

Q1

RomReal Limited
First Quarter 2018 Report
24 May 2018



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 2018

Net Asset Value (NAV)

- Net Asset value was EUR 0.48 (NOK 4.71) per share, 0.8 per cent lower compared to quarter 4 2017. The year-end 2017 valuation was concluded by Knight Frank 15 February 2018, therefore there were no further changes made to the value of the investment properties during the quarter.

Operational highlights

- Hospital Plot: The Company is progressing the procedure for obtaining the necessary authorisation for demolition of the buildings which is expected before year-end 2018. The property is actively marketed for sale.
- Farmland plot: 864,534 sqm. Pre-sale agreement entered 26 January 2018 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 420,000 remain to be collected with last payment expected by end of Q2 2018.
- Carrefour Plot: 15,000 sqm. Sold and total price of EUR 65,000 has been paid by the buyer.
- Balada Market. The property is actively marketed for sale.
- In order to simplify and optimize the Romanian sub-holding structure, several inter-company mergers have been concluded and are on-going.

Financial Results

- Net Result for the quarter was EUR 148,000 loss compared to a EUR 284,000 loss in 1Q 2017. Operating cash flow for the quarter was a negative EUR 181,000 compared to minus EUR 172,000 in the same period last year.
- By the end of the quarter, the Company has a cash position of EUR 3.8 million plus a total of EUR 419,974 in outstanding payments related to binding sales agreements, totalling at about EUR 4.2 million or about EUR 0.1 per share.

Macro and real estate market highlights

- Romania's GDP remained flat in the first quarter of this year compared to the last quarter of 2017. However, it was 4 percent higher than the same period last year, according to flash estimates of the National Institute of Statistics.
- Flash estimate data do not disclose the reasons for this economic slowdown, but some analysts pointed out that the weak retail sales in March and an extraordinary increase in activity last year due to the VAT reduction and public-sector wage increases.
- According to the online real estate platform imobiliare.ro, asking prices in Romania continued to go up in the first quarter of 2018 from EUR 1,164/sqm at the end of 2017 to EUR 1,200 /sqm at the end of March 2018. Prices in Constanta have reached in April 2018 EUR 1,123 /sqm, a 10.9% increase year on year.

Key Financial Figures

EUR '000	Q1 2018	Q1 2017
Operating Revenue	6,779	50
Operating Expenses	(231)	(196)
Other operating income/ (expense), net	(6,620)	(2,565)
Net financial income/(cost)	(21)	(237)
Pre-tax result	(93)	(285)
Result for the period	(148)	(284)
Total assets	21,151	33,745
Total liabilities	1,381	14,597
Total equity	19,770	19,148
Equity %	93.5%	56.7%
NAV per share (EUR)	0.48	0.46
Cash position	3,789	843

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 19,770,000 at the end of Q1 2018 compared to EUR 19,930,000 at the end of Q1 2017.

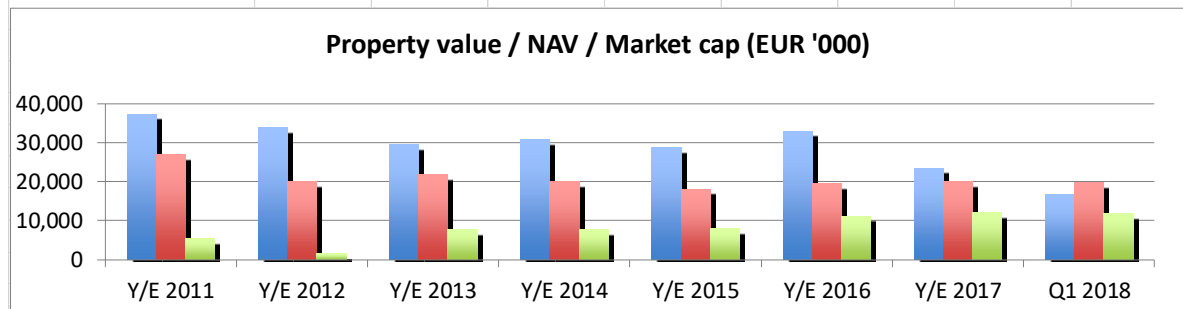
Asset base	Q1 2018			Q4 2017		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	13,655	0.33	3.25	13,627	0.33	3.24
Assets held for sale	436	0.01	0.10	7,103	0.17	1.69
Inventories	2,690	0.07	0.64	2,690	0.07	0.64
Cash	3,789	0.09	0.90	3,505	0.08	0.83
Other assets/(liabilities)	(799)	(0.02)	(0.19)	(6,995)	(0.17)	(1.66)
Net asset value	19,770			19,816		
NAV/Share		0.48	4.71		0.48	4.74
Change in NAV	-0.8%			+8.7%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q1 2018.

