

# Perspectives and Income and Expense Budget for 2023

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## Macroeconomic indicators for 2023 of the National Commission for Strategy and Prognosis

The elaboration of the current scenario regarding the evolution of the Romanian economy was made considering the uncertainties and risks manifested, the available statistic data regarding Q3'22 economic increase and the evolution of certain indicators for September – November 2022.

Overall, economic growth was revised upwards by 0.3 points percentages in 2022 (from 4.6% to 4.9%), following an estimated economic performance above expectations in Q4'22.

The acceleration of imports of goods and services in the second part of 2022 led to the deepening of the current balance account deficit to - 9.4% of GDP. In 2023, it is estimated a slight improvement as proportion of GDP, the forecasted value being -8.5%.

- percentage change from previous year% -

	2021	2022	2023	2024	2025	2026
GROSS DOMESTIC PRODUCT	1,187.4	1,427.3	1,599.5	1,766.1	1,914.9	2,059.3
- billion ron						
- real growth %	5.8	4.9	2.8	4.8	5.0	4.5
of which gross value added in:						
- Industry	6.6	-2.4	0.6	4.7	4.9	4.4
- Agriculture, forestry, fishing	5.9	-12.6	10.6	2.7	1.8	1.6
- Constructions	-8.1	12.7	6.2	9.3	10.0	7.8
- Services	6.5	8.0	2.7	4.6	4.8	4.4
Net taxes on the product	9.2	4.8	2.6	4.9	5.1	4.6
Final consumption	6.5	4.6	2.4	4.4	4.2	3.9
Private consumption	8.1	5.5	2.7	4.8	4.9	4.4
Government consumption	1.3	1.5	1.5	2.8	1.6	2.0
Gross fixed capital formation	1.9	10.2	6.2	8.5	9.1	7.0
Export of goods and services	12.6	9.5	4.5	5.6	5.9	5.0
Import of goods	14.9	9.9	5.2	6.0	6.3	5.3
Export of goods (FOB)	74,705	92,846	102,652	111,094	119,619	127,130
- millions of euros						
- %	20.2	24.3	10.6	8.2	7.7	6.3
Import of goods (CIF)	98,379	126,730	142,550	154,693	166,628	177,049
- millions of euros						
- %	22.1	28.8	12.5	8.5	7.7	6.3
Trade balance - (FOB-CIF)	-23,675	-33,884	-39,898	-43,599	-47,009	-49,919
- millions of euros						
Current account balance	-17,475	-27,433	-27,568	-27,874	-27,521	-26,954
- millions of euros						
-% in GDP	-7.3	-9.4	-8.5	-7.9	-7.3	-6.8
Consumer Price Index (CPI)						
- end of the year	8.2	16.4	8.0	3.7	2.9	2.6
- annual average	5.1	13.8	10.8	5.7	3.2	2.9

**Note:** 2021 GDP information is semi-definitive.

Source: Winter Prognosis 2022 – 2026 elaborated by National Commission for Strategy and Prognosis.



- percentage change from previous year% -

		2021	2022	2023	2024	2025	2026
GDP deflator		5.2	14.5	9.1	5.3	3.2	2.9
Average exchange rate	- ron/euro	4.92	4.93	4.94	5.00	5.06	5.12
Average number of employees	- thous. pers.	5,094.3	5,175.0	5,252.0	5,383.0	5,523.0	5,635.0
	- %	1.2	1.6	1.5	2.5	2.6	2.0
Number of registered unemployed (end of year)	- thous. pers.	234.8	238.0	225.0	219.0	210.0	200.0
- Unemployment rate recorded at the end of the year	- %	3.0	3.0	2.7	2.6	2.4	2.3
Total employed population (according to AMIGO)	- thous. pers.	7,755.5	7,810	7,850	7,930	8,020	8,085
	- %	0.8	0.7	0.5	1.0	1.1	0.8
BIT unemployed (according to AMIGO)	- thous. pers.	459.2	455.0	440.0	400.0	380.0	370.0
- BIM unemployment rate	- %	5.6	5.5	5.3	4.8	4.5	4.4
Gross average earnings	- ron/month.	5,535.0	6,120.0	6,865.0	7,568.0	8,167.0	8,762.0
	- %	6.2	10.6	12.2	10.2	7.9	7.3
Net monthly average earnings	- ron/month.	3,416.0	3,801.0	4,283.0	4,738.0	5,127.0	5,511.0
	- %	6.2	11.3	12.7	10.6	8.2	7.5
Real earnings	- %	1.1	-2.2	1.7	4.7	4.9	4.5

Source: Winter Prognosis 2022 – 2026 elaborated by National Commission for Strategy and Prognosis.

