

Q3

RomReal Limited
Third Quarter 2017 Report
24 November 2017



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 2017

Net Asset Value (NAV)

- Net Asset value was EUR 0.44 (NOK 4.07) per share, at the end of Q3 2017
- The NAV would have been EUR 0.48 (NOK 4.41) per share if the value from all binding sales agreements had been applied.

Operational highlights

- During the third quarter 2017, the Company managed to close further sales of assets for a total price 22% over the carrying value based on the end 2016 independent valuation. Total sales price net of fees was EUR 0.61million.
- *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. Expected to be finalised and the difference in price collected by December 2017.
- *Alexandriei plot (No. 9 on the list)*: The Urbanization Certificates referring to the main building characteristics of the plot is obtained and the demolition application process is ongoing. The plot is a highly attractive development project in Bucharest.
- *Ovidiu Lakeside (No. 1 on the list)*: the new planning permission (PUZ) was obtained on 2 August 2017. The Company is currently negotiating some utilities infrastructure investment on the plot. This investment is expected to further improve the attractiveness of the most important project in the portfolio.
- The Company is presently simplifying the Romanian Group structure. The ongoing process is expected to be finalized during Q1 2018.

Financial Results

- Net Result for the quarter was a loss of EUR 360,000 compared to a gain of EUR 277,000 in Q3 2016. Operating cash flow for the quarter was a negative EUR 195,000 compared to a negative EUR 68,000 in the same period last year.
- By the end of the quarter, the Company has a cash position of EUR 3.4 million plus the remainder of the seller's credit of about EUR 0.8 million, totalling at about EUR 4.2 million or about EUR 0.10 per share.

Macro and real estate market highlights

- Romania scored the highest growth in the Gross Domestic Product (GDP) among the 28 European Union member states, of 8.6 per cent compared to the same period last year, according to the preliminary data of the European Statistical Office (Eurostat).
- According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 12.4% in in the last twelve months from a national average of EUR 1,042/sqm to EUR 1,171 /sqm. Still these prices are about 43% below peak prices in 2008. Prices in Constanta have reached in October 2017 EUR 1,059 /sqm, a 10.7% increase year on year.

Key Financial Figures

EUR '000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Operating Revenue	668	132	668	132
Operating Expenses	226	(176)	226	(176)
Other operating income/ (expense), net	(311)	(574)	(311)	(574)
Net financial income/(cost)	(162)	880	(162)	880
Pre-tax result	(356)	261	(356)	261
Result for the period	(360)	277	(360)	277
Total assets	25,159	29,132	25,159	29,132
Total liabilities	6,818	11,789	6,818	11,789
Total equity	18,342	17,343	18,342	17,343
Equity %	73.0%	59.5%	73.0%	59.5%
NAV per share (EUR)	0.44	0.47	0.44	0.47
Cash position	3,401	289	3,401	289

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 18,342,000 at the end of Q3 2017 compared to EUR 18,374,000 at the end of Q2 2017.

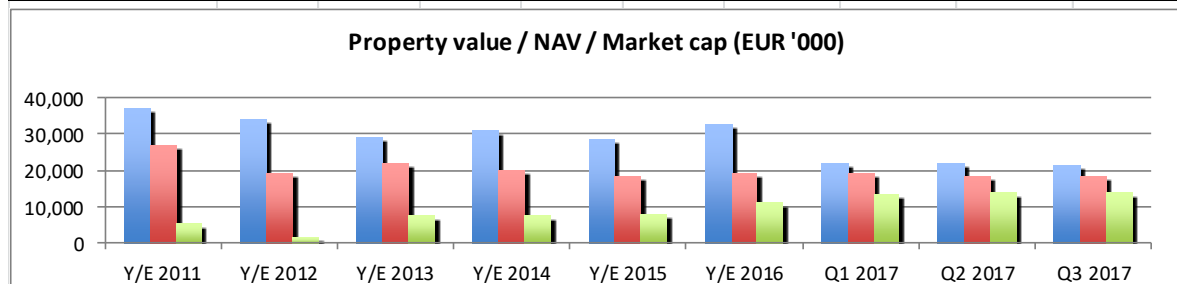
Asset base	Q3 2017			Q2 2017		
	EUR '000	EUR/ share	NOK/ share	EUR '000	EUR/ share	NOK/share
Investment property	13,509	0.33	3.00	14,032	0.34	3.11
Assets held for sale	5,297	0.13	1.17	5,297	0.13	1.17
Inventories	2,525	0.06	0.56	2,525	0.06	0.56
Cash	3,401	0.08	0.75	2,523	0.06	0.56
Other assets/(liabilities)	(6,390)	(0.15)	(1.42)	(6,003)	(0.15)	(1.33)
Net asset value	18,342			18,374		
NAV/Share		0.44	4.07		0.44	4.08
Change in NAV	-0.2%			-4.0%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q2 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 third 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	Q3 2017
Property value	37,363	33,842	29,304	30,797	28,736	32,787	21,870	21,854	21,331
NAV	26,837	19,369	21,671	19,916	18,089	19,369	19,148	18,374	18,342
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	13,525	13,976	13,886
Market cap/NAV	20%	8%	35%	38%	44%	57%	71%	76%	76%



