

Q3

RomReal Limited
Third Quarter 2015 Report
27 November 2015



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

Highlights Third Quarter 2015

Net Asset Value (NAV)

- Net Asset value was EUR 0.46 (NOK 4.50) per share at the end of Q3 2015, a 1.2% decrease compared to the end of Q2 2015.

Operational highlights

- The Company completed the sale of two more plots in Tatar Peninsula and the pre-sale of an additional one (for which an advance has been received), with the final sale agreement expected to be concluded in Q2 2016.
- All concluded or pending asset sales are done on or above the carrying IFRS value.

Financial Results

- Net Profit was EUR 283,000 in 3Q 2015 compared to EUR 31,000 in 3Q 2014. The gain is mainly explained by currency effects, with RON strengthening by 1.5% against the EUR during the quarter. Operating cash flow for the quarter was minus EUR 115,000 compared to minus EUR 112,000 in the same period last year. Due to further asset sales from Tatar Peninsula, net cash flow before financing was almost in balance during the quarter.
- *After the close of the quarter, the Company has agreed with the bank to extend its loan by one year, and it expects to close the process during November/December.*

Tribute to Mr. Kay Thorkildsen

- Previous CEO Mr. Thorkildsen passed away on October 25 and the funeral took place in his home town Kristiansand, Norway on November 6th, 2015. Mr. Thorkildsen has been the CEO for most of the Company's history, and his effort, loyalty and contribution was significant. In a release October 20th, 2015, Mr. Adrian Cristea was appointed Interim CEO. Mr. Cristea has been RomReal's legal advisor since its formation in 2005.

Macro and real estate market highlights

- The overall Romanian economy continues to show strong growth with 3.6 per cent during 3Q 2015 compared to last year. Economists expect further high growth in 2016 with 3.7%.
- The real estate market recovers with strong transaction volume, increased construction spending and higher prices. Construction work increased 10.5% over the first three quarters and building permits for residential dwellings increased 8.3% during the third quarter, the highest quarterly increase since 2009. Commercial transaction volumes follow the strong trend from 2014 with an active market. The transaction volume is expected to close around EUR 800 million, a decrease from last year EUR 950 million (numbers by Colliers Int.), but the 2015 volume still represents a healthy transaction level.
- Apartment prices continue to rise. In Bucharest, prices raised 3% in September compared to last year, while in Constanta the increase was 7.2% during the same period.

Key Financial Figures

EUR '000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Operating Revenue	139	61	1,400	363
Operating Expenses	(248)	(221)	(665)	(682)
Other operating income/ (expense), net	(512)	(160)	735	(319)
Net financial income/(cost)	864	350	563	652
Pre-tax result	243	(2)	(280)	(370)
Result for the period	283	31	(288)	(296)
Total assets	31,039	33,463	31,039	33,463
Total liabilities	11,840	12,534	11,840	12,534
Total equity	19,198	19,916	19,198	19,916
Equity %	61.9%	61.4%	61.9%	61.4%
NAV per share (EUR)	0.46	0.51	0.46	0.51
Cash position	1,031	652	1,031	652

Movement in Net Asset Value

The Net Asset Value (NAV) was reduced from EUR 19,428,000 in Q2 2015 to EUR 19,198,000 by the end of this quarter. The decrease in NAV is explained mainly by currency effects related to the Company's use of RON as operating currency and EUR as reporting currency.

