

Q2

RomReal Limited
Second Quarter 2017 Report
25 August 2017



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 2017

Net Asset Value (NAV)

- Net Asset value was EUR 0.44 (NOK 4.08) per share, 4% down compared to the end of Q1 2017. The decrease in NAV is mostly due to transaction costs during the second quarter related to the finalisation of previously announced plots disposals.
- More correctly, the NAV would have been EUR 0.48 (NOK 4.45) if the value from all Q1 2017 plot sales transactions has been permitted according to IFRS applied to all sold properties.

Operational highlights

- After the end of the quarter, the Company managed to close further two sales of assets at prices commanding an average premium of about 22% over the carrying value in the end 2016 IFRS accounts, totalling proceeds about EUR 0.61 million after sales commissions.
- *Carrefour plot (No. 8 on the list)*: presale agreement signed in July 2017 for a total price of EUR 65,000 of which EUR 5,000 received. The transaction for this farmland plot is expected to be concluded immediately after the pre-emption right legal period is over. Such is expected to be finalised and the difference in price collected by October 2017.
- *Ovidiu Town (No.3 on the list)* was also sold and paid early August.
- *Hospital plot (No.9 on the list)*: The Urbanization Certificates referring to the main building characteristics of the plot as well as that for the demolition of the old buildings, currently on the plot, have been obtained from the City Hall. The plot is offered for sale on the market at present.
- *Ovidiu Lakeside (No. 1 on the list)*: the new planning permission (PUZ) was obtained on 2 August 2017.

Financial Results

- Net Result for the quarter was EUR 802,000 loss compared to a EUR 848,000 loss in 2Q 2016. Operating cash flow for the quarter was a negative EUR 2,182,000 compared to minus EUR 219,000 in the same period last year. The operational cash outflows include the income tax payment related to the sales closed in H1 2017.
- By the end of the quarter, the Company has a cash position of EUR 2.5 million plus the remainder of the seller's credit of about EUR 1.2 million and EUR 0.61 million from the recent, after quarter plot sales, totalling at about EUR 4.3 million or about EUR 0.10 per share.

Macro and real estate market highlights

- Romania recorded the biggest economic growth in the European Union of 5.7% in the second quarter compared to the same period of last year, according to Eurostat, the statistics office of the EU, published on the 17 August.
- According to the online real estate platform imobiliare.ro, asking prices in Romania registered an increase of 10.6% year on year. Still these prices are about 45% below peak prices in 2008. Prices in Constanta have reached to EUR 1,044 /sqm, a 9.2% increase year on year.

Key Financial Figures

EUR '000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Operating Revenue	(48)	243	10,999	318
Operating Expenses	(806)	(222)	(1,002)	(469)
Other operating income/ (expense), net	24	80	(10,875)	(106)
Net financial income/(cost)	30	(953)	(207)	(150)
Pre-tax result	(801)	(851)	(1,085)	(408)
Result for the period	(802)	(848)	(1,086)	(423)
Total assets	24,817	29,358	24,817	29,358
Total liabilities	6,443	11,764	6,443	11,764
Total equity	18,374	17,594	18,374	17,594
Equity %	74.0%	59.9%	74.0%	59.9%
NAV per share (EUR)	0.44	0.47	0.44	0.47
Cash position	2,523	303	2,523	303

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 18,374,000 at the end of Q2 2017 compared to EUR 19,148,000 at the end of Q1 2017. The reason behind the decreased NAV is the net loss of the period mainly due to the one-off costs related to the closing of the land plot sales i.e. commission and other fees.

