

# Q2

**RomReal Limited**  
**Second Quarter 2016 Report**  
**26 August 2016**



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

## Highlights Second Quarter 2016

### Net Asset Value (NAV)

- Net Asset value was EUR 0.43 (NOK 3.96) per share at the end of Q2 2016, 2.8% down compared to the end of Q1 2016.

### Operational and Financial highlights

- The Company sees increased interest for its assets, and during the quarter, it sold several smaller assets and one plot after the close of the quarter on or above IFRS value.
- The company has secured additional funding capacity with a new drawing facility of EUR 537,900.

### Financial Results

- Net Result for the quarter was a loss of EUR 848,000 in 2Q 2016 compared to EUR 295, 000 profit in 2Q 2015. The loss is explained by currency effects, with RON strengthening by 1.1% against the EUR during the quarter.
- Operating cash flow for the quarter was minus EUR 219,000 compared to minus EUR 109,000 in the same period last year.

### Macro and real estate market highlights

- For the second quarter, the Romanian GDP flash update came in at 6% following 4.2% growth for 1Q 2016 and 3.8% for 2015. Romania is the fastest growing economy in the entire EU. The European Commission estimates that Romania's economy will grow 4.2 percent in 2016, backed by robust domestic demand, and grow 3.7 percent in 2017.
- The overall real estate market grew further during the quarter. Prices are heading up, transaction volume increases and construction indicators are positive. In addition to a low interest rate and a growing economy, the government stimulates the housing market by increasing the Prima Casa program and introducing a social housing construction program.

## Key Financial Figures

EUR '000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Operating Revenue	243	1,195	318	1,261
Operating Expenses	(222)	(154)	(469)	(417)
Other operating income/ (expense), net	80	(581)	(106)	(1,066)
Net financial income/(cost)	(953)	(1,272)	(150)	(301)
Pre-tax result	(851)	(812)	(408)	(523)
Result for the period	(848)	(866)	(423)	(571)
Total assets	29,358	31,162	29,358	31,162
Total liabilities	11,764	11,733	11,764	11,733
Total equity	17,594	19,428	17,594	19,428
Equity %	59.9%	62.3%	59.9%	62.3%
NAV per share (EUR)	0.43	0.47	0.43	0.47
Cash position	313	303	313	303

### Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 17,594,000 at the end of Q2 2016 compared to EUR 18,093,000 at the end of Q1 2016. This is explained mainly by the negative impact of the foreign exchange differences as a result of the RON weakening against the EUR during the quarter.

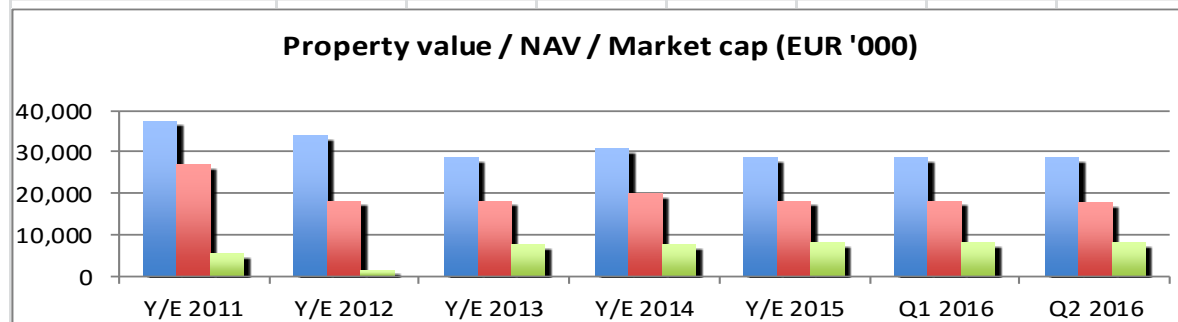
Asset base	Q2 2016			Q1 2016		
	EUR '000	EUR/share	NOK/share	EUR '000	EUR/share	NOK/share
Investment property	26,278	0.64	5.91	26,454	0.64	6.10
Inventories	2,287	0.06	0.51	2,287	0.06	0.53
Cash	313	0.01	0.07	454	0.01	0.10
Other assets/(liabilities)	(11,276)	(0.27)	(2.54)	(11,101)	(0.27)	(2.56)
Net asset value	17,594			18,093		
NAV/Share		0.43	3.96		0.44	4.22
Change in NAV	-2.8%			0%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q1 2016.