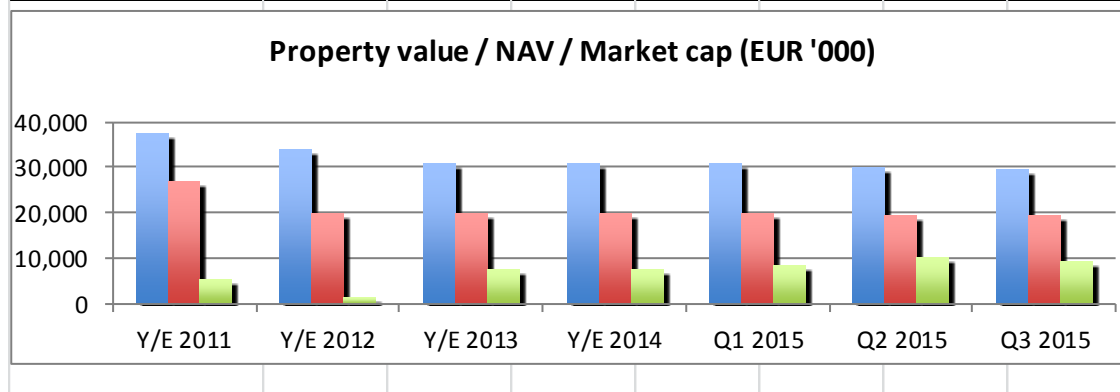
Asset base	Q3 2015			Q2 2015		
	EUR '000	EUR/share	NOK/share	EUR '000	EUR/share	NOK/share
Investment property	27,339	0.66	6.41	27,363	0.66	5.69
Inventories	2,300	0.06	0.54	2,399	0.06	0.50
Cash	1,031	0.01	0.24	303	0.01	0.06
Other assets/(liabilities)	(11,471)	(0.28)	(2.69)	(10,636)	(0.26)	(2.21)
Net asset value	19,198			19,428		
NAV/Share		0.46	4.50		0.47	4.04
Change in NAV	-1.2%			-1.3%		

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

Valuation of Properties

The Company has not made any changes to the value of the investment property as compared to the end of 2014. The end of year 2014 independent valuation of the Company's Property 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	Q1 2015	Q2 2015	Q3 2015
Property value	37,363	33,842	30,827	30,797	30,833	29,762	29,638
NAV	26,837	19,916	19,916	19,916	19,685	19,428	19,198
Market cap	5,335	1,520	7,623	7,541	8,438	10,053	9,166
Market cap/NAV	20%	8%	38%	38%	43%	52%	48%



Cash Flow

EUR '000	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Net cash flow from operating activities	(115)	(112)	(416)	(412)
Net cash flow used in investing activities	844	157	1,833	(731)
Net cash flows from financing activities	-	(157)	(893)	1,414
Net cash change during period	729	(112)	524	271

Operating cash flow for Q3 2015 was negative EUR 115,000 compared to negative EUR 112,000 in the same quarter last year. During the quarter, the Company divested the Svenska Handelsbanken bond for a total amount of EUR 726,000 while the remaining investing cashflow is related to the divestments of the plots in Tatar Peninsula. For YTD 2015, the key components of investing cash flow are the sale of the Svenska Handelsbanken bond and the proceeds from the sale of the Brasov plot.

Financing

As the end of Q3 2015 the Company's consolidated interest-bearing debt amounted to EUR 11,585,000, representing principal amount of EUR 10,549,000 and interest accrued to

date of EUR 1,036,000. 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. After the close of the quarter, the Company has declared its option to extend the loan for a one year period. The Company has left one remaining one year option. The Company expects the loan extension process to close in November/December.

The table below shows the interest bearing debt for RomReal Ltd as at end Q3 2015 and estimated at maturity:

EUR '000	End Q3 2015	30 Nov 2015
Principal (Alpha Bank loan)	10,549	10,549
Accrued Interest	1,036	1,122*
Total	11,585	11,671

*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

Macro-economic development in Romania continues to follow a positive route. During the third quarter, GDP increased by 3.6%. Economists expect GDP to come in around 3.5% for 2015 and they expect the growth to continue in 2016 with 3.7% growth. Unemployment continues to stay low at 6.8%.

As a result of reduced VAT rate for food and lower energy prices, inflation went into negative territory at -1.7 per cent in September 2015, thus significantly below central bank's target of 1.5-3.5 per cent in 2014 and 2015. However, the core inflation rate continues to stay around 1.5% (1.4% in September).

The NBR has recently (November) decided to maintain the policy rate at the historically low level of 1.75 per cent decided in May.

