

Q1

RomReal Limited
First Quarter 2015 Report
29 May 2015



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

Highlights of First Quarter 2015

Net Asset Value (NAV)

- Net Asset value was EUR 0.48 (NOK 4.04) per share at the end of Q1 2015, a decrease of 1.2% compared to the end of Q4 2014.

Operational highlights

- The Company continues to upgrade its land bank with new permits and project plans. Following the end of the quarter, in April, the Company closed as planned the sale of its plot in Brasov and collected the outstanding balance of the selling price. The amount of EUR 850,000 was used to reduce the outstanding loan with Alpha Bank.

Macro and real estate market highlights

- Romania's GDP increased 2.9% in 2014, and 4.3% in Q1 2015 (compared to same period of last year), continuing the country's strong growth record. The amount of non-Performing Loans ("NPLs") started to fall, following proactive policies by the National Bank, but full corporate restructuring is still not taking place; following a further cut in the interest rate by the National Bank to 1.75% in May (down from 2%) as well a reduction in minimum reserve requirements for RON from 10% to 8%, it is expected rates will go further down.
- The European Commission recently raised its forecast for Romania's economic growth to 2.8% for 2015 and 3.3% for 2016 (vs 2.7% and 2.9% in previous estimate), as a result of strong private consumption and recovering investment.
- The Romanian real estate market started into 2015 with optimism. A significant increase was registered especially on the office and investment segments, according to the Romania 2014 Real Estate Market Review recently published by Colliers International.
- In 2014, commercial real estate investments reached EUR 1.2 billion compared to EUR 0.35 billion for 2013, while in the commercial rent segment, the net take-up increased with 30 per cent.
- Building permits in Romania increased 3.1% in the first quarter in the residential market. Apartment prices in the Company's core Constanta market increased 4% during the quarter.

Key Financial Figures

EUR '000	Q1 2015	Q1 2014	2014
Operating Revenue	66	62	420
Operating Expenses	(264)	(221)	(978)
Other operating income/ (expense), net	(485)	(193)	(825)
Net financial income/(cost)	970	351	(360)
Pre-tax result	288	(2)	(1,743)
Result for the period	293	31	(1,764)
Total assets	32,313	33,761	32,454
Total liabilities	12,630	12,267	12,534
Total equity	19,684	21,671	19,916
Equity %	60.9%	63.7%	61.4%
NAV per share (EUR)	0.48	0.52	0.48
Cash position	310	827	507

Movement in Net Asset Value

The Net Asset Value (NAV) was reduced from EUR 19,916,000 in Q4 2014 to EUR 19,684,000 this quarter. The change is explained by a reduction in Knight Frank's valuation of -2% on a comparable property basis. The reduction is explained by translation differences resulting from conversion into EUR of the consolidated financial statements

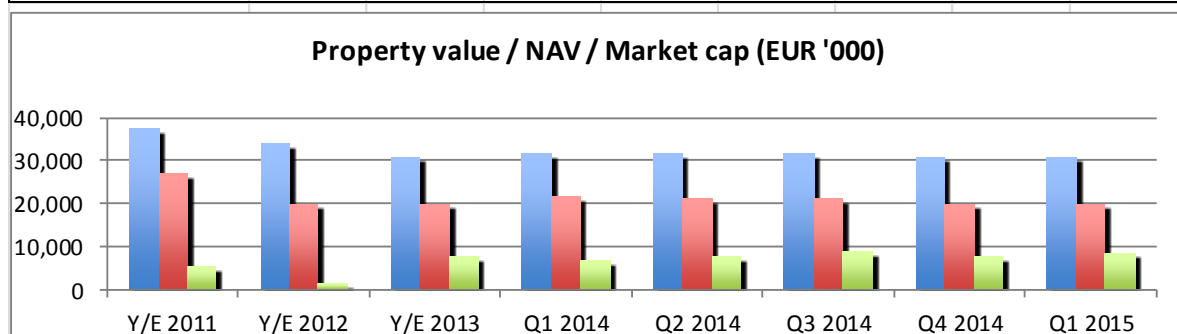
Asset base	Q1 2015			Q4 2014		
	EUR'000	EUR/share	NOK/share	EUR'000	EUR/share	NOK/share
Investment property	28,439	0.69	6.07	28,409	0.69	5.85
Inventories	2,394	0.06	0.51	2,388	0.06	0.52
Cash	310	0.01	0.07	507	0.01	0.13
Other assets/(liabilities)	(11,460)	(0.28)	(2.44)	(11,388)	(0.28)	(2.27)
Net asset value	19,684			19,916		
NAV/Share		0.48	4.20		0.48	4.04
Change in NAV	-1.2%			-4.9%		

