

Q1

RomReal Limited
First Quarter 2021 Report
28 May 2021



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

Highlights First Quarter 2021

Net Asset Value (NAV)

- Net Asset value was EUR 0.36 (NOK 3.86 before any tax) per share, that being about 0.2% lower compared to the end of the fourth quarter 2020.
- 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 first quarter 2021, the Company sold a further 4 plots from the Ovidiu Lake side project and two plots of the Oasis property for a total consideration of EUR 0.318 million.
- During 1Q 2021, EUR 0.36 million (ex VAT) have been further invested in infrastructure, primarily in Industrial Park and Lakeside, lifting the total infrastructure investments up to EUR 1.46 million.

Financial Results

- Net Result for the quarter was EUR 78,000 gain compared to a EUR 310,000 loss in 1Q 2020. Net change in cash flow for the quarter was a positive EUR 40,000 compared to positive EUR 499,000 in the same period last year. This was mainly due to the ongoing sales realised during the quarter slightly outpacing the operational expenditure.
- At the end of the quarter, the Company had a cash position of EUR 1.2 million plus about EUR 0.67 million in binding unpaid sales due 21/22 and won restitution case proceeds Mamaia North (1.453m²).

Macro and real estate market highlights

- Romania's GDP grew by 2.8% during 1Q 2021 compared to the last quarter of 2020, flash data from the country's statistical board, INS, showed. This makes it the third consecutive quarter of recovery after the 11.8% quarter-on-quarter drop recorded in the second quarter of 2020 amid the state of emergency and the lockdown. This growth is achieved about one quarter earlier than analysts envisaged and paves the way for a GDP growth rate in 2021 that could exceed previous forecasts of 5.5%.
- Asking prices for apartments and houses in Romania gained 3% in the first quarter of 2021 compared to the same period of 2020. During April 2021 residential average prices in Romania increased by 1.2% compared to the end Q1 2021 and 2.1% higher compare with the same period last year. In Constanta, average prices increased by 1.7% compared to Q1 2021, currently averaging at EUR 1.290 per m². Compared with April 20, prices in Constanta are 5% higher according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q1 2021	Q1 2020
Operating Revenue	258	974
Operating Expenses	(37)	(135)
Other operating income/ (expense), net	(85)	(660)
Net financial income/(cost)	(54)	(484)
Pre-tax result	82	(305)
Result for the period	78	(310)
Total assets	15,294	18,876
Total liabilities	291	370
Total equity	15,003	18,506
Equity %	98.1%	98.0%
NAV per share (EUR)	0.36	0.45
Cash position	1,247	2,870

Movement in Net Asset Value

The Net Asset Value (NAV) slightly decreased to EUR 15,003,000 at the end of Q1 2021 compared to EUR 15,035,000 at the end of Q4 2020.

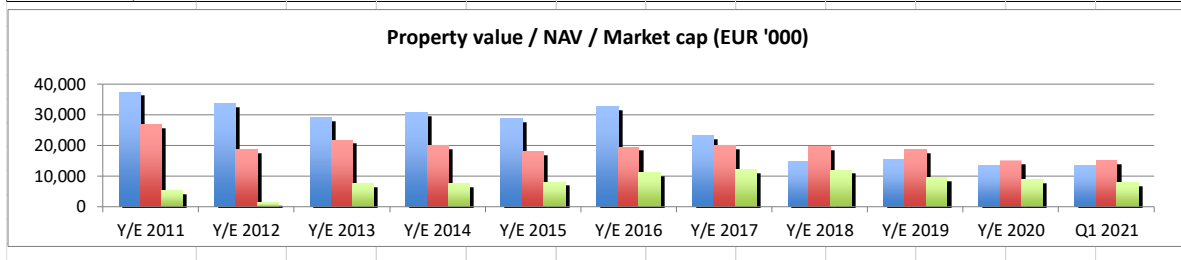
Asset base	Q1 2021			Q4 2020		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	4,087	0.10	1.05	2,761	0.07	0.71
Assets held for sale	2,240	0.05	0.58	2,240	0.05	0.58
Inventories	7,094	0.17	1.83	8,419	0.20	2.17
Cash	1,247	0.03	0.32	1,207	0.03	0.31
Other assets/(liabilities)	335	0.01	0.09	409	0.01	0.11
Net asset value	15,003			15,035		
NAV/Share		0.36	3.86		0.36	3.87
Change in NAV vs previous quarter	-0.2%			-18.2%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q4 2021.