During the quarter, The Prime Minister Ponta was charged with corruption, and in November he resigned. A new "technocrat" PM, Mr. Dacian Cioloş has already formed a government that will govern until late 2016 when a new election is scheduled. Despite increased political risks, most experts keep their favourable outlook for the Romanian market.

Real Estate market facts

The transaction volume in the real estate market continues the strong trend from 2014 although the total volume is expected to come somewhat off. The underlying construction work volume continues to increase rapidly. Construction work increased 10.5% for the first three quarters compared with last year, and segments of construction types increased. Non-residential developments increased by 8.6% versus a 6.7% increase in residential buildings.

Office market:

The office stock to be delivered in the main cities of Romania (Cluj, Timisoara, Iasi and Brasov) during 2015 is estimated at 96,000 sqm, thus some 50% more than 2014. The main

drivers of demand are mainly related to technology and telecommunication companies followed by manufacturing and industrial ones. With 124,500 sqm of modern office stock, Iasi is the second largest office market besides Bucharest. The average rent for prime office space outside Bucharest is 12-15 euros / sqm month.

Retail market:

This market segment witnesses the highest degree of optimism in terms of new deliveries with total stock estimated to exceed 3 million sqm by the end of the year, according to a study of DTZ Echinox. Around 60% of the market is represented by shopping malls. Of the new deliveries, NEPI is expected to be the beneficiary of around two thirds of it. An additional driver of new retail space will be the continuous expansion of the FMCG networks with the market leader Kaufland continuing to be the most active having announced 9 new openings.

Industrial developments market:

Two large transactions marked the start of 2015 in the industrial building market; the Czech CTP developer acquiring the Cefin Arad and Mercury logistic parks and the acquisition of the portfolio of logistic developments of CA Immo by P3. At the beginning of November, Blackstone acquired the regional portfolio of Immofinanz for EUR 508 million. The transaction is expected to close in Q1 2016. The deal includes assets located in Germany and Romania. In Romania the transaction entailed the sale of three logistic parks in Ploiesti, Timisoara and Pantelimon, valued at EUR 22.6 mln, and over 110 ha of land devoted to industrial construction in several cities.

Land market:

The brokers in the market indicate an increased investors' and developers' interest in land transactions and as opposed to previous years when the main buyers were the retailers, this year more and more transactions are done with a view to develop either office or residential projects. Among the largest transaction, the acquisition of a 14 hectares plot of land located in east Bucharest, by local investors with a view to develop a real estate project. Another large transaction was the recent acquisition by Ikea of a plot of land in east Bucharest in a transaction estimated at EUR 15-20 million.

Residential market:

The residential market is in a recovery phase. During the third quarter of 2015, building permits for houses and apartment buildings rose 8.4% and for the first nine month, building permits rose 5.3%. Transactions that involve apartments under construction or apartment projects under building permit application are becoming more common again, indicating a more active market with more risk appetite. According to a study conducted by imobiliare.ro, the main criteria for new acquisitions remains the price of the apartments followed by location.

In terms of prices, apartment prices in Constanta have increased by 7.2% per cent compared to September last year, reaching EUR 907 per square meter. In Bucharest, housing prices increased 3% in September compared to same month last year average price is estimated at an average of EUR 1,054 per square meter. In October, housing prices continued to increase with prices up 0.3% in Constanta relative to September.

Operational Overview

RomReal completed during the quarter the sale of three more plots in Tatar Peninsula, for a total sale price of EUR 225,000. These sales take the total plot sales in Tatar Peninsula to 12 plots. The strong sales record confirms the Company's strategy to improve the saleability by splitting the Tatar peninsula into smaller plots. Since 4Q 2013, the Company has now sold properties for a total consideration of EUR 1.3 million – all of the sales concluded on or about the IFRS valuation.

The Company continues to work on upgrading the planning status for its plots and progressing its project plans for some of its plots. At the Ovidiu Lake Side plot, the Company has filed in an application for a 1,000 residential unit project, and it expects approval during Q4 2015/ 1Q 2016. The delay compared to the initial Q3 estimate is related to slower activity during summer in obtaining the required environmental study. For the Ovidiu Centrepoint plots, the Company has delivered an application to convert the land to buildable land. It expects a decision during 1Q 2016.

