

# Q4

**RomReal Limited**  
**Fourth Quarter 2020 Report**  
**26 February 2021**



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

## Highlights Fourth Quarter 2020

### Net Asset Value (NAV)

- Net Asset value was EUR 0.36 (NOK 3.87 before any tax) per share, that being 18.2% lower compared to the end of the third quarter 2020.
- The year-end 2020 valuation was concluded by Knight Frank in February 2021 and the values of the Group's investment property have been updated accordingly. The like for like value of the investment properties has decreased by about 7.3% during 2020 reflecting the general market challenges brought by the pandemic.

### Operational highlights

- During the fourth quarter 2020, the Company sold a further 16 plots from the Ovidiu Lake side project for a total consideration of EUR 0.36 million. Hitherto, in first quarter 2021, the Company has sold 4 plots for a total EUR 0.16million. All prices are in line with the 2019 IFRS valuation by Knight Frank.
- During 2020, EUR 1.1 million (ex VAT) have been further invested in infrastructure, primarily in Industrial Park and Lakeside.
- Industrial Park, a sale of in total 3 plots totalling about EUR 0.8 million has been terminated for the time being. The Company is planning to file a law suit against the local water utility. The Balada Market property is marketed for sale but a court case has been commenced as the local Municipality has withdrawn a PUZ issued in 2015.

### Financial Results

- Net Result for the quarter was EUR 2.94 million loss compared to a EUR 0.81 million loss in 4Q 2019. Net change in cash flow for the quarter was a negative EUR 1.35 million compared to minus EUR 0.12 million in the same period last year. This was mainly due to the Group's decision to make a EUR 1.05 million payment in relation to the tax dispute with the local tax authorities, to benefit a waiver of any potential penalties.
- At the end of 2020, the Company had a cash position of EUR 1.2 million plus a total of EUR 0.42 million in unsettled receivables related to binding sales agreements, totalling EUR 1.62 million or about EUR 0.04 per share.

### Macro and real estate market highlights

- Romania's GDP contracted during 2020 by 3.9%, compared to a growth rate of 4.1% in the previous year, flash data from the country's statistical board, INS, showed. In the fourth quarter, Romania's fell 1.5% yoy, following a 5.7% annual contraction in the third quarter. On a quarterly comparison basis, Romania's GDP rose by 5.3% during the last quarter of the year.
- During January 2021 average residential prices in Romania reached an average price of EUR 1,361/sqm, indicating a 1.1% increase compared with the same period last year. In Constanta, average prices at the end of January 2021 reached at EUR 1,245/sqm, showing an increase of 1.8% compared with the same period last year according to [www.imobiliare.ro](http://www.imobiliare.ro)

## Key Financial Figures

EUR '000	Q4 2020	Q4 2019
Operating Revenue	446	428
Operating Expenses	(480)	(127)
Other operating income/ (expense), net	(34)	301
Net financial income/(cost)	5	(298)
Pre-tax result	(3,453)	(789)
Result for the period	(3,439)	(813)
Total assets	16,414	19,013
Total liabilities	1,262	387
Total equity	15,035	18,501
Equity %	91.6%	97.3%
NAV per share (EUR)	0.36	0.45
Cash position	1,207	2,320

### Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 15,035,000 at the end of Q4 2020 compared to EUR 18,501,000 at the end of Q4 2019.

