

Q1

RomReal Limited
First Quarter 2016 Report
27 May 2016



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

Highlights First Quarter 2016

Net Asset Value (NAV)

- Net Asset value was EUR 0.44 (NOK 4.17) per share at the end of Q1 2016, unchanged from Q4 2015.

Operational highlights

- The Company sees increasing interest for its land bank, and it has several on-going discussions. The Company did not sell any plots during the quarter, but after the end of the quarter, RomReal has sold two plots on Tartar Peninsula close to the IFRS value and it has entered into a conditional agreement to sell 100% percent of Balada Market at slightly below IFRS value.

Financial Results

- Net Result for the quarter was EUR 425,000 compared to EUR 295, 000 in 1Q 2015. The profit is mainly explained by currency effects, with RON strengthening by 1.1% against the EUR. During the quarter, operating cash flow was almost neutral with minus EUR 87,000 compared to minus EUR 197,000 in the same period last year.

Macro and real estate market highlights

- The overall Romanian economy grew 4.2 percent in the first quarter of 2016, up from 3.8% for 2015. Romania is expected to grow around 4% for 2016, a far higher growth rate than for EU as a whole. The real estate market developed positively in the first quarter. Number of transactions increases, building permits increases, and residential prices both on a national level and in RomReal's core Constanta market continues to grow. An increased Prima Casa program funds residential investments and a positive investor sentiment helps private money flow to the residential market. To illustrate the market strength, the former NEPI founders raised easily EUR 260 million for real estate investments in Eastern and Central Europe.

Key Financial Figures

| EUR '000 | Q1 2016 | Q1 2015 | 2015 |
|--|---------|---------|---------|
| Operating Revenue | 74 | 66 | 1,488 |
| Operating Expenses | (246) | (263) | (774) |
| Other operating income/ (expense), net | (187) | (485) | (1,986) |
| Net financial income/(cost) | 802 | 971 | (909) |
| Pre-tax result | 444 | 289 | (2,181) |
| Result for the period | 425 | 295 | (2,170) |
| Total assets | 29,806 | 32,313 | 29,965 |
| Total liabilities | 11,713 | 12,630 | 11,876 |
| Total equity | 18,093 | 19,684 | 18,089 |
| Equity % | 60.7% | 60.9% | 60.4% |
| NAV per share (EUR) | 0.44 | 0.48 | 0.44 |
| Cash position | 454 | 310 | 541 |

Movement in Net Asset Value

The Net Asset Value (NAV) increased slightly from EUR 18,089,000 at the end of 2015 to EUR 18,093,000.

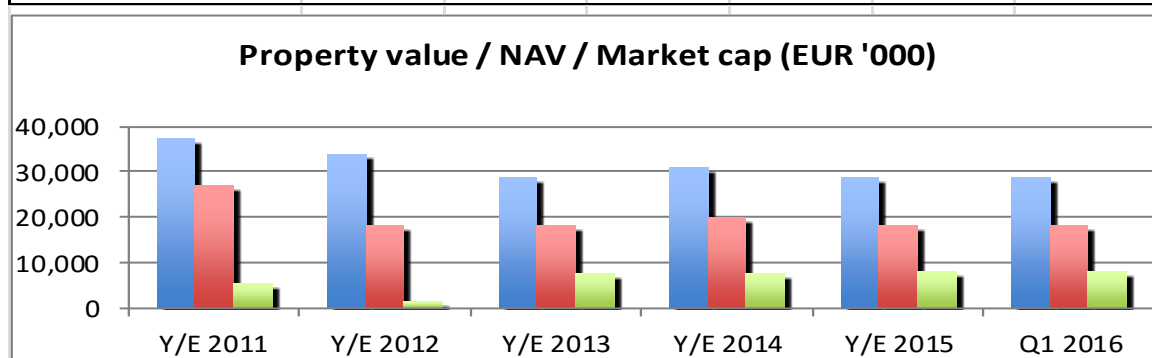
| Asset base | Q1 2016 | | | Q4 2015 | | |
|----------------------------|----------|-----------|-----------|----------|-----------|-----------|
| | EUR '000 | EUR/share | NOK/share | EUR '000 | EUR/share | NOK/share |
| Investment property | 26,454 | 0.64 | 6.10 | 26,450 | 0.64 | 6.14 |
| Inventories | 2,287 | 0.06 | 0.53 | 2,286 | 0.06 | 0.55 |
| Cash | 454 | 0.01 | 0.10 | 541 | 0.01 | 0.12 |
| Other assets/(liabilities) | (11,101) | (0.27) | (2.56) | (11,189) | (0.27) | (2.59) |
| Net asset value | 18,093 | | | 18,089 | | |
| NAV/Share | | 0.44 | 4.17 | | 0.44 | 4.22 |
| Change in NAV | 0% | | | -5.8% | | |

