



REPORT FOR THE SECOND QUARTER 2010

20 August 2010

RomReal Ltd

Highlights: Q2 2010

- Statutory Net Asset Value (NAV) under IFRS was EUR 0.83 (NOK 6.3) per share at the end of Q2 2010, a decline of 2.3% compared to the end of Q1 2010. This was as mainly due to the unrealised foreign exchange losses of the intra company debts of the Romanian operations.
- Pre-tax loss in Q2 2010 of EUR 3.38 million. Total assets at the end of Q2 2010 were EUR 56.57 million.
- RomReal's cash position increased with EUR 569,000 during Q2 2010 to a total of EUR 2,723,000 as a result of the ongoing sales and cash collections.
- Operational expenses were 38% less than in Q2 2009 and 26% less compared with Q1 2010.
- After the end of Q2 the number of employees has been further reduced to 5 people.
- On the Corallia apartment project, all of the 37 the apartments and commercial areas have been sold; for one of the existing contracts arbitration procedures are in course while another one has been transferred back to the Company which has also retained the 25% downpayment.

Kay Thorkildsen, RomReal's CEO, said:

“The real estate market witnessed no change in its standstill situation during the first half of 2010. The very few transactions were mainly small in size and between individuals. Most residential project are either on hold or facing significant delays. The commercial segment also faced significant pressure. On the positive side, although the IMF estimates that the GDP growth for 2010 will be a negative 1.9%, the industrial production in Romania has increase in the first half of the year with 4.4%.

In this context, RomReal has focused on finalising the transfer of apartments in the Corallia project to the buyers. As of the date of this report all the apartments have been sold. The sales of apartments have contributed to a strengthening of RomReal's cash position which at the end of Q2 reached EUR 2.7 million.

The discussions with Alpha Bank for the extension of the loan have continued and the company has provided all required documents for the application. The management is confident that an agreement will be reached with the financing bank, although there is still no guarantee in this respect until such agreement is actually signed.

Going forward, the focus of the Company is on divesting assets in the portfolio to further strengthen the cash position”

KEY FIGURES (EUR '000)

	2Q 2010	1Q 2010	2Q 2009	FY 2009	FY 2008
Profit/(loss) before tax	(3,376)	881	(1,422)	(19,363)	(70,074)
Net assets value	40,715	41,659	57,474	42,163	60,164
NAV (EUR/share)	0.83	0.85	1.17	0.86	1.22
NAV (NOK/share)	6.3	7.1	10.4	7.4	11.9
Cash position	2,723	2,154	3,716	1,862	6,523
Number of plots	16	16	16	16	17
Number of employees	7	7	8	7	16

OPERATIONAL OVERVIEW

At the date of this report the 37 apartments of the Corallia development and all of the four commercial areas have all been sold. However, one of the apartment customers has pulled out of the transaction and the Company has retained the 25% downpayment. The Company is working now to find another buyer for the apartment and anticipates one will soon be found. A second client has opened arbitration procedures which are currently in progress. The value of the two apartments together amounts to around EUR 100,000.

During Q2 2010, collections from sales of apartments amounted to EUR 0.98 million. Going into the next quarters, the cash collections will continue for the apartments where instalment spayment was agreed. Out of the total EUR 0.7 million instalments receivable from clients, about EUR 0.4m is expected to be collected by the end of 2010.

The Investment Portfolio

Total size of the Company's Investment Portfolio ("Land Bank") remained constant during the quarter totalling 1,241,349 sqm at the end of Q2 2010.

In order to release cash from the value of it land bank, RomReal is actively looking for potential investors to divest some of its plots. However, this is still a vey difficult task as investment activity on the local real estate is very weak. In Q1 in Romania there was a volume of transactions of just over EUR 118 million (as compared to a nearly stand still in the same period last year), including medium and small-sized deals performed mostly by individual investors. It seems that the local investment market has temporarily lost its attractiveness for foreign investors and considering the current economic uncertainties it is difficult to predict when the situation will change.

Movement in Net Asset Value

The IFRS financial statements based Net Asset Value (NAV) is Euro 0.83 per share as at end Q2 2010, 2.3% down from Q1 2010. The Company has not made any changes to the value of its investment properties. The values are based on the year end valuation report prepared by Colliers. The report was produced for IFRS accounts purposes at the end of 2009.

