



REPORT FOR THE 4th QUARTER 2011

24 February 2012

RomReal Ltd

Highlights: Q4 2011

- Statutory Net Asset Value (NAV) under IFRS was EUR 0.55 (NOK 4.3) per share at the end of Q4 2011, a decline of 11% compared to the end of Q3 2011. This is mainly the result of a writedown of the value of the Group's Investment property as a result of the annual independent valuation that has been carried out.
- The Group performed the yearly independent land bank portfolio valuation which resulted in a writedown of 8% compared to the end of 2010.
- Pre-tax loss in Q4 2011 of EUR 3.4 million. Total assets at the end of Q4 2011 were EUR 39.42 million.
- The Company is further focusing its resources to divest some of its land bank in order to release cash and strengthen its financial position.
- The Company has ongoing communication with Alpha Bank regarding the outstanding secured loan of EUR 11.6 million.

Kay Thorkildsen, RomReal's CEO, said:

"The squeeze on consumer income, the ongoing eurozone difficulties and the recent talks of a possible return to recession are restricting the recovery of the residential real estate market. Consequently, the real estate market is still trapped by the lack of liquidity and people's reluctance to invest in new homes.

The independent valuation at the end of the year produced a write down of 8% compared to the end of 2010, which is unfortunate, but we believe this is in line with the overall market conditions experienced by most property developers in Romania. Due to the lack of liquidity, valuers tend to be very conservative in their approach at the moment. One contributing factor is that comparable transactions (an important input to valuations) are weighed down by distress sales.

The Company's Management has increased focus on solutions in dealing with the Alpha Bank Loan restructuring, which is due in late November 2012. The Management is working hard to achieve various alternatives like at the previous rollover, but no guarantees can be given at the present stage.

In addition to this, and to pursue its land bank partial divestment objective, the Company has identified a niche market in selling small residential plots. With this in mind an official request was filed with the Romanian Land Book for dividing some of the existing residential plots into smaller plots for selling to individuals".

KEY FIGURES (EUR '000)

	Q4 2011	Q3 2011	Q4 2010	FY 2011	FY 2010
Profit/(loss) before tax	(3,430)	(2,236)	(9,823)	(5,009)	(12,492)
Net assets value	26,837	30,151	31,188	26,837	31,188
NAV (EUR/share)	0.54	0.61	0.63	0.54	0.63
NAV (NOK/share)	4.2	4.7	4.9	4.2	4.9
Cash position	915	982	1,938	915	1,938
Number of plots	15	15	15	15	15
Number of employees	5	5	5	5	5
Land bank ('000 sqm)	1,261.439				

OPERATIONAL OVERVIEW

Sales Status - Corallia

The Corallia project is fully sold, including the commercial spaces. There is still an ongoing litigation for one of the apartments. However, this has been legally repossessed with a new sales contract entered, with a partial payment being made, to be followed by the finalisation of the sale.

During Q4 2011, the collection process on the outstanding receivables from sales of apartments continued as planned. At the end of Q4, the estimated receivables outstanding in this respect amounted to EUR 0.21 million.

The Investment Portfolio

Total size of the Company's Investment Portfolio ("Land Bank") remained constant during the quarter totalling 1,261,439 sqm at the end of Q4 2011.

The key words for 2012 seems to be building and selling quickly. A trend of downsizing projects is visible and a phasing of developments is required as lending is less available and people are reluctant to invest in new homes given the very instabile domestic and European environment. On the positive side, market players seem to agree that the market has reached bottom and, while steady, some market growth should be observed in 2012.

Therefore, a high degree of caution is required and consequently RomReal is focused on further releasing cash from the value of its land bank by looking into the alternative options of targeting both smaller and larger potential land buyers.

Movement in Net Asset Value

The IFRS financial statements based Net Asset Value (NAV) is Euro 0.54 per share as at end Q4 2011, 11% down from Q3 2011. The adjusted value of the land bank portfolio is determined following the annual independent valuation. This was carried out using Knight Frank Romania valuers.