The average number shares used in the NAV calculation above is 41,367,783 shares.

Valuation of Properties

Each year end the Company commissions an independent valuation which for end 2015 was executed by Knight Frank 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, as published by the Royal Institution of Chartered Surveyors (RICS) in March 2012.

| EUR '000 | Y/E 2011 | Y/E 2012 | Y/E 2013 | Y/E 2014 | Y/E 2015 | Q1 2016 |
|----------------|----------|----------|----------|----------|----------|---------|
| Property value | 37,363 | 33,842 | 28,736 | 30,797 | 28,736 | 28,740 |
| NAV | 26,837 | 18,089 | 18,089 | 19,916 | 18,089 | 18,093 |
| Market cap | 5,335 | 1,520 | 7,623 | 7,541 | 7,933 | 7,758 |
| Market cap/NAV | 20% | 8% | 42% | 38% | 44% | 43% |



Cash Flow

| EUR '000 | Q1 2016 | Q1 2015 | 2015 |
|--|---------|---------|---------|
| Net cash flow from operating activities | (87) | (197) | (480) |
| Net cash flow used in investing activities | - | - | 1,833 |
| Net cash flows from financing activities | - | - | (1,319) |
| Net cash change during period | (87) | (197) | 34 |

Operating cash flow for Q1 2015 was negative EUR 87,000 compared to negative EUR 197,000 in the same quarter last year. The cash flows relate to the operating costs while the inflows relate to the rent charges on some of its assets and the instalments collected according to the agreed schedule for the plots sold in the previous periods.

Financing

At the end of Q1 2016 the Company's consolidated interest-bearing debt amounted to EUR 11,600,000. The loan is secured with the Company's plots, and it has an interest rate of EURIBOR + 300 bp. The Company has exercised its option to extend the maturity by one year until November 29, 2016. Further extensions of one year are permitted subject to prepayment of interest for the extension period.

The table below shows the interest bearing debt for RomReal Ltd as at end Q1 2016 and estimated at maturity:

| EUR '000 | End Q1 2016 | 30 Nov 2016 |
|-----------------------------|-------------|-------------|
| Principal (Alpha Bank loan) | 11,600 | 11,600 |
| Accrued Interest* | - | - |
| Total | 11,600 | 11,600 |

*Interest has been prepaid for the entire extension period

Market Facts – Macro

The Romanian economy grew 3.8 per cent in 2015. In 1Q 2016, the growth accelerated to 4.2 percent which was the highest grow rate recorded in the entire EU area. The Romanian GDP is expected to continue to develop positively, and since last quarterly report, growth expectations for 2016 as a whole has increased from around 3.7 percent to 4.0%. Romania continues to be consistently one of the most vibrant markets in Europe which will continue to support a positive real estate market development.

Real Estate market facts

Despite lower transaction volumes in 2015 compared to 2014, the overall real estate market continued its turnaround in 2015. The positive trend has continued in the first quarter of 2016. Apartment prices have increased 9.2% on a national level (April to April) and 6.7% in Constanta. In addition, the number of real estate transactions has increased by 6.5% for the first quarter compared to last year. The positive trend is exemplified by the new real estate investment company started by the highly successful NEPI founders. They announced in March that they had quickly raised EUR 260 million to invest across retail, industrial and residential real estate not only in Romania but in Central and Eastern Europe.

