

Q3

RomReal Limited
Third Quarter 2020 Report
27 November 2020



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

Highlights Third Quarter 2020

Net Asset Value (NAV)

- Net Asset value was EUR 0.44 (NOK 4.73) per share, about 1.0% lower compared to the end of the second quarter 2020.
- The year-end 2020 valuation was concluded by Knight Frank in February 2020 therefore no further changes were made to the value of the investment properties during the quarter, save for the capitalization of the expenditure made by the Group during the period with a view to improve the saleability of its land bank.

Operational highlights

- The Company continued investments in the infrastructure in order to add more value to the plots by the end of 3rd quarter 2020, amount at a total EUR 2.4 million (ex VAT). During Q4 2020, the Company entered a sale agreement for one more Lakeside plot (no. 1 on the list), for a total amount of EUR 55,130, received in full.
- After 8 years in the Courts, including an application to the Romanian High Court of Justice, the Company successfully obtained a final and irrevocable order of Constanta Court of Appeal who decided a full restitution of a 1,453m² plot. The piece of land is already agreed sold when all formalities are finalised, presumably in Q1 2021, for a gross price of about EUR 390,000.
- Romania is among the worst Covid-19 hit countries per capita in Europe with about 400,000 cases and 10,000 fatalities and with many areas being in a lock-down status. The pandemic is negatively affecting the Company's on-going permitting as well as its sales & marketing process.

Financial Results

- Net Result for the quarter was EUR 13,000 loss compared to a EUR 196,000 loss in 3Q 2019. Net change in cash flow for the quarter was a negative EUR 254,000 compared to minus EUR 62,000 in the same period last year.
- At the end of the quarter, the Company had a cash position of EUR 2.5 million plus a total of EUR 739,000 in unsettled receivables related to binding sales agreements, totalling at close to EUR 3.2 million or about EUR 0.1 per share. After the end of the period the Company has paid the EUR 1.05 million of the tax claim being therefore exempted for payment of penalties, irrespective of the outcome of the final Court decision to be issued in this case.

Macro and real estate market highlights

- Romania's GDP has decreased during the first 9 months of 2020 by 5.1% compared to the same period the previous year accord to flash data released by the National Statistical Institute.
- During Q3 2020 average residential prices in Romania declined by 2.2% at end of September 2020 compared with June 2020 and reached an average price of EUR 1,304/sqm compared to 1,333/sqm at the beginning of the quarter. Compare to the end of the third quarter of 2019, prices are still 2.5% higher. In Constanta, average

prices stayed relatively flat during the third quarter of 2020 (EUR 1,245/sqm at the end of September 2020, compared to EUR 1,240/sqm at the end of June 2020), according to www.imobiliare.ro index.

Key Financial Figures

EUR '000	Q3 2020	Q3 2019
Operating Revenue	32	43
Operating Expenses	(186)	(152)
Other operating income/ (expense), net	135	46
Net financial income/(cost)	9	(171)
Pre-tax result	(10)	(235)
Result for the period	(13)	(238)
Total assets	19,020	19,572
Total liabilities	639	456
Total equity	18,381	19,117
Equity %	96.6%	97.7%
NAV per share (EUR)	0.44	0.46
Cash position	2,554	2,490

Movement in Net Asset Value

The Net Asset Value (NAV) decreased to EUR 19,297,000 at the end of Q3 2020 compared to EUR 19,117,000 at the end of Q3 2019.