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

Valuation of Properties

Each year-end, RomReal gets an independent asset valuation from a third party, Knight Frank Romania. For the year-end 2014, the valuation report showed a decline in asset values by 2% adjusted for sold plots. The Company has not commissioned any new valuation report for the first quarter. The Q1 NAV is based on the 2014 year-end valuation report.

EUR '000	Y/E 2011	Y/E 2012	Y/E 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Property value	37,363	33,842	30,827	31,834	31,569	31,543	30,797	30,833
NAV	26,837	19,916	19,916	21,494	21,199	20,941	19,916	19,684
Market cap	5,335	1,520	7,623	6,426	7,479	8,974	7,541	8,438
Market cap/NAV	20%	8%	38%	30%	35%	43%	38%	43%



Cash Flow

EUR '000	Q1 2015	Q1 2014	2014
Net cash flow from operating activities	(197)	(145)	(466)
Net cash flow used in investing activities	-	-	157
Net cash flows from financing activities	-	-	(157)
Net cash change during period	(197)	(145)	(466)

Operating cash flow for Q1 2015 was negative EUR 197,000 compared to negative EUR 145,000 last year.

RomReal had at the end of Q1 2015 EUR 310,000 in cash (Q1 2014: EUR 827,000). In addition the Company has a bond investment of EUR 743,000. The bond is issued by Svenska Handelsbanken and the Company expects the issuer to call the bond in 2015 at par.

Financing

As the end of Q1 2015 the Company's consolidated interest-bearing debt amounted to EUR 12,317,000, representing principal amount of EUR 11,442,000 and interest accrued to date of EUR 875,000. The outstanding loan was reduced by approximately EUR 850,000 in April following the remaining payment for the Brasov plot. The loan is secured with the Company's plots, and it has an interest rate of EURIBOR + 300 bp. The loan falls due November 27, 2015 but the Company has an option to extend the loan one plus one years provided that the Company pays one year interest up front at the time of extension. The cash at hand and the financial bond investment are deemed to be sufficient to extend the loan in November 2015. In addition, the Company views further asset sales as likely.

The table below shows the interest bearing debt for RomReal Ltd as at end Q1 2015 and estimated at maturity:

EUR '000	End Q1 2015	30 Nov 2015
Principal (Alpha Bank loan)	11,442	10,600
Accrued Interest	875	1,045*
Total	12,317	11,645

*Estimated based on current Euribor levels and considering post end of quarter prepayment using the proceeds from the sale of the Brasov plot

Market Facts – Macro

Romanian GDP grew 2.9 % in 2014. Private consumption contributed strongly, after the government increased minimum wage with 12.5% in 2014. In Q1 GDP grew 4.3% compared to Q1 2014. The EU forecasts a growth for 2015 and 2016 of 2.8% and 3.3%, driven by stronger private consumption and increasing investments.

During Q1, the NBR has lowered the interest rate four times – from 2.75% into the quarter to 1.75% as of May.

Despite the high growth, annual inflation is well under control. Prices increased 1.4% during 2014, but inflation has come down in 2015 and is now around 0.6% annually. In April, inflation was recorded to 0.7%, and for 2015 the inflation is forecasted to end at 0.2%, helped by a cut in the value added tax rate for food, low energy prices and low inflation in the EU.

