



2<sup>nd</sup> quarter 2017

# FINANCIAL RESULTS PRESENTATION

11 August 2017

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## KEY TAKE AWAYS

1. Total Comprehensive Income of USD -5.0 million in Q2.
2. NAV per share at NOK 1.13.
3. Moscow office vacancy declined during H1
4. Bank covenants waived until Q3 2018

## OPERATIONS / FINANCE

1. The anchor tenant Gazprom Tsentrremont vacated the building on 31 May 2017. Current occupancy rate 30% after re-letting of approx 710 m<sup>2</sup> of the vacant space.
2. The company is actively seeking new tenants to re-let the vacant areas. There is activity in the letting market. The company has held 131 viewings in 2017 and are in continuous dialogue with potential tenants.
3. Rights offering complete, net proceeds of USD 3 million to achieve:
  - extension of the maturity date of the bank loan from September 2018 to June 2019
  - no amortisation until Q4 2018
  - waiving of covenants until Q4 2018,
  - new adjusted covenants from Q4 2018 to maturity, adapted to the changed market conditions in Russia.→ This gives the company improved cash reserves and better opportunity through the cycle.
3. Independent valuer reduced value of the building from USD 32.6m to USD 27.2m (-5.4 million in Q2). The valuer has applied a longer expected vacancy than in prior periods.

## P&L – MAJOR ITEMS

mill. USD	Q2 2017	Q2 2016	6M 2017	6M 2016
<b>Total Comprehensive Income</b>	<b>-5,0</b>	<b>-2,3</b>	<b>-2,3</b>	<b>-4,9</b>
<u>Summary of major items:</u>				
NOI from investment properties	+0,5	+1,3	+2,1	+2,5
Value change investment properties	-5,4	-0,9	-3,3	-1,2
Value change shares in real estate companies	-	-1,5	-	-3,0
Other operating costs	-0,3	-1,0	-0,5	-1,6
Funds and liquid investments	-	0,0	0,0	0,0
Borrowing costs	-0,5	-0,5	-1,0	-1,1
Currency gains/ losses	0,0	0,0	0,0	+0,4
Contract- and interest derivatives	0,0	-0,2	+0,2	-0,9
Taxes	+0,7	+0,5	+0,5	+0,6