For 2023, the National Commission for Strategy estimates an economic growth of 2.8% and a GDP of RON 1,599.5 billion. Like 2022, in 2023 the construction sector will continue to have a significant positive impact.

After a significant increase in 2022, the annual average inflation rate in 2023 is estimated to decrease with 3pp., to 10.8% (vs 13.8% in prior year), while the forecasted inflation for December 2023 is 8% (i.e., 2 times lower than in December 2022).

RON/EUR exchange rate in 2023 is expected to be stable, with only a 0.2% increase compared to the prior year (RON/EUR 4.94 in 2023 vs. RON/EUR 4.93 in 2022).



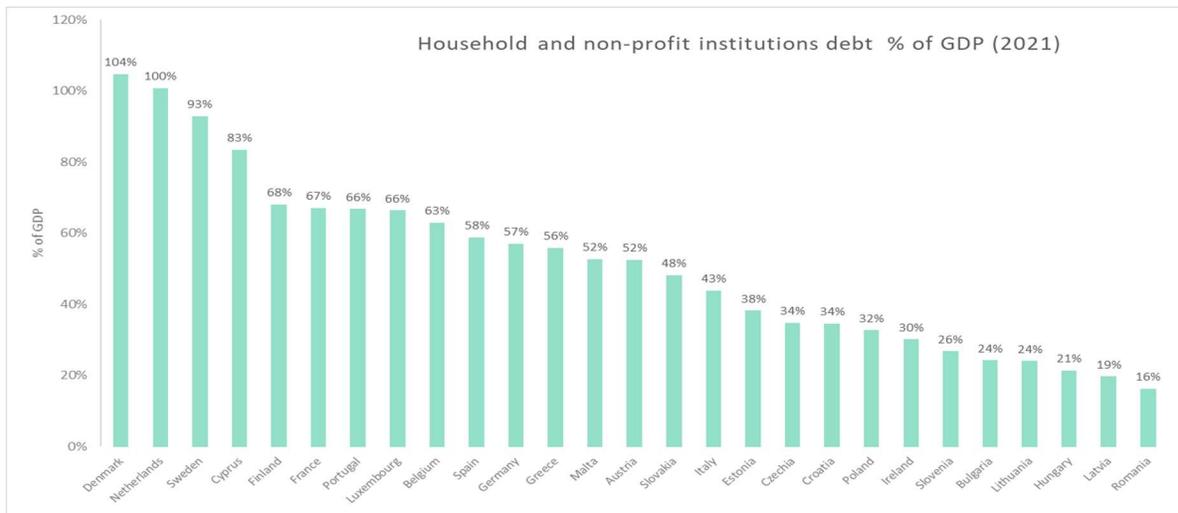
## Macroeconomic indicators at European level

The analyses below are based on the available Eurostat statistics, Hypostat 2022 report as well as other available market reports. (N.B. Hypostat is a report published by European Mortgage Federation and includes a review of Europe's mortgage and housing market).

