



**REPORT FOR THE SECOND QUARTER
2009**

21 August 2009

RomReal Ltd

Highlights: Q2 2009

- Statutory Net Asset Value (NAV) under IFRS was EUR 1.17 (NOK 10.4) per share at the end of Q2 2009, a slight decline of 2.2% compared to the end of Q1 2009.
- Pre-tax loss in Q2 2009 was EUR 1.42 million. Total assets at the end of Q2 2009 were EUR 75.93 million. No write-downs were made of the asset value of the land portfolio and development projects.
- The Company's cost cutting program has had significant effect with operational expenses down 57% from Q2 2008. This is mainly due to a reduced number of employees and very firm cost control.
- On the Corallia apartment development project the construction completion has been somewhat delayed due to some disagreements with the construction company which are now in the process of being resolved. The time to complete the construction work, provided no further delays are encountered, is now estimated to be 2-3 weeks.
- Two additional flats have been sold on Corallia in Q2 and the number of unsold flats is currently down to 9 flats, with 28 of the total 37 flats now sold. The outstanding contractual amount payable to RomReal by the buyers on handover of the 28 flats is approximately EUR 2 million.

Kay Thorkildsen, RomReal's CEO, said:

"The residential sector continues to be the most affected segment of the local construction and real estate market. Financial constraints have resulted in delays or cancellations of many residential projects during the year. At the consumer level, potential flat buyers are still cautious of buying as they are uncertain about the development in real-estate prices, access to financing, and the development in the overall economy."

The Corallia residential project has experienced some delay in the construction completion due to some disagreements with the construction company Baumeister SRL. The current expected time to complete the construction work, provided no further delays are encountered, is 2-3 weeks. The estimated remaining cash payments to complete the building is around EUR 350,000. RomReal's most important priority is finalising the Corallia project and handing over the sold flats to the buyers as soon as possible.

During Q2, RomReal collected the cash payment of EUR 186,000 for the divestment of 13,700 sqm. of un-zoned land to the Government as mentioned in the Q1 2009 report. The Company has also finalised the substantial downscaling of the Bucharest office, which will give significant on-going cost savings."

KEY FIGURES (EUR '000)

| | Q2 2009 | Q1 2009 | Q2 2008 | FY 2008 |
|--------------------------|-------------|-------------|-------------|-------------|
| Profit/(loss) before tax | (1,421) | (1,793) | (8,787) | (70,560) |
| Net assets value | 57,474 | 58,741 | 113,418 | 60,164 |
| NAV (EUR/share) | 1.17 | 1.19 | 2.30 | 1.22 |
| NAV (NOK/share) | 10.4 | 10.6 | 18.5 | 12.0 |
| Cash position | 3,716 | 4,928 | 9,818 | 6,523 |
| Number of plots | 16 | 16 | 17 | 16 |
| Land bank ('000 sqm) | 1,190 | 1,204 | 1,204 | 1,204 |
| Number of employees | 8 | 8 | 24 | 16 |

OPERATIONAL OVERVIEW

Development Project Status - Corallia apartments

Construction process

The original construction completion date was in mid June, but due to some disagreements with the construction company, Baumeister SRL, this has been somewhat delayed. These disagreements are now in the process of being resolved. The current expected time to complete the construction work, provided no further delays are encountered, is 2-3 weeks. The estimated remaining cash payments to complete the building is around EUR 350,000.

RomReal focuses all available resources on monitoring the construction costs, and it is expected that the total cost of the Corallia project still will be somewhat less than the initial budgeted amount. Discussions are now being initiated to prepare the transfer of the apartments to the buyers.

Sales progress residential/commercial

Residential units:

During Q2 2009, purchase contracts for two additional flats were signed, totalling the number of flats sold to 28 (of 37 in total). A 25% down payment on both flats were received. The Company is working hard to finalize the sale of the remaining 9 unsold apartments.

Commercial units:

Two of the four commercial units on the ground floor have been sold during Q2 2009. The sales terms involve a down payment of 25%, with the remaining 75% payable within 3 years. The official title of the purchased units is transferred only after payment is made in full, and the down payment is capitalised as rental income in the P&L until final title transfer is made.

Corallia pictures taken 17 August 2009:



View from the back garden



Street view



Internal works being completed



Internal works being completed

The Investment Portfolio (“Land bank”)

Total size of the Company’s Investment Portfolio (“Land Bank”) decreased slightly during the quarter to a total 1,190,300 sqm. at the end of Q2 2009. This was due to the divestment of the 13,700 sqm of un-zoned land to the Government.

RomReal is continuously looking to release some of the cash value in the plot portfolio through asset disposals. Discussions are in progress and some indicative offers have been advanced by potential clients. In addition, RomReal is seeking to increase asset value through potential strategic partnerships and working with the local authorities to expand planning permissions.

Following RomReal’s focus on the Constanta area, the Company is actively looking to dispose its non-core assets – including the Morii Lake plot in Bucharest, and the Brasov (Brasov city) plot. However, under the prevailing market conditions with reduced access to credit, potential buyers are limited.