The government continues to fight corruption and a series of high profile cases are open with arrests during the quarter.

Real Estate market facts

After a very good year for the Romanian real estate sector in 2014, the market seems now to enter a sustainable growth period, according to a recent report of Colliers International Romania. In 2014, commercial real estate investments reached EUR 1.2 billion compared to EUR 0.35 billion for 2013, while in the commercial rent segment, the net take-up increased with 30 per cent.

The office and investment segments were the most active last year, according to the Colliers report. There are also signs that 2015 will mark the comeback of the industrial segment judging from rising demand for industrial spaces in the countryside and significant interest for new developments. This trend is confirmed by the numerous landmark investment deals closed last year, according to the real estate services firm.

Medium term, it is expected the local market should continue to benefit from a combination of improving economic and property market conditions. The stronger demand coming from the business sector indicates further increase in domestic purchasing power, which will drive retail and residential markets all together.

Office market:

The Bucharest office market registered record post-crisis volumes and an increase in new quality stock. Net take-up accounted for almost half of the entire activity, indicating a healthy growth of the market. Demand is expected to continue on an upward trend, given companies' interest to either enter or expand in Romania. Regional cities are also of interest for Business Processes Outsourcing. This is evolving from a cost driven approach to a value driven one, the local talent pool being attractive to large multinationals looking to outsource some of their processes.

Retail market:

The macro performance of the country has started to reflect in 2014 the increase in private consumption (+7%). New shopping centres totalling an estimated 200,000 sqm are expected to come to the market in 2015 according the Colliers' estimates. 15% is represented by extensions, indicating a need for older shopping centres to become more competitive (Severin Shopping City, CityPark Constanta).

Industrial developments market:

An estimated EUR 171m were invested in this segment during 2014, the highest level since the EUR 250m invested in 2008. After many years, the market seems to shift from a tenants market to a landlords market as almost all market participants who are looking to develop a project have already secured, or are about to secure commercial rent contracts for their projects.

Land market:

2014 was the best year since the start of the financial crisis with increased activity across all sectors of the market. The positive news came from the volume of transactions of land specific for residential development, which experienced the best year since 2008.

Residential market:

Record sales volumes and new stock entering the market characterized the residential segment in 2014. Price variations were close to nil which, together with an increasing demand, encouraged developers to seek out new opportunities. The residential market is not expected to witness significant changes during 2015. However, supply is expected to diversify further with more middle and upper middle projects entering the market, in the context of the demand continuing to observe a positive development.

According to the largest online real estate platform website in Romania imobiliare.ro, apartment prices in Constanta have increased 4 per cent during the first quarter of 2015, reaching EUR 897 per square meter. On the other hand, housing prices in Bucharest have decreased 1% during the same period and are currently estimated at an average of EUR 1,061 per square meter.

Residential building permits increased 3.1% during first quarter, the strongest growth on record for first quarter since the residential market peaked in 2008.

Operational Overview

RomReal has not sold any new plots in the quarter. The Company continues to upgrade its land bank with new regulatory statuses and project plans for some of its plots. At the Ovidiu Lake Side plot, the Company has turned in an application for a 1,000 residential unit project and it expects approval during July 2015. For the Ovidiu Centrepont plots, the Company has turned in an application to convert the land to buildable land. It expects a decision during Q3 2015.

After the close of the quarter, the Company received the final payment for the Brasov plot. The amount was used to reduce outstanding loan amount at Alpha Bank.

The Company has active discussions to sell plots from its land bank.

The Property Portfolio

The Company's land bank consists currently of 13 plots with a total size of 1,254,967sqm at the end of Q1 2015.

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	4,297
4 Ovidiu Town	Constanta North/Ovidiu	4,641
5 Ovidiu (Oasis)	Constanta North/Ovidiu	25,127
6 Centrepont	Constanta North/Ovidiu	122,350
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 Brasov plot	Central Brasov	4,127
13 Un-zoned land	Constanta	865,062
14 Mamaia North plot	Navodari/Mamaia	56,167
Total		1,254,967

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 22 May 2015.