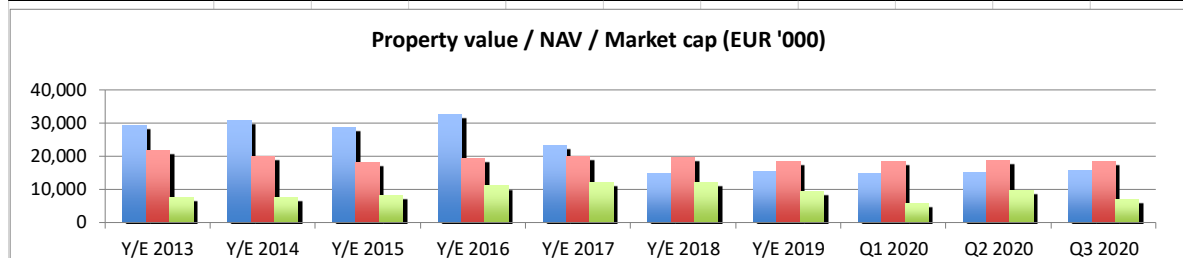
Asset base	Q3 2020			Q3 2019		
	EUR '000	EUR/ share	NOK/share	EUR '000	EUR/ share	NOK/share
Investment property	4,242	0.10	1.09	11,287	0.27	2.69
Assets held for sale	2,329	0.06	0.60	2,191	0.05	0.52
Inventories	8,975	0.22	2.31	2,492	0.06	0.59
Cash	2,554	0.06	0.66	2,490	0.06	0.59
Other assets/(liabilities)	282	0.01	0.07	658	0.02	0.16
Net asset value	18,381			19,117		
NAV/Share		0.44	4.73		0.46	4.55
Change in NAV vs previous quarter	-1.0%			-0.7%		

The average number shares used in the NAV calculation above is 41,367,783 shares and unchanged from Q2 2020.

Valuation of Properties

The end of year 2019 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	Q1 2020	Q2 2020	Q3 2020
Property value	29,304	30,797	28,736	32,787	23,419	14,962	15,435	14,847	15,059	15,545
NAV	21,671	19,916	18,089	19,369	19,930	19,603	18,501	18,506	18,654	18,381
Market cap	7,623	7,541	7,933	11,052	12,100	11,848	9,326	5,846	9,637	6,784
Market cap/NAV	35%	38%	44%	57%	61%	60%	50%	32%	52%	37%



Cash Flow

EUR '000	Q3 2020	Q3 2019
Net cash flow from operating activities	(178)	(294)
Net cash flow used in investing activities	(76)	(408)
Net cash flows from financing activities	-	-
Net cash change during period	(254)	(702)

Operating cash flow for Q3 2020 was negative EUR 254,000 compared to a negative EUR 702,000 in the same quarter last year. The net negative change is mainly driven by the investment activities of the Group, aimed at improving the saleability of its assets base. The net cash from investing activities includes the collections made in respect of the sold plots.

Market Facts – Macro

Romania recorded an economic decline of 6% in the third quarter of 2020, compared to the similar period of 2019, but compared to the previous quarter recorded an increase of 5.6%, according to flash data from the National Institute of Statistics (NSI).

According to the NSI, between January 1 and September 30, 2020, the GDP decreased, compared to the similar period of 2019, by 5.1% on the gross series and by 4.6% on the seasonally adjusted series.

The GDP was higher, in real terms, by 5.6% in the third quarter compared to the previous quarter. On a seasonally adjusted basis, in the third quarter of 2020, compared to the previous quarter, GDP increased by 5.6%. Compared to the same quarter of 2019, the GDP decreased by 6.0%. Between January 1 and September 30, 2020, compared to the corresponding period in 2019, the GDP decreased by 4.6%.

There have been about 400,000 confirmed cases of coronavirus in Romania so far, and the country is currently under a State of Alert. As in most other European countries, Romania is facing a second wave which has resulted in closed schools from early November and the healthcare system is struggling to struggle with the number of cases. From 20 November, in

most large cities including Constanta, opening hours of all shops are reduced and strict travel restrictions were implemented.

Real Estate market facts

According to a flash report issued by CRBE, the residential sector is fuelling the demand, followed by the retail and industrial ones. Significant land transactions have been registered also during the third quarter of 2020 despite the COVID-19 pandemic, both in Bucharest and in the rest of the country.

Many transactions have been recorded in Bucharest where residential and retail land plots have been the most sought-after properties. In terms of residential the local (Forty Management, Metropolitan Developments, Praga Imobiliare etc.) as well as international investors (Cordia, Shandong Dejian) have bought sites suitable for large schemes with 100 to over 500 apartments within areas connected to the public transportation and good infrastructure (in some of the cases the local authorities will start improving the infrastructure only after the plots are acquired). These particular areas are located across the city on former industrial platforms or on plots with no constructions.