For 2016, several market participants hold positive views. Premier Estate Management, a real estate manager expects that the number of residential units sold in 2016 will increase by 50 percent compared to 2015. The positive real estate market expectation draws attention to the land market as well. In the first quarter, land transactions doubled compared to last year, according to DTZ Echinox. Building permits continue to rise. Residential building permits rose more than 11% in February. In May, the Prima Casa program was increased by RON 500 million to ca. RON 2.1 billion for 2016, a very positive additional funding source for the residential market.

The residential market has faced uncertainty caused by the introduction of the Debt Discharge Law. After a long debate where a preliminary law was stopped by President Iohannis, the law has been amended and implemented in May 2016. The law enables mortgage-back loan holders with loans up to EUR 250.000 to transfer their asset to the creditor in exchange for loan write-off. Since the law was proposed, the Prima Casa program has been exempt from the law, an amendment which has reduced fears that the law will stop the current turnaround in the residential market.

Operational Overview

The residential building market has improved during the last year and RomReal experiences that the land market gets more transaction interest. As communicated in the 4Q 2015 report, RomReal believes that smaller plots may prove to be more marketable than larger plots, and it has therefore worked to divide several of its plots into smaller plots. This work is still in process.

The improved residential market has given more transaction interest for RomReal's plots. The Company has several ongoing discussions but did not manage to agree on any plot sales during the quarter. RomReal did receive serious bids on several of its assets, but no processes did conclude in a sale. In May, RomReal sold two plots at the Peninsula Plot close to IFRS value, leaving only one remaining plot. RomReal has now sold 14 out of 15 plots on Tartar Peninsula. In April, RomReal entered into a conditional agreement to sell 100% of Balada Market at a price slightly below IFRS value. RomReal expects the transaction to close in third quarter.

On May 26, Mr. Adrian Cristea stepped down as the CEO of the holding company RomReal Ltd. while remaining CEO of the operational company in Romania. Mr. Cristea wants his team to commit all their available time on RomReal's Romanian real estate operation, in particular regulation processes and sales activities. To facilitate this sharp management focus, the Board decided on May 26 that the Chairman of the Board; Mr. Kjetil Grønskog, takes up the role as the holding company CEO.

The Property Portfolio

The Company's land bank consists currently of 13 plots with a total size of 1,248,552 sqm at the end of Q1 2016.

| Plot name | Location | Size (m2) |
|----------------------|------------------------|------------------|
| 1 Ovidiu Lakeside | Constanta North/Ovidiu | 61,029 |
| 2 Badulescu plot | Constanta North/Ovidiu | 50,000 |
| 3 Tatar Peninsula | Constanta North/Ovidiu | 1,266 |
| 4 Ovidiu Town | Constanta North/Ovidiu | 4,641 |
| 5 Ovidiu (Oasis) | Constanta North/Ovidiu | 24,651 |
| 6 Centrepont | Constanta North/Ovidiu | 121,673 |
| 7 Gunaydin plot | Constanta North/Ovidiu | 15,000 |
| 8 Balada Market | Central Constanta | 7,188 |
| 9 Carrefour plot | Constanta | 15,000 |
| 10 Morii Lake | Bucharest Sector 6 | 11,716 |
| 11 Hospital plot | Bucharest Sector 5 | 13,263 |
| 12 Un-zoned land | Constanta | 865,062 |
| 13 Mamaia North plot | Navodari/Mamaia | 56,167 |
| Total | | 1,246,656 |

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 20.05.2016.