Shareholder	Holding	Percentage
SIX SIS AG 25PCT ACCOUNT	11,699,278	28.28
THORKILDSSEN KAY TØNNES	5,415,756	13.09
GRØNSKAG KJETIL	3,850,307	9.31
TONSENHAGEN FORRETN	1,614,444	3.90
SILJAN INDUSTRIER AS	1,600,000	3.87
SEB Private Bank S.A	1,323,373	3.20
SAGA EIENDOM AS	1,223,667	2.96
CO/JONAS BJERG NTS TRUSTEES LTD	1,058,306	2.56
ENERGI INVEST A/S	1,000,000	2.42
SPAR KAPITAL INVESTO	940,236	2.27
Carnegie Investment CLIENT ACCOUNT	851,692	2.06
THORKILDSSEN INVEST A	829,478	2.01
ORAKEL AS	800,000	1.93
HOEN ANDERS MYSSSEN	689,557	1.67
CLEARSTREAM BANKING	649,417	1.57
PERSSON ARILD	588,000	1.42
Skandinaviska Enskil A/C CLIENTS ACCOUNT	508,384	1.23
KBC SECURITIES NV A/C CLIENTS NON-TREA	477,676	1.15
DANSKE BANK A/S 3887 OPERATIONS SEC.	457,998	1.11
LOHNE PER OVE	368,346	0.89
	35,945,915	86.9

Notes:

- (1) This is the Top 20 Shareholder list as per 22 May 2015.
- (2) The total issued number of shares issued at end Q1 2015 was 41,367,783.
- (3) Thorkildsen Invest AS is a Company controlled by RomReal CEO Kay Thorkildsen. Altogether RomReal CEO Kay Thorkildsen owns 15.09% of the Company.
- (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 the positive development in the real estate market to continue in 2015. It expects transaction volumes to increase further and land prices to bottom out.

The Company has the necessary liquidity which is deemed to be sufficient to extend the Alpha Bank loan in November 2015. It will continue to upgrade its land bank and seek buyers for the individual plots. The Company expects to sell several assets during 2015.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q1 2015 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 2015 and Q1 2014

The interpretations below refer to comparable financial information for Q1 2015 and Q1 2014. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2015 was EUR 66,000 compared to a total of EUR 61,000 in Q1 2014. The income relates to the rent received on some of the land bank assets awaiting development (EUR 66,000 in Q1 2015 vs EUR 59,000 in Q1 2014).

Operating Expenses

Total operating expenses amounted to EUR 264,000 in Q1 2015 compared to EUR 221,000 in Q1 2014. Out of these operating expenses, the payroll costs were EUR 64,000 and include the remuneration of two of the board members. Adjustment for inventories not considered, the total operating expenses of the Company in Q1 2015 were around 10% higher than the ones in the same quarter of 2014. Out of the total operating expenses, the main cost items relate to general and administration costs in connection with the running of the Group which are relatively flat and kept to the minimum.

Other operating income/ (expense), net

The other operating income/(expense) is driven by the change in the value of investment property as a result of the effect of the foreign currency exchange rate before translating them into the functional currency of the Group. During Q1 2015 there were no changes to the EUR values of the investment property.

The net of Other Operating Income/ (Expense) in Q1 2015 amounted to a net loss of EUR 485,000, compared to a net loss of EUR 193,000 in Q1 2014.

Profit/ (loss) from operations

During Q1 2015, RomReal generated an operating loss of EUR 683,000, compared to a loss of EUR 353,000 in Q1 2014.

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 85,000. Foreign exchange result for Q1

2015 was a gain of EUR 1,056,000 compared to a net foreign exchange gain of EUR 444,000 in Q1 2014. During the quarter the year the RON appreciated by 1.7% 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 11.4 million plus its accrued interest to date.

