

Q3

RomReal Limited
Third Quarter 2016 Report
25 November 2016



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 2016

Net Asset Value (NAV)

- Net Asset value was EUR 0.42 (NOK 3.90) per share at the end of Q3 2016, a 1.4% reduction compared to the end of Q2 2016.

Operational highlights

- RomReal sold several smaller properties (final plot on Peninsula & Corallia) during the quarter. The Company has several sales processes on-going, and it expects to close one or more sales before the close of the year.
- After the close of the quarter, RomReal exercised its option to extend the bank loan one year and it has negotiated more flexible terms for servicing the loan.

Financial Results

- Net Result for the quarter was a profit of EUR 277,000 compared to EUR 283, 000 profit in 3Q 2015. The gain is mainly explained by currency effects, with RON strengthening by 0.5% against the EUR during the quarter. Operating cash flow for the quarter was a negative EUR 68,000 compared to minus EUR 115,000 for the same period last year.

Macro and real estate market highlights

- Romania's economic growth came in at 4.4% for third quarter. Unemployment fell to 5.9% in September, the lowest number since unemployment rose after the financial crisis in 2009. Analysts upgrade their estimates for overall growth for 2016 and 2017, and it is expected that GDP growth for 2016 will end at 4.8%, a very strong number compared to other European countries.
- The real estate market in Romania is in a steady uptrend. The overall real estate transaction market recorded EUR 311m in transactions during the first six months, almost double compared to H1 2015. The largest transactions were in the retail sector with the sale of Sibiu Shopping City and the minority share in Mega Mall Shopping Centre to the South African Fund NEPI, together totalling slightly above 170m.
- In the land market segment, the first half of 2016 maintained the dynamic pace of the previous year, with several key transactions concluded for future mixed developments.
- Prices continue to increase for residential apartments. The cabinet has indicated that the Prima Casa program would be increased for 2017 and it will make certain adjustments to include younger families into the program.

Key Financial Figures

EUR '000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Operating Revenue	132	138	450	1,400
Operating Expenses	(176)	(247)	(645)	(665)
Other operating income/ (expense), net	(574)	(512)	(680)	(1,578)
Net financial income/(cost)	976	940	1,021	795
Pre-tax result	261	243	(147)	(280)
Result for the period	277	283	(146)	(288)
Total assets	29,132	31,039	29,132	31,039
Total liabilities	11,789	11,840	11,789	11,840
Total equity	17,343	19,198	17,343	19,198
Equity %	59.5%	61.9%	59.5%	61.9%
NAV per share (EUR)	0.42	0.46	0.42	0.46
Cash position	289	1,031	289	1,031

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 17,343,000 at the end of Q3 2016 compared to EUR 17,594,000 at the end of Q2 2016. This is explained mainly by the derecognition of the assets disposed during the quarter as well as the translation impact of the foreign exchange differences during the quarter.