## 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	Q2 2016
Property value	37,363	33,842	28,736	30,797	28,736	28,740	28,557
NAV	26,837	18,089	18,089	19,916	18,089	18,093	17,594
Market cap	5,335	1,520	7,623	7,541	7,933	7,758	7,963
Market cap/NAV	20%	8%	42%	38%	44%	43%	45%



## Cash Flow

EUR '000	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Net cash flow from operating activities	(219)	(109)	(345)	(301)
Net cash flow used in investing activities	78	994	117	989
Net cash flows from financing activities	-	(893)	-	(893)
<b>Net cash change during period</b>	<b>(141)</b>	<b>(8)</b>	<b>(228)</b>	<b>(205)</b>

Cash flow from operating activities for Q2 2016 was negative EUR 219,000 compared to negative EUR 109,000 in the same quarter last year. Operational cash flows year to date were slightly lower than the same period of 2015, reflecting some of the spending the Company needs to do in order to carry on with its land bank strategy.

The cash flows from investing activities relate to the sales of some smaller plots while for the same period of 2015, they included part of the proceeds from the sale of Brasov plot.

## Financing

As the end of Q2 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 Company has initiated a process with Alpha Bank to extend the loan according to the priced and credit approved extension option.

The Company has the necessary cash at hand to prepay the interest to extend the loan.

The table below shows the interest bearing debt for RomReal Ltd as at end Q2 2016 and estimated at maturity:

EUR '000	End Q2 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

On the 18th of August 2016, RomReal has agreed to a new drawing facility of EUR 537,900 with an interest rate of 4% per annum applied only to any amounts withdrawn. The facility will have a maturity of 1 year and will pay the interest at maturity. The facility is provided by the late CEO's family; the Torkildsen family, and it replaces the previously agreed and announced (July 10, 2015) conditional sale of a part of Balada market for EUR 537,900.

## Market Facts – Macro

In the second quarter flash update, the Romanian economy grew by 6%, compared to 4.2% in first quarter, and 3.8% for 2015 as a whole. The overall economic situation is solid and macro - economic analysts expect the positive trend to continue. Inflation is low, the record low interest rate at 1.75% is kept low and un-employment keeps tracking down. Coupled with reduced VAT (in 2015), private consumption and private investments grows healthy. Apartment prices continue to rise and new car registrations increased 18.3% in the second quarter compared to last year. For 2016, EU expects Romania to grow by 4.2% and in 2017 it forecasts 3.7% growth.

## Real Estate market facts

The overall sound economic environment fuels the real estate market turnaround that started in the end of 2014. Real estate transactions in Romania grew 80% in the first half of 2016, to an estimated EUR 340 million, according to property consultancy JLL. Apartment prices increases and building permits continue to rise. The residential price growth is the 5<sup>th</sup> highest in Europe, according to REMAX, a residential broker;

*Real Estate Investment Market:* Investment market was in the spotlight in 2015. The healthy levels of transactions, as well as new entries on the market, show more interest for Romania as investment destination.

*Office market:* More than 360,000 sqm of modern office are expected to be delivered in 2016 and the market's potential is confirmed by the large number of pre-leases.

*Retail Market:* saw a boost in activity in the last two years, encouraged by the positive economic context, but also the increase in consumption and further in retailers' sales. New deliveries of retail space are expected both in Bucharest and in large cities. Out of the large cities, Timisoara is one of the most active, e.g. Timisoara Shopping City (NEPI) has finalised in 2016 a second phase of the project, with 45,000 sqm.

*Industrial Market:* This segment continued the growth cycle begun in the past years, supported by increased interest from investors in regional industrial platforms. In Bucharest, for the first time in the last period, new projects that are expected to be finalized in 2016, should add more than 100,000 sqm to the existing stock estimated at 1 million sqm.

*Investment Market:* Favourable capital flows, stable macroeconomics, increased liquidity and access to financing, ensured transactional activity with total value of almost €900 million in 2015. The level is expected to be similar in 2016.

*Residential Market: During the quarter, government increased the size of the Prima Casa program by RON 500 million and it passed a law for a national housing agency that gets EUR 175 million to fund around 6,900 social housing apartments to be constructed in the next five years to come. As of July, apartment price in Romania have seen an increase of 9.6% to EUR 1,035 per m2, and in Constanta an increase of 5.6% to EUR 956 per m2, compared with the same period of 2015.*

## Operational Overview

RomReal sold an additional plot at Tartar Peninsula in the quarter and one plot after the end of the quarter. At Tartar Peninsula there is still one plot to be sold. In addition, it sold two parking spaces in the Corralia development. After the end of the quarter the Company received a binding offer and the Bank's approval for the sale of a 1,250sqm plot, part of Lakeside property, for EUR 190,000. As of May 27, 2016, the Company announced a conditional sale of the whole Balada Market, a sale that substituted the already announced, conditional sale of parts of Balada Market. However, the 100% sale fell through due to an unexpected change in the buyer's ability to finance the transaction. But in line with the market, the Company faces increased interest for its land bank including the more valuable plots. As a consequence, the Company has already been approached by another buyer for the Balada Market and it has on-going processes for several other plots as well.