Asset base (EUR million)	Q4 2011			Q3 2011		
	EUR	EUR/share	NOK/share	EUR	EUR/share	NOK/share
Investment property	33,896	0.7	5.4	36,808	0.7	5.7
Inventories	3,467	0.1	0.5	3,762	0.1	0.6
Cash	915	0.0	0.1	982	0.0	0.2
Other Assets / (Liabilities)	(11,442)	(0.2)	(1.8)	(11,401)	(0.2)	(1.8)
IFRS Net Asset Value	26,837			30,151		
NAV per share		0.54	4.2		0.61	4.7
NAV Movement in Quarter	-11.0%			-2.8%		

- Number of shares at end of period: 49,247,366

NOK/share is calculated using the exchange rate at the end of the quarter.

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q4 2011 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 2011.

Comparative data for Q4 2011 and Q4 2010

The interpretations below refer to comparable financial information for Q4 2011 and Q4 2010. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue during Q4 2011 was EUR 141,000 compared to a total of EUR 2,626,000 in Q4 2010. This income relates to the rent received on some of the land bank assets awaiting development. During Q4 2010, the higher revenue is explained by the sale of apartments in the Corallia project at the time but this development project is now concluded.

Operating Expenses

Total operating expenses amounted to EUR 271,000 in Q4 2011 compared to EUR 348,000 in Q4 2010. Out of these operating expenses, the payroll costs were EUR 63,000, similar to the level registered in Q4 2010. On the other hand, the costs reduction process continued and the administrative costs of the Company were 26% less as compared to the similar period of 2010. Total operating expenses were reduced with another 22% compared to Q4 2010.

Out of the Total operating expenses, the main cost items relate to general and administrative expenses (67% of total operating expenses) and salaries (23% of total operating expenses).

Other operating income/(expense), net

The Other operating income/(expense) for Q4 2011 is mainly the result of the write down in the value of the investment property on the basis of the annual independent valuation report. This has been prepared on a consistent basis with the report prepared for the prior financial year and is subject to review by the company's auditor as part of the year end audit.

The net of Other Operating Income/(Expense) in Q4 2011 amounted to a net loss of EUR 3,272,000, compared to a loss of EUR 11,612,000 in Q4 2010.

Profit/(loss) from operations

During Q4 2011, RomReal generated an Operating loss of EUR 3,402,000, compared to a loss of EUR 9,334,000 in Q4 2010.

Financial Income and expense

Financial income for Q4 2011 was EUR 633,000, while the financial expense in Q4 2011 was EUR 661,000, leading to a small net financial loss of EUR 28,000 compared to a net financial loss of EUR 489,000 in Q4 2010. The financial costs also include the expense allocated for the given quarter with the interest in respect of the Alpha Bank loan being an amount of EUR 147,400. The EUR/RON rate at the end of Q4 was similar to the rate at the end of the previous quarter. However, some fluctuations were registered during the quarter, resulting in both foreign exchange income and expenses.

The main items that generate foreign exchange differences are the inter-company loans and the loan taken from Alpha Bank amounting to 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 at the date of payment, hence offsetting from a cash perspective part of these losses.

Result before tax

The result before tax in Q4 2011 was a loss of EUR 3,430,000 compared to a loss before tax of EUR 9,823,000 in Q4 2010. This is mainly explained by the above mentioned write down on the investment property.

Cash and cash equivalents

The Company's cash and cash equivalents position at end Q4 2011 was EUR 915,000 compared to EUR 1,938,000 as at end Q4 2010 and EUR 982,000 as at end Q3 2011.

Taxation

The Company is required to calculate its current income tax at a flat rate of 16%.

The Company accounts for deferred tax on all movements in the fair values of its investment properties at a flat rate of 16%. During Q4 2011 there was a decrease in the deferred tax liability amounting to EUR 377,000 compared to Q3 2011. Any decrease in the deferred tax liability or increase in the deferred tax asset is reflected as an element of income tax revenue in the profit and loss statement. The Company recognises a 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

At the end of Q4 2011, the Group's consolidated interest-bearing debt amounted to EUR 11,600,000. This is an asset finance facility entered into by the Company in December 2007 with Alpha Bank Romania. The loan had an initial term of 3 years and a principal of EUR13,700,000. During Q4 2010, the loan was extended by 2 years in connection with the Company making a partial repayment of EUR 2,100,000 thus reducing the principal to EUR 11,600,000. The loan bears interest at a fixed rate of 5%. The total interest on the loan for 2 years, an amount of EUR 1,160,000, was fully paid in advance and this has been accounted for as a pre-payment. Each period the corresponding interest is released to the profit and loss account. The Company's Management is working hard to achieve alternatives for extending the loan like at the previous rollover since the loan is due in late November 2012.