Cash Flow

EUR '000	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Net cash flow from operating activities	(195)	(68)	(2,549)	(414)
Net cash flow used in investing activities	1,072	44	17,320	161
Net cash flows from financing activities	-	-	(12,077)	-
Net cash change during period	877	(25)	2,693	(252)

Operating cash flow for Q3 2017 was negative EUR 195,000 compared to a negative EUR 68,000 in the same quarter last year. The cash flow from investing activities during the quarter represents mainly the partial payments in respect of the sales agreements for the Mamaia North and the full payment of the plots sold during the quarter.

Financing

As the end of Q3 2017 the Company has no interest bearing debt having repaid all loans during the first half of 2017.

Market Facts – Macro

The Romanian economy is on track to reach the fastest growth pace in Europe, with most recent upwards revisions from the World Bank placing the GDP growth at 5.5%. A similar view is taken by the European Commission which has also revised upwards its forecast to a GDP growth of 5.7% for the entire year of 2017. Key drivers of growth will be the fiscal stimulus which in turn reflects in increased consumption. Consumer spending increased by more than 11% year on year in 2016 following a perfect storm of growth factors: the VAT rate was reduced from 24% to 19% (respectively 9% for food products), net average wages increased

by a cumulated 26%, and interest rates are at a historic low. Romania scored the highest growth in the Gross Domestic Product (GDP) among the 28 European Union member states, of 8.6 per cent compared to the same period last year, according to the preliminary data of the European Statistical Office (Eurostat).

Real Estate market facts

The real estate market has been closely following the conditions in the real economy. The renewed interest in business processes outsourcing and IT services has become a major driver of demand for office spaces in the major cities of Romania.

High headline figures for consumer demand have translated into strong demand for both the retail and industrial sector. However, as we move forward, these two sectors are recording two very different development trends.

The retail market is focusing on small-scale developments, aimed mainly at smaller cities or rounding up the client mix of the existing scheme.

Office market: Following a series of delays generated by workforce shortages in the construction sector some of the buildings initially planned for 2017 were pushed back into 2018. New deliveries for the second half of 2017 are estimated by Colliers at 90,000 sqm. Construction activity is set to accelerate in 2018, when over 300,000 sqm of office spaces are expected to reach the market.

Retail Market: Retail developments are set around two trends: retail parks in small cities and a focus on extending existing spaces in the large cities. Colliers expects a renewed interest also for retail and entertainment schemes in the newly built office areas. The market will subsequently focus towards bringing new brands to Romania, with a strong focus on the upper-middle income segment

Industrial Market: According to a recent study by Colliers, deliveries will reach in 2017 the forecasted volume of 500,000 sqm nationwide, as demand for class A warehouse space, coming mainly from FMCG, e-commerce, automotive and logistics companies, is on a rise. Consumer spending, e-commerce and fire permit compliance requirements (to be implemented by the end of this year) are the major factors generating the request for new, high quality warehouse space. The prospect of infrastructure developments is also acting as a catalyst for demand in the industrial and warehousing sector.

Land Market: The land market for the residential development continues to be driven by a high interest for plots located in the proximity of new office hubs, thus suitable for mid-market projects. Most of the activity remains concentrated in Bucharest, however there is increased activity recorded also in secondary cities like Cluj, Iasi, and Constanta.