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 2015 was a gain of EUR 288,000 compared to a loss before tax of EUR 2,000 in Q1 2014.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2015 was EUR 310,000 compared to EUR 507,000 as at end of Q4 2014.

Following the finalisation of the rights issue exercise in 2013 aimed at consolidating the cash position of the Group, it decided to place part of the collected proceeds into a financial asset. The Group invested in a bond issued by Svenska Handelsbanken. The bond is issued in perpetuity but the issuer has a call option for 16 December 2015. The bond was acquired at 102.43% of par and carries a coupon of 4.19%. The bond is expected to be called by its issuer at par and the expected yield to maturity amounts to 3.01%. At the end of Q1 2015, the principal amount placed in the bond and the accrued interest totalled EUR 743,000.

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%. From 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 2015	Q1 2014	2014
Rent revenue	66	59	66
Revenue from sale of assets	-	2	0
Operating revenue	66	61	66
Payroll expenses	(64)	(51)	(64)
Management fees	(16)	(16)	(16)
Inventory (write off)/reversal	(40)	(19)	(40)
General and administrative expenses	(143)	(135)	(143)
Operating expenses	(264)	(221)	(264)
	-		
Profit/ (loss) before other operating items	(198)	(160)	(198)
Other operating income/(expense), net	(485)	(193)	(485)
Profit from operations	(683)	(353)	(683)
Interest income	0	1	0
Interest costs	(85)	(95)	(85)
Foreign exchange, net	1.056	444	1.056
	-		
Result before tax	288	(2)	288
Tax expense	6	32	6
Result of the period	293	31	293

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	March 31, 2015	December 31, 2014	March 31, 2014
Non-current assets			
Financial assets	743	734	738
Investment properties	28.439	28.439	29.273
Property, plant and equipment	18	12	59
Deferred tax asset	128	126	176
Total non current assets	29.329	29.311	30.246
Current assets			
Inventories	2.394	2.388	2.561
Other short term receivables	253	236	124
Prepayments	27	8	3
Cash and cash equivalents	310	507	827
Total current assets	2.984	3.138	3.515
TOTAL ASSETS	32.313	32.450	33.761
EQUITY AND LIABILITIES	March 31, 2015	December 31, 2014	March 31, 2014
Equity			
Share capital	103	103	103
Contributed surplus	87.115	87.117	87.117
Other reserves	425	425	425
Retained earnings	(68.179)	(66.413)	(66.415)
Result of current period	293	(1.767)	31
FX reserve	(74)	449	233
Total equity	19.684	19.916	21.494
Non current liabilities			
Non current debt	-	0	12.106
Deferred income tax	70	75	79
Total non current liabilities	70	75	12.185
Current Liabilities			
Bank debt	12.317	12.230	0
Other payables	86	74	82
Deferred income	157	154	0
Tax payable	0	1	1
Total current liabilities	12.560	12.459	83
TOTAL EQUITY AND LIABILITIES	32.313	32.450	33.761

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2015	December 31, 2014	March 31, 2014
Profit for the year	293	(1.767)	31
Other comprehensive income			
Exchange differences on translation of foreign operations	(523)	11	(206)
Other comprehensive income for the year, net of tax	(523)	11	(206)
Total comprehensive income for the year, net of tax	(230)	(1.756)	(175)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2015	December 31, 2014	March 31, 2014
Net cash flow from operating activities	(197)	(466)	(145)
Net cash flow used in investing activities		157	-
Net cash flows from financing activities		(157)	-
Net cash change during period	(197)	(466)	(145)
Cash at beginning of period	507	973	973
Cash and cash equivalents at end of the period	310	507	827

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2015	December 31, 2014	March 31, 2014
Equity at the beginning of the period	19.916	21.671	21.671
Result for the period	293	(1.767)	31
Equity increase	-	-	-
Other changes	(525)	11	(208)
Equity at the end of the period	19.684	19.916	21.494

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

Visiting address: 208 Mamaia Avenue, Constanța, Romania

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

IR

Harris Palaondas

+40 731123037 | investors@RomReal.com

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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