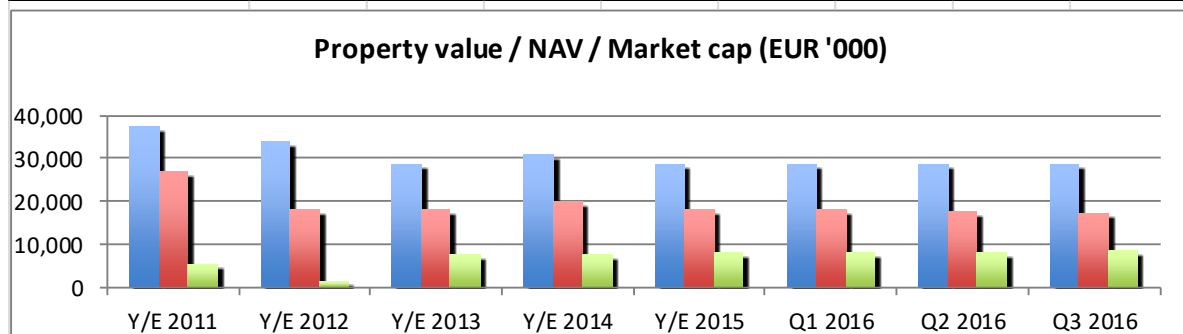
Asset base	Q3 2016			Q2 2016		
	EUR '000	EUR/share	NOK/share	EUR '000	EUR/share	NOK/share
Investment property	26,192	0.63	5.89	26,278	0.64	5.91
Inventories	2,278	0.06	0.51	2,287	0.06	0.51
Cash	289	0.01	0.06	313	0.01	0.07
Other assets/(liabilities)	(11,415)	(0.28)	(2.57)	(11,276)	(0.27)	(2.54)
Net asset value	17,343			17,594		
NAV/Share		0.42	3.90		0.43	3.96
Change in NAV	-1.4%			-2.8%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q2 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	Q3 2016
Property value	37,363	33,842	28,736	30,797	28,736	28,740	28,557	28,470
NAV	26,837	18,089	18,089	19,916	18,089	18,093	17,594	17,343
Market cap	5,335	1,520	7,623	7,541	7,933	7,758	7,963	8,452
Market cap/NAV	20%	8%	42%	38%	44%	43%	45%	49%



Cash Flow

EUR '000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Net cash flow from operating activities	(68)	(114)	(414)	(416)
Net cash flow used in investing activities	44	844	161	1,833
Net cash flows from financing activities	-	-	-	(893)
Net cash change during period	(25)	729	(252)	524

Operating cash flow for Q3 2016 was minus EUR 68,000 compared to a minus EUR 114,000 in the same quarter last year. The cash flow from investing activities relates to sale of properties and sale of the Handelsbanken bond in Q3 2015.

Financing

As the end of Q3 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 table below shows the interest-bearing debt for RomReal Ltd as at end Q3 2016 and estimated at maturity:

EUR '000	End Q3 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

After the close of the quarter, the Company has exercised its option to extend the EUR 11.6m secured Alpha Bank loan by one year until November 29, 2017. This extension is among others subject to prepayment of interest for a new 12 months period. Due to several on-going asset disposal processes, involving a fully or sizeable release of all external debt, the Alpha Bank administration has proposed a monthly pre-payment of interest up to April 30, 2017. This adjusted interest service model is subject to an Alpha Bank Credit Committee approval. In addition, the Company has an undrawn credit facility of about EUR 540,000.

Market Facts – Macro

Romania reported a real GDP growth of 4.4% for Q3, following the record 6% growth for second quarter. Analysts upgrade growth estimates for 2016 and 2017. For example, the European Bank for Construction and Development upgraded their forecast to 4.8% for 2016 and 3.7% for 2017 in early November. Reduced unemployment continues to positively affect growth. Unemployment fell to 5.9% in September, the lowest recorded number since 2009. Despite reduced unemployment, private consumption levels off, and in September retail sales grew 11.2% (y-o-y). However, private consumption in total is still at levels similar to which was recorded in the economic boom years prior to the financial crisis.

Real Estate market facts

Real estate transactions in Romania grew 80% in the first half of 2016, to an estimated EUR 340 million, according to property consultancy JLL.

Real Estate Investment Market: according to a recent a Knight Frank report, the investment volume reached EUR 311m in the first half of 2016, almost double compared with the same period last year. Demand was mainly coming from established investors expanding their real estate portfolios, driven by the retail and office sectors. The second half of 2016 is expected to see the completion of several other significant transactions, with new players showing interest in the Romanian market as a result of the favourable economic environment.

Office market: The first half of 2016 witnessed improved occupier sentiment, registering take-up of 168,000 sqm 20% up on the previous year. As expected, the IT&C sector dominated the market, occupying approximately 77,000 sqm of office space (46% of H1 2016 take-up).

Retail Market: In 1H 2016, the modern retail stock in Romania increased by almost 100,000 sqm. The increase in consumption and consumer confidence provided a strong incentive for retailers to continue their expansion plans, especially in the regional cities like Constanta. As an illustration, in Constanta, NEPI has finalised the 19,500 sqm extension of its City Park shopping centre.