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	Y/E 2017	Q1 2018
Property value	37,363	33,842	29,304	30,797	28,736	32,787	23,419	16,781
NAV	26,837	19,930	21,671	19,916	18,089	19,369	19,930	19,770
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	12,100	11,848
Market cap/NAV	20%	8%	35%	38%	44%	57%	61%	60%



Cash Flow

EUR '000	Q1 2018	Q1 2017
Net cash flow from operating activities	(181)	(172)
Net cash flow used in investing activities	465	278
Net cash flows from financing activities	-	30
Net cash change during period	283	136

Operating cash flow for Q1 2018 was negative EUR 181,000 compared to a negative EUR 172,000 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.

Market Facts – Macro

Romania went up one place to become the 16th largest economy in the European Union (EU) in 2017. With the highest economic growth rate in the EU, of 7%, Romania surpassed Greece, according to data from Eurostat.

Romania's gross domestic product (GDP) reached almost EUR 188 billion, namely 1.2% of EU's total GDP. Greece had a GDP of EUR 178 billion in 2017

However, the growth witnessed in the 18 last months has started to slow down, with the first quarter of 2018 flat compared to the last quarter of 2017 and a 4% increase compared with the similar period last year, the slowest growth rate since 2016.

Official forecast suggests GDP will increase by 6.1% in 2018 and by 5.0-5.7% per year on medium term. Increases in salaries and currency depreciation are anticipated to generate

a 3.7% increase in prices over 2018 to influence the level of interest rates and mortgages volumes.

Romania attracted foreign direct investment (FDI) worth EUR 1.38 billion in the first quarter of this year, up by 21% compared to the same period of last year, according to Romania's National Bank (BNR).

Real Estate market facts

According to a report of Active Property Services, the 2017 volume of activity in the construction sector decreased by 5.4%, being affected by a massive 21.3% drop in engineering constructions as public investments allocations were decreased. However, the volume of new constructions grew by 4.9% and residential buildings saw a 69.7% jump in investments value.

Office market: Office sector reached a mature stage of development, characterized in 2017 by record volumes of new demand, deliveries of multi-phase business parks and strong pipeline development across the main cities, coupled with decreasing vacancies and stable rents. Bucharest accounted for office deliveries of 147,800 sqm GLA last year, a level slightly above last 8 years average, but 44% below the same period record of 2016 (265,000m²).

Retail Market: Retail sector followed a positive trend during Q1 2018, marked by growing sale densities, active demand coming from all sectors and new entrants, coupled with decreasing vacancy rates. A limited volume of new completions was reported, on both the shopping centre and retail park markets. A 10.7% increase in retail sales for the second year, maintained a widely spread optimism in the market, influencing both tenants and landlords/developers, with effects on the market fundamentals. Non-food sales jumped by 13.2% year/year, while food sales recorded a 6.8% growth.

Industrial Market: Demand reached an all-time record in 2017, with the take-up volume increasing by 70%, according to market reports. A number of 80 major leasing transactions were reported, totalling 730,000 sqm. Logistics operators, retail chains and automotive companies represented the main sources of demand. Prime rents have average levels of 3.5-4.0 Euro/sqm. Lower levels (3.25-3.50 Euro/sqm) are recorded for large leases outside Bucharest, while levels of 4.00-4.25 Euro/sqm are mainly found in Bucharest area.

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: The local market made further steps to recover the losses in volumes / prices from 2009-2013, helped by the economic growth and the state First House program. A new residential supply of 53,301 units was completed last year in Romania according to the preliminary data from the National Institute of Statistics, representing a 2% annual increase and the fourth consecutive year of growth. Prices of medium-profile apartments during Q1 2018, reached levels of 700-950 Euro/net sqm across county capitals of above 100,000 inhabitants, respectively 900-1,200 Euro/net per m² in regional capitals such as Brasov, Constanta and Iasi.