The total investment volume for the first nine months of 2020 was at EUR 731 million, a 31% increase compared with the same period of 2019. Investors have focused almost exclusively on office projects that reflect 93% of the transaction volume, and have been active mainly in the Bucharest market, that being 85% of the total transaction volume.

Office Market: With a delay in delivering a number of projects, the current stock is at 3.3 million square meters. About 120,000 square meters of new office space was delivered by the end of Q3 2020 and another 40,000 square meters are expected to be delivered by the year end.

Industrial Market: Over 250,000 square meters of industrial space was delivered by Q3 2020, mainly in the region of Bucharest. The current space stock is around 4.8 million square meters with Bucharest holding 46% and the North West another 40%.

Residential Market: During Q3 2020 residential average prices in Romania apartments decreased by 2.2% compared to the beginning of the quarter. Compared to the end of the third quarter of 2019, prices are still 2.5% higher. During Oct 2020 residential average prices in Romania apartments increased by 2.4% compared to the end of the 3rd quarter 2020 and 3% higher compare with the same period last year. Average prices are at EUR 1.335 per m²

In Constanta, average prices stayed relatively flat during Q3 2020, averaging at EUR 1.244 per m² at the end of October 2020. Compared with October 2019, prices are 6% higher according to www.imobiliare.ro index.

Operational Overview

Lake Side (No.1 on the table)

The Company continued investments in the infrastructure to add value to the project.

During November 2019, RomReal signed the sale of 10 plots of land, each in the range of 200 sqm and one plot in the range of 850 sqm. After an initial payment EUR 120,000, the remaining instalments according to agreement has commenced. Additionally, during the first quarter of 2020, the Company entered sale agreement for 4 more plots, for a total consideration of EUR 565,500. During Q4.2020, the Company sold one more plot, for a total amount of EUR 55,130, received in full. Even during the present lock-down there is some interest for RomReal's plots, however prospective buyers are taking more time than usual in making a purchase decision.

Oasis (No. 3 on the table) –

The Company is following the developments with the Municipality authorisations process in order to continue investments in the infrastructure and add more value to the project. Meanwhile, the Company expects more specific sales processes to develop when the pending regulation and utility issues are granted. The most important permit missing is the environmental approval.

Industrial Park (No. 4 on the table)

The Company is discussing a sale of around 15,000-20,000 m² to an International Group. The Company is in an on-going dialogue with local authorities regarding necessary permits.

Balada Market (No. 6 on the table)

The entire market area is open and the Company has had no loss of income from May 2020.

Badulescu plot (No. 2 on the table)

Even during the present lock-down there is some interest for plots/the project, however prospective buyers are delaying their purchase decision.

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

Due to an order of August 2012 issued by the Mayor of Navodari City, it was ordered that the 1,453 sqm surface of land located in Mamaia North to be expropriated for the cause of public utility necessary for the achievement of local objectives, namely "Black Sea shore layout" in the seaside area of the Navodari town - Development of the public utility infrastructure".

After a long process in the Court, including an application to the Romanian High Court of Justice and Constanta Court of Appeal, the Company successfully obtained 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 their 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 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 will be finalised, presumably in Q1 2021, for a price of about EUR 390,000 gross.

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

In mid-2018, during the latest routine tax audit performed at the level of RomReal Romanian subsidiary Westhouse Group, covering the period 1 January 2011 – 31 December 2016, the tax authorities reassessed the loans granted by RomReal to Westhouse Group as contribution to share capital instead of inter-Company loans. In this respect, the Company received the tax audit report ("Tax Report") and the corresponding tax assessment decision ("Tax Decision"), whereby the tax authorities imposed an extraordinary tax-bill on the Company, in excess of EUR 1.7 million (including penalties), as profit tax for the period covered by the tax audit.

Due to a 2020 legal regulations issued by the Government in order to protect the interests of the local companies, which means that subject to certain conditions local companies will be exempted of important debts/claims to the state, the Company has reassessed the position in respect of this case with the assistance of local EY team. The Company has paid the claim totalling EUR 1.05 million during 4th quarter 2020, being therefore exempted for payment of penalties, irrespective of the outcome of the final Court decision to be issued in this case. By forwarding this tax claim of EUR 1.05m, the Company's "worst case loss" has been reduced by Eur 0.65 million from previously EUR 1.7 million.