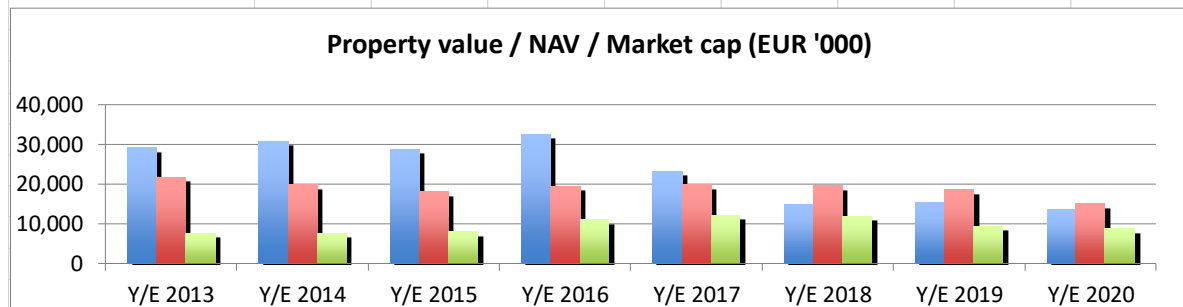
Asset base	Q4 2020			Q4 2019		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	2,761	0.07	0.71	10,594	0.26	2.53
Assets held for sale	2,240	0.05	0.58	2,320	0.06	0.55
Inventories	8,419	0.20	2.17	2,521	0.06	0.60
Cash	1,207	0.03	0.31	2,371	0.06	0.57
Other assets/(liabilities)	409	0.01	0.11	695	0.02	0.17
Net asset value	15,035			18,501		
NAV/Share		0.36	3.87		0.45	4.42
Change in NAV vs previous quarter	-18.2%			-3.2%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q3 2020.

## Valuation of Properties

The end of year 2020 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 2013	Y/E 2014	Y/E 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020
Property value	29,304	30,797	28,736	32,787	23,419	14,962	15,435	13,420
NAV	21,671	19,916	18,089	19,369	19,930	19,603	18,501	15,035
Market cap	7,623	7,541	7,933	11,052	12,100	11,848	9,326	8,687
Market cap/NAV	35%	38%	44%	57%	61%	60%	50%	58%



## Cash Flow

EUR '000	Q4 2020	Q4 2019
Net cash flow from operating activities	(1,343)	134
Net cash flow used in investing activities	(4)	(252)
Net cash flows from financing activities	-	-
<b>Net cash change during period</b>	<b>(1,347)</b>	<b>(119)</b>

Operating cash flow for Q4 2020 was negative EUR 1,347,000 compared to a negative EUR 119,000 in the same quarter last year. The net negative change is mainly driven by the payment made in respect of the tax disputed with the local authorities. The net cash from investing activities includes the collections made in respect of the sold plots.

## Market Facts – Macro

Romania's Gross Domestic Product has dropped by 3.9% during the pandemic year of 2020, compared to 2019, according to the latest flash report by the National Institute of Statistics (INS). Although a decrease of 12% has been reported in the second quarter of last year, it was recovered in the last part of 2020.

In Q4 2020, as compared to the third quarter, the Gross Domestic Product increased by 5.3%.

There have been almost 800,000 confirmed cases of coronavirus in Romania to date and various parts of the country are in different stages of lockdown. On the positive side, Romania is one of the leading European countries in terms of vaccination ranking 7<sup>th</sup> among the EU member states.

## **Real Estate market facts**

Romania's total investment volume accounted at the end of 2020 for EUR 588 million, a value almost half of the one registered in the record year of 2019, but similar with the one registered in 2015, a starting growth year. Capitalizing on the momentum gained in the previous year, 68% of the total investment volume was transacted during the first six months of 2020.

Office: At the end of 2020, Bucharest modern office stock reached at 2.95 mln. sq m of office space, more than half, respectively 63% being class A. Regarding the most developed areas, 18% of the modern office stock is located in Calea Floreasca/ Barbu Vacarescu sub-market, followed by Center-West and Dimitrie Pompeiu with an equal share of 15%.

Retail: Stock reached at the end of 2020 at 3.90 mln. sq m of shopping centers and retail parks, as circa 139,000 sq m were delivered throughout the year in defiance of a restrictive year when most of the retailers found themselves on the non-essentials list. As concerns the modern stock layout, 31% is concentrated in Bucharest while the rest is scattered throughout the regional cities. When looking at the stock's format, retail parks prevail with 63% of the total modern area.

Industrial: Stock in Romania reached at the end of 2020 at approx. 5.1 million sqm after more than half a million, respectively, 574,000 sqm were delivered over the year. About 65% of the total 2020 delivered area is in Bucharest, Romania's largest industrial hub, while the remaining 35% is scattered throughout the country in regional cities such as Deva, Oradea, Sibiu, etc. In addition, increased competition amongst developers and constant demand for high standard logistics spaces led to a permanent progress in the quality of new supply; at the end of 2020, 87% of the total modern area being class A.