Movement in Net Asset Value

The IFRS financial statements based Net Asset Value (NAV) was Euro 1.17 per share as at end Q2 2009, a reduction of 2.2% from Q1 2009. No writedowns were made of the asset value of the land portfolio and development projects.

| Asset base (EUR million) | Q2 2009 | | | Q1 2009 | | |
|--------------------------------|---------------|-------------|-------------|---------------|-------------|-------------|
| | EUR | EUR/share | NOK/share | EUR | EUR/share | NOK/share |
| Investment property | 62,798 | 1.3 | 11.6 | 62,800 | 1.3 | 11.3 |
| Inventories | 6,940 | 0.1 | 1.3 | 7,731 | 0.2 | 1.4 |
| Cash | 3,716 | 0.1 | 0.7 | 4,928 | 0.1 | 0.9 |
| Other Assets / (Liabilities) | (15,980) | (0.3) | -2.9 | (16,718) | (0.3) | (3.0) |
| IFRS Net Asset Value | 57,474 | | | 58,741 | | |
| NAV per share | | 1.17 | 10.4 | | 1.19 | 10.6 |
| NAV Movement in Quarter | -2.2% | | | -2.0% | | |

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

- NOK/share is calculated using the exchange rates at the end of the quarter

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q2 2009 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 2008.

Comparative date for Q2 2009 and Q2 2008

The interpretations below refers to comparable financial information for Q2 2009 and Q2 2008. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The Operating Revenue for Q2 2009 was EUR 170,000 compared to a total of EUR 196,000 in Q2 2008. This income relates mainly to rent received on some of the land bank assets awaiting development.

Operating Expenses

Total Operating Expenses amounted to EUR 609,000 in Q2 2009 compared to EUR 1,405,000 in Q2 2008, reflecting the significant decrease in the number of employees and observance of a tight cost control program. Out of the Operating Expenses for Q2 2009, around EUR 70,000 was related to one-off settlements to achieve further cost savings, and the real operating expense level is therefore lower than EUR 609,000. Going forward into Q3 2009 the significant downscaling of the Bucharest office completed during Q2 will also result in additional cost savings.

Out of the total Operating Expenses, the main cost items relate to general and administration costs (71% of total operating expenses) and salaries (17% of total operating expenses).

Other Operating Income/Expense, net

The net of Other Operating Income/Expense in Q2 2009 amounted to EUR 1,221,000, compared to EUR 7,396,000 in Q2 2008. The main items include a profit of EUR 103,000 generated in connection with the sale of un-zoned land to the Government. On the expense side, a decrease in the value of investment property as a consequence of the slight rise of RON against the EUR during the period, write-downs in connection with the significant downscaling of the Bucharest office, and write-downs of certain feasibility studies prepared earlier for various plots in the land bank.

Profit from operations

During Q2 2009, RomReal generated an operating loss of EUR 1,659,000, compared to a loss of EUR 8,605,000 in Q2 2008.

Financial Income and Expense

During Q2 2009 the RON was relatively stable against the EUR with a slight rise compared to end Q1 2009. The main items that generate foreign exchange differences are the inter-company loans and the loan taken from Alpha Bank amounting to EUR 13.7 million.

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

Financial Income for Q2 2009 was EUR 488,000, while the financial expense in Q2 2009 was EUR 250,000 leading to a net financial gain of EUR 238,000 compared to a net financial loss of EUR 182,000 in Q2 2008. The financial net gain relates primarily to the unrealised foreign exchange losses.

Result before tax

The loss before tax in Q2 2009 was EUR 1,421,000 compared to a loss before tax of EUR 8,787,000 in Q2 2008.

Cash and cash equivalents

The Company's cash and cash equivalents position at end Q2 2009 was EUR 3,716,000 compared to EUR 4,928,000 as at end Q1 2009. The reasons for the cash decrease in Q2 is due to final payments being made in connection with the completion of the Corallia residential project. Estimated remaining cash payments to complete the building is around EUR 350,000, and the outstanding contractual amount payable to RomReal by the flat buyers on handover is approximately EUR 2 million.

The Company is owed EUR 340,000 in VAT from the Government and is currently working to reclaim this.

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 Q2 2009 there was a slight decrease of the deferred tax liability amounting to EUR 0.24 million since the investment property value was adjusted to the exchange rate at the end of Q2 2009.

During Q2 2009 the fiscal legislation was changed with the companies being required to pay the higher of a minimum income tax based on the turnover of the respective company and the 16% rate applied to the taxable profits. However, this has not resulted in any material charge for the companies within the RomReal group.

Consolidated debt

As at end Q2 2009 the group's consolidated net interest-bearing debt amounted to EUR 13,700,000. This is 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 4.5% margin. 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 Ltd as at end Q2 2009 and its maturities:

| EUR thousand | | End Q2 2009 | 2009 | 26 Nov 2010 |
|--------------|--|-------------|------|-------------|
| | | | | |
| Alpha Bank | | 13,700 | - | (13,700) |

Total equity

The Company's total equity as at end Q2 2009 was EUR 57,474,000, representing 76% of total assets at the end of the period.