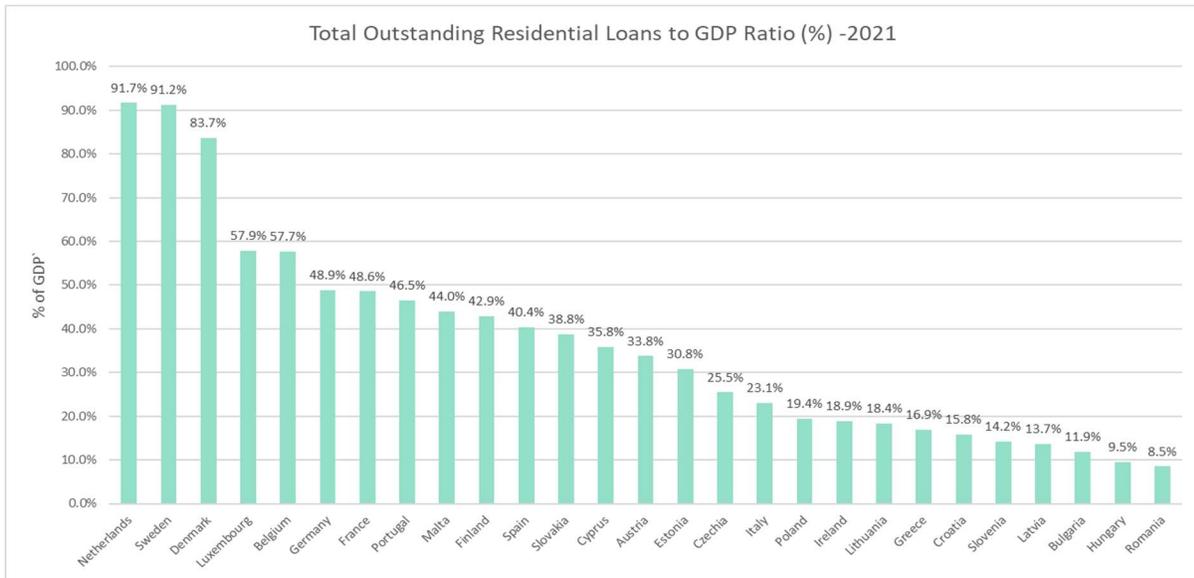
In 2021 Romania had a GDP per capita of EUR 9,610, higher than Bulgaria and Serbia, but lower than Hungary, Poland, and Czech Republic. However, at the same period it had the lowest level of indebtedness of households and non-profit organizations as % of GDP (16%) and of outstanding residential loans as % of GDP (8.5%).

Real GDP per capita	EUR						Variation YoY (%)					
	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022
Romania	8,360	8,910	9,300	9,020	9,610	10,110	n/a	7%	4%	-3%	7%	5%
Bulgaria	6,120	6,330	6,630	6,410	6,950	7,250	n/a	3%	5%	-3%	8%	4%
Serbia	4,950	5,200	5,460	5,440	5,910	6,100	n/a	5%	5%	0%	9%	3%
Hungary	12,020	12,690	13,310	12,730	13,690	14,360	n/a	6%	5%	-4%	8%	5%
Poland	11,800	12,500	13,070	12,810	13,760	14,560	n/a	6%	5%	-2%	7%	6%
Czech Republic	17,490	17,990	18,460	17,400	18,020	18,470	n/a	3%	3%	-6%	4%	2%

Source: Eurostat GDP per capita.



Source: Eurostat



Source: Hypostat 2022

According to available market reports, in 2021 Romania had the lowest rate of outstanding residential loans to disposable income of households, however this must be correlated also with the mortgage rate, Romania having at the same period the fourth higher rate in Europe.

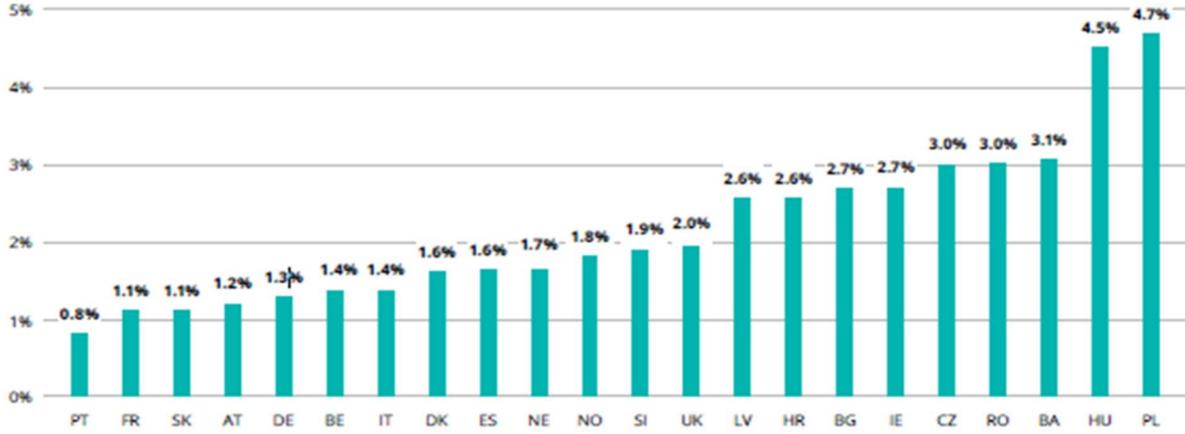
**Total outstanding residential loans to disposable income of households ratio (%), 2021**