Residential: During January 2021 average residential prices in Romania reached an average price of EUR 1,361/sqm, indicating a 1.1% increase compared with the same period last year. In Constanta, average prices at the end of January 2021 reached at EUR 1,245/sqm, showing an increase of 1.8% compared with the same period last year according to [www.imobiliare.ro](http://www.imobiliare.ro)

According to CBRE report, in spite of a challenging 2020, developers continued their search for land plots best suitable for their projects. The most active real estate sector proved to be the residential market with numerous investors either entered as new players on this market, either increased their portfolio strategizing for the next place to be.

## **Operational Overview**

Lake Side (No.1 on the table) –The Company has several on-going processes for selling plots in the area.

During the fourth quarter 2020, the Company sold a total of 16 plots from the Lake side project for a total consideration of EUR 0.356m. So far during the first quarter 2021, the Company sold 4 plots for a total EUR 0.159m.

Oasis (No. 3 on the table) –The Company is going to re-authorise the works for finalising the blocks erected on site in order to add more value to the whole plot and authorise the works for constructing the utilities in the area.

The Company expects more specific sales processes to commence when the pending regulation and utility issues are granted.

Industrial Park (No. 4 on the table) – A conditional sale of in total 3 plots totalling about EUR 0.8m has been terminated. The Company is planning to file a Court case against the local water utility, as in our opinion, the water Company has penetrated the land and located pipes on the property without the Company's consent.

Balada Market (No. 6 on the table) - The plot and building is marketed for sale. A court case has been commenced as the local Municipality has withdrawn a PUZ issued in 2015.

Badulescu plot (No. 2 on the table) – Based on the Lakeside, the Company is planning to regulate the plot for residential use. The plot is located very close to the Lake Side project.

### **Restitution claim, plot of 1,453 sqm, Constanta Court case no. 2567/118/2016**

After an eight-year battle in Court, including an application to the Romanian High Court of Justice and Constanta Court of Appeal, the Company successfully obtained late 2020 a final and irrevocable order of Constanta Court of Appeal who decided restitution of the land in full.

The Court decision shows the impartiality of the Romanian Courts and respect to the rule of law, as well as the integration of Romanian Court of law system into the European law system.

The piece of land is already agreed to be sold for about EUR 0.39m to the buyer of the Company's previous Mamaia North plots, as soon as the Court verdict will be received in official writing, and the administrative procedures for the transfer of the plot to the Company are finalised. This is expected during 2Q 2021.

### **Contestation against the Tax Authority Decision No. F-CT 344/29.05.2018**

The case has been on the Court of Appeal agenda on 13<sup>th</sup> January 2020. The Court of Appeal is expected to issue a decision in respect of this legal process before 1<sup>st</sup> of March 2021.

## The Property Portfolio

The Company's land bank consists at the end of Q4 2020 of 6 plots with a total size of 267,914 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	49,403
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
<b>Total</b>		<b>267,914</b>

## Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 23/02/2021:

No	SHAREHOLDER	SHARES	%
1	SIX SIS AG	10,331,934	24.98%
2	THORKILDSEN, WENCHE SYNNØVE	5,392,985	13.04%
3	GRØNSKAG, KJETIL	4,451,626	10.76%
4	SAGA EIENDOM AS	3,262,976	7.89%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,506,445	3.64%
7	ENERGI INVEST AS	1,236,948	2.99%
8	ORAKEL AS	1,101,000	2.66%
9	BNP Paribas Securities Services	991,717	2.40%
10	SPAR KAPITAL INVESTOR AS	940,236	2.27%
11	GRØNLAND, STEINAR	866,802	2.10%
12	THORKILDSEN INVEST AS	829,478	2.01%
13	PERSSON, ARILD	718,000	1.74%
14	HOEN, ANDERS MYSSEN	689,557	1.67%
15	KVAAL INVEST AS	510,000	1.23%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	Banque de Luxembourg S.A.	409,725	0.99%
19	FRENICO AS	396,000	0.96%
20	NORDNET LIVSFORSIKRING AS	372,228	0.90%
	<b>TOTAL TOP 20</b>	<b>37,074,040</b>	<b>89.09%</b>

(1) This is the Top 20 Shareholder list as per 23 Feb 2021

(2) The total issued number of shares issued at end Q4 2020 was 41,367,783.

