



REPORT FOR THE FORTH QUARTER 2008

27 February 2009

RomReal Ltd

Highlights: 4th Quarter, 2008

- Net Asset Value (NAV) at the end of 4Q 08 was EUR 1.2 (NOK 11.9) per share, down 24% from 3Q 08, following the year end valuation report from Colliers
- The total write down of the land bank and development projects during the year 2008 has been 48%. Historic cost of the plot portfolio is about EUR 60 million
- Pre-tax loss in 4Q 08 was EUR 25.44 million, mainly due to the above asset write down. The cash position at end 4Q 08 was EUR 6.5 million
- Binding sales of apartments in the Corallia development have now reached 70%, and a minimum of 30% down payment has been made by all buyers. The construction completion is expected to be delivered according to plan by the end of June 2009
- Final settlement agreements have been reached with the construction companies on the Oasis and Central developments following the announced winding down process, this with a minimal cash expense
- Further cost reductions have been implemented. Staff numbers are reduced from 18 at the end 3Q 08 to 16 at the end 4Q 08. At the time of publishing this report, staff headcount is down to 8 people. There are no further cuts planned and remaining staff is key to the Company's future operations

Kay Thorkildsen, RomReal's CEO, said:

"The Romanian real estate sector is clearly affected by the global financial crisis. Reduced availability of funds, tightened lending conditions and hesitant buyers highlight some of the difficulties in our operating environment at the moment.

RomReal's main short term objective for 2009 is to deliver the Corallia project sold on time and budget. In parallel with this, the Company will make a substantial effort in preparing plot sales and try to increase the value of the assets through planning upgrades, increased rental income and similar measures.

The Company will also continue to focus on operational cost reductions. This follows a substantial organisational downsizing in the two last quarters of 2008. It is expected that the implemented cost reduction measures will have full impact from the beginning of 2009. The aim is to try to cover our operational costs through rental income from the yielding assets in the portfolio."

Key Figures (EUR'000)					
	4Q 08	3Q 08	4Q 07	FY 2008, Dec 31	FY 2007, Dec 31
Profit/(Loss) before tax	(25,441)	(39,247)	5,695	(70,074)	28,252
Net assets	59,777	78,577	121,739	59,777	121,739
NAV (EUR/share)	1.2	1.6	2.5	1.2	2.5
NAV (NOK/share)	11.9	12.8	19.5	11.9	19.5
Cash position	6,523	7,488	15,222	6,523	15,222
Number of plots	16	17	19	16	19
Land Bank ('000 sq/m)	1,204	1,209	1,233	1,204	1,233
Number of employees	16	18	27	16	23

OPERATIONAL OVERVIEW

Development Project Status

Corallia Holiday Apartments

This 37 apartment development project is located on Mamaia Boulevard in Constanta. The Management remains fully committed to complete the Corallia project on time and budget.

The Contractor commenced the construction work in 3Q last year following the lifting of the Mamaia Resort Summer Building Restrictions. Substantial progress has been made with the building works, and the structure has now reached the second floor above the underground parking. As at the time of the writing of this report the construction process is on schedule.

Central Apartments

Following the termination of the contract, RomReal has been actively negotiating a settlement agreement with the construction company. The objective was to reach an agreement minimising the cash payment by RomReal. In late December 2008, the Company reached a satisfactory settlement which included a transfer of the whole Central plot to the construction company in addition to a limited cash payment.

Oasis Residences

Following the decision to suspend the project, the Company has focused on properly securing the site. The demobilization work took place just after the completion of the construction of the structures for the first three buildings in Phase 1.

In this case, a settlement agreement involving a “carve out” and transfer of one of the three building structures with adjacent land to the construction firm was reached. No cash payments were agreed. The reasons for offering one of the building structures were not only to avoid a cash outflow, but to also create some future value for the site. The constructor plans to develop the building structure further, which will be positive for the site and consequently for RomReal. The settlement agreement was made in a positive tone, emphasising the importance of keeping good relations and potential future partnerships possibilities open.

Repayment of cash deposits to clients

Where clients have paid upfront deposits for apartments in Central and Oasis, the Company has promptly reimbursed them for the amounts paid. At the time of writing this report no buyer has made any legal complaints about the termination.

Progress with the Investment Portfolio

Total size of the Company's Investment Portfolio ("Land Bank") is 1,204,362 sqm at 31 December 2008.

RomReal does not envisage any new land acquisitions during the short and medium term. The Company's primary objective is to release some of the cash value in the existing plots mainly through disposals, but also if possible through strategic partnerships where a cash payment could be a part of the deal structure.