Industrial Market: After three years of stagnation, total modern industrial stock in Bucharest increased slightly by around 4% in the first half of 2016 to 1.06 million sqm and is mainly located along the A1 motorway (80%), which is considered the main industrial area.

Land Market: The first half of 2016 maintained the dynamic pace of the previous year, with several key transactions concluded for future mixed developments.

Residential Market: In October, apartment price in Romania have seen an increase of 6.3% to EUR 1,042 per m², and in Constanta an increase of 5.2% to EUR 953 per m², compared to the same period of 2015. A cabinet member indicated in November that the Prima Casa program could be increased in 2017. The cabinet will also consider reducing down-payment requirements for younger families to make the program more accessible for this Group, typically first-time buyers.

Operational Overview

The Company continues to work on upgrading the planning status for its plots and progressing its project plans for some of its plots and implement a revised marketing strategy for each of the individual plots have been revised. The Company has obtained a PUZ for the important Mamaia North plot in the beginning of November. This is an important milestone for the Company.

RomReal sold the last plot on Tartar Peninsula. It also sold the remaining three parking places at the Corralia Apartment Complex and a plot at the Lakeside property for EUR 190,000. The sale price was above book value. The Lakeside transaction is expected to close at the end of Q1 2017.

The improved real estate sector sentiment drives an increased transaction interest for RomReal's plots. The Company has several ongoing discussions but did not manage to sell any of the larger plots during the quarter.

The Property Portfolio

The Company's land bank consists currently of 12 plots with a total size of 1,243,812 sqm at the end of Q3 2016.

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	61,433
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu Town	Constanta North/Ovidiu	4,641
4 Ovidiu (Oasis)	Constanta North/Ovidiu	24,651
5 Centrepont	Constanta North/Ovidiu	121,672
6 Gunaydin plot	Constanta North/Ovidiu	15,000
7 Balada Market	Central Constanta	7,188
8 Carrefour plot	Constanta	15,000
9 Morii Lake	Bucharest Sector 6	11,716
10 Hospital plot	Bucharest Sector 5	13,263
11 Un-zoned land	Constanta	864,534
12 Mamaia North plot	Navodari/Mamaia	54,714
Total		1,243,812

Shareholder Information- to update

Please see below the list of the top 20 shareholders in RomReal as of 18.11.2016.

Shareholder	Holding	Percentage
SIX SIS AG 25PCT ACCOUNT	10,336,254	24.99
THORKILDSEN DØDSBO KAY TØNNES	5,415,756	13.09
GRØNSKAG KJETIL	3,888,449	9.40
SAGA EIENDOM AS	2,361,422	5.71
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
PERSSON ARILD	709,700	1.72
HOEN ANDERS MYSSSEN	689,557	1.67
SKANDINAVISKA ENSKIL	628,832	1.52
Nordea Bank AB NORDEA BA. SWE. AB (508,384	1.23
DANSKE BANK A/S 3887 OPERATIONS SEC.	462,998	1.12
CLEARSTREAM BANKING	449,417	1.09
MORGAN STANLEY & CO. MS & CO INTL PLC MSI	437,755	1.06
BNP Paribas Sec. Ser S/A SPEARPOINT LTD	406,856	0.98
Total TOP 20	35,690,536	86.29

(1) This is the Top 20 Shareholder list as per 18 November 2016.

(2) The total issued number of shares issued at end Q3 2016 was 41,367,783.

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

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

(5) Chairman Ketil Grønskag owns directly and indirectly 4,138,179 shares corresponding to 10.0%.

(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 positive development in the macroeconomic environment to continue to improve the real estate market in 2016 and 2017.

