	5,719	5,719
Other short term receivables	4,120	2,398	2,398
Cash and cash equivalents	3,480	4,098	4,098
Total current assets	14,285	12,216	12,216
Assets held for sale	-	-	0
TOTAL ASSETS	17,398	16,724	16,724
EQUITY AND LIABILITIES	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
Equity			
Share capital	103	103	103
Contributed surplus	87,117	87,117	87,117
Other reserves	160	160	160
Retained earnings	(69,282)	(74,127)	(74,127)
Result of current period	59	(635)	(635)
FX reserve	(1,227)	3,611	3,611
Total equity	16,931	16,230	16,230
Non current liabilities			
Deferred income tax	96	101	101
Total non current liabilities	96	101	101
Current Liabilities			
Other payables	369	366	366
Contract liabilities	-	25	25
Tax payable	1	2	2
Total current liabilities	370	393	393
TOTAL EQUITY AND LIABILITIE	17,398	16,724	16,724

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	Dec 30,2023	Dec 31,2022	Dec 30,2022
Profit for the year	59	(635)	(635)
Other comprehensive income			
Exchange differences on translation of foreign operations	(4,838)	39	39
Other comprehensive income for the year, net of tax	(4,838)	39	39
Total comprehensive income for the year, net of tax	(4,778)	(596)	(596)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	Dec 30,2023	Dec 31,2022	Dec 30,2022
Net cash flow from operating activities	(564)	(631)	(631)
Net cash flow from investing activities	(55)	922	922
Net cash flows from financing activities	-	-	-
Net cash change during period	(619)	291	291
Cash at beginning of period	4,098	3,807	3,807
Cash and cash equivalents at end of the period	3,480	4,098	4,098

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	Dec 30,2023	Dec 31,2022	Dec 30,2022
Equity at the beginning of the period	16,230	16,826	16,826
Result for the period	59	(635)	(635)
Other changes	642	39	39
Equity at the end of the period	16,931	16,230	16,230

Responsibility Statement

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

February 23, 2024

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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