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 2011	Y/E 2012	Y/E 2013	Y/E 2014	Y/E 2015	Y/E 2016	Y/E 2017	Y/E 2018	Y/E 2019	Y/E 2020	Q1 2021
Property value	37,363	33,842	29,304	30,797	28,736	32,787	23,419	14,962	15,435	13,420	13,421
NAV	26,837	18,506	21,671	19,916	18,089	19,369	19,930	19,603	18,501	15,035	15,003
Market cap	5,335	1,520	7,623	7,541	7,933	11,052	12,100	11,848	9,326	8,687	7,819
Market cap/NAV	20%	8%	35%	38%	44%	57%	61%	60%	50%	58%	52%



Cash Flow

EUR '000	Q1 2021	Q1 2020
Net cash flow from operating activities	(34)	639
Net cash flow used in investing activities	74	(139)
Net cash flows from financing activities	-	-
Net cash change during period	40	(252)

Operating cash flow for Q1 2021 was negative EUR 34,000 compared to a positive EUR 639,000 in the same quarter last year. The net positive change is mainly explained by the disposals made during the first 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

Gross Domestic Product of Romania grew 2.8% in the first quarter of 2021, according to the latest flash report by the National Institute of Statistics (INS).

This may result according to some analysts in Romania's economy growing beyond the latest estimate of 6% for the entire year that the International Monetary Fund (IMF) forecast in early April 2021.

In 2022, the IMF expects Romania's economy to grow by 4.8%, the Fund said in the April edition of its World Economic Outlook (WEO) report.

Romania's economy contracted by 3.9% in 2020, the IMF estimated.

There have been nearly 1,100,000 confirmed cases of coronavirus in Romania to date and various parts of the country are in different stages of lockdown. On the positive side, most covid stats have started to improve over the last couple of weeks. Consequently, the Government has announced plans to lift some more restrictions starting 1 June 2021.

Real Estate market facts

According to a report by CRBE, 2021 is expected to be a good year for the real estate market, but much depends on the timely implementation of mass vaccinations. As seen from the preliminary GDP data, the economy is expected to reverse the negative impact of the pandemic.

Investment: Romania's total investment volume accounted at the end of the year for EUR 588.5 million, a value almost half of the one registered in the record year 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.

Offices: At the end of 2020, Bucharest modern office stock reached at 2.95 million m² 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: Romania's modern retail stock reached at the end of 2020 at 3.90 million m² of shopping centers and retail parks, as about 139,000 m² 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: Industrial modern stock in Romania reached at the end of 2020 at approx. 5 million m² after more than half a million., respectively, 574,000 m² were delivered over the year. 65% of the 2020 delivered area can be found 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.

Land market: In spite of a 2020 sprinkled with uncertainties, 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.

Residential Market: Asking prices for apartments and houses in Romania gained 3% in the first quarter of 2021 compared to the same period of 2020. During April 2021 residential average prices in Romania increased by 1.2% compared to the end Q1 2021 and 2.1% higher compare with the same period last year. In Constanta, average prices increased by 1.7% compared to Q1 2021, currently averaging at EUR 1.290 per m². Compared with April 20, prices in Constanta are 5% higher according to www.imobiliare.ro index.

Operational Overview

Lake Side (No.1 on the table) –Four plots have been sold and the Company has on-going processes for plot sales in the area. Grid connection of the land is expected to be finalised in Q4 2021.

Oasis (No. 3 on the table) –The Company is going to re-authorise the works for finalising the blocks erected on site, to add value to the whole plot and authorise the works for constructing the utilities in the area, hopefully during 2nd half this year.

Two plots have been sold and meanwhile the Company expects more specific sales processes to develop when the pending regulation and utility issues are granted and visible work commenced.

Industrial Park (No. 4 on the table) – Due to unapproved location of the pipes owned by the local water company, which were wrongly attached 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 local water company.

Balada Market (No. 6 on the table) - The plot and building is for sale. A court case has been commenced as the local Municipality has withdrawn a PUZ issued in 2015. In order to increase income, a regulation process to utilise a larger part of the plot for parking has commenced.

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 use.

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, presumably in Q2 2021. The agreed price is about EUR 390,000.

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

The case has been rejected by Constanta Court of Appeal and the Company is going to continue the legal process in front of Romanian High Court of Justice, which is the ultimate deciding entity.

Once more, the Company fully trusts Romanian Courts, their impartiality, respect to the rule of law, fully integrated into the European law system.

Operational Overview

The Property Portfolio

The Company's land bank consists at the end of Q1 2021 of 6 plots with a total size of 265,862 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	48,317
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		265,862

Shareholder Information

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

No	Shareholder	Holding	Holding %
1	SIX SIS AG	10,331,934	24.98%
2	THORKILDSEN, WENCHE SYNNØVE	5,392,985	13.04%
3	GRØNSKAG, KJETIL	4,546,127	10.98%
4	SAGA EIENDOM AS	3,262,976	7.89%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,507,924	3.65%
7	ENERGI INVEST AS	1,242,478	3.00%
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	851,801	2.06%
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	550,010	1.33%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	NORDNET LIVSFORSIKRING AS	441,432	1.07%
19	Banque de Luxembourg S.A.	409,725	0.99%
20	FRENICO AS	396,000	0.96%
	Total Top20	36,951,636	89.32%

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

(2) The total issued number of shares issued at end Q1 2021 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 4,546,127 shares corresponding to 11%.