The Company expects to sell one or more plots before the close of the year.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q3 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 Q3 2016 and Q3 2015. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q3 2016 was EUR 132,000 compared to a total of EUR 138,000 reported in Q3 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 176,000 in Q3 2016 compared to EUR 247,000 in Q3 2015. Out of these operating expenses, the payroll costs were EUR 54,000. 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 Q3 2016 amounted to a net loss of EUR 574,000, compared to a net loss of EUR 512,000 in Q3 2015.

Profit/ (loss) from operations

During Q3 2016, RomReal generated an operating loss of EUR 619,000, compared to a loss of EUR 621,000 in Q3 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 96,000. Foreign exchange result for Q3 2016 was a gain of EUR 976,000 compared to a net foreign exchange gain of EUR 940,000 in Q3 2015. During the quarter the year the RON appreciated by 0.5% 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.

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 2016 was a gain of EUR 261,000 compared to a gain before tax of EUR 243,000 in Q3 2015.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2016 was EUR 289,000 compared to EUR 313,000 as at end of Q2 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

	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Rent revenue	83	59	220	182
Revenue from sale of assets	49	79	230	1,217
Operating revenue	132	138	450	1,400
Payroll expenses	(54)	(63)	(127)	(197)
Management fees	(25)	(16)	(60)	(48)
Inventory (write off)/reversal	(35)	(36)	(37)	(30)
General and administrative expenses	(63)	(132)	(422)	(389)
Operating expenses	(176)	(247)	(645)	(665)
	-	-	-	-
Profit/ (loss) before other operating items	(45)	(109)	(196)	735
Other operating income/(expense), net	(574)	(512)	(680)	(1,578)
Profit from operations	(619)	(621)	(876)	(843)
Interest income	0	7	0	22
Interest costs	(96)	(83)	(292)	(254)
Foreign exchange, net	976	940	1,021	795
	-	-	-	-
Result before tax	261	243	(147)	(280)
Tax expense	16	40	1	(8)
Result of the period	277	283	(146)	(288)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	September 30, 2016	December 31, 2015	September 30, 2015
Non-current assets			
Investment properties	26,192	26,450	27,339
Property, plant and equipment	18	13	15
Deferred tax asset	127	125	117
Total non current assets	26,336	26,588	27,471
Current assets			
Inventories	2,278	2,286	2,300
Other short term receivables	157	183	230
Prepayments	72	366	7
Cash and cash equivalents	289	541	1,031
Total current assets	2,795	3,376	3,568
TOTAL ASSETS	29,132	29,965	31,039
EQUITY AND LIABILITIES	September 30, 2016	December 31, 2015	September 30, 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	(146)	(2,169)	(288)
FX reserve	241	792	22
Total equity	17,343	18,089	19,198
Non current liabilities			
Deferred income tax	53	59	71
Total non current liabilities	53	59	71
Current Liabilities			
Bank debt	11,600	11,600	11,585
Other payables	119	148	147
Deferred income	15	70	37
Tax payable	0	0	0
Total current liabilities	11,735	11,818	11,769
TOTAL EQUITY AND LIABILITIES	29,132	29,965	31,039

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	September 30, 2016	December 31, 2015	September 30, 2015
Profit for the year	(146)	(2,169)	(288)
Other comprehensive income			
Exchange differences on translation of foreign operations	(551)	342	(427)
Other comprehensive income for the year, net of tax	(551)	342	(427)
Total comprehensive income for the year, net of tax	(698)	(1,827)	(715)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	September 30, 2016	December 31, 2015	September 30, 2015
Net cash flow from operating activities	(414)	(480)	(416)
Net cash flow used in investing activities	161	1,833	1,833
Net cash flows from financing activities	-	(1,319)	(893)
Net cash change during period	(252)	34	524
Cash at beginning of period	541	507	507
Cash and cash equivalents at end of the period	289	541	1,031

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	September 30, 2016	December 31, 2015	September 30, 2015
Equity at the beginning of the period	18,089	19,916	19,916
Result for the period	(146)	(2,169)	(288)
Other changes	(600)	342	(430)
Equity at the end of the period	17,343	18,089	19,198

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.

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