Source: Deloitte Property Index 2022



Average Mortgage Rate (%), 2021



Source: Deloitte Property Index 2022



## Macroeconomic indicators at Bucharest metropolitan area level

Bucharest metropolitan area represents the main market for One's residential and commercial segments and contributes with almost one third to Romania's GDP. Gross domestic product per capita at Bucharest level is more than double than the one at country level.

In terms of employment, on average 22% of employees are in Bucharest while the net monthly average earnings are approx. 50% higher than the rest of the country.

		2021	2022	2023	2024	2025	2026
GROSS DOMESTIC PRODUCT	- billion ron	322	384	426	471	510	548
	- % of total *	27.3	27.5	27.5	27.5	27.4	27.4
GROSS DOMESTIC PRODUCT/capita - Bucharest	- euro	28,054	33,153	36,364	39,516	42,168	44,711
GROSS DOMESTIC PRODUCT/capita - total	- euro	12,560	14,888	16,500	18,087	19,482	20,825
Average number of employees	- no. - thous. pers. - Bucharest	1,128	1,156	1,182	1,221	1,265	1,297
	- no. - thous. pers. - total	5,094	5,175	5,252	5,383	5,523	5,635
	- % of total	22.1	22.3	22.5	22.7	22.9	23.0
	- % change vs prior year - Bucharest	0.9	2.5	2.2	3.3	3.6	2.5
	- % change vs prior year - total	1.2	1.6	1.5	2.5	2.6	2.0
Net monthly average earnings	- ron/month	4,576	5,083	5,644	6,222	6,713	7,195
	- % change vs prior year - Bucharest	7.3	11.1	11.0	10.2	7.9	7.2

\*Total is referred as being the value at Romania level.

Source: Fall Prognosis 2022 – 2026 by regions elaborated by National Commission for Strategy and Prognosis.



## Main financial indicators and proposed income and expense budget for 2023

<i>in RON for the year</i>	2022 Actual	2023 Budget	Variation	%
Revenues from sales of residential property	769,518,382	1,011,304,781	241,786,399	31%
Cost of sales of residential property	(445,459,287)	(619,613,282)	(174,153,995)	39%
Other property operating expenses - residential	(5,133,247)	(5,475,137)	(341,890)	7%
<b>Net income from residential property</b>	<b>318,925,848</b>	<b>386,216,362</b>	<b>67,290,514</b>	<b>21%</b>
Gains from investment property	218,466,572	257,834,819	39,368,247	18%
Gains from bargain purchase	94,079,969	-	(94,079,969)	-100%
Rental income	62,377,460	102,803,661	40,426,201	65%
Revenues from services to tenants	16,532,162	61,432,822	44,900,660	272%
Expenses from services to tenants	(16,532,162)	(61,432,822)	(44,900,660)	272%
Other property operating expenses - office	(8,171,409)	(14,656,867)	(6,485,458)	79%
<b>Net rental income</b>	<b>54,206,051</b>	<b>88,146,794</b>	<b>33,940,743</b>	<b>63%</b>
Commissions for brokerage real estate	(9,255,427)	(12,076,426)	(2,820,999)	30%
Administrative expenses	(90,436,029)	(68,138,603)	22,297,426	-25%
Net other operating (expense) / income	(9,862,278)	(8,133,761)	1,728,517	-18%
<b>Result from operating activity</b>	<b>576,124,706</b>	<b>643,849,185</b>	<b>67,724,479</b>	<b>12%</b>
Financial income	18,750,848	17,501,843	(1,249,005)	-7%
Financial expenses	(21,966,642)	(39,220,921)	(17,254,279)	79%
<b>Result before tax</b>	<b>572,908,912</b>	<b>622,130,107</b>	<b>49,221,195</b>	<b>9%</b>
Income tax	(70,431,447)	(92,130,817)	(21,699,370)	31%
<b>Net result of the period</b>	<b>502,477,465</b>	<b>529,999,290</b>	<b>27,521,825</b>	<b>5%</b>
<b>Investments &amp; CAPEX</b>	<b>1,010,441,661</b>	<b>1,163,839,418</b>	<b>153,397,757</b>	<b>15%</b>



## Analysis of main financial positions

**Turnover** forecasted to grow with 23% up to RON 1,433,376,083 (RON 1,166,115,861 in 2022) due to increases in revenues from sales of residential property and rental income from commercial segment.