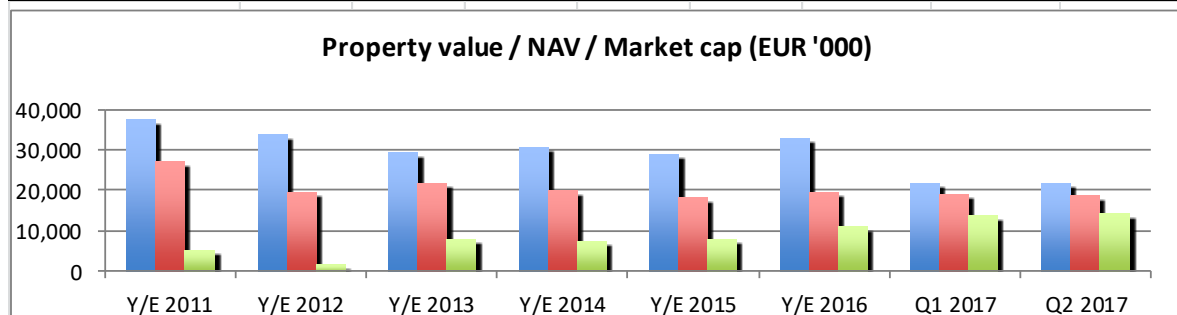
Asset base	Q2 2017			Q1 2017		
	EUR '000	EUR/ share	NOK/sha re	EUR '000	EUR/ share	NOK/share
Investment property	14,032	0.34	3.11	14,047	0.34	3.12
Assets held for sale	5,297	0.13	1.17	5,297	0.13	1.17
Inventories	2,525	0.06	0.56	2,527	0.06	0.56
Cash	2,523	0.06	0.56	843	0.02	0.19
Other assets/(liabilities)	(6,003)	(0.15)	(1.33)	(3,566)	(0.09)	(0.79)
Net asset value	18,374			19,148		
NAV/Share		0.44	4.08		0.46	4.25
Change in NAV	-4.0%			-1.1%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q1 2017.

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, 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	Q2 2017
Property value	37,363	33,842	29,304	30,797	28,736	32,787	21,870	21,854
NAV	26,837	19,369	21,671	19,916	18,089	19,369	19,148	18,374
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	13,525	13,976
Market cap/NAV	20%	8%	35%	38%	44%	57%	71%	76%



Cash Flow

EUR '000	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Net cash flow from operating activities	(2,182)	(219)	(2,354)	(345)
Net cash flow used in investing activities	15,970	79	16,248	117
Net cash flows from financing activities	(12,107)	-	(12,077)	-
Net cash change during period	1,681	(141)	1,816	(228)

Operating cash flow for Q2 2017 was negative EUR 2,182,000 compared to a negative EUR 219,000 in the same quarter last year. The cash flows from financing activities relate to the full repayment of the Alpha Bank and shareholder loans. The cash flow from investing activities during the quarter represents the partial payments in respect of the sales agreements for the Mamaia North plots and the full payment of the Morii Lake plot.

Financing

As the end of Q2 2017 the Company has no interest-bearing debt, having repaid both the Alpha Bank loan on April 7, 2017 as well as the shareholder loan on May 9, 2017.

Market Facts – Macro

The Romanian economy seems on track to reach new heights, even after the impressive GDP growth in the first quarter of the year. Industrial production rose further in May 2017, pushing average industrial production growth above the first quarter results. Romania recorded the biggest economic growth in the European Union of 5.7% in the second

quarter compared to the same period of last year, according to Eurostat, the statistics office of the EU, published on the 17 August.

Consumption is expected to remain the main growth driver and growth is projected to remain above potential in 2017-2018. The additional fiscal stimulus planned in 2017 is projected to continue to boost domestic demand but growth is forecast to slow as the temporary effects of the fiscal impulse fade out. Accordingly, growth is expected to remain consumption driven, boosted by tax cuts and increases in public wages and pensions. Investment is forecast to make a modest contribution to growth as the implementation of projects financed from EU funds gradually picks-up.

Real Estate market facts

The real estate market and particularly the residential one are expected to have in 2017 the strongest year since the crisis. According to Remax consulting, housing prices are estimated to grow about 10% compared to 2016.

Office market: Development activity stays strongest in Bucharest, with 382,770 sqm GLA of stock under construction at the end of 2016 and another 450,000 sqm GLA of projects in planning phases. Over half of the stock under construction with delivery for 2017-2018 is located west pushing for a more balanced distribution across the city.