The Company is continuing the legal process in the Court, to obtain a satisfactory decision and obtain reimbursement of the amounts paid as well as applicable interest. A new comprehensive report has been presented to the Court by the experts appointed in this case, who rejects in full Tax Authority allegations. The next phase of the case will be on the Court of Appeal agenda on 13th January 2021, when the Court may decide sending the case for a preliminary ruling to the European Court for Justice.

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

The Property Portfolio

The Company's land bank consists at the end of Q3 2020 of 6 plots with a total size of 269,819 sqm:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	51,308
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	24,651
4 Centrepoint	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
Total		269,819

Shareholder Information

Please see below the list of the top 20 shareholders in RomReal as of 20 November 2020:

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	4,422,475	10.61%
4	SAGA EIENDOM AS	3,262,976	7.89%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,477,922	3.57%
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	THORKILDSEN INVEST AS	829,478	2.01%
12	GRØNLAND, STEINAR	739,719	1.79%
13	PERSSON, ARILD	718,000	1.74%
14	HOEN, ANDERS MYSSSEN	689,557	1.67%
15	JONAS BJERG PENSION PLAN, NTS TRUSTEES LTD	558,306	1.35%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	CLEARSTREAM BANKING S.A.	422,855	1.02%
19	FRENICO AS	396,000	0.96%
20	KVAAL INVEST AS	381,278	0.92%
TOP 20		36,712,039	89%

(1) This is the Top 20 Shareholder list as per 20 Nov 2020

(2) The total issued number of shares issued at end Q3 2020 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 4,422,475 shares corresponding to 10.6%.

(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. Romania has been badly affected by the Coronavirus pandemic with many areas, including Constanta county, being under a strict lock-down status. The pandemic is slowing down the Company's on-going permitting as well as its sales & marketing process, and combined with the ongoing tax dispute case, it creates short-term uncertainty, reducing our financial flexibility. Therefore, the Company's Management is focused in maintaining a solid cash position until an improvement of the business conditions appears. Only then a return of capital may be considered.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The condensed consolidated interim financial statements for the third 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.

To 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 Q3 2020 and Q3 2019

The interpretations below refer to comparable financial information for Q3 2020 and Q3 2019. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q3 2020 was EUR 32,000 compared to a total of EUR 43,000 reported in Q3 2019. This consists of the revenue resulting out of the rent earned by the company in respect of some of the plots.

Operating Expenses

Total operating expenses amounted to a negative EUR 186,000 in Q3 2020 compared to a total negative EUR 153,000 in Q3 2019. The cost split almost evenly across the general and administrative expenses (EUR 47,000), the payroll costs (EUR 39,000), and the Management fees (EUR 53,000).

Other operating income/ (expense), net

The other operating income/ (expense) during the quarter were a gain of EUR 135,000, reflecting mainly the movement in the EUR/RON exchange rate.

Profit/ (loss) from operations

During Q3 2020, RomReal generated an operating loss of EUR 19,000, compared to a loss of EUR 63,000 in Q3 2019.

Financial Income and expense

Foreign exchange result for Q3 2020 was a net gain of EUR 9,000 compared to a net foreign exchange gain of EUR 171,000 in Q3 2019. During the quarter the RON gained 0.57% to the EUR. The Company's policy is to hedge these effects by as much as possible, by retaining most of its cash in Euros and also by denominating all receivables in Euros.

Result before tax

The result before tax in Q3 2020 was a loss of EUR 10,000 compared to a loss before tax of EUR 235,000 in Q3 2019.

Cash and cash equivalents

The Company's cash and cash equivalents position at end of Q3 2020 was EUR 2.5 million compared to EUR 2,870,000 as at end of Q2 2020. In addition, a total of EUR 739,000 in outstanding payments related to binding sales agreements, totalling at about EUR 3.2 million. After the end of the period the Company has paid the EUR 1.05 million of the tax claim being therefore exempted for payment of penalties, irrespective of the outcome of the final Court decision to be issued in this case.

