

Q2

RomReal Limited
Second Quarter 2021 Report
27 August 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 Second Quarter 2021

Net Asset Value (NAV)

- Net Asset value was EUR 0.36 (NOK 3.87 before any tax) per share, that being about 0.2% higher compared to the end of the first quarter 2021.
- The year-end 2020 valuation was concluded by Knight Frank in February 2021 therefore no further adjustments were made to the value of the investment properties during the quarter.

Operational highlights

- During the second quarter of 2021, the Company sold a further 4 plots, of which two from the Ovidiu Lake side project and two plots of the Oasis property for a total consideration of EUR 0.29m. Total infrastructure investments by the end of second quarter 2021 was EUR 2.8m.
- Following the end of Q2 2021, the Company entered several Lakeside sale transactions with a total consideration of gross about EUR 3.8m. Of this EUR 1.5m is paid in cash, and the remaining EUR 2.3m as a seller's credit is agreed to be paid evenly over three years.
- In order to improve and solve the situation of the net assets and equity in the Romanian sub-holding Westhouse Group, the Company has decided to comply with the Tax Authority decision of 2018, as an acceptable fiscal solution with a claim of EUR 1.1m already advanced in 2020, with no further liquidity effect.

Financial Results

- Net Result for the quarter was EUR 380,000 loss compared to a EUR 196,000 loss in 2Q 2020. Net change in cash-flow for the quarter was a positive EUR 50,000 compared to positive EUR 437,000 in the same period last year. This was mainly due to the sales realised during the quarter outpacing the operational expenditure.
- At the end of the quarter, the Company had a cash position of EUR 1.26 million plus a total of EUR 2.3 million in unsettled receivables related to binding sales agreements due 21-24, totalling EUR 3.76 million or about EUR 0.09 per share. In addition the settlement for the Mamaia North restitution case win EUR 0.39m is expected in 2 half 2021.

Macro and real estate market highlights

- Romania's GDP continued its robust post-pandemic recovery in the second quarter after already returning to pre-pandemic level in the first quarter. Compared to Q2 2020, the GDP grew by 13% in nominal terms, while for the entire H1 2021 the growth was 6.5% compared to the same period of last year, according to flash data released by the National Statistics Institute (INS) on Tuesday, August 17 2021.

- Asking prices for apartments and houses in Romania gained 7% in the second quarter of 2021 compared first quarter of 2021 and some 11% compared to the same period of 2020. Q2 2021 average residential prices in Romania reached an average price of EUR 1,480/sqm compared to 1,379/sqm at the end of the previous quarter. In Constanta, average prices increased by 5% during the second quarter of 2021 (EUR 1,332/sqm at the end of June 2021, compared to EUR 1,268/sqm at the end of March 2021), according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q2 2021	Q2 2020
Operating Revenue	331	190
Operating Expenses	(243)	(176)
Other operating income/ (expense), net	(468)	(37)
Net financial income/(cost)	3	(170)
Pre-tax result	(377)	(195)
Result for the period	(380)	(196)
Total assets	15,340	18,819
Total liabilities	191	125
Total equity	15,029	18,564
Equity %	98.0%	98.6%
NAV per share (EUR)	0.36	0.45
Cash position	1,257	2,808

Movement in Net Asset Value

The Net Asset Value (NAV) slightly increased to EUR 15,029,000 at the end of Q2 2021 compared to EUR 15,003,000 at the end of Q1 2021, excluding any tax.

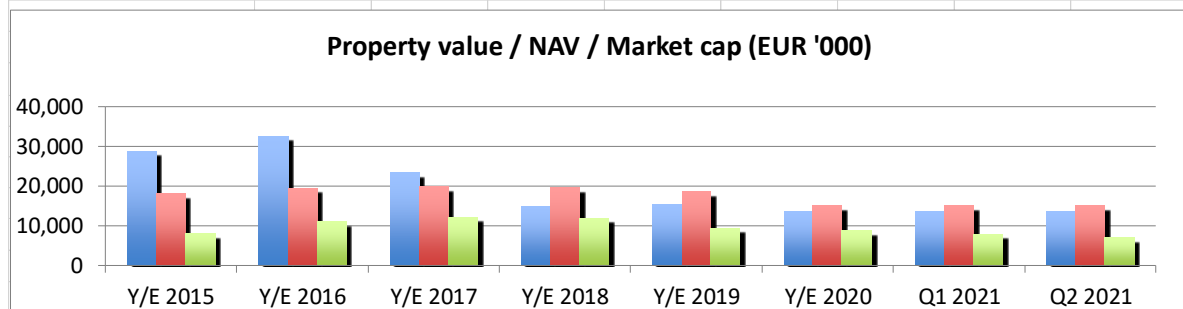
Asset base	Q2 2021			Q1 2021		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	4,149	0.10	1.07	4,087	0.10	1.05
Assets held for sale	2,247	0.05	0.58	2,240	0.05	0.58
Inventories	7,014	0.17	1.80	7,094	0.17	1.83
Cash	1,257	0.03	0.32	1,247	0.03	0.32
Other assets/(liabilities)	363	0.01	0.09	335	0.01	0.09
Net asset value	15,029			15,003		
NAV/Share		0.36	3.87		0.36	3.86
Change in NAV vs previous quarter	0.2%			-0.2%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q4 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 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020	Q1 2021	Q2 2021
Property value	28,736	32,787	23,419	14,962	15,435	13,420	13,421	13,410
NAV	18,089	19,369	19,930	19,603	18,501	15,035	15,003	15,029
Market cap	7,933	11,052	12,100	11,848	9,326	8,687	7,819	6,950
Market cap/NAV	44%	57%	61%	60%	50%	58%	52%	46%