Operational Overview

The following operational highlights took place during the quarter:

Lake Side –The plot is presently divided in small plots suitable for house building and small blocks. The approvals for the new PUZ (urbanistic zone planning) have been finalised in 2017 summer. The architects and engineers are presently doing the design and utilities for the roads building approval. It would be necessary to build and sell around 6 houses in order for the approval of electricity/gas connection to be approved. As soon as the building authorisations for the roads and utilities will be obtained, the Company will need to commence building the roads and utilities in order to increase saleability of the plots in the area.

Oasis –The plot will also be parcelled into 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 plan to put them up for sale – the PUZ (urbanistic zone planning) is currently in progress. The erected villas were registered in the Land Book Registry. Efforts are done at present to connect the villas to the utilities and thereafter to sell them. It is expected that the new PUZ (urbanistic zone planning) will be finally approved in Q3 2018. As soon as the building authorisations is issued the Company should commence building roads and utilities in order to increase the likelihood of sales of the area.

Industrial Park-Centrepoint 12 ha - The approvals for the new PUZ have been completed in Q1 2018, approval from Ovidiu City Hall have been obtained. As soon as the building is obtained the Company will need to commence building the roads and utilities in order to increase the attractiveness of the project.

5 hectares plot (Badulescu plot)/Commercial park - New PUZ (urbanistic zone planning) on this plot has been commenced by the Company in order to regulate the area as a commercial one in Ovidiu. It is estimated that the new urbanistic plan will be finalised in Q1 2019.

The Property Portfolio

The Company's project bank consists at the end of Q1 2018 of 8 plots with a total size of 1,086,812 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	59,779
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	24,651
4 Centrepont	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
8 Carrefour plot *(1)	Constanta SOLD	15,000
7 Alexandriei plot	Bucharest Sector 5	13,263
8 Un-zoned land	Constanta	795.259
Total		1,086.812

*(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 May 2018:

Shareholder	Holding	Percentage
SIX SIS AG 25PCT ACCOUNT	10,336,154	24.99
GRØNSKAG KJETIL	4,038,449	9.76
SAGA EIENDOM AS	3,162,383	7.64
THORKILDSEN DØDSBO KAY TØNNES	3,071,656	7.43
THORKILDSEN WENCHE SYNNØVE	2,344,100	5.67
AUSTBØ EDVIN	2,108,500	5.10
Danske Bank A/S 3887 OPERATIONS SEC.	1,452,995	3.51
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	481,480	1.16
CLEARSTREAM BANKING	438,483	1.06
MAGDAHL AKSEL	410,000	0.99
BNP Paribas Securiti S/A SPEARPOINT LTD	406,856	0.98
GRØNLAND STEINAR	400,263	0.97
TOP 20	35,172,721	85

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

(2) The total issued number of shares issued at end Q1 2018 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 focusing on land value enhancing activities in order to maximise shareholder value. This means, among others, increased sales & marketing efforts, if required some infrastructure investments and engaging more resources into regulation processes. The Company expects further properties in the project-bank to be sold during 2018.

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 should become realistic.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q1 2018 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 2017. The financial statements have been prepared on a going concern basis.

Comparative data for Q1 2018 and Q1 2017

The interpretations below refer to comparable financial information for Q1 2018 and Q1 2017. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2018 was EUR 6,779,000 compared to a total of EUR 2,713,000 reported in Q1 2017. This consists mainly of the finalization of the sale of the remaining Mamaia North plot and for which payment was partially received in instalments.

Operating Expenses

Total operating expenses amounted to a negative EUR 231,000 in Q1 2018 compared to a total EUR 196,000 in Q1 2017. Out of these, the payroll costs were EUR 43,000, while general and administration costs in connection with the running of the Group amounted to EUR 158,000.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were a loss of EUR 6,620,000, reflecting mainly the derecognition from the Company's books of the Mamaia North plot for which the sale was completed during the quarter.

Profit/ (loss) from operations

During Q1 2018, RomReal generated an operating loss of EUR 72,000, compared to a loss of EUR 48,000 in Q1 2017.

Financial Income and expense

The Company no longer has interest costs in respect of third party finance providers. However, it did 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 2.188 during Q1 2018.