Retail Market: 2017 is forecast to be an excellent year as a result of spectacular growth in retail sales last year with over 15% for non-food and around 13% for food at national level, thus providing a strong basis for the retailers' expansion programs.

Industrial Market: Development has been closely linked to pre-construction agreements, however a few projects have been started on speculative basis (in Bucharest -Logiq and Timisoara -VGP) have rapidly secured high occupancy levels. Top deliveries in 2017 are estimated to be dominated by Bucharest (110,000 sqm), followed by Sibiu (35,000 sq m), Timisoara (20,000 sq m) and others.

Land Market: In the land market suited for the residential sector, interest is high for plots located close to the new office hubs, thus suitable for mid-market projects. Evidently, most of the activity is concentrated in Bucharest. Nonetheless, prices so far were modestly affected by the increased demand for residential and office land plots, and remained at stable levels.

Residential Market: The residential market in Romania is on a maturing trend and is expected to be characterised going forward by several key attributes: growth is expected to normalise at high single digits levels, higher focus on quality, access to facilities and social inclusion and a decreasing use of the Prima Casa Program in the coming years.

At the moment, the important recent pickup in the residential development is strongly supported by the Prima Casa Project which in the first half of 2017 has been allocated and consumed RON 2 billion. A further RON 500 million, the equivalent of 4,000 files was allocated in July.

According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 1.9% in July against the previous month from a national average of EUR 1,120/sqm to EUR 1,141 /sqm. This registers an increase of 10.6% year on year. Still these prices are about 45% below peak prices in 2008. Prices in Constanta have reached to EUR 1,044 /sqm, a 9.2% increase year on year.

Operational Overview

In accordance to the Group's sales and marketing strategy, the following operational highlights took place during the quarter:

Lake Side (No.1 on the table) –The plot will be split in small plots suitable for house building and small blocks. The new Planning Permission (PUZ) has been approved by Ovidiu City Hall on 2nd August 2017. The whole plot has been cleaned and well marketed. The Company is presently starting projecting the roads and utilities on the site in order to request the Urbanization Certificate and obtain the building authorisation for the roads and utilities. Building authorisation for roads and utilities is estimated to be obtained in spring 2018.

Oasis (No. 4 on the table) –The plot will be divided in small plots suitable for house building and small blocks. Steps have been also taken to single out the plots under the 4 villas with a view to put them up for sale – the Planning Permission (PUZ) is currently in progress. The 2009 completed villas were registered in the Land Book Registry. Efforts are done at present to renovate and connect the villas to the utilities and thereafter to sell them. It is expected that the new Planning Permission (PUZ) will be approved in December 2017.

Centrepont (No. 5 on the table) - The approvals for the new PUZ are underway. It is expected that the new PUZ will be finally approved in December 2017.

Balada Market (No. 7 on the table) - The Company is presently discussing with the architects a new planning regulation for the whole plot, for residential and commercial uses with a view to increase attractiveness of the whole plot. The legal procedures for the approval of a new Planning Permission (PUZ) in this area will commence in September.

Badulescu plot (No. 2 on the table) - The Company is presently discussing with the architects a new planning regulation for the whole plot, for commercial uses, with a view to increase attractiveness of the whole plot. The legal procedures for the approval of a new Planning Permission (PUZ) in this area will commence in September.