Cash Flow

EUR '000	Q2 2021	Q2 2020
Net cash flow from operating activities	(61)	(189)
Net cash flow used in investing activities	71	127
Net cash flows from financing activities	-	-
Net cash change during period	10	(62)

Operating cash flow for Q2 2021 was positive EUR 10,000 compared to a negative EUR 62,000 in the same quarter last year. The net positive change is mainly explained by the disposals made during the second quarter which exceeded the amount of investments and operating expenditure. The net cash from investing activities includes the collections made in respect of the sold plots.

Market Facts – Macro

Romania's economy continued its robust post-pandemic recovery in the second quarter after already returning to pre-pandemic level in the first quarter.

Compared to the second quarter of 2020, the GDP grew by 13% in nominal terms and 13.6% in seasonally adjusted terms, according to flash data released by the National Statistics Institute (INS) on Tuesday, August 17.

For the first half of 2020, Romania recorded a GDP growth of 6.5% compared to the same period of last year.

There have been about 1,100,000 confirmed cases of coronavirus in Romania to date and about 35,000 fatalities. On the positive side, Romania's key Covid stats have improved significantly over the last couple of months, due to strict measures and solid progress in the vaccination ratio as a member of the EU. This has resulted in a significant reduction in restrictions and traveller's from Romania are classified as "green" by all European countries.

Real Estate market facts

The volume of construction works on residential buildings projects in Romania rise by 16% in January-June compared to previous year period, according to data published by the statistics office INS on June 16.

Of note, the non-residential buildings segment, aggregating logistics, industrial, offices and commercial sub-segments, posted flat dynamics compared to the same period last year.

The combination of low interest rates, accumulation of reserves in households' accounts, and rising demand for housing units (broadly neglected before the lockdown) resulted in a booming housing market not only in Romania but globally.

Investment: In H1 2021, the total volume invested in real estate assets in Romania reached EUR 298m, a 23% decrease compared to H1 2020, as a number of important deals are expected to close in the second half of the year. The most active segment was the office sector, with estimated transaction values of app. EUR 193m. The Industrial segment attracted circa 24% of the capital, while the remaining 11% split between the retail and hospitality sectors. The largest transaction pertained to Skanska's disposal of the Campus 6.2 and 6.3 office buildings (38,000 sq. m GLA in total) in Bucharest to S Immo for EUR 97m.

Offices: At the end of 2020, Bucharest modern office stock reached at 2.95m sqm of office space, more than half, respectively 63% being class A. That said, many rental agreements have been postponed or slowed down given the uncertainty associated with the pandemic. For projects under construction, the owners have started to adapt the installations and equipment to reduce the risks of covid: provide more fresh air through the ventilation system and install better quality filters, more opening windows, smarter lifts, etc.

Retail: Romania's modern retail stock reached at the end of 2020 at 3.90m sqm of shopping centers and retail parks, as circa 139,000 sqm 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: The industrial and logistics market has been the forefront segment once again, as the total take-up in H1 2021 was 21% higher compared to H1 2020, thus confirming its position as the leading real estate sector during the pandemic, according to a report by Cushman & Wakefield.

Land market: 2021 started well, especially for the residential business, the houses/villas sector, which became attractive in the lockdown periods. Land for industrial sites was and is still also in focus, due to the conversion to online shopping and the need for further logistics, both in Bucharest and other big cities in Romania.

Residential Market: During Q2 2021 residential average prices in Romania apartments increased by circa 7% compared to the beginning of the quarter. In Constanta, average prices increased by some 5% from EUR 1,268 per sqm to EUR 1,332 per sqm according to www.imobiliare.ro index.

