

Income and expenses budget 2024

META ESTATE TRUST SA



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(all amounts are expressed in thousands lei ("RON'000"), unless otherwise specified)



Macroeconomic context

The recent period has been marked by significant extraordinary events that have impacted all estimates of financial indicators, which, in the short term, have resulted in a much more cautious approach by investors to investments in both real estate projects and other industries.

Globally, the resilience of the financial system continues to be tested by the new uncertain macroeconomic and geopolitical context, marked by persistent inflation, sluggish economic growth and rising funding costs. Significant geopolitical risks also remain, such as a potential re-escalation of tensions between Russia and Ukraine or the regional escalation of the conflict between Israel and Hamas.

International economic growth is estimated by the IMF at 3% for 2023 (compared to 2.8% the previous year) and 2.9% for 2024. e. At the level of developed countries, the favorable evolution of the US economy is noted, while that of the euro area has been revised downwards by 0.2 percentage points and 0.3 percentage points respectively. The European Commission forecasts a growth rate of 0.6 per cent for the EU in 2023 and 1.3 per cent the following year. (Source: National Bank of Romania "NBR" - Financial Stability Report, December 2023)

According to the NBR, Romania continues to record robust economic growth, in the first three quarters the real GDP growth rate was +1.9 percent (compared to the same period last year), while for Q4 2023 and Q1 2024 the latest data and analysis indicate a slight slowdown in economic growth, implying an acceleration in annual terms.

The economic growth rate stood at 2.9% in the fourth quarter of 2023 compared to the same period in 2022, while full-year economic growth was 2%. According to the European Commission's economic forecast for Romania, economic growth is expected to reach 2.9% in 2024 and 3.2% in 2025.

The annual inflation rate decreased in Q4 2023 and ended the year at 6.6% (2.2 percentage points below the dynamics recorded at the end of Q3 2023). According to the European Commission's economic forecast for Romania, the average annual inflation rate is estimated at 5.8% in 2024 and 3.6% in 2025, excluding a short pause in early 2024 due to increases in indirect taxes. Moreover, the first two months of 2024 showed the effects of these taxes in inflation, which was 7.2% at the end of February, down slightly from 7.4% in January 2024.

Residential real estate market activity in Romania has moderated during 2023, a development reflected in the decreasing number of real estate transactions (-9% in 2023 compared to the previous year). Prices per usable sqm of residential units continued their upward trend, a trend also given by the increase in prices of raw materials, labor as well as tax burdens, but remaining at the lowest level in the region and also below the EU average.

Activity in the commercial real estate market slowed down and investment fell considerably, with a sharp decline in Bucharest and a smaller decline in other major regional centers. The volume of investments decreased significantly in the first nine months of 2023 compared to the same period last year (-63%, EUR 243 million) (Source: National Bank of Romania "NBR" - Financial Stability Report, December 2023). The European commercial real estate market is also experiencing a downturn, due to tighter financial conditions and macroeconomic uncertainties. This has particularly affected the office building and retail space segments.

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Key financial indicators estimated for 2024

For the year 2024, the Company aims to continue its growth strategy both by acquiring housing and/or rental assets and by supporting projects as a shareholder. Also during 2024, Meta Estate Trust ("MET") will take ownership of several residential units acquired in early project phases which it will capitalize in 2024 and 2025.

In order to implement these courses of action, the company plans to raise funds mainly from bank loans. By implementing these strategies, the company expects gross profit to increase by 18% year-on-year and net profit by 12% year-on-year in 2024.

INCOME AND EXPENSES	Budget 2024	Actual 2023	Variation	%
Total operating income	22,527	19,290	3,237	17%
Operational expenses - directly related to investments made	13,175	11,027	2,148	19%
Operating profit before general operating expenses	9,352	8,263	1,089	13%
General operating expenses	6,556	5,927	629	11%
Operational Profit / (loss)	2,796	2,336	460	20%
Financial result - profit	9,834	8,302	1,533	18%
Gross profit	12,630	10,638	1,992	19%
Income tax	2,021	1,164	857	74%
Net profit	10,609	9,474	1,135	12%

Basis of preparation for 2024 budget

Income

For the year 2024, the Company estimates an increase in total revenues of 20% compared to the previous year, up to RON 32.9 million, structured as follows:

Income	Budget 2023	Actual 2022	Variation	%
Net turnover	14,436	12,375	2,061	17%
Other operating income	8,091	6,915	1,176	17%
Total operating income	22,527	19,290	3,237	17%
Financial income from investments in which the Company is a shareholder	9,901	7,801	2,101	27%
Other financial income	433	544	(111)	-20%
Total financial income	10,335	8,345	1,990	24%
Total income	32,861	27,635	5,227	19%

Turnover is budgeted at RON 14.4 million based on estimated sales of rental units purchased in the project phase in previous years and due for completion in 2024, up 17% on the previous year.

Other operating income includes income related to assignment fees and indemnities from termination agreements. Compared to 2023, an increase of 17% is forecast based on estimates of current investment completions in prior years.

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Financial income related to investments in which the Company is a shareholder relates mainly to interest income on loans granted to companies in which the Company has an interest. The estimated increase takes into account the continued support of existing projects as well as new partnerships with developers who will carry out projects of interest to the Company.

Other financial income includes interest income on short-term bank deposits. The Company will continue to hold highly liquid assets in order to quickly access new investment opportunities.

Expenses

Total expenditure for 2024 is forecast at RON 20.2 million, based on the current size of the company's business volume.

Expenses	Budget 2023	Actual 2022	Variation	%
<i>Operating expenses - directly related to investments</i>	13,175	11,027	2,148	19%
<i>General operational expenses</i>	6,556	5,927	629	11%
Total operating expenses	19,731	16,954	2,777	16%
<i>Financial expenses - directly related to investments</i>	500	43	457	100%
Total financial expenses	500	43	457	100%
Total expenses before income tax	20,231	16,997	3,234	19%

Operating expenses - directly related to investments are forecast to increase to the amount of RON 13.2 million due to the volume of activity on the trading of completed real estate units. These expenses include costs related to assets sold, including brokerage commissions, notary fees and other costs related to the acquisition of real estate units or the assignment of sale promise contracts.

General operating expenses are estimated at RON 6.6 million. These expenses mainly include management services and personnel costs, marketing and advertising costs and other legal costs of running the company. General operating expenses are estimated to be in line with the previous year, with a 12% increase representing a higher budgeting of legal services expenses in the current context of the litigation with the management company.

Financial expenses - directly related to investments are interest costs related to bank loans contracted by MET. The company intends to access funds from credit institutions to pay the final instalment on the pre-contracted buildings.