

# Q4

**RomReal Limited**  
**Fourth Quarter 2017 Report**  
**23 February 2018**



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

## Highlights Fourth Quarter 2017

### Net Asset Value (NAV)

- Net Asset value was EUR 0.48 (NOK 4.72) per share, 8 per cent increase from 3<sup>rd</sup> quarter 2017. The year-end 2017 valuation was concluded by Knight Frank 15 February 2018.

### Operational highlights

- *Carrefour plot (No. 8 on the list)*: presale agreement signed in July 2017 for a total price of EUR 65,000 of which EUR 26,000 received. The remaining amount EUR 39,000 is due 26 February 2018.
- *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 prime Bucharest plot is for sale.
- *Un-zoned land, 864,534 m<sup>2</sup> (No. 10 on the list)*: On 26 January 2018, a Pre-sale agreement entered for a total price of EUR 625,060 (vs EUR 389,000 as per independent valuation). The transaction is being closed in tranches and as of today EUR 495,000 remain to be collected with last payment on 1 June 2018.
- All five properties sold over the last twelve months have achieved prices at or well above IFRS value.
- In order to simplify and optimize the Romanian sub-holding structure, a number of merger processes of the Romanian subsidiaries is under way.

### Financial Results

- Net Result for the quarter was EUR 1,063,000 compared to EUR 14,000 in 4Q 2016. Operating cash flow for Q4 2017 was EUR 105,000 compared to EUR 418,000 in the same quarter last year.
- By year-end, the Company has a cash position of EUR 3.5 million plus a total of EUR 999,000 in outstanding payments related to binding sales agreements, totalling at about EUR 4.4 million or about EUR 0.11 per share. By 17 February 2018, outstanding agreed cash is according to payment schedule reduced to about EUR 826,000.

### Macro and real estate market highlights

- The Romanian economy grew by 7 percent of GDP in 2017, marking the biggest growth since 2008, according to flash estimates of the National Institute of Statistics.
- On the 17 January 2018 Mrs Viorica Dancila was appointed as Prime Minister of a new administration, making the 54-year old the country's first female Prime Minister.
- According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 10.2% in the last twelve months from a national average of EUR 1,064/sqm to EUR 1,172 /sqm. Prices in Constanta have reached in January 2018 EUR 1,091 /sqm, a 10.3% increase year on year.

## Key Financial Figures

EUR '000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Operating Revenue	36	58	11,703	508
Operating Expenses	22	131	(1,207)	(515)
Other operating income/ (expense), net	2,002	2,962	(9,184)	2,282
Net financial income/(cost)	(699)	(1,361)	(1,392)	(632)
Pre-tax result	1,362	1,790	(80)	1,644
Result for the period	1,062	14	(385)	(214)
Total assets	27,451	32,205	27,451	32,205
Total liabilities	7,635	14,168	7,635	14,168
Total equity	19,816	18,036	19,816	18,036
Equity %	72.0%	56.0%	72.0%	56.0%
NAV per share (EUR)	0.48	0.44	0.48	0.44
Cash position	3,505	707	3,505	707

### Movement in Net Asset Value

The Net Asset Value (NAV) increased to EUR 19,816,000 at the end of Q4 2017 compared to EUR 18,342,000 at the end of Q3 2017.

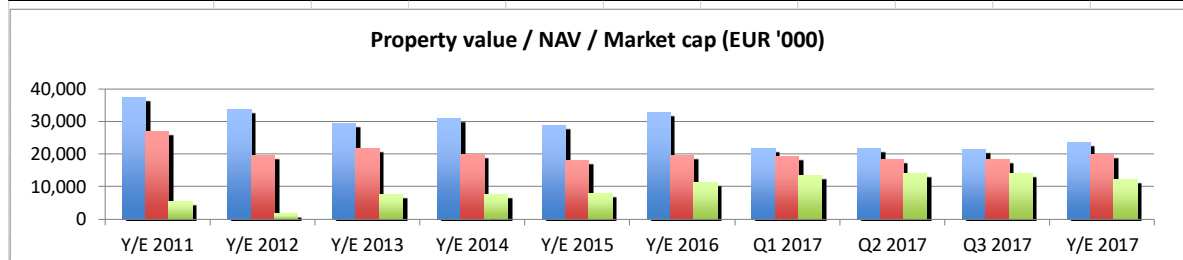
Asset base	Q4 2017			Q3 2017		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	11,103	0.34	3.36	13,509	0.34	3.11
Assets held for sale	6,592	0.16	1.57	5,297	0.13	1.17
Inventories	2,667	0.06	0.63	2,525	0.06	0.56
Cash	3,505	0.08	0.83	3,401	0.06	0.56
Other assets/(liabilities)	(7,051)	(0.17)	(1.68)	(6,390)	(0.15)	(1.33)
Net asset value	19,816			18,342		
NAV/Share		0.48	4.72		0.44	4.08
<b>Change in NAV</b>	<b>+8.0%</b>			<b>-0.2%</b>		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q3 2017.

