

## Questions and Answers

Teleconference for the presentation of the H1 2024 Financial Results

*September 2024*

### **1. What proportion of the capital is engaged in equity-type deals?**

**Answer:**

Currently, for our partnerships with real estate developers, we have a junior debt product. If we look at the capital structure of a real estate development project, let's take, for example, a project of 140 apartments. We see that the total development cost is around 10 million euros. The land is often valued at approximately 2 million euros, which is 20% of the total development cost, and we always see that the developer already has the money invested in the land. Now, banks finance about 60% on average of the total development cost of a real estate project. Our value proposition is to finance the remaining necessary equity of 20%. From a total development cost of 10 million euros, 2 million is the developer's contribution in land, 6 million is usually from the bank, and to obtain this loan, the developer hypothetically needs another 2 million, or 20%, and that is where we come in.

We chose not to go for a pure equity ticket and instead opted for junior tickets, offering annual interest returns between 15-20%. Because, if the project performs well, the annualized return on the total equity line, which is 40%, can produce an annualized return of up to 30-35% per year. However, if the project does not perform, we do not want to take on this risk because it essentially depends on the developer's ability to build on time, develop, and sell. Thus, we prefer to have a fixed return. If the developer does a very good job, they can achieve a much higher annualized return. However, if the project does not perform, we maintain this rate of 15-20% per year, annualized return, and we consume from their profit. It is very important that each party is motivated by what they control. Since performance is with the developer, they benefit from the final equity returns, while we want a high, fixed return to avoid greater risks. The entire development line, which is approximately 40-44% of our portfolio, is allocated to such tickets that complement the equity line, but for us, it represents a fixed income investment.

### **2. What are the parameters of a real estate project for Meta Estate Trust to invest in?**

**Answer:**

It depends greatly on the market timing. The most important aspect for us is to thoroughly analyze the three major risks of a real estate investment. The first risk is to look at the

legality of the project, ensuring that the construction permit exists and was obtained through a correct process. Secondly, and very importantly given today's market conditions, we look for the project to have secured funding. We examine the developer's funds, the need for financing, any existing bank loans, and we add the value of our investment to see if the project can be completed with the available funding resources.

And thirdly, we look at the competitiveness of the project, including its location, pricing, layout, quality of finishes, facilities, and so on. Currently, we consider that there is a chance that opportunities will arise in the coming months, and we are looking at the following types of opportunities - typically, real estate projects that are in very advanced stages of completion, 80-90%, maybe even completed, but have not yet obtained the final acceptance report and where there is a need for capital due to a banking deadline or to complete the project.

There, we can buy in bulk at a discount and sell by unit at market price. Furthermore, we continuously look to diversify our portfolio, especially with assets that generate recurring income. In the coming period, we aim to invest in commercial and retail spaces, which will provide us with very good returns, significantly higher than what we can find in the residential market.

- 3. You mentioned direct sales, however the Meta Homes website is inactive, the Meta Homes account on imobiliare.ro has no available listings, and the Meta Homes social media page hasn't had a post in 8 months, showing no activity. What is happening with this sales channel?**

**Answer:**

As I mentioned earlier, our projects with apartments for sale are practically completed at the moment. There are two more projects to come. Next is First Estate and is expected to go on sale most likely in July, and Greenfield Băneasa will probably go on sale towards the end of the year. Currently, we are refreshing and improving the Meta Homes website. The imobiliare.ro account is not closed, just paused to reduce sales costs since we currently do not have apartments for sale. For First Estate, we are waiting for the right moment, which we believe will be this summer, as the apartments have just been completed.

- 4. Why was the majority stake of Highcrowd Estate (the crowdfunding platform) transferred from Meta to the significant shareholder? What are the plans regarding this crowdfunding platform?**

**Answer:**

Investing in a fintech startup has a completely different risk-return profile compared to a real estate investment. The potential return can be very high, as with any technology investment, but at the same time, the risks are also high because the chances of success are very low. When we look at a real estate investment, we see a potential upside of around

30%, with low, reduced, and well-analyzed risks. We cannot afford to make an investment that doesn't work out.

