

Q1

RomReal Limited
First Quarter 2017 Report
26 May 2017



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 2017

Net Asset Value (NAV)

- Net Asset value was EUR 0.46 (NOK 4.25) per share, 2.1% down compared to the end of 2016. The decrease in NAV is mainly due to the negative foreign exchange differences and the interest expense for the period.
- More importantly, the Net Asset Value would have been EUR 0.49 (NOK 4.60) if the values from all Q1 2017 sales transactions are applied to the sold properties.

Operational highlights

- The Urbanism Certificate of the Alexandriei plot has been successfully obtained from the City Hall and the plot is now fully eligible for sale.
- On April 7, 2017, the Group has prepaid entirely the outstanding loan from Alpha Bank thus emerging as a debt free Company. The shareholder loan was also fully repaid during May.
- The Company has a cash position today of about EUR 2.3 million plus the sellers secured credit of EUR 1.75 million that is serviced monthly with equal instalments plus interest until the 7 April 2018. This implies a cash or cash equivalent of about EUR 0.10 per share.
- On 21 April 2017, the Annual General Meeting has elected Mrs Heidi Sorensen Austbo as Company Director.

Financial Results

- Net Result for the quarter was EUR 284,000 loss compared to an EUR 423,000 profit in 1Q 2016. Operating cash flow for the quarter was a negative EUR 172,000 compared to minus EUR 97,000 in the same period last year.

Macro and real estate market highlights

- After a strong GDP growth rate of 4.8% in 2016, the Romanian economy is expected to register a 4% GDP increase this year according to the European Bank for Reconstruction and Development. The main drivers for the economic growth during this period was the private consumption, supported by VAT reduction, public wage increases and improved labour market. In the first quarter 2017, the preliminary GDP growth came in a solid 5.7%, according to Eurostat.
- The real estate market in Romania continues to show signs of healthy growth and strength. Around 12,000 properties are currently being developed in Bucharest and surroundings that could be delivered this year, according to the Coldwell Banker Report.
- According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 1.2% in April against the previous month from a national average of EUR 1,092/sqm to EUR 1,105 /sqm. This registers an increase of 8.8% year on year. Prices in Constanta have reached to EUR 1,013 /sqm, a 5.9% increase year on year. This makes Constanta the fourth Romanian city where asking prices have passed the EUR 1,000/sqm level. Still prices in Bucharest and Constanta apartments are about 40% below peak prices in 2008.

Key Financial Figures

EUR '000	Q1 2017	Q1 2016	2016
Operating Revenue	2,713	74	500
Operating Expenses	(196)	(247)	(515)
Other operating income/ (expense), net	(2,565)	(187)	3,936
Net financial income/(cost)	(237)	802	(632)
Pre-tax result	(285)	442	3,290
Result for the period	(284)	423	1,215
Total assets	33,746	29,807	33,832
Total liabilities	14,597	11,713	14,464
Total equity	19,148	18,093	19,369
Equity %	56.7%	60.7%	57.3%
NAV per share (EUR)	0.46	0.44	0.47
Cash position	843	454	707

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 19,148,000 at the end of Q1 2017 compared to EUR 19,369,000 at the end of Q4 2016. The reason behind the decreased NAV is the net loss of the period mainly due to the negative foreign exchange differences and the operating expenses for the period.