## Valuation of Properties

The end of year 2017 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.

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	Y/E 2017
Property value	37,363	33,842	29,304	30,797	28,736	32,787	21,870	21,854	21,331	23,362
NAV	26,837	19,369	21,671	19,916	18,089	19,369	19,148	18,374	18,342	19,816
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	13,525	13,976	13,886	12,100
Market cap/NAV	20%	8%	35%	38%	44%	57%	71%	76%	76%	61%



## Cash Flow

EUR '000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Net cash flow from operating activities	(443)	(115)	(2,549)	(595)
Net cash flow used in investing activities	548	200	17,320	361
Net cash flows from financing activities	-	333	(12,077)	400
<b>Net cash change during period</b>	<b>105</b>	<b>418</b>	<b>2,693</b>	<b>166</b>

Operating cash flow for Q4 2017 was positive EUR 105,000 compared to a positive EUR 418,000 in the same quarter last year. The cash flow from investing activities during the quarter represents the partial payments in respect of the sales agreements for the Mamaia North and the partial payment following the sale of the un-zoned land.

## Financing

As the end of Q4 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

Romania posted the biggest economic growth in the European Union in the fourth quarter, according to Eurostat, the statistics office of the EU. The Romanian economy grew by 7 percent of GDP in 2017, marking the biggest expansion since 2008, according to flash estimates of the National Institute of Statistics (INS). Compared to Q3 2017, the economy grew by 0.6 percent on seasonally adjusted terms in the last quarter of 2017.

Economists say that the increase of wages in the public sector coupled with the reduction of taxes fuelled the consumption and the economic growth, although it led to external imbalances. For instance, the current account deficit widened by 85 percent to EUR 6.46 billion in 2017 y/y, according to the National Bank of Romania (BNR).

On the 17 January 2018 Mrs Viorica Dancila was appointed as Prime Minister of a new administration, making the 54-year old the country's first female prime minister, and the third leader in just over a year.

## **Real Estate market facts**

The real estate market in Romania registered last year the fastest growth in the last 5-7 years. Developers have intensified their activity in all sectors of real estate, taking advantage of the good market situation and growing demand.

*Office market:* The first nine months of 2017 saw a take-up for class A & B offices of over 225,000 sq m, very close to the same period last year, but the average transaction grew from around 1,600 sq m to 1,900 sq m. Prime rent level remains stable at €18.5/sq m/month. Total stock on the Bucharest office market reached 2,51 mil sq m at the end of the first nine months of 2017 of class A & B office buildings. Headline rents are expected to remain stable over the next year.

*Retail Market:* Retail sales have recorded a growth of 7,3%, while retailers continue their expansion plans. Among the most active retailers were discounters and the food retailers who developed their networks especially on the supermarket segment. Activity on high street maintains a similar level with the previous years and is dominated by food retailers.

*Industrial Market:* As a result of a favourable economic environment and a growing demand of companies looking for business opportunities, the Romanian industrial and logistics market is expected to continue its positive trend, with new deliveries anticipated to exceed 480,000 sq m by the end of the year. Bucharest is not the only market that will see considerable growth as new developments are set to be delivered in Timisoara (45,000 sq m), Cluj Napoca (13,000 sq m) and Roman (32,000 sq m).

*Land Market:* The supply of land plots suitable for good development projects is expected to decrease, while demand is growing for land plots appropriate for residential and office use. Taking into consideration the deliveries on the office sector, and also the fact that companies need to expand in secondary cities, office developers are likely to buy land and develop in cities where their tenants want to expand and open new offices, such as Timisoara, Cluj and Iasi.

*Residential Market:* Residential development benefitted last year from a good market environment, including growing salaries, low interest rates and increasing demand. Developers showed an active approach in expanding and starting new projects across the markets that are provided with optimal levels of purchasing power. Besides Bucharest, important activity was also registered across the top regional capitals in terms of economy and universities, especially Cluj-Napoca and Timisoara. According to the online real estate platform imobiliare.ro, asking prices in Romania were up by 10.2% in the last twelve months from a national average of EUR 1,064/sqm to EUR 1,172 /sqm. Prices in Constanta have reached in January 2018 EUR 1,091 /sqm, a 10.3% increase year on year.