Foreign exchange result for Q1 2018 was a net loss of EUR 22,000 compared to a net foreign exchange loss of EUR 140,000 in Q1 2017. During the quarter the RON gained 0.05% 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 Q1 2018 was a loss of EUR 93,000 compared to a loss before tax of EUR 285,000 in Q1 2017.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2018 was EUR 3,789,000 compared to EUR 3,505,000 as at end of Q4 2017. In addition, a total of EUR 419,974 in outstanding payments related to binding sales agreements, totalling at about EUR 4.2 million.

By 15 May 2018, outstanding agreed cash is according to payment schedule reduced to about EUR 420,000.

No	Plot name	Location	Plot size (sqm)	Book value September 2017(Eur)	Agreed sale value (EUR)	Installments received@ 15/05/2018	To cash
9	Un-zoned land	Constanta North/Ovidiu	864,534	389,000	625,058	205,084	419,974
	Total		864,534	389,000	625,058	205,084	419,974

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.

By the end of 1. Quarter, the Company had outstanding deferred tax liabilities of EUR 989,342. The last installment related to the Mamaia North plot sellers credit was paid by the purchaser in April as agreed. The payable tax EUR 989,342 was paid in April.

The Company's wholly owned Romanian subsidiary has recently engaged in on-going discussions with the Tax Authorities. If this results in a tax claim, the Company will vigorously defend its tax position.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q1 2018	Q1 2017
Rent revenue	40	50
Revenue from sale of assets	6,739	2,663
Operating revenue	6,779	2,713
Payroll expenses	(43)	(42)
Management fees	(25)	(25)
Inventory (write off)/reversal	(5)	6
General and administrative expenses	(158)	(135)
Operating expenses	(231)	(196)
	-	
Profit/ (loss) before other operating items	6,548	2,517
Other operating income/(expense), net	(6,620)	(2,565)
Profit from operations	(72)	(48)
Interest income	4	0
Interest costs	(3)	(97)
Foreign exchange, net	(22)	(140)
	-	
Result before tax	(93)	(285)
Tax expense	(55)	1
Result of the period	(148)	(284)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	March 31, 2018	December 31, 2017	March 31, 2017
Non-current assets			
Investment properties	13,655	13,627	14,047
Property, plant and equipment	85	90	17
Deferred tax asset	121	121	124
Total non current assets	13,861	13,838	14,188
Current assets			
Inventories	2,690	2,690	2,527
Other short term receivables	321	325	10,848
Prepayments	55	43	43
Cash and cash equivalents	3,789	3,505	843
Total current assets	6,854	6,562	14,260
Assets held for sale	436	7,103	5,297
TOTAL ASSETS	21,151	27,503	33,745
EQUITY AND LIABILITIES	March 31, 2018	December 31, 2017	March 31, 2017
Equity			
Share capital	103	103	103
Contributed surplus	87,119	87,119	87,117
Other reserves	425	425	425
Retained earnings	(69,450)	(69,178)	(69,180)
Result of current period	(148)	(272)	(284)
FX reserve	1,743	1,734	969
Total equity	19,770	19,930	19,148
Non current liabilities			
Deferred income tax	157	1,091	850
Total non current liabilities	157	1,091	850
Current Liabilities			
Bank debt	-	-	11,600
Shareholder loan	-	-	500
Other payables	128	117	139
Deferred income	107	6,363	260
Tax payable	990	1	1,248
Total current liabilities	1,224	6,482	13,747
TOTAL EQUITY AND LIABILITIES	21,151	27,503	33,745

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2018	December 31, 2017	March 31, 2017
Profit for the year	(148)	(272)	(284)
Other comprehensive income			
Exchange differences on translation of foreign operations	9	833	68
Other comprehensive income for the year, net of tax	9	833	68
Total comprehensive income for the year, net of tax	(139)	561	(216)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2018	December 31, 2017	March 31, 2017
Net cash flow from operating activities	(181)	(2,992)	(172)
Net cash flow from investing activities	465	17,868	278
Net cash flows from financing activities	-	(12,077)	30
Net cash change during period	283	2,798	136
Cash at beginning of period	3,505	707	707
Cash and cash equivalents at end of the period	3,789	3,505	843

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2018	December 31, 2017	March 31, 2017
Equity at the beginning of the period	19,930	19,369	19,369
Result for the period	(148)	(272)	(284)
Other changes	(12)	833	63
Equity at the end of the period	19,770	19,930	19,148

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

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