Asset base (EUR million)	Q2 2010			Q1 2010		
	EUR	EUR/share	NOK/share	EUR	EUR/share	NOK/share
Investment property	48,058	1.0	7.4	48,058	1.0	7.9
Inventories	4,628	0.1	0.7	6,111	1.0	1.0
Cash	2,723	0.1	0.4	2,154	0.0	0.4
Other Assets / (Liabilities)	(14,694)	(0.3)	(2.3)	(14,664)	(0.3)	(2.4)
IFRS Net Asset Value	40,715			41,659		
NAV per share		0.83	6.3		0.85	7.1
NAV Movement in Quarter	-2.3%			-1.2%		

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

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

INFORMATION ON FINANCIAL CONDITION AND OPERATING RESULTS

Accounting Principles

The financial statements for the Q2 2010 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 2009.

Comparative data for Q2 2010 and Q2 2009

The interpretations below refers to comparable financial information for Q2 2010 and Q2 2009. They are prepared for RomReal on a consolidated basis and use consistent accounting policies and treatments.

Operating Revenue

The operating revenue for Q2 2010 was EUR 1,319,000 compared to a total of EUR 170,000 in Q2 2009. This income relates mainly to the sales of the finalised apartments (EUR 1,209,000) and rent received on some of the land bank assets awaiting development.

Operating Expenses

Total operating expenses amounted to EUR 379,000 in Q2 2010 compared to EUR 609,000 in Q2 2009, a 38% reduction in these costs. The reduction in costs was a policy actively pursued by the Company and has been further realised both at payroll level and general and administrative expenses. The payroll expenses were reduced by some 41%. The administrative costs of the Company were tightly managed, resulting in a further decrease of 39% as compared to the similar period of 2009. Compared with Q1 2010, the Company has further reduced the administrative costs with about 32%.

Out of the total operating expenses, the main cost items relate to general and administration costs (70% of total operating expenses) and salaries (16% of total operating expenses).

Other operating income/(expense),

The other operating income/(expense) for Q2 2010 relates mainly to the disposal value of the apartments sold during the period (circa EUR 1.2 million) and the change in the value of investment property as a consequence of the change in the exchange rate before translating them into the functional currency of the Group (EUR 3.6 million).

The net of Other Operating Income/(Expense) in Q2 2010 amounted to a net gain of EUR 2,395,000 compared to a loss of EUR 1,221,000 in Q2 2009.

Profit from operations

During Q2 2010, RomReal generated an operating profit of EUR 3,336,000, compared to a loss of EUR 1,660,000 in Q2 2009.

Financial Income and expense

Financial income for Q2 2010 was EUR 1,037,000 while the financial expense in Q2 2010 was EUR 7,749,000, leading to a net financial loss of EUR 6,712,000 compared to a net financial gain of EUR 238,000 in Q2 2009. The financial net loss relates primarily to the unrealised foreign exchange losses resulting from the revaluation of the EUR denominated loans. The financial comprises the expense with the interest paid in respect of the Alpha Bank loan in amount of EUR 168,757 per quarter and the unrealised gains on the EUR denominated balance of the Romanian companies.

Result before tax

The loss before tax in Q2 2010 was EUR 3,376,000 compared to a loss before tax of EUR 1,422,000 in Q2 2009. During Q2 2010 the RON depreciated against EUR with 6.8%. 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. It is the case with the prices for the apartments sold, which are EUR denominated. 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.

Cash and cash equivalents

The Company's cash and cash equivalents position at end Q2 2010 was EUR 2,723,000 compared to EUR 2,154,000 as at end Q1 2010. The reason for the cash increase in Q2 is due the operational cashing of the apartments transferred to clients.

Taxation

The company is required to calculate its current income tax at a flat rate of 16%. At the beginning of 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. This has not resulted in any material charge for the companies within RomReal.

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 2010 there was an increase in the deferred tax liability amounting to EUR 299,000 due to the net decrease in the value of the investment property value in RON terms. With regards to the deferred tax asset, the Company recognises it for the amount of carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Where the Company considered that it is not probable enough future taxable profits will be available within the legal time framework of five years to utilised the tax losses against, the Company has not recognised such deferred tax assets.