## Operational Overview

The following operational highlights took place during the quarter:

Lake Side (No.1 on the table) –The plot is being split in small plots suitable for house building and small blocks. Please see [www.westhouseGroup.ro](http://www.westhouseGroup.ro) for further info. The new Planning Permission (PUZ) has been approved by Ovidiu City Hall on 2nd August 2017. 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 during 1<sup>st</sup> half 2018. The estimated costs to improve attractiveness and market value is estimated to EUR 1.6 million.

Oasis (No. 4 on the table) –The plot will be divided in small plots suitable for house building and small blocks. The 4 villas built in 2009 is presently being connected to utilities with a view to put them up for sale and the Planning Permission (PUZ) is currently in progress. The houses are registered in the Land Book Registry. It is expected that the new Planning Permission (PUZ) will be approved in Q2 2018.

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 Q2 2018.

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 the value of the whole plot. There are efforts done at present to upgrade the electrical installation and the firefighting equipment in order to comply with the requirements of the National Safety Inspectorate. Total upgrade costs is about EUR 160,000 and is expected to improve the market attractiveness and safety in the local retail market.

Badulescu plot (No. 2 on the table) - New urbanistic zone planning on this plot has been commenced by the Company in order to regulate the area as a commercial one in Ovidiu town. It is estimated that the new urbanistic plan would be finalised in Q1 2019

## The Property Portfolio

The Company's land bank consists at the end of Q4 2017 of 10 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 * (1)	Constanta	864,534
11 Mamaia North plot *(1)	Navodari/Mamaia	24,752
<b>Total</b>		<b>1,195,839</b>

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

## Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 16 February 2018:

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	1,516,467	3.67
Danske Bank A/S 3887 OPERATIONS SEC.	1,352,995	3.27
ORAKEL AS	1,101,000	2.66
ENERGI INVEST A/S	1,055,993	2.55
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
BNP Paribas Securiti S/A SPEARPOINT LTD	406,856	0.98
FRENICO AS	396,000	0.96
KVAAL INVEST AS	360,028	0.87
<b>TOP 20 TOTAL</b>	<b>36,238,203</b>	<b>88</b>

(1) This is the Top 20 Shareholder list as per 16 February 2018.

(2) The total issued number of shares issued at end Q4 2017 was 41,367,783.

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

RomReal is, according to the present strategy plan, focusing on land value enhancing activities in order to improve the shareholder value. Key action points are increased & more professional sales & marketing efforts, if required some infra-structure investments and engaging more resources into regulation processes. The Company is fully financed without any external debt, and when/if certain additional disposals are realised, a potential re-distribution of cash to the shareholders will become a priority.

## **INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS**

### **Accounting Principles**

The financial statements for the Q4 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 Q4 2017 and Q4 2016**

The interpretations below refer to comparable financial information for Q4 2017 and Q4 2016. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

### **Operating Revenue**

The operating revenue during Q4 2017 was EUR 36,000 compared to a total of EUR 58,000 reported in Q4 2016. This consists mainly of the rent charged for some of its assets awaiting development.

### **Operating Expenses**

Total operating expenses amounted to a positive EUR 22,000 in Q4 2017 compared to a total EUR 176,000 in Q4 2016. The main reason is the positive adjustment on the value of the Oasis plot, which is carried as inventory. Inventory adjustment not considered, the operating expenses were the same as the fourth quarter of 2016 at EUR 141,000. Out of these, the payroll costs were EUR 53,000, while general and administration costs in connection with the running of the Group amounted to EUR 64,000.

### **Other operating income/ (expense), net**

The other operating income/ (expense) during the quarter were a gain of EUR 2,002,000, reflecting mainly the positive adjustment on the value of the Company's asset base as a result of the year end independent valuation exercise. Most of the upwards change, amounting to EUR 1.4 million, is due to the increase in the value of part of the Mamaia North plot to reflect the final agreed selling price. Most of the instalments have now been collected, with the last one due in March 2018.

The net of Other Operating Income/ (Expense) in Q4 2017 amounted to a net gain of EUR 2,002,000, compared to a net loss of EUR 574,000 in Q4 2016.

### **Profit/ (loss) from operations**

During Q4 2017, RomReal generated an operating profit of EUR 2,060,000, compared to a loss of EUR 619,000 in Q4 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 Q4 2017.

Foreign exchange result for Q4 2017 was a net loss of EUR 717,000 compared to a net foreign exchange gain of EUR 976,000 in Q4 2016. During the quarter the RON lost 2.6% 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. 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 Q4 2017 was a loss of EUR 1,362,000 compared to a gain before tax of EUR 261,000 in Q4 2016.

## Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q4 2017 was EUR 3,505,000 compared to EUR 3,401,000 as at end of Q3 2017. In addition, a total of EUR 999,000 in outstanding payments related to binding sales agreements, totalling at about EUR 4.4 million.