The Property Portfolio

The Company's land bank consists at the end of Q2 2017 of 11 plots with a total size of 1,201,730 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside*(1)	Constanta North/Ovidiu	61,029
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu Town *(2)	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 *(3)	Constanta	15,000
9 Alexandriei plot	Bucharest Sector 5	13,263
10 Un-zoned land	Constanta	864,534
11 Mamaia North plot	Navodari/Mamaia	24,752
Total		1,201,730

*(1) 1250 sqm sold after the end of Q2 2017

*(2) Agreed and sold after end of Q2 2017

*(3) Agreed and sold after end of Q2 2017 (farmland)

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 13 Aug 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 SEC.	1,361,816	3.29
ORAKEL AS	1,101,000	2.66
SPAR KAPITAL INVESTO	940,236	2.27
ENERGI INVEST A/S	922,464	2.23
THORKILDSEN INVEST A	829,478	2.01
PERSSON ARILD	718,000	1.74
HOEN ANDERS MYSSEN	689,557	1.67
Skandinaviska Enskil	628,832	1.52
JONAS BJERG PENSION NTS TRUSTEES LTD	558,306	1.35
Nordea Bank AB NORDEA BA. SWE. AB (504,784	1.22
SILJAN INDUSTRIER AS	484,730	1.17
CLEARSTREAM BANKING	438,483	1.06
BNP Paribas Securiti S/A SPEARPOINT LTD	406,856	0.98
FRENICO AS	396,000	0.96
TOTAL TOP 20	36,337,705	87.84

(1) This is the Top 20 Shareholder list as per 13 Aug 2017.

(2) The total issued number of shares issued at end Q2 2017 was 41,367,783.

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

(4) Chairman Kjetil Grønskog 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

RomReal is, according to the revised strategic and operational approach, more focused on value enhancing activities in order to continue to maximize shareholder value. This includes, among others, increased sales & marketing efforts, and engaging more resources into regulation processes.

RomReal expects the positive macroeconomic developments to foster further interest in the real estate market. RomReal's on-going regulation process and number of sales inquiries are at a high and promising activity level. More specific six (6) regulatory processes are on-going during the 2nd half of 2017 that include the Badulescu plot, Balada Market, Alexandriei plot, Lakeside, Oasis, and Gunaydin plot. Furthermore, modest infrastructure investment is considered in some of the plots, if deemed necessary.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q2 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 Q2 2017 and Q2 2016

The interpretations below refer to comparable financial information for Q2 2017 and Q2 2016. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q2 2017 was a negative EUR 48,000 compared to a total of EUR 243,000 reported in Q2 2016. This is due to changes in the exchange rate between the date of invoicing for the plots sold in Q1 2017 and the actual exchange rate at closing, given the agreed EUR sales price and the fact that actual payment was made in local currency.

Operating Expenses

Total operating expenses amounted to EUR 806,000 in Q2 2017 compared to a total EUR 222,000 in Q2 2016. The main reason for the significant increase in costs is related to the one-off fees and commissions payable in respect of the closed sales of plots which amounted to circa EUR 673,000, with the remaining EUR 133,000 related to ongoing expenses. Out of these, the payroll costs were EUR 47,000, while general and administration costs in connection with the running of the Group amounted to EUR 86,000.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were only EUR 24,000, reflecting the relatively flat exchange rate during the quarter, hence only a minor 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.

The net of Other Operating Income/ (Expense) in Q2 2017 amounted to a net gain of EUR 24,000, compared to a net gain of EUR 80,000 in Q2 2016.

Profit/ (loss) from operations

During Q2 2017, RomReal generated an operating loss of EUR 831,000, compared to a gain of EUR 101,000 in Q2 2016.

Financial Income and expense

The interest expense includes the expense in respect of the Alpha Bank loan as well as the shareholder loan up to the dates they have been repaid, in total amount of EUR 15,000. Foreign exchange result for Q2 2017 was a net gain of EUR 32,000 compared to a net foreign

exchange loss of EUR 854,000 in Q2 2016. During the quarter the RON lost just 0.28% against the EUR.

In terms of interest income, it relates to the interest charged for the part of the Mamaia North plot for which part of the price is payable in instalments. This amounted to EUR 13,000 during Q2 2017.

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 2017 was a loss of EUR 801,000 compared to a loss before tax of EUR 851,000 in Q2 2016.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q2 2017 was EUR 2,523,000 compared to EUR 843,000 as at end of Q1 2017. In addition, the Company issued a seller's secured credit of EUR 1.3 million that is serviced regularly 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 7 of the Group companies (1 pays 1% tax and 6 of them 3% tax) 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.