The sale of parts of the Balada Market plot announced July 10, 2015 is expected to close during 4Q 2015/1Q 2016.

The Property Portfolio

The Company's land bank consists currently of 13 plots with a total size of 1,249,180 sqm at the end of Q2 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	1,266
4 Ovidiu Town	Constanta North/Ovidiu	4,641
5 Ovidiu (Oasis)	Constanta North/Ovidiu	25,127
6 Centrepoint	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 Un-zoned land	Constanta	865,062
13 Mamaia North plot	Navodari/Mamaia	56,167
Total		1,247,809

Note: an additional 1,219 sqm have been pre-sold during the quarter for which the Company already cashed the down payment, however the sale has not been derecognised from the accounts as per the contract arrangements the sale will be finalised in Q2 2016 once all instalments have been paid.

Shareholder Information- to update

Please see below the list of the top 20 shareholders in RomReal as of 17 November 2015.

SHAREHOLDERS	HOLDING	%	
SIX SIS AG	11,699,278	28.3%	
THORKILDSEN	KAY TØNNES	5,415,756	13.1%
GRØNSKAG	KJETIL	3,850,307	9.3%
TONSENHAGEN FORRETNINGSSENTRUM 2 A		1,614,444	3.9%
SILJAN INDUSTRIER AS		1,600,000	3.9%
SKANDINAVISKA ENSKILDA BANKEN S.A.		1,323,372	3.2%
SAGA EIENDOM AS		1,223,667	3.0%
CO/JONAS BJERG	NTS TRUSTEES LTD	1,058,306	2.6%
ENERGI INVEST A/S		1,000,000	2.4%
SPAR KAPITAL INVESTOR AS		940,236	2.3%
CARNEGIE INVESTMENT BANK DK BRANC		851,692	2.1%
THORKILDSEN INVEST AS		829,478	2.0%
ORAKEL AS		800,000	1.9%
HOEN	ANDERS MYSSSEN	689,557	1.7%
CLEARSTREAM BANKING S.A.		649,417	1.6%
PERSSON	ARILD	588,000	1.4%
LOHNE	PER OVE	508,500	1.2%
SKANDINAVISKA ENSKILDA BANKEN AB		508,384	1.2%
KBC SECURITIES NV		477,676	1.2%
DANSKE BANK A/S		457,998	1.1%
TOTAL TOP 20	36,086,068	87.2%	

Notes:

(1) This is the Top 20 Shareholder list as per 17 November 2015.

(2) The total issued number of shares issued at end Q2 2015 was 41,367,783.

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

(4) 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 recent positive development in the macroeconomic environment will reflect in a continued improvement of the real estate market in 2015 and 2016. In addition to sale of plots, the Company seeks to add incremental value to the individual plots during the period in which they are part of the Land Bank up until a potential sale is completed.

The Company expects further asset disposals at satisfactory prices in the quarters to come.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q3 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 Q3 2015 and Q3 2014

The interpretations below refer to comparable financial information for Q3 2015 and Q3 2014. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q3 2015 was EUR 139,000 compared to a total of EUR 61,000 in Q3 2014. The income relates to the sale of some of the land bank assets (EUR 79,000 in Q3 2015 vs EUR 2,000 in Q3 2014) and the rent received on some of the land bank assets awaiting development (EUR 59,000 in Q3 2015 vs EUR 59,000 in Q3 2014).

Operating Expenses

Total operating expenses amounted to EUR 211,000 in Q3 2015 compared to EUR 202,000 in Q3 2014. Out of these operating expenses, the payroll costs were EUR 63,000. Adjustment for inventories not considered, the total operating expenses of the Company in Q3 2015 were around 7% 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.

Other operating income/ (expense), net

The other operating income/(expense) is driven by the de-recognition/expensing of the carrying value related to the sold assets and the adjustment to the value of the 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 Q3 2015 there were no changes to the EUR values of the investment property.