Turnover includes revenues from sales of residential property, rental income, revenues from services to tenants, gains from investment property, gains from bargain purchases and other operating income.

**Net Income from sales of residential property** forecasted to increase 21% up to RON 386,216,362. The increase is the effect of the higher revenues from sales of residential property, that are expected to go up with 31% in 2023 and which are partially netted off by a 3.3pp decrease in margin on sales (to 38.2%). The lower margin is explained by the higher number of developments and apartments that are in the early stage of construction execution in 2023 vs 2022.

Out of the total, 77% of the net income from residential property in 2023 is generated from developments permitted before 2022 and 23% from developments permitted in 2022. Number of residential apartments to be sold in 2023 is projected to 680 apartments.

**Net rental income from commercial segment** is expected to increase in 2023 with 63% up to RON 88,146,794 (RON 54,206,051 RON in 2022), driven mainly by higher rental income. Rental income is forecasted to increase with 65% to RON 102,803,661 (RON 62,377,660 in 2022) due to new acquisitions in 2022 (especially Bucur Obor and One Victoriei Plaza) which will generate full revenue in 2023, reception and delivery to tenants of One Cotroceni Park Office Phase 2 and reaching higher occupancy rates in completed investments One United Tower and One Cotroceni Park Office Phase 1.

**Result from operating activity (EBITDA)** forecasted to increase with 12% (i.e., RON 67,724,479) up to RON 643,849,185 in 2023 compared to actual RON 576,124,706, impacted by the increase in net income from residential property, net rental income from commercial segment and lower administrative expenses.

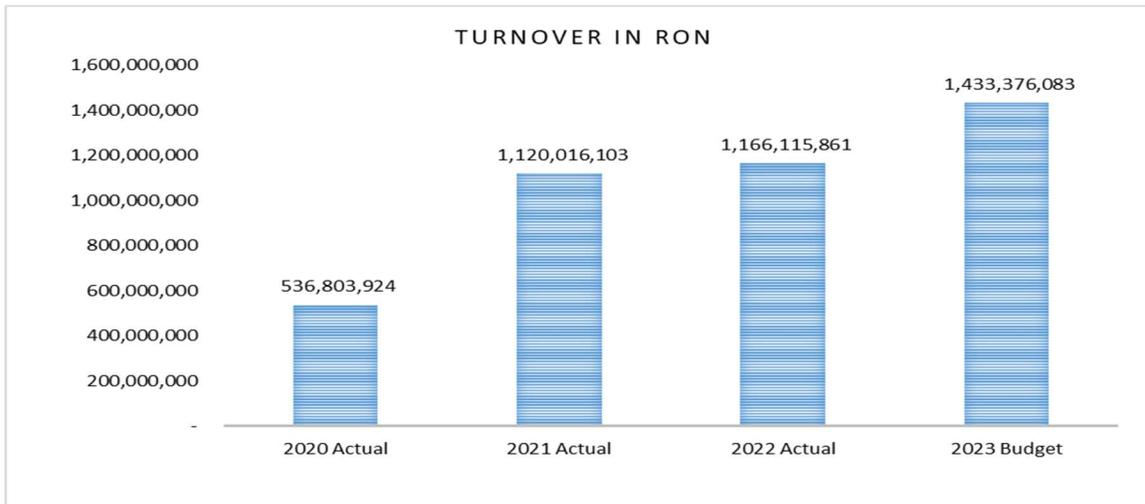
**Net result for the period** is estimated to increase by 5% to RON 529,999,920 compared to actual RON 502,477,465 in 2022.