During the quarter, the Company has paid current tax liabilities of EUR 1,254,000 in respect of the signed sale agreements. This reduces the balance of deferred tax liabilities to EUR 849,000.

Deferred income

This amounted to EUR 5,502,000 at the end of Q2 2017 and is mainly related to the EUR 5,487,000 deferred income in respect of the part of the Mamaia North plot for which payment is partially made in instalments and for which the final sale will only be recognised once all the proceeds will have been collected.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Rent revenue	46	63	96	137
Revenue from sale of assets	(94)	181	10,903	181
Operating revenue	(48)	243	10,999	318
Payroll expenses	(47)	(40)	(89)	(73)
Management fees	(25)	(19)	(50)	(35)
Inventory (write off)/reversal	2	24	7	(2)
General and administrative expenses	(736)	(187)	(871)	(359)
Operating expenses	(806)	(222)	(1,002)	(469)
	-			
Profit/ (loss) before other operating items	(855)	21	9,997	(151)
Other operating income/(expense), net	24	80	(10,875)	(106)
Profit from operations	(831)	101	(878)	(257)
Interest income	13	-	13	0
Interest costs	(15)	(99)	(112)	(196)
Foreign exchange, net	32	(854)	(108)	45
	-			
Result before tax	(801)	(851)	(1,085)	(408)
Tax expense	(1)	3	(1)	(15)
Result of the period	(802)	(848)	(1,086)	(423)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	June 30, 2017	December 31, 2016	June 30, 2016
Non-current assets			
Investment properties	14,032	16,686	26,278
Property, plant and equipment	43	17	13
Deferred tax asset	124	124	125
Total non current assets	14,199	16,827	26,416
Current assets			
Inventories	2,525	2,536	2,278
Other short term receivables	236	156	161
Prepayments	37	41	189
Cash and cash equivalents	2,523	707	313
Total current assets	5,321	3,439	2,941
Assets held for sale	5,297	13,566	0
TOTAL ASSETS	24,817	33,832	29,357
EQUITY AND LIABILITIES			
	June 30, 2017	December 31, 2016	June 30, 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	(1,086)	1,215	(423)
FX reserve	997	901	768
Total equity	18,374	19,369	17,594
Non current liabilities			
Deferred income tax	849	2,104	69
Total non current liabilities	849	2,104	69
Current Liabilities			
Bank debt	-	11,600	11,600
Shareholder loan	-	400	0
Other payables	91	149	77
Deferred income	5,502	211	18
Tax payable	1	(0)	0
Total current liabilities	5,593	12,360	11,695
TOTAL EQUITY AND LIABILITIES	24,817	33,832	29,357

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	June 30, 2017	December 31, 2016	June 30, 2016
Profit for the year	(1,086)	1,215	(423)
Other comprehensive income			
Exchange differences on translation of foreign operations	96	110	(24)
Other comprehensive income for the year, net of tax	96	110	(24)
Total comprehensive income for the year, net of tax	(991)	1,325	(447)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	June 30, 2017	December 31, 2016	June 30, 2016
Net cash flow from operating activities	(2,354)	(528)	(306)
Net cash flow from investing activities	16,248	361	78
Net cash flows from financing activities	(12,077)	333	-
Net cash change during period	1,816	166	(228)
Cash at beginning of period	707	541	541
Cash and cash equivalents at end of the period	2,523	707	313

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	June 30, 2017	December 31, 2016	June 30, 2016
Equity at the beginning of the period	19,369	18,089	18,089
Result for the period	(1,086)	(2,169)	(423)
Other changes	92	65	(72)
Equity at the end of the period	18,374	19,369	17,594

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: 54 Cuza Voda street, 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

The information included in this Report contains certain forward-looking statements that address activities, events or developments that RomReal Limited ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which RomReal is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors, we refer to RomReal's Annual Report for 2016. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and RomReal disclaims any and all liability in this respect.