romreal

REPORT FOR THE FIRST QUARTER 2013

16 May 2013

RomReal Ltd

Highlights: Q1 2013

- Statutory Net Asset Value (NAV) under IFRS was EUR 4.52 (NOK 33.9) per share at the end of Q1 2013, a slight decrease of 1.0% compared to the end of 2012.
- The Company has not made any changes to the land bank portfolio valuation since the year end independent valuation.
- Pre-tax loss in Q1 2013 of EUR 0.2 million. Total assets at end Q1 2013 were EUR 34.7 million.
- During Q1 2013 the Company finalised the legal documentation for the extension of the Alpha Bank loan in amount of EUR 11.6 million, under the terms and conditions already made public.
- The Company is announcing an offer to buy up to 3,000 shares from each shareholder for a price of NOK 1.5 per share. The offer is made to shareholders based on their shareholdings at the end of 15 May 2013.
- The preparation is under way for a rights issue of an amount of about EUR 1.5 million to secure the required working capital for a limited period going forward, where the shareholders will be given 20 subscription rights per (1) share owned. The prospectus is expected to be made available to investors on or about the 17th June 2013.

Kay Thorkildsen, RomReal's CEO, said:

"Following a relative stabilization of prices in the last two years and a visibly increased caution of investors in starting new real estate developments, the land market has also withnessed in 2012 another stagnant year, with limited activity both in terms of transactions and investors showing interest in the market.

The overall political instability during the second half of 2012 and the limited access to financing are the main reasons for this stagnation. In order to make transactions possible, the selling party needs to be prepared to secure building permits on behalf of buyers and even to splitting land plots according to buyer needs.

The Company is targeting restructuring solutions aiming to add value to shareholders. The upcoming rights issue will provide working capital for the Company to await potentially improving market conditions, where divestments from its land bank could be made again at more attractive prices, even though the market is still challenging and no short term solution is identified. Preceding the rights issue, the Company will launch a share buyback scheme offering a proposal to shareholders who do not intend to subscribe for additional shares in the upcoming 20:1 rights issue, to receive cash for up to 3,000 shares".

KEY FIGURES (EUR '000)

	Q1 2013	Q4 2012	Q1 2011	FY 2012	FY 2011
Profit/(loss) before tax	(176)	403	(557)	(5,025)	(5,009)
Net assets value	22,247	22,474	26,448	22,474	26,837
NAV (EUR/share)	**4.52**	**4.56**	**0.54**	**4.56**	**4.60**
NAV (NOK/share)	**33.9**	**34.4**	**4.0**	**34.4**	**4.2**
Cash position	506	702	958	702	915
Number of plots	15	15	15	15	15
Number of employees	5	5	5	5	5
Land bank ('000 sqm)	1,261,439				

Note: There has been no change in the number of shares during Q1 2013. The total issued number of shares at end Q1 2013 was 4,924,736 compared with 49,247,366 at the end of the previous periods in 2011 and 2010 due to a 10:1 reverse share split.

OPERATIONAL OVERVIEW

Sales Status - Corallia

The Corallia project is currently fully sold, including the commercial spaces. During Q4 2012, RomReal continued the collections process on the outstanding receivables from sales of apartments as planned. At the end of Q1, the receivables outstanding in this respect were EUR 15,000.

The Investment Portfolio

Total size of the Company's Investment Portfolio ("Land Bank") totalled 1,260,977 sqm at the end of Q1 2013.

Commercial market: The total real estate investment volume in Romania remained modest at a similar level to 2011, at approximately EUR 250 million (as estimated by Knight Frank). Several investors already present in the market remained the main drivers of the activity in 2012. NEPI acquired City Business Center from Ovidiu Sandor in Timisoara, while a Company owned by two local businessmen purchased Bucharest Tower Center, a landmark office building in Bucharest. The limited availability of debt remains a significant drawback, but new investors are equally cautious about certain country risks mainly relating to political volatility. As in the last few years, central land plots with good development prospects continue to be among the most attractive for investors. Demand is strongest for prime offices located in central and semicentral areas of Bucharest and other major cities, as well as big boxes occupied by food retailers.