Deferred income

Includes the cash deposits from clients for the apartments sold in Corralia project.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

| | Q2 2009 | Q2 2008 | Year to 30 June 2009 | Year to 30 June 2008 |
|--|----------------|----------------|-------------------------|-------------------------|
| Rent revenue | 170 | 196 | 327 | 370 |
| Other revenue | - | - | - | - |
| Operating revenue | 170 | 196 | 327 | 370 |
| Payroll expenses | (105) | (408) | (213) | (592) |
| Depreciation and amortization | (43) | (68) | (57) | (155) |
| Management fees | (25) | (25) | (50) | (50) |
| General and administrative expenses | (436) | (904) | (876) | (1,734) |
| Operating expenses | (609) | (1,405) | (1,196) | (2,531) |
| | - | - | - | - |
| Profit/ (loss) before other operating items | (439) | (1,209) | (869) | (2,161) |
| Other operating income/(expense), net | (1,221) | (7,396) | 2,730 | (2,923) |
| | - | - | - | - |
| Profit from operations | (1,659) | (8,605) | 1,862 | (5,084) |
| Financial income | 488 | 1,474 | 1,734 | 3,142 |
| Financial expenses | (250) | (1,656) | (6,811) | (3,443) |
| | - | - | - | - |
| Result before tax | (1,421) | (8,787) | (3,215) | (5,385) |
| Tax expense | 241 | - | (501) | (156) |
| | - | - | - | - |
| Result of the period | (1,180) | (8,787) | (3,716) | (5,541) |

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

| ASSETS | June 30, 2009 | December 31, 2008 | June 30, 2008 |
|---------------------------------|------------------|----------------------|------------------|
| Non-current assets | | | |
| Intangible fixed assets | 10 | 16 | 26 |
| Investment properties | 62,798 | 62,798 | 109,888 |
| Property, plant and equipment | 211 | 367 | 968 |
| Deferred tax asset | 1,239 | 1,463 | - |
| Total non current assets | 64,258 | 64,645 | 110,882 |
| Current assets | | | |
| Inventories | 6,940 | 7,371 | 13,394 |
| Other short term receivables | 934 | 1,099 | 4,235 |
| Prepayments | 84 | 146 | 193 |
| Cash and cash equivalents | 3,716 | 6,523 | 9,818 |
| Total current assets | 11,674 | 15,139 | 27,640 |
| TOTAL ASSETS | 75,932 | 79,784 | 138,522 |

| EQUITY AND LIABILITIES | June 30, 2009 | December 31, 2008 | March 31, 2008 |
|--------------------------------------|------------------|----------------------|----------------|
| Equity | | | |
| Share capital | 85,746 | 85,746 | 85,746 |
| Other reserves | 425 | 425 | 460 |
| Retained earnings | (23,306) | 38,151 | 40,866 |
| Result of current period | (3,716) | (61,456) | (8,787) |
| FX reserve | (1,676) | (2,703) | (4,867) |
| Total equity | 57,474 | 60,164 | 113,418 |
| Non current liabilities | | | |
| Non current debt | 13,700 | 13,700 | 13,528 |
| Other non current liabilities | 88 | 27 | 15 |
| Deferred income tax | 2,977 | 2,774 | 10,101 |
| Total non current liabilities | 16,765 | 16,501 | 23,644 |
| Current Liabilities | | | |
| Other debt | 5 | 9 | 14 |
| Other payables | 525 | 2,179 | 1,019 |
| Deferred income | 1,160 | 932 | 424 |
| Tax payable | 3 | (0) | 3 |
| Total current liabilities | 1,693 | 3,120 | 1,460 |
| TOTAL LIABILITIES | 75,932 | 79,784 | 138,522 |

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

| | June 30, 2009 | December 31 2008 | June 30, 2008 |
|---|------------------|---------------------|------------------|
| Net cash flow from operating activities | (2,415) | (9,469) | (6,532) |
| Net cash flow used in investing activities | - | 4,877 | 2,729 |
| Net cash flows from financing activities | (392) | (4,107) | (1,601) |
| Net cash change during period | (2,807) | (8,699) | (5,404) |
| Cash at beginning of period | 6,523 | 15,222 | 15,222 |
| Cash and cash equivalents at end of the period | 3,716 | 6,523 | 9,818 |

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

| | June 30, 2009 | December 31 2008 | June 30, 2008 |
|--|------------------|---------------------|------------------|
| Equity at the beginning of the period | 60,164 | 121,739 | 121,739 |
| Result for the period | (3,716) | (61,456) | (5,541) |
| Other changes | 1,026 | (120) | (2,780) |
| Equity at the end of the period | 57,474 | 60,164 | 113,418 |

There has been no change in the share capital of the Company during Q2 2009. The total issued number of shares as end Q2 2009 was 49,247,366.