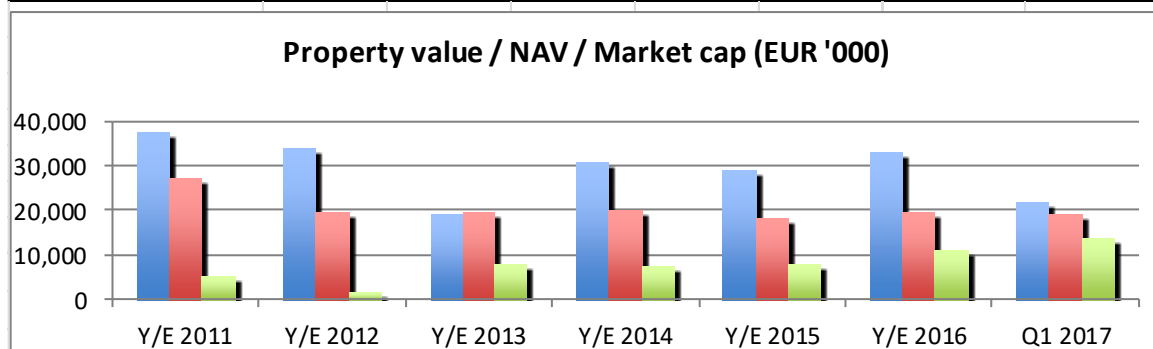
Asset base	Q1 2017			Q4 2016		
	EUR '000	EUR/ share	NOK/sha re	EUR '000	EUR/ share	NOK/share
Investment property	14,047	0.34	3.12	16,686	0.40	3.67
Assets held for sale	5,297	0.13	1.17	13,566	0.28	2.58
Inventories	2,527	0.06	0.56	2,536	0.06	0.56
Cash	843	0.02	0.19	707	0.02	0.16
Other assets/(liabilities)	(3,565)	(0.09)	(0.79)	(14,126)	(0.30)	(2.70)
Net asset value	19,148			19,369		
NAV/Share		0.46	4.25		0.47	4.26
Change in NAV	-1.1%			11.7%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q4 2016.

Valuation of Properties

The end of year 2016 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. During the first quarter 2017, the Company has not made any changes to the values of investment properties.

EUR '000	Y/E 2011	Y/E 2012	Y/E 2013	Y/E 2014	Y/E 2015	Y/E 2016	Q1 2017
Property value	37,363	33,842	19,222	30,797	28,736	32,787	21,870
NAV	26,837	19,369	19,369	19,916	18,089	19,369	19,148
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	13,525
Market cap/NAV	20%	8%	39%	38%	44%	57%	71%



Cash Flow

EUR '000	Q1 2017	Q1 2016	2016
Net cash flow from operating activities	(172)	(87)	(528)
Net cash flow used in investing activities	278	-	361
Net cash flows from financing activities	30	-	333
Net cash change during period	136	(87)	166

Operating cash flow for Q1 2017 was negative EUR 172,000 compared to a negative EUR 87,000 in the same quarter last year. The cash flows from financing activities relates to the net difference between a further EUR 100,000 drawdown on the shareholder lending facility, and the payment of interest to Alpha Bank. The cash flow from investing activities during the quarter represent the down payments in respect of the sales agreements for the Mamaia North plots.

Financing

As the end of Q1 2017 the Company's consolidated interest-bearing debt amounted to EUR 12,100,000, out of which EUR 11,600,000 was the debt towards Alpha Bank and EUR 500,000 was a shareholder loan. The bank loan was by the end of quarter secured with the Company's plots, and it had an interest rate of EURIBOR + 300 bp. The Company has prepaid the loan on April 7, 2017 as well as the shareholder loan on May 9, 2017.

Market Facts – Macro

The Romanian economy grew by 4.8% in 2016 (the highest pace since 2008), as domestic demand accelerated. This trend was supported by the expansionary policy mix: the central bank (NBR) kept the monetary policy rate at the record low level of 1.75%, while the government cut VAT and increased public wages. At the same time, private consumption accelerated in 2016, an evolution supported by the increased real disposable income of the population and by the recovery of the RON credit markets.

For 2017, The Romanian economy is expected to register a 4% advance, as the European Bank for Reconstruction and Development estimated on 10 May 2017 (up from its 3.7% estimate in November 2016). The main driver of the economic growth during this period is the private consumption, due to more disposable income (supported by the VAT cut, wage increases and an improved labour market). Consumption will continue to stimulate growth in 2017 and 2018, backed by a rise in the minimum income and wages in the public sector, which are part of the electoral promises of the ruling political party. In the first quarter 2017, the preliminary GDP growth came in at 5.7%, according to Eurostat.