The Company will make a substantial effort in preparing plot sales and in the meantime try to increase the value of its assets through planning upgrades, increased rental income and similar measures.

Movement in Net Asset Value

Net Asset Value (NAV) based on IFRS was EUR 1.2 (NOK 11.9) per share at 31 December 2008, a decline of 24% from end of 3Q 2008.

Asset base (EUR'million)	4Q 08			3Q 08		
	EUR million	EUR/share	NOK/share	EUR million	EUR/share	NOK/share
Investment property	62,798	1.3	12.5	76,929	1.6	12.9
Inventories	7,371	0.1	1.5	15,570	0.3	2.6
Cash	6,523	0.1	1.3	7,488	0.2	1.3
Other Assets/(Liabilities)	(16,914)	-0.3	-3.4	(21,409)	-0.4	-3.6
IFRS Net Asset Value	59,777			78,577		
NAV per share		1.2	11.9*		1.6	12.8
NAV Movement in Quarter		-24%			-31%	
Note: Number of shares at 31 Dec 08 - 49,247,366						
*Calculated using exchange rates at end of 4Q 08						

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting principles

The financial statements for the 4Q 08 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 2007.

Comparative date for the three months ending 31 December 2008 and 2007

The interpretations below refer to comparable financial information for the three months period ending 31 December 2008 and 31 December 2007. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Income

The operating income for the three months to December 2008 was EUR 250,000 compared to a total of EUR 99,000 in the same period of 2007. This income relates mainly to rent received on some of the land bank assets awaiting development and from the sub-letting of the Bucharest office.

Operating Costs

Total operating expenses amounting to EUR 983,000 in the three months to December 2008 compared to EUR 1,408,000 in the same period 2007. The 3Q trend of reducing operating costs has been continued and closely monitored. However, most of the measures taken in 4Q are expected to have an even more significant result starting in the first quarter of 2009.

Out of the total operating expenses, the main cost items relate to general and administration costs (70% of total operating expenses) and salaries (29% of total operating expenses). Within the general and administration category, one of the major cost drivers is rent as some of the sub-letting agreements were initiated late 4Q 08.

Other operating income and other operating costs

The other operating income for the three months ending December 31, 2008 relates chiefly to the disposal of assets.

Other operating costs in the three months ended 31 December 2008 of EUR 19,428,000 relates mainly to the decrease in the fair value of investments property in the quarter. The Company has also written off the Central development which is divested as part of the termination of the project during the period. In addition a write down of a further EUR 2,300,000 for impairment of the Oasis capitalised amounts has been made.

The reduction of the fair value of the investment portfolio is based on the Colliers valuation report for 31 December 2008. The report represents Colliers' best estimate of the amount by which the property would change hands for in the current market, in an arm's length transaction under current economic and financial conditions.

Operating loss

During the last quarter of 2008, RomReal generated an operating loss of EUR 19,569,000 compared to an operating profit of EUR 11,326,000 in the same period of 2007, as a consequence of the write down in the value of the investment portfolio.

Loss before tax

The loss before tax for the three months ended 31 December 2008 was EUR 25,441,000 compared to a profit before tax of EUR 5,695,000 in the same period 2007. The loss in 4Q 2008 was primarily due to the additional write down in the value of the company's investment portfolio. Also, due to the depreciation of the RON against the EUR in the period, the Company has been affected by the unrealised foreign exchange losses related to inter-company loans (see below).

From an operational point of view, the Company's policy is to hedge these effects by retaining as much cash in EUR as possible and also by denominating all receivables in EUR. Although not reflected from an accounting perspective, all contracts are negotiated in EUR and all apartments are sold in EUR. Consequently, the final payments made by the customers when receiving apartments will be made at the exchange rate ruling at the date of payment, hence offsetting in cash terms part of these losses.

Cash and cash equivalents

The Company's cash and cash equivalents position at 31 December 2008 was EUR 6,523,000 compared to EUR 15,222,000 as at 31 December 2007.

Taxation

The Company accounts for deferred tax on all movements in the fair values of its investment properties at a flat rate of 16%. During 4Q a reverse of the deferred tax liability amounting to EUR 2,560,000 was accounted for in relationship with the decrease of the fair value of the investment properties.