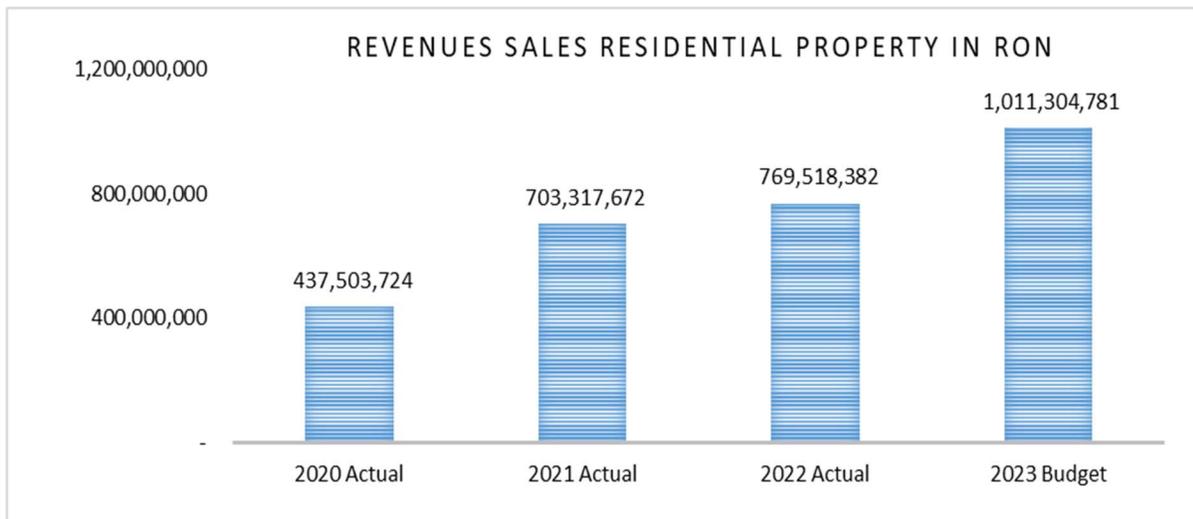
## Prior years actual and budget comparison

**Turnover** had an ascending trend during 2020-2022, reaching RON 1,166,115,861 in 2022, more than double compared to 2020 and 4% higher than 2021.

In 2023 it is forecasted a turnover of RON 1,433,376,083, 23% higher compared to prior year. The increase is driven by higher net income both from residential and rental segment.