## The Property Portfolio

The Company's land bank consists currently of 13 plots with a total size of 1,244,042 sqm at the end of Q2 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	634
4 Ovidiu Town	Constanta North/Ovidiu	4,641
5 Ovidiu (Oasis)	Constanta North/Ovidiu	24,651
6 Centrepont	Constanta North/Ovidiu	121,672
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	864,534
13 Mamaia North plot	Navodari/Mamaia	54,714
<b>Total</b>		<b>1,244,042</b>

## Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 24.08.2016.

Shareholder	Holding	% Holding
SIX SIS AG 25PCT ACCOUNT	10,336,254	24.99
THORKILDSEN DØDSBO KAY TØNNES	5,415,756	13.09
GRØNSKAG KJETIL	3,850,307	9.31
SAGA EIENDOM AS	1,803,554	4.36
E. LARRE HOLDING AS	1,614,444	3.90
SILJAN INDUSTRIER AS	1,600,000	3.87
ENERGI INVEST A/S	1,400,000	3.38
ORAKEL AS	1,101,000	2.66
CO/JONAS BJERG NTS TRUSTEES LTD	1,058,306	2.56
SPAR KAPITAL INVESTO	940,236	2.27
Carnegie Investment CLIENT ACCOUNT	851,692	2.06
THORKILDSEN INVEST A	829,478	2.01
SKANDINAVISKA ENSKIL	727,224	1.76
PERSSON ARILD	709,700	1.72
HOEN ANDERS MYSSEN	689,557	1.67
CLEARSTREAM BANKING	649,417	1.57
MORGAN STANLEY & CO. MS & CO INTL PLC MSI	549,276	1.33
LOHNE PER OVE	508,500	1.23
Skandinaviska Enskil A/C CLIENTS ACCOUNT	508,384	1.23
DANSKE BANK A/S 3887 OPERATIONS SEC.	457,998	1.11
<b>TOTAL</b>	<b>35,601,083</b>	<b>86.08</b>

(1) This is the Top 20 Shareholder list as per 24 August 2016.

(2) The total issued number of shares issued at end Q2 2016 was 41,367,783.

(3) After the end of the period Kjetil Grønskag, Chairman and CEO of RomReal Ltd, has purchased 250,000 shares at a price of NOK 1.60 per share through his associated company Grønco AS. Kjetil Grønskag controls privately and through holding companies 4,100,037 shares in RomReal, representing 9.91% of the total shareholding in RomReal Ltd.

(4) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

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

(6) 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 the real estate market to develop positively during the months to come. As the market sees more transactions and higher prices, RomReal expects to face more interest and better prices for its land bank. As a consequence, Management expects the Company to realize further assets at satisfactory prices in the quarters to come.

## **INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS**

### **Accounting Principles**

The financial statements for the Q2 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 2015.

### **Comparative data for Q2 2016 and Q2 2015**

The interpretations below refer to comparable financial information for Q2 2016 and Q2 2015. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

### **Operating Revenue**

The operating revenue during Q2 2016 was EUR 243,000 compared to a total of EUR 1,195,000 reported in Q2 2015. The income relates to the rent and costs re-charging received on some of the land bank assets awaiting development as well as the further sales of smaller plots during the quarter.

### **Operating Expenses**

Total operating expenses amounted to EUR 222,000 in Q2 2016 compared to EUR 154,000 in Q2 2015. Out of these operating expenses, the payroll costs were EUR 40,000. Other main 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 as well as the cost of disposing the assets sold during the quarter.

The net of Other Operating Income/ (Expense) in Q2 2016 amounted to a net gain of EUR 80,000, compared to a net loss of EUR 581,000 in Q2 2015.

### **Profit/ (loss) from operations**

During Q2 2016, RomReal generated an operating gain of EUR 101,000, compared to a gain of EUR 460,000 in Q2 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 99,000. Foreign exchange result for Q2 2016 was a loss of EUR 854,000 compared to a net foreign exchange loss of EUR 1,194,000 in Q2 2015. During the quarter the year the RON depreciated 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 Q2 2016 was a loss of EUR 851,000 compared to a loss before tax of EUR 812,000 in Q2 2015.