Starting 30 June 2010, the Government has increase the VAT rate from 19% to 24%, in efforts to increase collections at the State budget and reduce the budget deficit. Also, the tax payable by individuals on properties has been increased with 65% for the second building, 150% for the third and 300% for the fourth and each one afterwards.

Overview of the Company's debt

As the end of Q2 2010 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 table below shows the total debt for RomReal as at end Q2 2010 and its maturities:

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

Total equity

The Company's total equity as at end Q2 2010 was EUR 40,715,000, representing 72% of total assets at the end of the period.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Figures in thousand EUR

	Q2 2010	Q2 2009	Year to 30 June 2010	Year to 30 June 2009
Rent revenue	111	170	207	327
Revenue from sale of assets	1,209	-	3,387	-
Operating revenue	1,319	170	3,593	327
Payroll expenses	(62)	(105)	(126)	(213)
Depreciation and amortization	(26)	(43)	(53)	(57)
Management fees	(25)	(25)	(50)	(50)
General and administrative expenses	(266)	(436)	(659)	(876)
Operating expenses	(379)	(609)	(888)	(1,196)
	-	-	-	-
Profit/ (loss) before other operating items	941	(439)	2,706	(869)
Other operating income/(expense), net	2,395	(1,221)	(1,944)	2,730
	-	-	-	-
Profit from operations	3,336	(1,660)	762	1,861
Financial income	1,037	488	4,716	1,734
Financial costs	(7,749)	(250)	(7,974)	(6,811)
	-	-	-	-
Result before tax	(3,376)	(1,422)	(2,496)	(3,216)
Tax expense	(539)	241	(353)	(501)
Result of the period	(3,916)	(1,181)	(2,850)	(3,717)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Figures in thousand EUR

ASSETS	June 30, 2010	December 31, 2009	June 30, 2009
Non-current assets			
Intangible fixed assets	2	5	10
Investment properties	48,058	48,058	62,798
Property, plant and equipment	231	197	211
Deferred tax asset	0	0	1,239
Total non current assets	48,291	48,260	64,258
Current assets			
Inventories	4,628	8,323	6,940
Other short term receivables	893	349	934
Prepayments	40	57	84
Cash and cash equivalents	2,723	1,862	3,716
Total current assets	8,284	10,591	11,674
TOTAL ASSETS	56,575	58,851	75,932
EQUITY AND LIABILITIES			
Equity			
Share capital	85,746	85,746	85,746
Other reserves	425	425	425
Retained earnings	(42,339)	(23,305)	(23,305)
Result of current period	(2,850)	(19,040)	(3,716)
FX reserve	(268)	(1,663)	(1,676)
Total equity	40,715	42,163	57,474
Non current liabilities			
Non current debt	-	-	13,700
Other non current liabilities	0	0	88
Deferred income tax	1,177	878	2,977
Total non current liabilities	1,177	878	16,765
Current Liabilities			
Other debt	13,700	13,703	5
Other payables	842	948	525
Deferred income	136	1,135	1,160
Tax payable	5	25	3
Total current liabilities	14,683	15,811	1,693
TOTAL EQUITY AND LIABILITIES	56,575	58,851	75,932

CASH FLOW STATEMENT (UNAUDITED)

Figures in thousand EUR

	June 30, 2010	December 31, 2009	June 30, 2009
Net cash flow from operating activities	1,207	(3,961)	(2,415)
Net cash flow used in investing activities	-	-	-
Net cash flows from financing activities	(346)	(700)	(392)
Net cash change during period	861	(4,661)	(2,807)
Cash at beginning of period	1,862	6,523	6,523
Cash and cash equivalents at end of the period	2,723	1,862	3,716

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Figures in thousand EUR

	June 30, 2010	December 31, 2009	June 30, 2009
Equity at the beginning of the period	42,163	60,164	60,164
Result for the period	(2,850)	(19,040)	(3,716)
Other changes	1,402	1,039	1,026
Equity at the end of the period	40,715	42,163	57,474

There has been no change in the share capital of the Company during Q2 2010. The total issued number of shares at end Q2 2010 was 49,247,366.