Residential Market: The residential market in Romania has witnessed a very dynamic first half of the year with a focus on the apartments eligible for the Prima Casa Program as well as within a budgeted limit of up to EUR 120,000, according to a study by RE/MAX. According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 12.4% in the last twelve months from a national average of EUR 1,042/sqm to EUR 1,171 /sqm. Still these prices are about 43% below peak prices in 2008. Prices in Constanta have reached in October 2017 EUR 1,059 /sqm, a 10.7% 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 is planned to 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 pre-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 is planned to 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. Efforts are being made at present to renovate and connect the villas to the utilities and then proceed with disposal. 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 evaluating with the architects a new planning regulation for the plot, covering residential and commercial usage, with a view to increase the value of the plot. At present the Company is investing in safety works on the plot following new safety standards applied in Romania. Following the end of the safety upgrade the Company expects to increase the competitiveness and attractiveness of the property in the market.

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 enhance the value of the whole plot.

The Property Portfolio

The Company's land bank consists at the end of Q3 2017 of 11 plots with a total size of 1,195,839 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	59,779
2 Badulescu plot	Constanta North/Ovidiu	50,000
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 *(1)	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		1,195,839

*(1) Sale agreed, closing still to be completed

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as at 14 November 2017

Shareholder	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	2,862,383	6.92
AUSTBØ EDVIN	2,108,500	5.10
E. LARRE HOLDING AS	1,524,301	3.68
Danske Bank A/S 3887 OPERATIONS SEC.	1,361,816	3.29
ORAKEL AS	1,101,000	2.66
ENERGI INVEST A/S	999,896	2.42
SPAR KAPITAL INVESTO	940,236	2.27
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
SILJAN INDUSTRIER AS	484,730	1.17
CLEARSTREAM BANKING	438,483	1.06
Nordea Bank AB NORDEA BA. SWE. AB (414,784	1.00
BNP Paribas Securiti S/A SPEARPOINT LTD	406,856	0.98
FRENICO AS	396,000	0.96
TOTAL TOP 20	36,253,517	88

(1) This is the Top 20 Shareholder list as per 14 November 2017

(2) The total issued number of shares issued at end Q3 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 its strategic and operational plan, more focused on value enhancing activities in order to continue to improve the shareholder value. This includes, among others, increased sales & marketing efforts, and engaging more resources into regulation processes and some utilities infrastructure if required to increase the key projects' attractiveness.

Even though there are limited disposals achieved during this quarter, the Board is optimistic that further exits are highly likely to materialize ahead at attractive prices.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q3 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 Q3 2017 and Q3 2016

The interpretations below refer to comparable financial information for Q3 2017 and Q3 2016. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q3 2017 was EUR 668,000 compared to a total of EUR 132,000 reported in Q3 2016. This consists mainly of the two sales that the Company completed during the quarter, totalling EUR 605,000 while the difference is represented by the rent charged for some of its assets awaiting development.

Operating Expenses

Total operating expenses amounted to EUR 226,000 in Q3 2017 compared to a total EUR 176,000 in Q3 2016. The main reason for the increased costs is related to the one-off fees and commissions payable in respect of the closed sales of plots during the quarter and external technical and architectural support. Out of these, the payroll costs were EUR 42,000, while general and administration costs in connection with the running of the Group amounted to EUR 185,000.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were a loss of EUR 311,000, reflecting the cost of disposal of the plots sold during the quarter relatively flat exchange rate during the quarter, partially netted off by 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.

The net of Other Operating Income/ (Expense) in Q3 2017 amounted to a net loss of EUR 311,000, compared to a net loss of EUR 574,000 in Q3 2016.

Profit/ (loss) from operations

During Q3 2017, RomReal generated an operating profit of EUR 131,000, compared to a loss of EUR 619,000 in Q3 2016.

Financial Income and expense

The Company no longer has interest costs in respect of third party finance providers. However, it does collect interest in respect of the vendors' credit note issued in the favour of the buyer for part of the Mamaia North plot. This amounted to EUR 18,000 during Q3 2017. Foreign exchange result for Q3 2017 was a net loss of EUR 504,000 compared to a net foreign exchange gain of EUR 976,000 in Q3 2016. During the quarter the RON lost 1% against the EUR.