Residential market: The residential stock barely changed throughout 2012. Most of the deliveries in 2012 were new phases of existing developments or high net worth individuals, who have invested in relatively small real estate development without necessarily needing to resort to external financing. Facing a a high percentage of unsold apartments, developers are looking to market their apartments by offering a parking space or storage facility or by making apartments available for rent instead of selling them. In this context, 2012 brought a further decrease in market values of around 5-10%, or even more in the case of projects that have entered a process of insolvency and reorganization. According to a study by Knight Frank, in Bucharest, the asking prices have ranged between 600-900 EUR/sqm for low end developments, 900-1,000 EUR/sqm for the medium segment and 1,000-1,400 EUR/sqm for high end ones. In Constanta, the index calculated by imobiliare.ro (one of the main real estate brokers), shows that the average prices in Constanta have fallen further from the 1,590 EUR/sqm peak in mid 2008 to 926 EUR/sqm at the end of 2012 and further to 856 EUR/sqm at the end of 2012 (i.e. prices for newly built one bedroom apartments start at around EUR 50,000, while for older flats they can even start at below EUR 30,000). The prices are asking prices and final settlement may include further discounts. Demand from the residential sector was mainly focused on smaller land plots with areas of 500-600 sqm in prime locations benefitting from approved building permits.

Movement in Net Asset Value

The IFRS financial statements based Net Asset Value (NAV) is EUR 4.52 per share as at end Q1 2013, 1.0% down from Q4 2012. The value of the land bank portfolio still based on the annual independent valuation, carried out at year-end 2012 using Knight Frank Romania Valuers and Alpha Bank appointed valuators in the case of the land plots supplementing the security of the loan.

Asset base (EUR million)	**Q1 2013**			**Q4 2012**		
	EUR	**EUR/share**	**NOK/share**	**EUR**	**EUR/share**	**NOK/share**
Investment property	30,950	6.3	47.2	30,950	6.3	47.4
Inventories	2,858	0.6	4.4	2,858	0.6	4.4
Cash	506	0.1	0.8	702	0.1	1.1
Other Assets / (Liabilities)	(12,066)	(2.5)	(18.4)	(12,035)	(2.4)	(18.4)
IFRS Net Asset Value	**22,247**			**22,474**		
NAV per share		**4.52**	**33.9**		**4.56**	**34.4**
NAV Movement in Quarter	***-1.0%***			***-0.9%***		

- Number of shares at end of period: 4,924,736

- NOK/share is calculated using closing quarter end exchange rates.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

AGM and Share Capital

A notice to the Annual General Meeting (AGM) was announced on 7 April 2013. The AGM approved the notice in full on 19 April 2013 where amongst other points it was decided to increase the authorised share capital from EUR 9,000 to EUR 270,000 by the creation of 261,000,000 new shares of EUR 0.001 each. Please note that the minutes of the AGM published on the 22nd April 2013 had the correct share capital value but due to a typing error the number of new shares issued was printed as 261,000 instead of the correct 261,000,000 shares that was the number of shares voted at the AGM.

Accounting Principles

The financial statements for the Q1 2013 report have been prepared in accordance with IAS 34 – Interim Financial Reporting. The quarterly result has been prepared in accordance with the current IFRS standards and interpretations. The accounting policies applied in the preparation of the quarterly result are consistent with the principles applied in the financial statements for the year to 31 December 2012.

Comparative data for Q1 2013 and Q1 2012

The interpretations below refer to comparable financial information for Q1 2013 and Q1 2012. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q1 2013 was EUR 85,000 compared to a total of EUR 81,000 in Q1 2012. This income mainly relates to the rent received on some of the land bank assets awaiting development or sale.