### **Cash and cash equivalents**

The Company's cash and cash equivalents position at end of Q2 2016 was EUR 313,000 compared to EUR 454,000 as at end of Q1 2016. 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

	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Rent revenue	63	57	137	123
Revenue from sale of assets	181	1,138	181	1,138
<b>Operating revenue</b>	<b>243</b>	<b>1,195</b>	<b>318</b>	<b>1,261</b>
Payroll expenses	(40)	(70)	(73)	(134)
Management fees	(19)	(16)	(35)	(32)
Inventory (write off)/reversal	24	46	(2)	6
General and administrative expenses	(187)	(114)	(359)	(257)
<b>Operating expenses</b>	<b>(222)</b>	<b>(154)</b>	<b>(469)</b>	<b>(417)</b>
<b>Profit/ (loss) before other operating items</b>	<b>21</b>	<b>1,041</b>	<b>(151)</b>	<b>844</b>
Other operating income/(expense), net	80	(581)	(106)	(1,066)
<b>Profit from operations</b>	<b>101</b>	<b>460</b>	<b>(257)</b>	<b>(222)</b>
Interest income	0	8	0	15
Interest costs	(99)	(86)	(196)	(171)
Foreign exchange, net	(854)	(1,194)	45	(145)
-	-	-	-	-
<b>Result before tax</b>	<b>(851)</b>	<b>(812)</b>	<b>(408)</b>	<b>(523)</b>
Tax expense	3	(54)	(15)	(48)
<b>Result of the period</b>	<b>(848)</b>	<b>(866)</b>	<b>(423)</b>	<b>(571)</b>

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	June 30, 2016	December 31, 2015	June 30, 2015
<b>Non-current assets</b>			
Financial assets	-	-	746
Investment properties	26,278	26,450	27,363
Property, plant and equipment	13	13	15
Deferred tax asset	125	125	76
<b>Total non current assets</b>	<b>26,417</b>	<b>26,588</b>	<b>28,200</b>
<b>Current assets</b>			
Inventories	2,278	2,286	2,399
Other short term receivables	161	183	252
Prepayments	189	366	8
Cash and cash equivalents	313	541	303
<b>Total current assets</b>	<b>2,941</b>	<b>3,376</b>	<b>2,962</b>
<b>TOTAL ASSETS</b>	<b>29,358</b>	<b>29,965</b>	<b>31,162</b>
<b>EQUITY AND LIABILITIES</b>			
	June 30, 2016	December 31, 2015	June 30, 2015
<b>Equity</b>			
Share capital	103	103	103
Contributed surplus	87,115	87,117	87,117
Other reserves	425	425	425
Retained earnings	(70,395)	(68,179)	(68,179)
Result of current period	(423)	(2,169)	(571)
FX reserve	768	792	534
<b>Total equity</b>	<b>17,594</b>	<b>18,089</b>	<b>19,428</b>
<b>Non current liabilities</b>			
Non current debt	-	-	0
Deferred income tax	69	59	70
<b>Total non current liabilities</b>	<b>69</b>	<b>59</b>	<b>70</b>
<b>Current Liabilities</b>			
Bank debt	11,600	11,600	11,505
Other payables	77	148	158
Deferred income	18	70	0
Tax payable	0	0	0
<b>Total current liabilities</b>	<b>11,695</b>	<b>11,818</b>	<b>11,663</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,358</b>	<b>29,965</b>	<b>31,162</b>

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	June 30, 2016	December 31, 2015	June 30, 2015
<b>Profit for the year</b>	<b>(423)</b>	<b>(2,169)</b>	<b>293</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	(24)	342	(523)
<b>Other comprehensive income for the year, net of tax</b>	<b>(24)</b>	<b>342</b>	<b>(523)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>(447)</b>	<b>(1,827)</b>	<b>(230)</b>

## CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	June 30, 2016	December 31, 2015	June 30, 2015
Net cash flow from operating activities	(306)	(480)	(197)
Net cash flow used in investing activities	78	1,833	-
Net cash flows from financing activities	-	(1,319)	-
<b>Net cash change during period</b>	<b>(228)</b>	<b>34</b>	<b>(197)</b>
Cash at beginning of period	541	507	507
<b>Cash and cash equivalents at end of the period</b>	<b>313</b>	<b>541</b>	<b>310</b>

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	June 30, 2016	December 31, 2015	June 30, 2015
Equity at the beginning of the period	18,089	19,916	19,916
Result for the period	(423)	(2,169)	293
Other changes	(73)	342	(525)
<b>Equity at the end of the period</b>	<b>17,594</b>	<b>18,089</b>	<b>19,684</b>

## **CONTACT INFORMATION**

RomReal Limited

Postal address: Burnaby Building, 16 Burnaby street, Hamilton HM11, Bermuda Telephone:

Tel- +1-441-293-6268 Fax +1-441-296-3048 | [www.RomReal.com](http://www.RomReal.com)

Visiting address: 208 Mamaia Avenue, Constanța, Romania

Tel: +40-241-551488 Fax: +40-241-551322

## **IR**

Harris Palaondas

+40 731123037 | [investors@RomReal.com](mailto:investors@RomReal.com)

For further information on RomReal, including presentation material relating to this interim report and financial information, please visit [www.RomReal.com](http://www.RomReal.com).

## **DISCLAIMER**

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