Consolidated debt

As at 31 December 2008 the Group consolidated net interest-bearing debt amounted to EUR 13,700,000. This is in respect of an assets finance facility taken by the Company in December 2007 with Alpha Bank Romania. The EUR 13.7 million loan had an initial term of 3 years and bears interest at a rate of EURIBOR (1 Month) plus 2.5% margin, which is below what could be obtained in current market conditions. The loan has a pledge in the Mamaia North development site. RomReal and Westhouse Group have provided a standard corporate guarantee for the loan, but no pledges or material restrictions have been put on their other assets.

Overview of the Company's debt

The table below shows the total debt for RomReal as at 31 December 2008 and its maturities:

EUR thousand	End 4Q 2008	2009	26 Nov 2010
Alpha Bank	13,700	-	(13,700)

Financial Income for 4Q 2008 was EUR 881,000, while the financial expense in 4Q 2008 was EUR 6,752,000 compared to a financial expense of EUR 5,342,000 in the same period 2007. Total financial costs of 6,752,000 in 4Q 08 was divided into EUR 6,502,000 in unrealised foreign exchange losses and EUR 250,000 in interest on the Alpha Bank loan.

Total equity

The Company's total equity as at 31 December 2008 was EUR 59.77 million, representing 76% of total assets at the end of the period.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

EUR thousand	Q4 2008	Q4 2007	Year to 31 Dec 2008	Year to 31 Dec 2007
Revenue	250	99	812	482
Total revenue	250	99	812	482
Gross profit	250	99	812	482
Depreciation	21*	(29)	(193)	(109)
Management fees	(25)	(25)	(100)	(2,778)
General and administrative expenses	(693)	(689)	(3,092)	(3,265)
Payroll expenses	(286)	(665)	(1,317)	(1,292)
	-	-	-	-
Loss before other operating items	(734)	(1,309)	(3,890)	(6,962)
Other operating income	592	12,615	5,413	42,118
Other operating costs	(19,428)	20	(62,075)	(926)
	-	-	-	-
Operating Profit / (Loss)	(19,569)	11,326	(60,553)	34,230
Financial income	881	(289)	2,933	1,269
Financial costs	(6,752)	(5,342)	(12,454)	(7,247)
	-	-	-	-
Result before tax	(25,441)	5,695	(70,074)	28,252
Tax on the profit of the year	2,564	(1,672)	7,935	(6,953)
	-	-	-	-
Retained Profit / (Loss) for the	(22,877)	4,023	(62,139)	21,299

*Reversal from Q3 08

CONDENSED AND CONSOLIDATED BALANCE SHEET (UNAUDITED)

EUR thousand	As per 31 December 2008	As per 31 December 2007
ASSETS		
Non-current assets		
Intangible fixed assets	16	27
Investment properties	62,798	119,032
Property, plant and equipment	377	1,650
Deferred tax asset	28	20
Total non current assets	63,220	120,729
Current assets		
Other short term receivables	1,098	833
Prepayments	146	109
Inventories	7,371	10,834
Cash and cash equivalents	6,523	15,222
Total current assets	15,138	26,997
TOTAL ASSETS	78,360	147,726
EQUITIES AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	86,002	85,747
Other reserves	204	563
Retained earnings	38,150	16,852
Result of current period	(62,139)	21,298
FX reserve	(2,440)	(2,720)
Total equity	59,777	121,739
Non current liabilities		
Non current liabilities	13,700	14,881
Long term portion of leasing	27	15
Deferred income tax	2,416	10,071
Total non current liabilities	16,143	24,967
Current Liabilities		
Other debt	9	14
Other payables	1,496	975
Accruals	932	27
Tax payable	2	4
Total current liabilities	2,439	1,020
TOTAL LIABILITIES	78,360	147,726

Cash flow statement (UNAUDITED)

EUR thousand	Year to 31 Dec 2008	Full year 2007
Profit before tax	(70,074)	28,251
Net cash flow from operating activities	58,098	(8,693)
Net cash flow used in investing activities	4,328	(36,783)
Net cash flows from financing activities	(1,051)	29,590
Net cash change during period	(8,699)	(14,886)
Cash at beginning of period	15,222	30,108
Cash and cash equivalents at end of the period	6,523	15,222

Actual historic combined and consolidated changes in equity statements (UNAUDITED)

EUR thousand	As per 31 Dec 2008	As per 31 December 2007
Equity as of beginning of period	121,739	65,205
Result	(62,139)	21,299
Other changes	178	35,236
Equity at end of period	59,777	121,739

There has been no change in the share capital of the Company during 4Q. The total issued number of shares as at 31 December 2008 is 49,247,366.