| Shareholder | Holding | % |
|-----------------------------------|-------------------|--------------|
| SIX SIS AG 25PCT ACCOUNT | 11,699,278 | 28.30 |
| THORKILDSSEN KAY TØNNES | 5,415,756 | 13.10 |
| GRØNSKAG KJETIL | 3,850,307 | 9.30 |
| TONSENHAGEN FORRETNINGSENTRUM 2 A | 1,614,444 | 3.90 |
| SILJAN INDUSTRIER AS | 1,600,000 | 3.90 |
| SKANDINAVISKA ENSKILDA BANKEN S.A | 1,323,372 | 3.20 |
| SAGA EIENDOM AS | 1,223,667 | 3.00 |
| CO/JONAS BJERG NTS TRUSTEES LTD | 1,058,306 | 2.60 |
| ENERGI INVEST A/S | 1,000,000 | 2.40 |
| SPAR KAPITAL INVESTO | 940,236 | 2.30 |
| CARNEGIE INVESTMENT BANK DK BRANK | 851,692 | 2.10 |
| THORKILDSSEN INVEST A | 829,478 | 2.00 |
| ORAKEL AS | 800,000 | 1.90 |
| HOEN ANDERS MYSSEN | 689,557 | 1.70 |
| CLEARSTREAM BANKING | 649,417 | 1.60 |
| PERSSON ARILD | 588,000 | 1.40 |
| LOHNE PER OVE | 508,500 | 1.20 |
| SKANDINAVISKA ENSKILDA BANKEN AB | 508,384 | 1.20 |
| KBC SECURITIES NV | 477,676 | 1.20 |
| DANSKE BANK A/S | 457,998 | 1.10 |
| TOTAL TOP 20 | 36,086,068 | 87.20 |

(1) This is the Top 20 Shareholder list as per 20 May 2016.

(2) The total issued number of shares issued at end Q1 2016 was 41,367,783.

(3) Thorkildsen Invest AS is a company controlled by Thorkildsen family.

(4) RomReal Director Arne Reinemo controls directly or indirectly SILJAN INDUSTRIER AS.

(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

RomReal expects that the real estate market will continue to improve in 2016.

The Company expects to dispose further assets in the quarters to come.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q1 2016 report have been prepared in accordance with IAS 34 – Interim Financial Reporting. The quarterly result has been prepared in accordance with the current IFRS standards and interpretations. 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 2014.

Comparative data for Q1 2016 and Q1 2015

The interpretations below refer to comparable financial information for Q1 2016 and Q1 2015. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2016 was EUR 74,000 compared to a total of EUR 66,000 reported in Q1 2015. The income relates to the rent and costs re-charging received on some of the land bank assets awaiting development.

Operating Expenses

Total operating expenses amounted to EUR 246,000 in Q1 2016 compared to EUR 263,000 in Q1 2015. Out of these operating expenses, the payroll costs were EUR 34,000. Adjustment for inventories not considered, the total operating expenses of the Company in Q1 2016 were around 1% higher than the ones in the same quarter of 2015. Out of the total operating expenses, the main cost items relate to general and administration costs in connection with the running of the Group.

Other operating income/ (expense), net

The other operating income/(expense) reflects the adjustment to the value of the investment property as a result of the foreign currency exchange rate effect before translating them into the functional currency of the Group.

The net of Other Operating Income/ (Expense) in Q1 2016 amounted to a net loss of EUR 187,000, compared to a net loss of EUR 485,000 in Q1 2015.

Profit/ (loss) from operations

During Q1 2016, RomReal generated an operating loss of EUR 359,000, compared to a loss of EUR 682,000 in Q1 2015.

Financial Income and expense

The interest expense includes the expense accrued for the period with the interest in respect of the Alpha Bank loan in amount of EUR 97,000. Foreign exchange result for Q1 2016 was a gain of EUR 899,000 compared to a net foreign exchange gain of EUR 1,056,000 in Q1 2015. During the quarter the year the RON appreciated by 1.1% against the EUR.

The main items that generate foreign exchange differences are the inter-Company loans and the loan taken from Alpha Bank in principal amount of EUR 10.6 million.

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 2016 was a gain of EUR 444,000 compared to a gain before tax of EUR 289,000 in Q1 2015.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2016 was EUR 454,000 compared to EUR 541,000 as at end of Q4 2015. The cash outflows relate to the operating expenses of the Group.