The net of Other Operating Income/ (Expense) in Q3 2015 amounted to a net loss of EUR 512,000, compared to a net loss of EUR 193,000 in Q3 2014.

Profit/ (loss) from operations

During Q3 2015, RomReal generated an operating loss of EUR 621,000, compared to a loss of EUR 353,000 in Q3 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 83,000. Foreign exchange result for Q3

2015 was a loss of EUR 940,000 compared to a net foreign exchange gain of EUR 444,000 in Q3 2014. During the quarter the year the RON appreciated by 1.5% 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 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 Q3 2015 was a gain of EUR 243,000 compared to a loss before tax of EUR 2,000 in Q3 2014.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2015 was EUR 1,031,000 compared to EUR 303,000 as at end of Q2 2015.

In 2013, the Group invested in a bond issued by Svenska Handelsbanken. The bond was sold in September to increase the Company's cash balance.

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

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Rent revenue	59	59	182	199
Revenue from sale of assets	79	2	1,217	164
Operating revenue	139	61	1,400	363
Payroll expenses	(63)	(51)	(197)	(163)
Management fees	(16)	(16)	(48)	(48)
Inventory (write off)/reversal	(36)	(19)	(30)	(40)
General and administrative expenses	(132)	(135)	(389)	(431)
Operating expenses	(248)	(221)	(665)	(682)
Profit/ (loss) before other operating items	(109)	(160)	735	(319)
Other operating income/(expense), net	(512)	(193)	(1,578)	(703)
Profit from operations	(621)	(353)	(843)	(1,022)
Interest income	7	1	22	2
Interest costs	(83)	(95)	(254)	(285)
Foreign exchange, net	940	444	795	935
-	-	-	-	-
Result before tax	243	(2)	(280)	(370)
Tax expense	40	32	(8)	74
Result of the period	283	31	(288)	(296)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	September 30, 2015	December 31, 2014	September 30, 2014
Non-current assets			
Financial assets	-	734	749
Investment properties	27,339	28,439	28,980
Property, plant and equipment	15	12	47
Deferred tax asset	117	126	222
Total non current assets	27,471	29,311	29,998
Current assets			
Inventories	2,300	2,388	2,563
Other short term receivables	230	236	239
Prepayments	7	8	11
Cash and cash equivalents	1,031	507	652
Total current assets	3,568	3,138	3,465
TOTAL ASSETS	31,039	32,450	33,463
EQUITY AND LIABILITIES	September 30, 2015	December 31, 2014	September 30, 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	(288)	(1,767)	(296)
FX reserve	22	449	5
Total equity	19,198	19,916	20,941
Non current liabilities			
Non current debt	-	0	12,139
Deferred income tax	71	75	77
Total non current liabilities	71	75	12,216
Current Liabilities			
Bank debt	11,585	12,230	0
Other payables	147	74	148
Deferred income	37	154	156
Tax payable	0	1	2
Total current liabilities	11,769	12,459	306
TOTAL EQUITY AND LIABILITIES	31,039	32,450	33,463

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	September 30, 2015	December 31, 2014	September 30, 2014
Profit for the year	(288)	(1,767)	(296)
Other comprehensive income			
Exchange differences on translation of foreign operations	(427)	11	(434)
Other comprehensive income for the year, net of tax	(427)	11	(434)
Total comprehensive income for the year, net of tax	(715)	(1,756)	(730)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	September 30, 2015	December 31, 2014	September 30, 2014
Net cash flow from operating activities	(416)	(466)	(321)
Net cash flow used in investing activities	1,833	157	157
Net cash flows from financing activities	(893)	(157)	(157)
Net cash change during period	524	(466)	(321)
Cash at beginning of period	507	973	973
Cash and cash equivalents at end of the period	1,031	507	652

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	September 30, 2015	December 31, 2014	September 30, 2014
Equity at the beginning of the period	19,916	21,671	21,671
Result for the period	(288)	(1,767)	(296)
Other changes	(429)	11	(435)
Equity at the end of the period	19,198	19,916	20,941

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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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