Real Estate market facts

According to JLL, property investments in Romania increased by 35% in 2016 and developers have a strong pipeline for 2017. At the same time, the average deal size increased. Bucharest accounted for over 70% of the total investment volume, a percentage that is lower compared to 2015, indicating that liquidity in secondary cities has somewhat improved.

The largest transaction registered in 2016 was the acquisition of 27% of Globalworth, a real estate investment Company, by South African Group Growthpoint for approximately EUR 186 million euro.

During 2016 several International names entered in the Romanian real estate market, either through the purchase of regional platforms or, individual assets. Amongst them was Logicor (Blackstone's European industrial division), GIC, PPF and Growthpoint.

Office market: Office market saw record-high levels of demand in 2016, coupled with an upward evolution in pipeline activity across the main markets. With a generally stable evolution of vacancies, the rental levels have maintained unchanged. In 2017, demand is expected to flourish in the Centre-West of Bucharest, while outside, the most active development pipelines are in Cluj, Timisoara and Iasi.

Retail Market: 2016 had the greatest volume of new deliveries since 2009, with 229,000 sqm of new space, a 40% increase on 2015. About 40% of this volume was in Bucharest, where the shopping centre stock reached approximately 1.16 million sqm. In 2017, the focus is expected to be directed to secondary and tertiary cities where there are either no modern retail schemes or an undersupply of space. Developers are turning to retail park projects, which are more suited to smaller cities.

Industrial Market: Industrial sector continued on a positive trend, where 2016 registered a strong leasing activity and a record volume of new supply delivered at national level, while average rents saw a marginal growth. In the context of the positive economic conditions the demand for industrial space will continue the same positive trend as in 2016. The total stock is expected to increase by approximately 500,000 sqm by end 2017.

Land Market: According to a report of Knight Frank, during 2017, the availability of land plots suited for decent development projects is expected to decrease, while demand is growing for land plots suitable for residential and office use.

Residential Market: The real estate market in Romania continues to show signs of strength and healthy growth. Around 12,000 properties are currently being developed in Bucharest and surroundings that could be delivered this year, according to the Coldwell Banker Report. The online real estate platform *immobiliare.ro*, registered that asking prices in Romania were up by 1.2% in April against the previous month from a national average of EUR 1,092/sqm to EUR 1,105 /sqm. This registers an increase of 8.8% year on year. Prices in Constanta have reached to EUR 1,013 /sqm, a 5.9% increase year on year. This makes Constanta the fourth Romanian city where asking prices have passed the EUR 1,000/sqm level. Still prices are about 40% lower compared to the peak during 2008.

Residential development is highly supported by the Prima Casa Project. The state-backed mortgage guarantee program Prima Casa has seen demand surge during first quarter 2017 to a record of 500 requests daily, according to a press release of the National Guarantee Fund of Loans for SMEs (FNGCIMM).

Operational Overview

- On 31 March 2017, the Company signed and closed the sale of the Morii Lake plot in Bucharest.
- On 29 March 2017, the Company signed the final sale agreement for part of its Mamaia North plot. Due to legal structure considerations, the sale of the plot included 2 legal entities. For the first one, the sale has been completed and the proceeds collected, while for the rest of the plot, a second sale agreement has been signed with a significant part of the price collected, and with the remaining EUR 1.75 million being currently serviced in monthly instalments plus interest over a 12 months' period.
- On the same date, the Company has used part of the proceeds to prepay the Alpha Bank loan, related agent fees and taxes. During May, the shareholder loan was fully repaid.
- The Urbanism Certificate of the Alexandriei plot has been successfully obtained from the City Hall and the plot is now fully eligible for sale.
- For Lake Side, a new marketing concept is underway. The plot will be divided into smaller plots suitable for house building and small blocks. The approvals for the new PUZ is expected to be finalized in September 2017.
- With regards to the Oasis, the plot is going to be split in small plots suitable for house building and small blocks. The PUZ is currently in progress to single out the plots under the four villas in order to make them individually saleable. It is expected that the new PUZ will be finally approved in December 2017. The Industrial Park-Centrepont 12ha the Company has applied for a new PUZ with and expected final approval in December 2017.