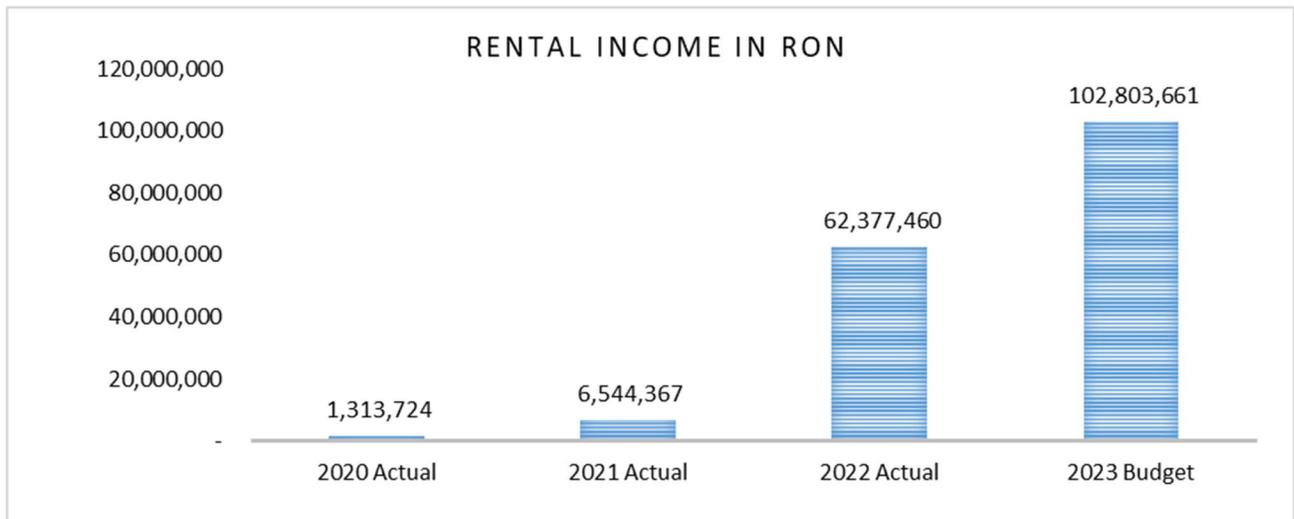


**Revenues from sales of residential property** constantly increased during 2020-2022, reaching RON 769,518,382 in 2022, 76% higher than 2020 and 9% higher than 2021. The estimated revenues from sales of residential property are RON 1,011,304,781, 31% increase compared to the actual of 2022. This increase is due to the new building permits obtained in 2022 and launch of new developments for sale in 2023.

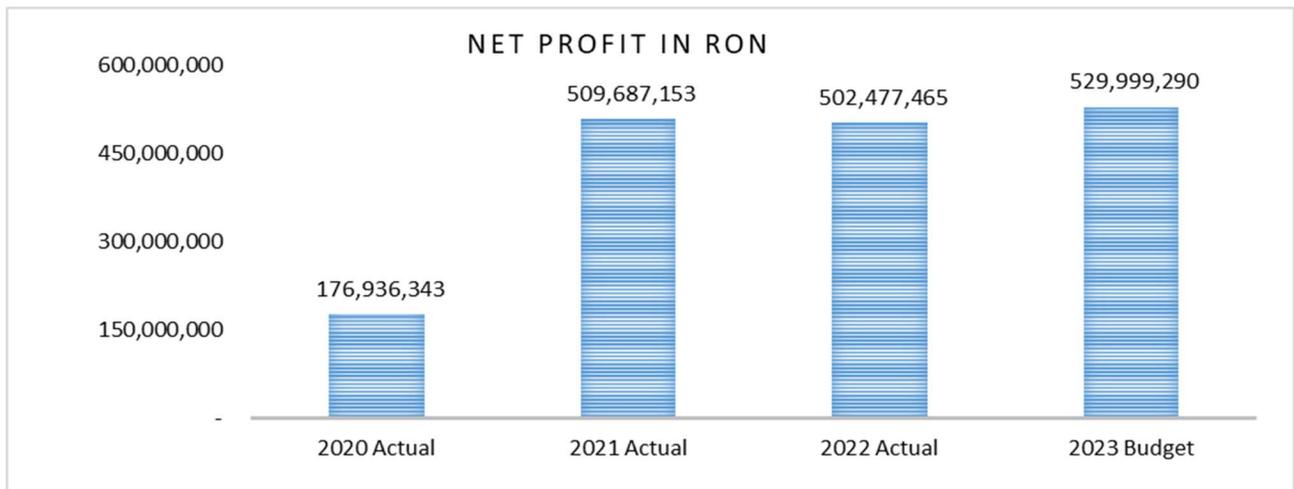




**Rental income from commercial segment** had an ascending trend during 2020-2022 driven by the revenues coming from tenants at One Tower (leased out 100% as of December 31<sup>st</sup>, 2022), One Cotroceni Park Phase 1 (leased out at 87% as of December 31<sup>st</sup>, 2022 however not yet generating full income since some tenants are still in the fit-out phase), One Victoriei Plaza (acquisition finalized in Q3 2022, 100% leased out), as well as the impact of the results generated by Bucur Obor, consolidated under the commercial segment. The forecast for 2023 is a 65% increase vs. 2022, up to RON 102,803,661.



**Net profit for the year** slightly decreased in 2022 vs 2021 (-1%), however is 2.8 times higher than in 2020. Expected increase in 2023 with 5% at RON 529,999,290 compared to 2022.





<i>in RON for the year</i>	2020 Actual	2021 Actual	2022 Actual	2023 Budget	2022 vs 2023
Turnover	536,803,924	1,120,016,103	1,166,115,861	1,433,376,083	23%
Revenues from sales of residential property	437,503,724	703,317,672	769,518,382	1,011,304,781	31%
Rental income from commercial segment	1,313,724	6,544,367	62,377,460	102,803,661	65%
Result from operating activity	218,059,589	614,183,059	576,124,706	643,849,185	12%
Net Profit in the year	176,936,343	509,687,153	502,477,465	529,999,290	5%