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

No	Plot name	Location	Plot size (sqm)	Agreed sale value (EUR)	Installments received@ 09/11/2020	To cash 2020	To cash 2021
1	Alexandriei plot	Bucharest sector 5	13,263	1,850,000	1,700,000		150,000
2	Ovidiu Lakeside plot 15	Ovidiu Constanta		58,000	48,175	9,825	
3	Ovidiu Lakeside plot 16	Ovidiu Constanta		163,210	108,807	9,067	45,336
4	Ovidiu Lakeside 10 plots	Ovidiu Constanta		387,540	258,360	21,530	107,650
5	Ovidiu Lakeside plot 41	Ovidiu Constanta		55,130	55,130		
Total			13,263	2,513,880	2,170,472	40,422	302,986

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.

Contingent liabilities

The Company is currently the subject of a tax dispute for a total amount of EUR 1.05 million, which the Company has paid during 4th quarter 2020, being therefore exempted for payment of penalties, irrespective of the outcome of the final Court decision to be issued in this case. The Company assesses the possible obligation as contingent and has therefore not booked any provision in this respect.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Rent revenue	38	43	219	122
Revenue from sale of assets	(6)	-	977	58
Operating revenue	32	43	1,195	180
Payroll expenses	(39)	(51)	(143)	(151)
Management fees	(53)	(24)	(101)	(76)
Inventory (write off)/reversal	(47)	24	46	49
General and administrative expenses	(47)	(102)	(300)	(385)
Operating expenses	(186)	(153)	(496)	(563)
Profit/ (loss) before other operating items	(154)	(110)	699	(383)
Other operating income/(expense), net	135	46	(562)	224
Profit from operations	(19)	(64)	137	(159)
Financial income	11	1	13	10
Financial costs	(3)	(3)	(9)	(10)
Foreign exchange, net	0	(169)	(651)	(906)
Result before tax	(10)	(235)	(510)	(1,065)
Tax expense	(3)	(3)	(10)	(12)
Result of the period	(13)	(238)	(520)	(1,077)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	September 30, 2020	September 30, 2019	December 31, 2019
Non-current assets			
Investment properties	4,242	11,287	3,543
Property, plant and equipment	81	76	105
Deferred tax asset	116	119	118
Total non current assets	4,438	11,482	3,767
Current assets			
Inventories	8,975	2,492	9,572
Other short term receivables	717	908	983
Prepayments	7	10	1
Cash and cash equivalents	2,554	2,490	2,371
Total current assets	12,253	5,900	12,927
Assets held for sale	2,329	2,191	2,320
TOTAL ASSETS	19,020	19,572	19,013
EQUITY AND LIABILITIES	September 30, 2020	September 30, 2019	December 31, 2019
Equity			
Share capital	103	103	103
Contributed surplus	93,787	87,117	87,117
Other reserves	160	160	160
Retained earnings	(72,749)	(69,808)	(69,810)
Result of current period	(520)	(1,076)	(1,890)
FX reserve	(2,330)	2,620	2,820
Total equity	18,381	19,117	18,501
Non current liabilities			
Deferred income tax	131	104	126
Total non current liabilities	131	104	126
Current Liabilities			
Other payables	482	108	112
Deferred income	26	243	274
Tax payable	0	0	0
Total current liabilities	508	351	387
TOTAL EQUITY AND LIABILITIES	19,020	19,572	19,013

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	September 30, 2020	December 31, 2019	September 30, 2019
Profit for the year	(520)	(339)	(1,076)
Other comprehensive income			
Exchange differences on translation of foreign operations	(4,950)	284	588
Other comprehensive income for the year, net of tax	(4,950)	284	588
Total comprehensive income for the year, net of tax	(5,470)	(55)	(488)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	September 30, 2020	December 31, 2019	September 30, 2019
Net cash flow from operating activities	(215)	(338)	(472)
Net cash flow from investing activities	398	(760)	(508)
Net cash flows from financing activities	-	-	-
Net cash change during period	183	(1,098)	(980)
Cash at beginning of period	2,371	3,469	3,469
Cash and cash equivalents at end of the period	2,554	2,371	2,489

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	September 30, 2020	December 31, 2019	September 30, 2019
Equity at the beginning of the period	18,501	19,603	19,603
Result for the period	(520)	(1,890)	(1,076)
Other changes	400	788	590
Equity at the end of the period	18,381	18,501	19,117

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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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