- On the 21 April 2017, the Annual General Meeting has elected Mrs Heidi Sorensen Austbo as Company Director.

The Property Portfolio

The Company's land bank consists currently of 11 plots with a total size of 1,202,134 sqm at the end of Q1 2017.

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	61,029
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 Centrepoint	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 Hospital plot	Bucharest Sector 5	13,263
10 Un-zoned land	Constanta	864,534
11 Mamaia North plot	Navodari/Mamaia	24,752
Total		1,202,134

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 16 May 2017

Name	Holding	Percentage
SIX SIS AG 25PCT ACCOUNT	10,336,154	24.99
THORKILDSEN DØDSBO KAY TØNNES	5,415,756	13.09
GRØNSKAG KJETIL	4,038,449	9.76
SAGA EIENDOM AS	2,843,860	6.87
AUSTBØ EDVIN	2,108,500	5.10
E. LARRE HOLDING AS	1,614,444	3.90
Danske Bank A/S 3887 OPERATIONS	1,361,816	3.29
ORAKEL AS	1,101,000	2.66
SPAR KAPITAL INVESTO	940,236	2.27
ENERGI INVEST A/S	891,879	2.16
THORKILDSEN INVEST A	829,478	2.01
PERSSON ARILD	718,000	1.74
HOEN ANDERS MYSSSEN	689,557	1.67
Skandinaviska Enskil	628,832	1.52
SILJAN INDUSTRIER AS	611,100	1.48
JONAS BJERG PENSION NTS	558,306	1.35
Nordea Bank AB NORDEA BA. SWE. AB	504,784	1.22
CLEARSTREAM BANKING	438,483	1.06
BNP Paribas Securiti S/A SPEARPOINT	406,856	0.98
FRENICO AS	396,000	0.96
TOTAL TOP 20	36,433,490	88

(1) This is the Top 20 Shareholder list as per 16 May 2017.

(2) The total issued number of shares issued at end Q1 2017 was 41,367,783.

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

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,288,179 shares corresponding to 10.4%.

(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

Having repaid all debt, and sitting on a healthy cash position RomReal is currently reviewing all strategic and operational issues in order to continue to improve the shareholder value.

A positive Romanian real-estate environment is also helpful in order to implement plans and ambitions into reality ahead.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q1 2017 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 2016. The financial statements have been prepared on a going concern basis.

Comparative data for Q1 2017 and Q1 2016

The interpretations below refer to comparable financial information for Q1 2017 and Q1 2016. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2017 was EUR 2,713,000 compared to a total of EUR 74,000 reported in Q1 2016. The income relates to the sale of the Morii Lake plot and the rent charged on some of the land bank assets awaiting development.

Operating Expenses

Total operating expenses amounted to EUR 196,000 in Q1 2017 compared to EUR 247,000 in Q1 2016. Out of these operating expenses, the payroll costs were EUR 42,000, while general and administration costs in connection with the running of the Group amounted to EUR 135,000. Adjustment for inventories not considered, the total operating expenses of the Company in Q1 2017 were EUR 202,000, 9% lower than Q1 2016.

Other operating income/ (expense), net

The other operating income/ (expense) is driven by the derecognition/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 foreign currency exchange rate before translating them into the functional currency of the Group. During Q1 2017 the upward adjustment to the value of the Investment Properties as a result of the currency effect amounted to EUR 98,000.

The net of Other Operating Income/ (Expense) in Q1 2017 amounted to a net loss of EUR 2,565,000, compared to a net loss of EUR 187,000 in Q1 2016.

Profit/ (loss) from operations

During Q1 2017, RomReal generated an operating loss of EUR 48,000, compared to a loss of EUR 360,000 in Q1 2016.

Financial Income and expense

The interest expense includes the expense for the period with the interest in respect of the Alpha Bank loan in amount of EUR 97,000. Foreign exchange result for Q1 2017 was a net loss of EUR 140,000 compared to a net foreign exchange gain of EUR 899,000 in Q1 2016. During the quarter, the RON gain just 0.2% 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 11.6 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 2017 was a loss of EUR 285,000 compared to a profit before tax of EUR 442,000 in Q1 2016.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2017 was EUR 843,000 compared to EUR 707,000 as at end of Q4 2016. The Company has a cash position today of about EUR 2.3 million plus the sellers secured credit of EUR 1.75 million that is serviced monthly with equal instalments plus interest until the 7 April 2018.