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

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,451,626 shares corresponding to 10.76

(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 improve the shareholder value and exit. This includes, among others, increased sales & marketing efforts, and if deemed required some infra-structure investments, and more resources into regulation processes. The ongoing tax dispute and two new cases (Balada Market and Industrial Park) adds uncertainty and reduces the financial flexibility and any capital optimizing activities are currently not a realistic alternative.



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

### **Accounting Principles**

The condensed consolidated interim financial statements for the fourth quarter of 2020, which have been prepared in accordance with IFRS as adopted by EU and IAS 34 Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. 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 2019. The financial statements have been prepared on a going concern basis.

The information presented in the interim report for the third quarter of 2020 includes a fair review of important events that have occurred during the period and their impact on the condensed financial statements, the principal risks and uncertainties for the remaining of 2020, and major related party transactions.

### **Comparative data for Q4 2020 and Q4 2019**

The interpretations below refer to comparable financial information for Q4 2020 and Q4 2019. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

### **Operating Revenue**

The operating revenue during Q4 2020 was EUR 446,000 compared to a total of EUR 428,000 reported in Q4 2019. This consists of the revenue resulting mainly from the disposals made during the quarter as well as the rent earned by the Company in respect of some of the plots.

### **Operating Expenses**

Total operating expenses amounted to a negative EUR 480,000 in Q4 2020 compared to a total negative EUR 127,000 in Q3 2019. The main element of cost relates to the EUR 220,000 unrealised loss on the Rofrench plot. Other costs are split across the general and administrative expenses (EUR 194,000) and the payroll costs (EUR 72,000).

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

The other operating income/ (expense) during the quarter were a loss of EUR 3,423,000, reflecting (i) the value adjustment resulting following the independent valuation report, (ii) the extraordinary cost incurred in relation to the disputed tax and (iii) the movement in the EUR/RON exchange rate.

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

During Q4 2020, RomReal generated an operating loss of EUR 3,457,000, compared to a loss of EUR 491,000 in Q4 2019.

### **Financial Income and expense**

Foreign exchange result for Q4 2020 was a net gain of EUR 5,000 compared to a net foreign exchange loss of EUR 298,000 in Q4 2019. During the quarter the RON lost 1.89% to 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 2020 was a loss of EUR 3,453,000 compared to a loss before tax of EUR 789,000 in Q4 2019.

## Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q4 2020 was EUR 1,207,000 compared to EUR 2,554,000 as at end of Q3 2020. In addition, a total of EUR 247,513 in outstanding payments related to binding sales agreements, totalling at about EUR 1.5 million. The proceeds from the restitution case is not included in the table below.

RomReal portfolio / sale transactions to be completed in 2020-2021.

No	Plot name	Location	Plot size (sqm)	Agreed sale value (EUR)	Installments received@ 11/02/2021	To cash 2021
1	Alexandriei plot	Bucharest sector 5	13,263	1,850,000	1,750,000	100,000
2	Ovidiu Lakeside plot 15	Ovidiu Constanta		58,000	48,175	9,825
3	Ovidiu Lakeside plot 16	Ovidiu Constanta		163,210	117,874	40,803
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta		387,540	279,890	96,885
<b>Total</b>			<b>13,263</b>	<b>2,458,750</b>	<b>2,195,939</b>	<b>247,513</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.

## Provisions

The Company is currently the subject of a tax dispute for a total amount of EUR 1.05 million. This amount was reduced from an initial claim of EUR 1.7 million, with the help of Company's advisers. The Company has decided to make the payment of the tax, with a view to benefit a waiver from any potential penalties in case the final court decision would not be in the Company's favour. This payment does not have any influence on the outcome of the court case. As a result, a provision has been booked for the same amount.

## CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q4 2020	Q4 2019	YTD 2020	YTD 2019
Rent revenue	34	39	253	161
Revenue from sale of assets	412	389	1,388	447
<b>Operating revenue</b>	<b>446</b>	<b>428</b>	<b>1,641</b>	<b>608</b>
Payroll expenses	(72)	(57)	(214)	(208)
Management fees	6	(24)	(95)	(100)
Inventory (write off)/reversal	(220)	45	(174)	94
General and administrative expenses	(194)	(91)	(493)	(476)
<b>Operating expenses</b>	<b>(480)</b>	<b>(127)</b>	<b>(976)</b>	<b>(690)</b>
<b>Profit/ (loss) before other operating items</b>	<b>(34)</b>	<b>301</b>	<b>665</b>	<b>(82)</b>
Other operating income/(expense), net	(3,423)	(792)	(3,986)	(568)
<b>Profit from operations</b>	<b>(3,457)</b>	<b>(491)</b>	<b>(3,321)</b>	<b>(650)</b>
Financial income	(8)	1	5	11
Financial costs	(0)	(4)	(10)	(14)
Foreign exchange, net	13	(295)	(637)	(1,201)
<b>Result before tax</b>	<b>(3,453)</b>	<b>(789)</b>	<b>(3,962)</b>	<b>(1,854)</b>
Tax expense	14	(24)	4	(36)
<b>Result of the period</b>	<b>(3,439)</b>	<b>(813)</b>	<b>(3,958)</b>	<b>(1,890)</b>

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	December 31, 2020	December 31, 2019
<b>Non-current assets</b>		
Investment properties	2,761	3,543
Property, plant and equipment	74	105
Deferred tax asset	116	118
<b>Total non current assets</b>	<b>2,951</b>	<b>3,767</b>
<b>Current assets</b>		
Inventories	8,419	9,572
Other short term receivables	1,597	984
Cash and cash equivalents	1,207	2,371
<b>Total current assets</b>	<b>11,223</b>	<b>12,927</b>
Assets held for sale	2,240	2,320
<b>TOTAL ASSETS</b>	<b>16,414</b>	<b>19,013</b>
<b>EQUITY AND LIABILITIES</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Equity</b>		
Share capital	103	103
Contributed surplus	87,117	87,117
Other reserves	160	160
Retained earnings	(72,749)	(69,810)
Result of current period	(3,958)	(1,890)
FX reserve	4,362	2,820
<b>Total equity</b>	<b>15,035</b>	<b>18,501</b>
<b>Non current liabilities</b>		
Deferred income tax	117	126
<b>Total non current liabilities</b>	<b>117</b>	<b>126</b>
<b>Current Liabilities</b>		
Other payables	93	112
Deferred income	36	274
Tax payable	0	0
Provisions	1,134	0
<b>Total current liabilities</b>	<b>1,262</b>	<b>387</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,414</b>	<b>19,013</b>

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	December 31, 2020	December 31, 2019
<b>Profit for the year</b>	<b>(3,958)</b>	<b>(339)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	1,742	284
<b>Other comprehensive income for the year, net of tax</b>	<b>1,742</b>	<b>284</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>(2,217)</b>	<b>(55)</b>

## CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	December 31, 2020	December 31, 2019
Net cash flow from operating activities	(1,891)	(338)
Net cash flow from investing activities	728	(760)
Net cash flows from financing activities	-	-
<b>Net cash change during period</b>	<b>(1,164)</b>	<b>(1,098)</b>
Cash at beginning of period	2,371	3,469
<b>Cash and cash equivalents at end of the period</b>	<b>1,207</b>	<b>2,371</b>

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	December 31, 2020	December 31, 2019
Equity at the beginning of the period	18,501	19,603
Result for the period	(3,958)	(1,890)
Other changes	493	788
<b>Equity at the end of the period</b>	<b>15,035</b>	<b>18,501</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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