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%. Starting 2013, the companies in the Group with turnover below a EUR 65,000 threshold are subject to a 3% tax calculated on total revenue. This is the case for 7 of the Group companies while 3 of them are 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

| | Q1 2016 | Q1 2015 | YTD 2015 |
|--|--------------|--------------|----------------|
| Rent revenue | 74 | 66 | 272 |
| Revenue from sale of assets | - | - | 1,216 |
| Operating revenue | 74 | 66 | 1,488 |
| Payroll expenses | (34) | (64) | (239) |
| Management fees | (16) | (16) | (64) |
| Inventory (write off)/reversal | (26) | (40) | 27 |
| General and administrative expenses | (171) | (143) | (498) |
| Operating expenses | (246) | (263) | (774) |
| | - | | |
| Profit/ (loss) before other operating items | (172) | (197) | 714 |
| Other operating income/(expense), net | (187) | (485) | (1,986) |
| Profit from operations | (359) | (682) | (1,272) |
| Interest income | 0 | - | 22 |
| Interest costs | (97) | (85) | (339) |
| Foreign exchange, net | 899 | 1,056 | (593) |
| | - | | |
| Result before tax | 444 | 289 | (2,182) |
| Tax expense | (19) | 6 | 12 |
| Result of the period | 425 | 295 | (2,170) |

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

| ASSETS | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|--------------------------------------|-----------------------|--------------------------|-----------------------|
| Non-current assets | | | |
| Financial assets | - | - | 743 |
| Investment properties | 26.454 | 26.450 | 28.439 |
| Property, plant and equipment | 13 | 13 | 18 |
| Deferred tax asset | 126 | 125 | 128 |
| Total non current assets | 26.593 | 26.588 | 29.328 |
| Current assets | | | |
| Inventories | 2.287 | 2.286 | 2.394 |
| Other short term receivables | 187 | 183 | 253 |
| Prepayments | 286 | 366 | 27 |
| Cash and cash equivalents | 454 | 541 | 310 |
| Total current assets | 3.213 | 3.376 | 2.984 |
| TOTAL ASSETS | 29.806 | 29.965 | 32.313 |
| EQUITY AND LIABILITIES | March 31, 2016 | December 31, 2015 | March 31, 2015 |
| Equity | | | |
| Share capital | 103 | 103 | 103 |
| Contributed surplus | 87.117 | 87.117 | 87.117 |
| Other reserves | 425 | 425 | 425 |
| Retained earnings | (70.396) | (68.179) | (68.179) |
| Result of current period | 425 | (2.169) | 293 |
| FX reserve | 419 | 792 | (74) |
| Total equity | 18.093 | 18.089 | 19.684 |
| Non current liabilities | | | |
| Non current debt | - | - | 0 |
| Deferred income tax | 73 | 59 | 70 |
| Total non current liabilities | 73 | 59 | 70 |
| Current Liabilities | | | |
| Bank debt | 11.600 | 11.600 | 12.317 |
| Other payables | 36 | 148 | 86 |
| Deferred income | (0) | 70 | 157 |
| Tax payable | 4 | 0 | 0 |
| Total current liabilities | 11.640 | 11.818 | 12.560 |
| TOTAL EQUITY AND LIABILITIES | 29.806 | 29.965 | 32.313 |

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|--|-------------------|----------------------|-------------------|
| Profit for the year | 425 | (2,169) | 293 |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | (373) | 342 | (523) |
| Other comprehensive income for the year, net of tax | (373) | 342 | (523) |
| Total comprehensive income for the year, net of tax | 52 | (1,827) | (230) |

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|-------------------|----------------------|-------------------|
| Net cash flow from operating activities | (87) | (480) | (197) |
| Net cash flow used in investing activities | - | 1,833 | - |
| Net cash flows from financing activities | - | (1,319) | - |
| Net cash change during period | (87) | 34 | (197) |
| Cash at beginning of period | 541 | 507 | 507 |
| Cash and cash equivalents at end of the period | 454 | 541 | 310 |

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|--|-------------------|----------------------|-------------------|
| Equity at the beginning of the period | 18,089 | 19,916 | 19,916 |
| Result for the period | 425 | (2,169) | 293 |
| Other changes | (421) | 342 | (525) |
| Equity at the end of the period | 18,093 | 18,089 | 19,684 |

CONTACT INFORMATION

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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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