(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 to improve the shareholder value. 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 other legal processes adds uncertainty and reduces the financial flexibility. This combined with a relatively slow sales process indicate a complete exit could easily drag-out for another couple of years.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the first 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 first 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 Q1 2021 and Q1 2020

The interpretations below refer to comparable financial information for Q1 2021 and Q1 2020. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2021 was EUR 258,000 compared to a total of EUR 974,000 reported in Q1 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 37,000 in Q1 2021 compared to a total negative EUR 135,000 in Q1 2020. The main elements of cost relate to the EUR administrative expenses (EUR 127,000) and the payroll costs (EUR 65,000). However they were offset by an unrealised gain in respect of the inventories portfolio.

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were a loss of EUR 85,000, compared to a loss of EUR 660,000 during the same period of the previous year.

Profit/ (loss) from operations

During Q1 2021, RomReal generated an operating gain of EUR 136,000, compared to a gain of EUR 179,000 in Q1 2020.

Financial Income and expense

Foreign exchange result for Q1 2021 was a net loss of EUR 54,000 compared to a net foreign exchange loss of EUR 484,000 in Q1 2020. During the quarter the RON lost 1.14% 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 Q1 2021 was a gain of EUR 82,000 compared to a loss before tax of EUR 305,000 in Q1 2020.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q1 2021 was EUR 1,247,000 compared to EUR 2,870,000 as at end of Q1 2020.

Romreal portfolio / sale transactions to be completed in 2021/2022							
No	Plot name	Location	Plot size (sqm)	Agreed sale value (EUR)	Installments received@ 14/05/2021	To cash 2021	To cash 2022
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	136,008	27,202	
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta		387,540	322,950	64,590	
5	Ovidiu Oasis plot	Ovidiu Constanta		88,000	10,000	41,600	36,400
Total			13,263	2,546,750	2,267,133	243,217	36,400

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 5 of the Group companies (2 pays 1% tax and 2 of them 3% tax) while 1 of them is 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

	YTD 2021	YTD 2020
Rent revenue	38	156
Revenue from sale of assets	220	818
Operating revenue	258	974
Payroll expenses	(65)	(51)
Management fees	(24)	(24)
Inventory (write off)/reversal	179	94
General and administrative expenses	(127)	(154)
Operating expenses	(37)	(135)
Profit/ (loss) before other operating items	222	839
Other operating income/(expense), net	(85)	(660)
Profit from operations	136	179
Financial income	1	1
Financial costs	0	(4)
Foreign exchange, net	(55)	(481)
Result before tax	82	(305)
Tax expense	(5)	(5)
Result of the period	78	(310)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	March 31, 2021	March 31, 2020	December 31, 2020
Non-current assets			
Investment properties	4,087	3,543	3,329
Property, plant and equipment	66	97	74
Deferred tax asset	115	117	116
Total non current assets	4,267	3,757	3,520
Current assets			
Inventories	7,094	8,975	7,850
Other short term receivables	446	920	523
Cash and cash equivalents	1,247	2,870	1,207
Total current assets	8,787	12,789	9,581
Assets held for sale	2,240	2,329	2,240
TOTAL ASSETS	15,294	18,876	15,340
EQUITY AND LIABILITIES	March 31, 2021	March 31, 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	78	(310)	(3,958)
FX reserve	3,203	3,135	3,313
Total equity	15,003	18,506	15,035
Non current liabilities			
Deferred income tax	119	129	117
Total non current liabilities	119	129	117
Current Liabilities			
Other payables	87	113	93
Deferred income	25	128	36
Tax payable	60	1	60
Provisions	-	-	0
Total current liabilities	172	242	189
TOTAL EQUITY AND LIABILITIES	15,294	18,876	15,340

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2021	December 31, 2020	March 31, 2020
Profit for the year	78	(3,958)	(310)
Other comprehensive income			
Exchange differences on translation of foreign operations	69	693	434
Other comprehensive income for the year, net of tax	69	693	434
Total comprehensive income for the year, net of tax	146	(3,265)	124

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2021	December 31, 2020	March 31, 2020
Net cash flow from operating activities	(34)	(1,891)	639
Net cash flow from investing activities	74	728	(139)
Net cash flows from financing activities	-	-	-
Net cash change during period	40	(1,164)	499
Cash at beginning of period	1,207	2,371	2,371
Cash and cash equivalents at end of the period	1,247	1,207	2,870

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2021	December 31, 2020	March 31, 2020
Equity at the beginning of the period	15,035	18,501	18,501
Result for the period	78	(3,958)	(310)
Other changes	(110)	493	315
Equity at the end of the period	15,003	15,035	18,506

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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

The information included in this Report contains certain forward-looking statements that address activities, events or developments that RomReal Limited ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which RomReal is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors, we refer to RomReal's Annual Report for 2020. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and RomReal disclaims any and all liability in this respect.