Operational Overview

Lake Side (No.1 on the table) – The Company has on-going processes for plot sales in the area. Grid connection of the land is expected to be finalised in October 2021.

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 value to the whole plot and authorise the works for constructing the utilities in the area, hopefully during 2nd half this year. During second quarter the Company sold two smaller plots on Oasis at prices somewhat above present valuation. Based on the infrastructure investments strategy implemented on Lake Side, a similar approach is likely on Oasis. Furthermore, the Board of Directors have to conclude a review how to maximise value of the two apartment structures on the plot.

Industrial Park (No. 4 on the table) – Due to unapproved location of the pipes owned by the local water utility, which were unlawfully located on the Company's plots, the sales and marketing process of the project is put on hold, and the Company is expecting to file a Court application against the water company.

Balada Market (No. 6 on the table) - The plot and building is for sale. In order to increase income, a regulation process to utilise a larger part of the plot for parking has commenced and is expected approved before the end of the year.

Badulescu plot (No. 2 on the table) – Based on the Lakeside plot experience, the Company has started a process to regulate this plot located nearby Lake Side for residential and commercial use. This will likely include infrastructure investments to make the project extra attractive for new owners.

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

The piece of land is agreed to be sold to the buyer of the Company's previous Mamaia North plots, as soon as the administrative procedures for the transfer of the plot to the Company is finalised, with expected closing before year-end 2021. The agreed price is about EUR 390,000.

Improving of net assets and equity of Westhouse Group in order to comply with Companies Law no. 31/1990

In order to improve the situation of the net assets and equity in the Romanian sub-holding Westhouse Group, in compliance with the provision of the Companies Law no. 31/1990, the Company has decided to comply with the Tax Authority decision F/CT/344/29.05.2018 as an acceptable fiscal solution with a claim of EUR 1.1m already advanced in 2020, with no further liquidity effect.

The Property Portfolio

The Company's land bank consists at the end of Q2 2021 of 6 plots with a total size of 265,390 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	47,845
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	23,685
4 Centrepont	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
Total		265,390

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 16 August 2021:

Rank	Name	Holding	Stake
1	SIX SIS AG	10,331,934	24.98%
2	THORKILDSEN, WENCHE SYNNØVE	5,392,985	13.04%
3	GRØNSKAG, KJETIL	4,228,000	10.22%
4	SAGA EIENDOM AS	3,275,723	7.92%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,507,924	3.65%
7	ENERGI INVEST AS	1,252,611	3.03%
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	THORKILDSEN INVEST AS	829,478	2.01%
12	GRØNLAND, STEINAR	788,113	1.91%
13	PERSSON, ARILD	718,000	1.74%
14	HOEN, ANDERS MYSSSEN	689,557	1.67%
15	KVAAL INVEST AS	560,000	1.35%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	NORDNET LIVSFORSIKRING AS	455,207	1.10%
19	GRØNCO AS	420,337	1.02%
20	BANQUE DE LUXEMBOURG	409,725	0.99%
TOP 20		36,958,930	89.34%

(1) This is the Top 20 Shareholder list as per 16 August 2021

(2) The total issued number of shares issued at end Q2 2021 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 4,646,127 shares corresponding to 11.2%.

(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. This includes, among others, increased sales & marketing efforts, and required infrastructure investments in several of the remaining projects. The tax case now concluded has reduces the financial flexibility. Even though the Board is satisfied with the recent sales development on Lakeside, a prolonged uptick is not given. An uncertain sales progress combined with vendor financing, further infrastructure investments to improve marketability, indicate a complete sale of the entire portfolio could easily drag out for another 2-3 years.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the second quarter of 2021, 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 2020. The financial statements have been prepared on a going concern basis.

To information presented in the interim report for the second quarter of 2021 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 2021, and major related party transactions.

Comparative data for Q2 2021 and Q2 2020

The interpretations below refer to comparable financial information for Q2 2021 and Q2 2020. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q2 2021 was EUR 331,000 compared to a total of EUR 190,000 reported in Q2 2020. 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 243,000 in Q2 2021 compared to a total negative EUR 176,000 in Q2 2020. The main elements of cost relate to the EUR administrative expenses (EUR 162,000) and the payroll costs (EUR 64,000). The unrealised losses in respect of the inventories portfolio added another EUR 40,000 to the expenses.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were a loss of EUR 58,000, compared to a loss of EUR 37,000 during the same period of the previous year.

Profit/ (loss) from operations

During Q2 2021, RomReal generated an operating profit of EUR 31,000, compared to a loss of EUR 24,000 in Q2 2020.