On the other hand, for a tech investment, you need to have many investments, a portfolio of at least 50-100 investments, from which you may get around 5 successful investments. It was a strategic decision because investing in such a platform, even if it has certain synergies, would expose us to a risk that was not in line with our business model.

**5. When and if do you intend to significantly restructure the Articles of Incorporation, considering it is completely outdated for a public company?**

**Answer:**

This is a topic we are currently working on. When we have proposals, we will bring them to the General Meeting of Shareholders. We believe that a rearrangement, a restructuring of the Articles of Incorporation is necessary. It is a priority for us.

**6. Has the evaluation of the preferred shares' value, for the stated purpose of converting them into common shares, been completed? This issue dates back almost a year.**

**Answer:**

Regarding the evaluation, it has not been finalized. At this point, we have an interim result. There is still work to be done on this matter. One of the issues is that we are still working on having a forecast of future income streams to underpin the company's evaluation. The previous evaluation was based on assumptions that have proven to be in line with the company's current performance, so we would like the evaluation to also reflect the company's evolution and business model. That's why we preferred to go with new assumptions and a financial model and forecasts that reflect reality. We believe this aspect is also in the interest of the shareholders. We aim to have an evaluation that is linked to the company's actual financial flows.

**7. When do you estimate that the bond issuance will take place? Will they be listed?**

**Answer:**

In accordance with the decision of the General Shareholders Meeting, we intend the bonds to be listed. We aim for the issuance to take place this year. It's just a matter of timing. The logic is to attract capital when there are investment opportunities, taking into account market developments, both macroeconomic and in the real estate market. We don't want to rush into projects that actually represent the next cycle and the financial results of the company for the coming years. As you can see, the National Bank of Romania decided to maintain the interest rate in its last board meeting. We have all been expecting a decrease in the interest rate since the beginning of the year, but so far, it hasn't materialized. Therefore, we want to have the best timing possible for this bond issuance, and we are

trying to align all variables that could determine the success of our future projects so that we can continue to offer good financial results to our shareholders.

**8. Why does the share price decrease if the company is solid and has good financial results?**

**Answer:**

When it comes to the share price, several dimensions need to be aligned. What we can tell you, and this is part of our desire and exercise regarding communication, is that the fundamental dimension of the company has consistently demonstrated, in several iterations, that it is solid. We have positive financial results, good capitalization, low debt ratio, and we have distributed dividends, so we have managed to unlock the value and offer our shareholders a share of the positive results the company has generated recently. So, fundamentally, I think things are as they should be. One of the areas where we still need to work is the liquidity. We approved a share buyback program at the last General Shareholders Meeting, which will likely contribute to this issue, but we cannot isolate the company's performance from that of the sector or the market. Therefore, we haven't lost hope and believe that the positive results we generate will also be reflected in the share price. We still have work to do on this issue, it's on our radar, and I hope we will also achieve positive results here in the near future.

**9. Regarding the collection of withdrawn advances, what was the cause of these withdrawals and for what period were those funds invested in those three projects?**

**Answer:**

In the projects in Constanța, Olimp, firstly, the amounts withdrawn were not significant, up to 250,000 lei. The projects had a duration of 18 months, and we decided to withdraw considering that we did not see an immediate finalization. We believed that the funds could be allocated to other current opportunities. As for the Metropolitan project, it is an ongoing project involving various stages and repayments. We have not yet completely exited this project, but according to the plan, it is progressing well, and we expect to achieve the expected results and returns at its finalization, when we will probably announce the exit. Tomis and Zaya are two projects in Constanța, respectively Olimp. As mentioned, we observed quite drastic changes in the real estate market, in the sense that projects in the first stages find much harder financing. In addition to being projects that were just starting and were delayed and postponed, there was also this dynamic, and we considered it more beneficial to withdraw our funds and not to continue exposure to projects that we believe are not currently adapted to the market. It was a strategic decision, it does not have such a large impact, but we consider it an adaptation to the market we are in today.