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.

Result before tax

The result before tax in Q3 2017 was a loss of EUR 356,000 compared to a gain before tax of EUR 261,000 in Q3 2016.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2017 was EUR 3,401,000 compared to EUR 2,523,000 as at end of Q2 2017. In addition, the Company has outstanding issued a seller's secured credit of EUR 0.8 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.

At the end of the quarter, the Company had outstanding deferred tax liabilities to EUR 845,000, mostly related to the part of the Mamaia North plot for which the price is currently collected in installments and for which the tax will become payable at once the final sale purchase agreement is concluded.

Deferred income

This amounted to EUR 5,868,000 at the end of Q3 2017 and is mainly related to the EUR deferred income recognised 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. This will be reversed via revenue once the final payment is made and the sale finalised.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Rent revenue	63	83	159	220
Revenue from sale of assets	605	49	11,508	230
Operating revenue	668	132	11,667	450
Payroll expenses	(42)	(54)	(131)	(127)
Management fees	(25)	(25)	(75)	(60)
Inventory (write off)/reversal	25	(35)	32	(37)
General and administrative expenses	(185)	(63)	(1,056)	(422)
Operating expenses	(226)	(176)	(1,229)	(645)
Profit/ (loss) before other operating items	442	(45)	10,438	(196)
Other operating income/(expense), net	(311)	(574)	(11,186)	(680)
Profit from operations	131	(619)	(748)	(876)
Interest income	18	0	31	0
Interest costs	(0)	(96)	(112)	(292)
Foreign exchange, net	(504)	976	(612)	1,021
-	-	-	-	-
Result before tax	(356)	261	(1,442)	(147)
Tax expense	(5)	16	(6)	1
Result of the period	(360)	277	(1,448)	(146)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	September 30, 2017	December 31, 2016	September 30, 2016
Non-current assets			
Investment properties	13,509	16,686	26,192
Property, plant and equipment	42	17	18
Deferred tax asset	123	124	127
Total non current assets	13,674	16,827	26,336
Current assets			
Inventories	2,525	2,536	2,278
Other short term receivables	256	156	157
Prepayments	7	41	72
Cash and cash equivalents	3,401	707	289
Total current assets	6,189	3,439	2,795
Assets held for sale	5,297	13,566	0
TOTAL ASSETS	25,159	33,832	29,132
EQUITY AND LIABILITIES	September 30, 2017	December 31, 2016	September 30, 2016
Equity			
Share capital	103	103	103
Contributed surplus	87,117	87,119	87,117
Other reserves	425	425	425
Retained earnings	(69,179)	(70,393)	(70,396)
Result of current period	(1,448)	1,215	(146)
FX reserve	1,325	901	241
Total equity	18,342	19,369	17,343
Non current liabilities			
Deferred income tax	845	2,104	53
Total non current liabilities	845	2,104	53
Current Liabilities			
Bank debt	-	11,600	11,600
Shareholder loan	-	400	0
Other payables	104	149	119
Deferred income	5,868	211	15
Tax payable	1	(0)	0
Total current liabilities	5,973	12,360	11,735
TOTAL EQUITY AND LIABILITIES	25,159	33,832	29,132

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	September 30, 2017	December 31, 2016	September 30, 2016
Profit for the year	(1,448)	1,215	(423)
Other comprehensive income			
Exchange differences on translation of foreign operations	424	110	(24)
Other comprehensive income for the year, net of tax	424	110	(24)
Total comprehensive income for the year, net of tax	(1,024)	1,325	(447)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	September 30, 2017	December 31, 2016	September 30, 2016
Net cash flow from operating activities	(2,549)	(528)	(306)
Net cash flow from investing activities	17,320	361	78
Net cash flows from financing activities	(12,077)	333	-
Net cash change during period	2,693	166	(228)
Cash at beginning of period	707	541	541
Cash and cash equivalents at end of the period	3,401	707	313

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	September 30, 2017	December 31, 2016	September 30, 2016
Equity at the beginning of the period	19,369	18,089	18,089
Result for the period	(1,448)	(2,169)	(146)
Other changes	421	65	(600)
Equity at the end of the period	18,342	19,369	17,343

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.

DISCLAIMER

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