Financial Income and expense

Foreign exchange result for Q2 2021 was a net loss of EUR 407,000 compared to a net foreign exchange loss of EUR 171,000 in Q2 2020. During the quarter the RON lost 0.03% 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 Q2 2021 was a loss of EUR 377,000 compared to a loss before tax of EUR 195,000 in Q2 2020.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q2 2021 was EUR 1,257,000 compared to EUR 2,808,000 as at end of Q2 2020. In addition, a total of EUR 2,5 million in outstanding payments related to binding sales agreements.

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

Romreal portfolio / sale transactions to be completed in 2021-2024								
No	Plot name	Location	Agreed sale value (EUR)	Installments received@ 15/08/2021	To cash 2021	To cash 2022	To cash 2023	To cash 2024
1	Alexandriei plot	Bucharest sector 5	1,850,000	1,750,000	100,000			
2	Ovidiu Lakeside plot 15	Ovidiu Constanta	58,000	50,208	7,792			
3	Ovidiu Lakeside plot 16	Ovidiu Constanta	163,210	149,609	13,601			
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta	387,540	355,245	32,295			
5	Ovidiu Oasis plot	Ovidiu Constanta	88,000	30,800	20,800	36,400		
6	Ovidiu Lakeside 6 blocks	Ovidiu Constanta	2,729,250	450,000	253,250	759,750	759,750	506,500
Total			5,276,000	2,785,862	427,738	796,150	759,750	506,500

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 4 of the Group companies (1 pays 1% tax and 3 of them 3% tax) while 1 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

	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Rent revenue	43	25	81	181
Revenue from sale of assets	288	164	508	983
Operating revenue	331	190	589	1,164
Payroll expenses	(64)	(53)	(129)	(104)
Management fees	24	(24)	0	(47)
Inventory (write off)/reversal	(40)	-	138	94
General and administrative expenses	(162)	(99)	(289)	(253)
Operating expenses	(243)	(176)	(280)	(311)
Profit/ (loss) before other operating items	88	14	310	853
Other operating income/(expense), net	(58)	(37)	(143)	(698)
Profit from operations	31	(24)	167	156
Financial income	1	1	2	2
Financial costs	(410)	(3)	(410)	(7)
Foreign exchange, net	1	(170)	(54)	(651)
Result before tax	(377)	(195)	(294)	(500)
Tax expense	(3)	(2)	(8)	(7)
Result of the period	(380)	(196)	(302)	(507)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	June 30, 2021	June 30, 2020	December 31, 2020
Non-current assets			
Investment properties	4,149	3,755	3,329
Property, plant and equipment	58	89	74
Deferred tax asset	115	117	116
Total non current assets	4,321	3,961	3,520
Current assets			
Inventories	7,014	8,975	7,850
Other short term receivables	501	731	523
Cash and cash equivalents	1,257	2,808	1,207
Total current assets	8,772	12,529	9,581
Assets held for sale	2,247	2,329	2,240
TOTAL ASSETS	15,340	18,819	15,340
EQUITY AND LIABILITIES	June 30, 2021	June 30, 2020	December 31, 2020
Equity			
Share capital	103	103	103
Contributed surplus	87,117	87,117	87,117
Other reserves	160	160	160
Retained earnings	(75,659)	(71,699)	(71,700)
Result of current period	(302)	(507)	(3,958)
FX reserve	3,609	3,389	3,313
Total equity	15,029	18,564	15,035
Non current liabilities			
Deferred income tax	119	130	117
Total non current liabilities	119	130	117
Current Liabilities			
Other payables	107	99	93
Deferred income	25	26	36
Tax payable	60	0	60
Total current liabilities	191	125	189
TOTAL EQUITY AND LIABILITIES	15,340	18,819	15,340

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	June 30, 2021	December 31, 2020	March 31, 2020
Profit for the year	(302)	(3,958)	(507)
Other comprehensive income			
Exchange differences on translation of foreign operations	220	693	689
Other comprehensive income for the year, net of tax	220	693	689
Total comprehensive income for the year, net of tax	(82)	(3,265)	182

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	June 30, 2021	December 31, 2020	June 30, 2020
Net cash flow from operating activities	(299)	(1,891)	(371)
Net cash flow from investing activities	349	728	808
Net cash flows from financing activities	-	-	-
Net cash change during period	50	(1,164)	437
Cash at beginning of period	1,207	2,371	2,371
Cash and cash equivalents at end of the period	1,257	1,207	2,808

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	June 30, 2021	December 31, 2020	June 30, 2020
Equity at the beginning of the period	15,035	18,501	18,501
Result for the period	(302)	(3,958)	(507)
Other changes	296	493	570
Equity at the end of the period	15,029	15,035	18,564

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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