**10. Regarding the paragraph in the quarterly report concerning receivables, those 23.1 million lei, similar to December 31st, has this amount decreased due to this exit, meaning this advance re-collected? Are the 23 million funds that we need to collect in one form or another, in a longer or shorter period of time?**

**Answer:**

It was a very small amount, only 250,000 lei. In the receivables line, we also have other investments that are performing very well. Considering that our estimate is that we will collect them in the current year, we cannot classify them as financial assets. Receivables have a collection term of up to one year.

**11. Regarding the share price of 1.12 lei in December 2023, considering that dividends were paid in January, sales were made, and receipts were collected, how is it that this remained at the same value?****Answer:**

The total value of assets, as presented earlier, remained at the same level of almost 110 million lei. Even though 3.5 million lei in net dividends were paid out, we had receipts, we monetized current profits, and we practically maintained the same book value and net book value as of December 31st. So, in terms of financial results and the way operations took place, we kept the same level of assets and the same unitary book value.

**12. A note that could be addressed over time for better accuracy: Regarding page 6 of the quarterly report, you mentioned two cases pending before the Bucharest Tribunal, including case number 5040/299/2024. However, this case is actually at the Sector 1 Court and has a hearing scheduled for September 3rd, 2024. In addition to the two mentioned cases, there is another case related to a dispute with Meta Management, which has a hearing scheduled at the Bucharest Tribunal on October 14th, 2024, for the payment order. However, there was no reference to this case in the report. Could you provide us with details?****Answer:**

We strive to present the information in the quarterly report as accurately as possible based on the reporting period. Regarding the litigations, there are two current cases with MMT (Meta Management Team), in addition to the one for which this large sum is requested. The two cases concern the payment order for the management fee, as calculated by MMT, with which Meta disagreed. Both cases received hearings in the last two weeks. This was the available information. The latest updates are from May 14-15, and both cases received hearings in September and October. Additionally, the main litigation with MMT has the first hearing scheduled for June 3rd, according to the courts' portal.

**13. On pages 11 and 41 of the report, regarding the number of employees, reference is made to the fact that the company has an average of 6 employees with individual employment contracts. On page 11, it is mentioned that there are 2 persons with individual mandate contracts, while on page 41, it is mentioned that there are 5 persons with mandate contracts. What is the real number?****Answer:**

The company's structure, as presented in the report, consists of the Board of Directors, which includes five members. Three of them are individuals, while two members of the

Board of Directors are legal entities represented by individuals. The three individuals from the Board of Directors have mandate contracts for the duration of their mandate, along with the executive management, CEO, and CFO, who also have mandate contracts. Thus, the five mandate contracts refer to three members of the Board of Directors and two individuals from the executive management.

- 14. According to the report, the company has 5 members in the executive management and 5 members in the board of directors, totaling 10 individuals in leadership roles. Considering the increase in salary costs between Q1 2023 and Q1 2024, do you believe the number of individuals in leadership positions and the salary expenses are justified, considering the level of development of the company?**

**Answer:**

Regarding the leadership team presented in the Q1 report, in addition to the CEO and CFO, we have three more persons involved in the administration and management of the company. However, it should be noted that, in total, we are only about 6-7 permanent employees working, so we are not overstaffed at this time. Additionally, we believe that these current operational costs and expenses will allow us to further develop the company and manage the processes, investments, and prospects as outlined earlier.

- 15. Although the financial results are presented as very good, the activity does not seem to have been very intense, as you also mentioned in the context of the market. How do you comment on this aspect and the increase in costs?**

**Answer:**

Operational costs in Q1, compared to the same period last year, increased by 50%. At the same time, administrative and management expenses decreased by 15%. The increase in operational costs is indeed largely caused by legal services, with almost half of the additional allocated to litigation initiated by MMT and the initial investment required to set up this process and defend ourselves at the first hearing next month. We expect these costs to decrease in the second half of the year and to be calibrated based on the subsequent court decisions and processes after the first hearing on June 3. Of course, there is always room for improvement and continuous change. We welcome feedback on how we present results through market reports and how we want to present ourselves to you. We aim to present the budgets made during the year and how the company operates. We believe that the most important thing is that revenues are growing much faster than total expenses.