By 17 February 2018, outstanding agreed cash is according to payment schedule reduced to about EUR 826,000.

No	Plot name	Location	Plot size (sqm)	Book Value September 2017 (EUR)	Agreed sale value (EUR)	Installments received @ 17/2/2018	To cash
7	Carrefour plot	Constanta	15,000	47,000	65,000	25,950	39,050
9	Un-zoned land	Constanta					
	Mamaia	North/Ovidiu	864,534	389,000	625,058	130,086	494,972
10	North plot	Navodari/Mamaia	24,752	5,296,928	6,831,049	6,539,382	291,667
	<b>Total</b>		<b>904,286</b>	<b>5,732,928</b>	<b>7,521,107</b>	<b>6,695,418</b>	<b>825,689</b>

## 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 6,337,000 at the end of Q4 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

	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Rent revenue	37	83	196	220
Revenue from sale of assets	(0)	49	11,507	230
<b>Operating revenue</b>	<b>36</b>	<b>132</b>	<b>11,703</b>	<b>450</b>
Payroll expenses	(53)	(54)	(184)	(127)
Management fees	(25)	(25)	(99)	(60)
Inventory (write off)/reversal	163	(35)	195	(37)
General and administrative expenses	(64)	(63)	(1,120)	(422)
<b>Operating expenses</b>	<b>22</b>	<b>(176)</b>	<b>(1,207)</b>	<b>(645)</b>
	-			
<b>Profit/ (loss) before other operating items</b>	<b>58</b>	<b>(45)</b>	<b>10,496</b>	<b>(196)</b>
Other operating income/(expense), net	2,002	(574)	(9,184)	(680)
<b>Profit from operations</b>	<b>2,060</b>	<b>(619)</b>	<b>1,312</b>	<b>(876)</b>
Interest income	18	0	49	0
Interest costs	(5)	(96)	(117)	(292)
Foreign exchange, net	(712)	976	(1,324)	1,021
	-			
<b>Result before tax</b>	<b>1,362</b>	<b>261</b>	<b>(80)</b>	<b>(147)</b>
Tax expense	(299)	16	(305)	1
<b>Result of the period</b>	<b>1,063</b>	<b>277</b>	<b>(385)</b>	<b>(146)</b>

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	December 31, 2017	December 31, 2016
<b>Non-current assets</b>		
Investment properties	14,103	16,686
Property, plant and equipment	96	17
Deferred tax asset	121	124
<b>Total non current assets</b>	<b>14,320</b>	<b>16,827</b>
<b>Current assets</b>		
Inventories	2,667	2,536
Other short term receivables	324	156
Prepayments	43	41
Cash and cash equivalents	3,505	707
<b>Total current assets</b>	<b>6,539</b>	<b>3,439</b>
Assets held for sale	6,592	13,566
<b>TOTAL ASSETS</b>	<b>27,451</b>	<b>33,832</b>
<b>EQUITY AND LIABILITIES</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Equity</b>		
Share capital	103	103
Contributed surplus	87,119	87,119
Other reserves	425	425
Retained earnings	(69,178)	(70,393)
Result of current period	(385)	1,215
FX reserve	1,734	901
<b>Total equity</b>	<b>19,816</b>	<b>19,369</b>
<b>Non current liabilities</b>		
Deferred income tax	1,177	2,104
<b>Total non current liabilities</b>	<b>1,177</b>	<b>2,104</b>
<b>Current Liabilities</b>		
Bank debt	-	11,600
Shareholder loan	-	400
Other payables	120	149
Deferred income	6,337	211
Tax payable	1	(0)
<b>Total current liabilities</b>	<b>6,457</b>	<b>12,360</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>27,451</b>	<b>33,832</b>

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	December 31, 2017	December 31, 2016
<b>Profit for the year</b>	<b>(385)</b>	<b>1,215</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	833	110
<b>Other comprehensive income for the year, net of tax</b>	<b>833</b>	<b>110</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>448</b>	<b>1,325</b>

## CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	December 31, 2017	December 31, 2016
Net cash flow from operating activities	(2,992)	(528)
Net cash flow from investing activities	17,868	361
Net cash flows from financing activities	(12,077)	333
<b>Net cash change during period</b>	<b>2,798</b>	<b>166</b>
Cash at beginning of period	707	541
<b>Cash and cash equivalents at end of the period</b>	<b>3,505</b>	<b>707</b>

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	December 31, 2017	December 31, 2016
Equity at the beginning of the period	19,369	18,089
Result for the period	(385)	(2,169)
Other changes	833	65
<b>Equity at the end of the period</b>	<b>19,816</b>	<b>19,369</b>

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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](http://www.RomReal.com).

## **DISCLAIMER**

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