The table below shows the total debt for RomReal Ltd as at end Q4 2011 and its maturities:

EUR thousand		End Q4 2011	30 Nov 2012
Alpha Bank		11,600	(11,600)

Total equity

The Company's total equity as at end Q4 2011 was EUR 26,837,000, representing 69% of total assets at the end of the period.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Q4 2011	Q4 2010	Year to 31 December 2011	Year to 31 December 2010
Rent revenue	85	86	342	398
Revenue from sale of assets	56	2,540	68	6,203
Operating revenue	141	2,626	410	6,601
Payroll expenses	(63)	(61)	(255)	(237)
Depreciation and amortization	(6)	(23)	(60)	(99)
Management fees	(20)	(20)	(80)	(95)
General and administrative expenses	(181)	(244)	(707)	(1,199)
Operating expenses	(271)	(348)	(1,103)	(1,630)
	-	-	-	-
Profit/ (loss) before other operating items	(129)	2,278	(692)	4,971
Other operating income/(expense), net	(3,272)	(11,612)	(2,924)	(15,068)
	-	-	-	-
Profit from operations	(3,402)	(9,334)	(3,617)	(10,097)
Financial income	633	504	9,328	8,149
Financial costs	(661)	(993)	(10,720)	(10,181)
	-	-	-	-
Result before tax	(3,430)	(9,823)	(5,009)	(12,129)
Tax expense	150	568	15	443
Result of the period	(3,280)	(9,255)	(4,994)	(11,686)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

ASSETS	December 31, 2011	December 31, 2010
Non-current assets		
Intangible fixed assets	1	1
Investment properties	33,896	36,809
Property, plant and equipment	43	101
Deferred tax asset	-	-
Total non current assets	33,940	36,911
Current assets		
Inventories	3,467	3,765
Other short term receivables	549	666
Prepayments	549	1,169
Cash and cash equivalents	915	1,938
Total current assets	5,481	7,537
TOTAL ASSETS	39,421	44,449
EQUITY AND LIABILITIES	December 31, 2011	December 31, 2010
Equity		
Share capital	5	5
Contributed surplus	85,742	85,742
Other reserves	425	425
Retained earnings	(54,032)	(42,345)
Result of current period	(4,994)	(11,686)
FX reserve	(309)	(846)
Total equity	26,837	31,293
Non current liabilities		
Non current debt	-	11,600
Deferred income tax	377	397
Total non current liabilities	377	11,997
Current Liabilities		
Other debt	11,600	-
Other payables	544	1,085
Deferred income	63	58
Tax payable	(0)	15
Total current liabilities	12,207	1,158
TOTAL EQUITY AND LIABILITIES	39,421	44,448

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Figures in thousand EUR

	December 31, 2011	December 31, 2010
Profit for the year	(4,994)	(11,686)
Other comprehensive income		
Exchange differences on translation of foreign operations	537	817
Other comprehensive income for the year, net of tax	537	817
Total comprehensive income for the year, net of tax	(4,456)	(10,869)

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	December 31, 2011	December 31, 2010
Net cash flow from operating activities	(1,076)	1,674
Net cash flow used in investing activities	53	2,346
Net cash flows from financing activities	-	(3,944)
Net cash change during period	(1,023)	76
Cash at beginning of period	1,938	1,862
Cash and cash equivalents at end of the period	915	1,938

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	December 31, 2011	December 31, 2010
Equity at the beginning of the period	31,293	42,163
Result for the period	(4,994)	(11,686)
Other changes	537	816
Equity at the end of the period	26,837	31,293

There has been no change in the number of shares during Q4 2011. The total issued number of shares at end Q4 2011 was 49,247,366.