Operating Expenses

Total operating expenses amounted to EUR 247,000 in Q1 2013 compared to EUR 238,000 in Q1 2012. Out of these operating expenses, the payroll costs were EUR 66,000, similar to the level registered in Q4 2012. Inventory write off reflects the changes in the value of Oasis (as a result of RON/EUR changes), which is classified as inventory for IFRS purposes. Overall, inventory adjustment excluded, the total operating expenses of the Company in Q1 2013 were similar to the ones in the same quarter of 2012. This stable level of the total general and administrative expenses is explained by the fact that they have reached a minimum level to handle the operating requirement of the Company.

Out of the total operating expenses, changes in inventories value excluded, the main cost items relate to general and administration costs (65% of total operating expenses) and salaries (28% of total operating expenses).

Other operating income/(expense), net

The other operating income/(expense) for Q1 2013 is driven mainly by the change in the value of investment property as a result of the change in the foreign currency exchange rate before translating them into the functional currency of the Group. Equally, a small effect was the due to the changes in the fair value as a result of the independent valuation review.

The net of Other Operating Income/(Expense) in Q1 2013 amounted to a net loss of EUR 99,000, compared to a net gain of EUR 494,000 in Q1 2012.

Profit/(loss) from operations

During Q1 2013, RomReal generated an operating loss of EUR 262,000, compared to a profit of EUR 337,000 in Q1 2012.

Financial Income and expense

The interest expense includes the expense accrued for the period with the interest in respect of the Alpha Bank loan in amount of EUR 94,000. Foreign exchange result for Q1 2013 was a gain of EUR 176,000 compared to a net foreign exchange loss of EUR 752,000 in Q1 2012. Since the begining of the year the RON slightly appreciated against the EUR (0.3%), thus leading to the net unrealised foreign exchange gain mentioned above. The main items that generate foreign exchange differences are the inter-Company loans and the loan taken from Alpha Bank in principal amount of EUR 11.6 million.

However, from an operational stand point, 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, all final payments made by the customers when receiving apartments are made at the exchange rate ruling at the date of payment, hence offsetting in cash terms part of these losses.

Result before tax

The result before tax in Q1 2013 was a loss of EUR 176,000 compared to a loss before tax of EUR 557,000 in Q1 2012. The result of the period is mainly explained by the above mentioned fair value change and currency effect.

Cash and cash equivalents

The Company's cash and cash equivalents position at end Q1 2013 was EUR 506,000 compared to EUR 702,000 as at end 2012 and EUR 958,000 as at end Q1 2012.

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%. With the regulations changing, starting 2013, only 4 subsidiaries pay gross profit tax, the rest of the companies in the Group are subject to a 3% tax calculated on total revenue, on the basis that turnover is below a EUR 65,000 threshold.

The Company accounts for deferred tax on all movements in the fair values of its investment properties at a flat rate of 16%. During Q1 2013 there was a slight increase in the deferred tax asset amounting to EUR 15,000 compared to end 2012. 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.

Overview of the Company's debt

As the end of Q1 2013 the Group's consolidated interest-bearing debt amounted to EUR 11,745,000, representing principal amount of EUR 11,600,000 and interest accrued to date of EUR 145,000. This is an assets finance facility taken by the Company in December 2007 with Alpha Bank Romania. The loan had an initial term of 3 years which was prolonged for another 2 years during Q4 2010. During Q4 2012, the Company achieved an approval from Alpha Bank for a further extension of the loan. The extension is of 3 years until 30 Nov 2015, with a possibility afterwards for an extra 2 years. The extension of the loan bears interest at a rate of EURIBOR+3%, payable bullet on maturity. The Company has the option of extending the loan for an additional two (2) years, in subsequent periods of one (1) year, if the interest is paid in advance for each year of extension. For further extension the applicable interest rate will be Fixed Base Rate (to be provided by the Bank at the moment, by reference to 1 year swap rate) + 3.0% per annum. As part of the extension, the security was extended to include new real estate mortgage of EUR 6,000,000. The table below shows the total debt for RomReal Ltd as at end Q1 2013 and its maturities:

EUR thousand		**End Q1 2013**	**30 Nov 2015**
Alpha Bank		11,600	11,600
Accrued Interest		145	1,160*
Total		11,754	12,760

'* The accrued interest is an estimation assuming a fixed EURIBOR of 0.22% for the 3 years

**The accrued interest within first quarter 2013 is EUR 94,000

Total equity

The Company's total equity as at end Q1 2013 was EUR 22,247,000, representing 64.1% of total assets at the end of the period.

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q1 2013	Q1 2012
Rent revenue	85	81
Revenue from sale of assets	-	-
Operating revenue	**85**	**81**
Payroll expenses	(66)	(65)
Depreciation and amortization	(1)	(9)
Management fees	(16)	(16)
Inventory write off	(9)	-
General and administrative expenses	(156)	(148)
Operating expenses	**(247)**	**(238)**
	-	
Profit/ (loss) before other operating items	**(162)**	**(157)**
Other operating income/(expense), net	(99)	494
	-	
Profit from operations	**(262)**	**337**
Interest income	4	3
Interest costs	(94)	(145)
Foreign exchange, net	176	(752)
	-	
Result before tax	**(176)**	**(557)**
Tax expense	(53)	(78)
Result of the period	**(229)**	**(634)**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	March 31, 2013	December 31, 2012	March 31, 2012
Non-current assets			
Intangible fixed assets	1	1	1
Investment properties	30,950	30,950	33,896
Property, plant and equipment	27	27	34
Deferred tax asset	148	132	-
Total non current assets	**31,125**	**31,110**	**33,931**
Current assets			
Inventories	2,858	2,858	3,466
Other short term receivables	201	201	349
Prepayments	4	8	400
Cash and cash equivalents	506	702	958
Total current assets	**3,569**	**3,768**	**5,173**
TOTAL ASSETS	**34,694**	**34,878**	**39,104**

EQUITY AND LIABILITIES	March 31, 2013	December 31, 2012	March 31, 2012
Equity			
Share capital	5	5	5
Contributed surplus	85,742	85,742	85,742
Other reserves	425	425	425
Retained earnings	(63,781)	(59,025)	(59,025)
Result of current period	(229)	(4,758)	(634)
FX reserve	86	86	(64)
Total equity	**22,247**	**22,474**	**26,448**
Non current liabilities			
Non current debt	11,745	0	-
Deferred income tax	147	148	445
Total non current liabilities	**11,892**	**148**	**445**
Current Liabilities			
Other debt	-	11,652	11,600
Other payables	552	599	549
Deferred income	0	0	63
Tax payable	2	5	(0)
Total current liabilities	**554**	**12,256**	**12,211**
TOTAL EQUITY AND LIABILITIE	**34,694**	**34,878**	**39,104**

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	March 31, 2013	December 31, 2012
Profit for the year	**(229)**	**(4,758)**
Other comprehensive income		
Exchange differences on translation of foreign operations	0	395
Other comprehensive income for the year, net of tax	**0**	**395**
Total comprehensive income for the year, net of tax	**(229)**	**(4,363)**

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	March 31, 2013	December 31, 2012
Net cash flow from operating activities	(196)	(213)
Net cash flow used in investing activities	-	-
Net cash flows from financing activities	-	-
Net cash change during period	(196)	(213)
Cash at beginning of period	702	915
Cash and cash equivalents at end of the period	**506**	**702**

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	March 31, 2013	December 31, 2012
Equity at the beginning of the period	22,474	26,837
Result for the period	(229)	(4,758)
Other changes	2	395
Equity at the end of the period	**22,247**	**22,474**

There has been no change in the number of shares during Q1 2013. The total issued number of shares at end Q1 2013 was 4,924,736.