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%. Starting 2013, based on turnover thresholds, some companies in the Group are subject to a while some are subject to 1% tax calculated on total revenue. This is the case for ten (10) of the Group's subsidiary companies, where two (2) of them pay 1% tax, five (5) of them 3% tax, while three (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.

During the first quarter 2017, the Company has recognized current tax liabilities of EUR 1,248,000 in respect of the signed sale agreements. However, there was no impact in the profit and loss account as this has already been recognized as a deferred tax as the end of 2016. This reduces the balance of deferred tax liabilities to EUR 850,000.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q1 2017	Q1 2016	YTD 2016
Rent revenue	50	74	278
Revenue from sale of assets	2,663	-	221
Operating revenue	2,713	74	500
Payroll expenses	(42)	(34)	(169)
Management fees	(25)	(16)	(85)
Inventory (write off)/reversal	6	(26)	260
General and administrative expenses	(135)	(171)	(521)
Operating expenses	(196)	(247)	(515)
	-		
Profit/ (loss) before other operating items	2,517	(173)	(15)
Other operating income/(expense), net	(2,565)	(187)	3,936
Profit from operations	(48)	(360)	3,921
Interest income	0	-	0
Interest costs	(97)	(97)	(392)
Foreign exchange, net	(140)	899	(240)
	-		
Result before tax	(285)	442	3,290
Tax expense	1	(19)	(2,074)
Result of the period	(284)	423	1,215

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	March 31, 2017	December 31, 2016	March 31, 2016
Non-current assets			
Investment properties	14,047	16,686	26,454
Property, plant and equipment	17	17	13
Deferred tax asset	124	124	126
Total non current assets	14,188	16,827	26,593
Current assets			
Inventories	2,527	2,536	2,287
Other short term receivables	10,848	156	187
Prepayments	43	41	286
Cash and cash equivalents	843	707	454
Total current assets	14,260	3,439	3,214
Assets held for sale	5,297	13,566	0
TOTAL ASSETS	33,746	33,832	29,807
EQUITY AND LIABILITIES			
	March 31, 2017	December 31, 2016	March 31, 2016
Equity			
Share capital	103	103	103
Contributed surplus	87,117	87,119	87,117
Other reserves	425	425	425
Retained earnings	(69,180)	(70,393)	(70,396)
Result of current period	(284)	1,215	425
FX reserve	969	901	419
Total equity	19,148	19,369	18,093
Non current liabilities			
Deferred income tax	850	2,104	73
Total non current liabilities	850	2,104	73
Current Liabilities			
Bank debt	11,600	11,600	11,600
Shareholder loan	500	400	0
Other payables	139	149	36
Deferred income	260	211	0
Tax payable	1,248	(0)	4
Total current liabilities	13,748	12,360	11,640
TOTAL EQUITY AND LIABILITIES	33,746	33,832	29,807

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2017	December 31, 2016	March 31, 2016
Profit for the year	(284)	1,215	425
Other comprehensive income			
Exchange differences on translation of foreign operations	68	110	(373)
Other comprehensive income for the year, net of tax	68	110	(373)
Total comprehensive income for the year, net of tax	(216)	1,325	52

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2017	December 31, 2016	March 31, 2016
Net cash flow from operating activities	(172)	(528)	(87)
Net cash flow used in investing activities	278	361	-
Net cash flows from financing activities	30	333	-
Net cash change during period	136	166	(87)
Cash at beginning of period	707	541	541
Cash and cash equivalents at end of the period	843	707	454

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2017	December 31, 2016	March 31, 2016
Equity at the beginning of the period	19,369	18,089	18,089
Result for the period	(284)	(2,169)	425
Other changes	63	65	(421)
Equity at the end of the period	19,148	19,369	18,093

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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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