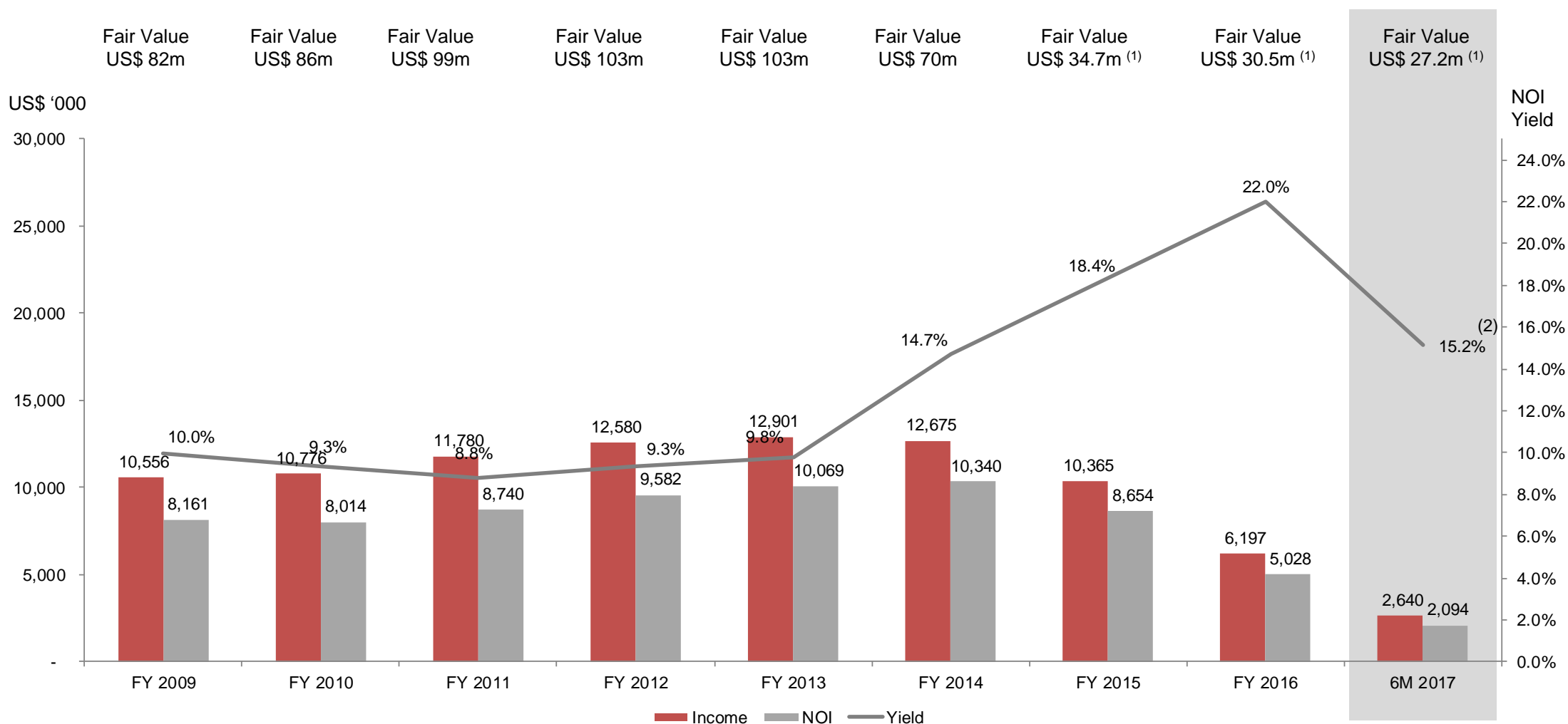
## BALANCE SHEET – MAJOR ITEMS

(US\$ '000)	30/06/17 <sup>(1)</sup>	31/12/16		30/06/17 <sup>(1)</sup>	31/12/16
Investment property	\$27,391	\$31,215	Bank loans	\$19,901	\$21,081
<b>Total non-current assets</b>	<b>\$27,406</b>	<b>\$31,233</b>	Deferred tax	\$72	\$ 864
Cash	\$2,370	\$4,371	Other liabilities	\$1,668	\$3,166
Receivable from rights offering	\$3,339	\$0	<b>Total liabilities</b>	<b>\$21,642</b>	<b>\$25,111</b>
<b>Total current assets</b>	<b>\$6,121</b>	<b>\$4,844</b>	<b>Equity</b>	<b>\$11,885</b>	<b>\$10,966</b>
<b>Total assets</b>	<b>\$33,527</b>	<b>\$36,078</b>	<b>Total equity and liabilities</b>	<b>\$33,527</b>	<b>\$36,078</b>
			<i>Equity ratio</i>	<i>35,4%</i>	<i>30,4%</i>

(1) Unaudited.

STORM CAPITAL MANAGEMENT

## DEVELOPMENT OF ASSET VALUE 2009 – 2017



(1) Grifon sold. Value of Gasfield building as per valuation from independent valuer.

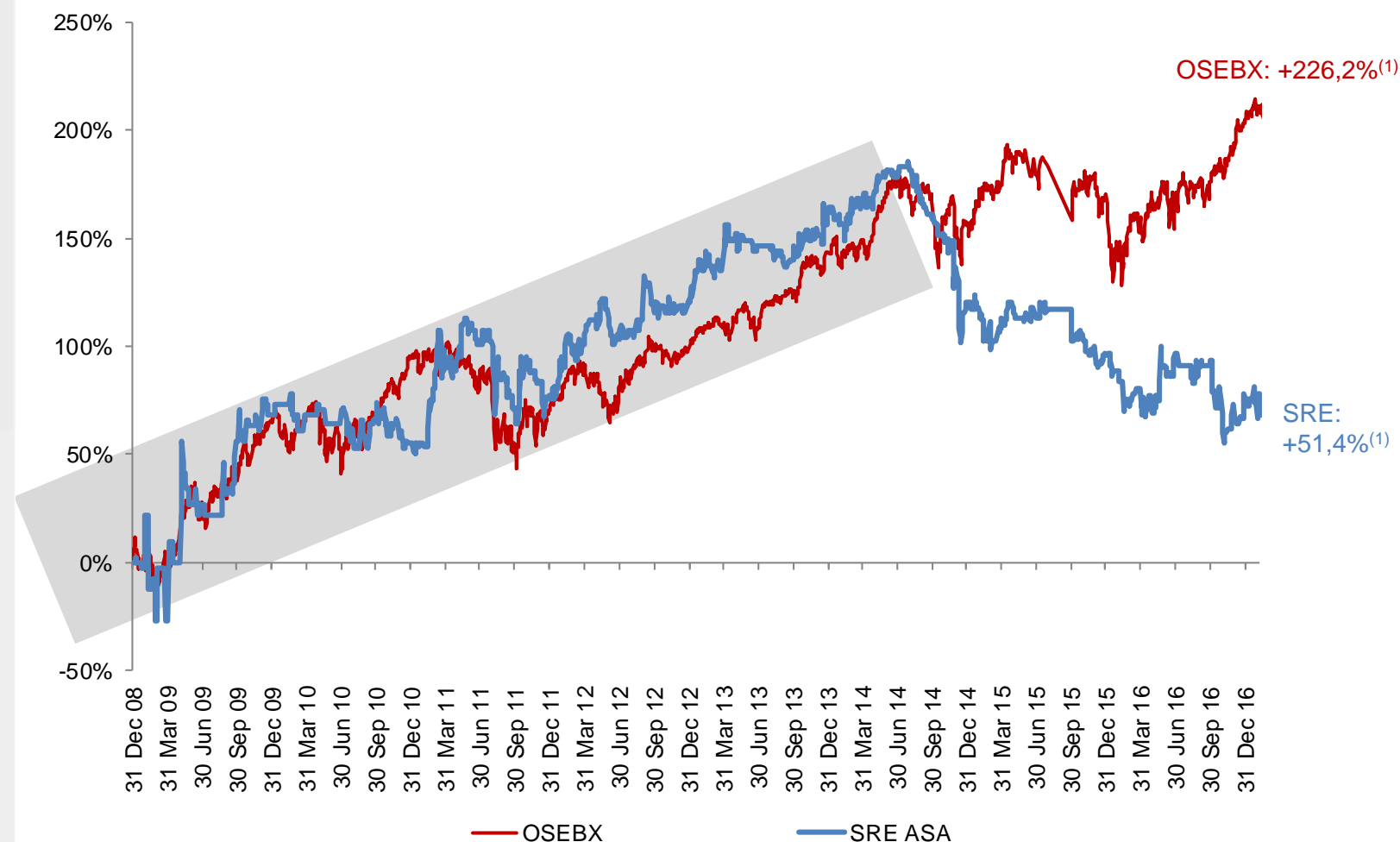
(2) Implied yield = NOI YTD / asset value at closing date. 2015 yield is calculated on the 2015 NOI / Asset value at year end of the Gasfield building only, following sale of Grifon House.

## STORM REAL ESTATE SHARE PRICE PERFORMANCE

The Storm Real Estate share was listed on Oslo main exchange on 6 July 2010.

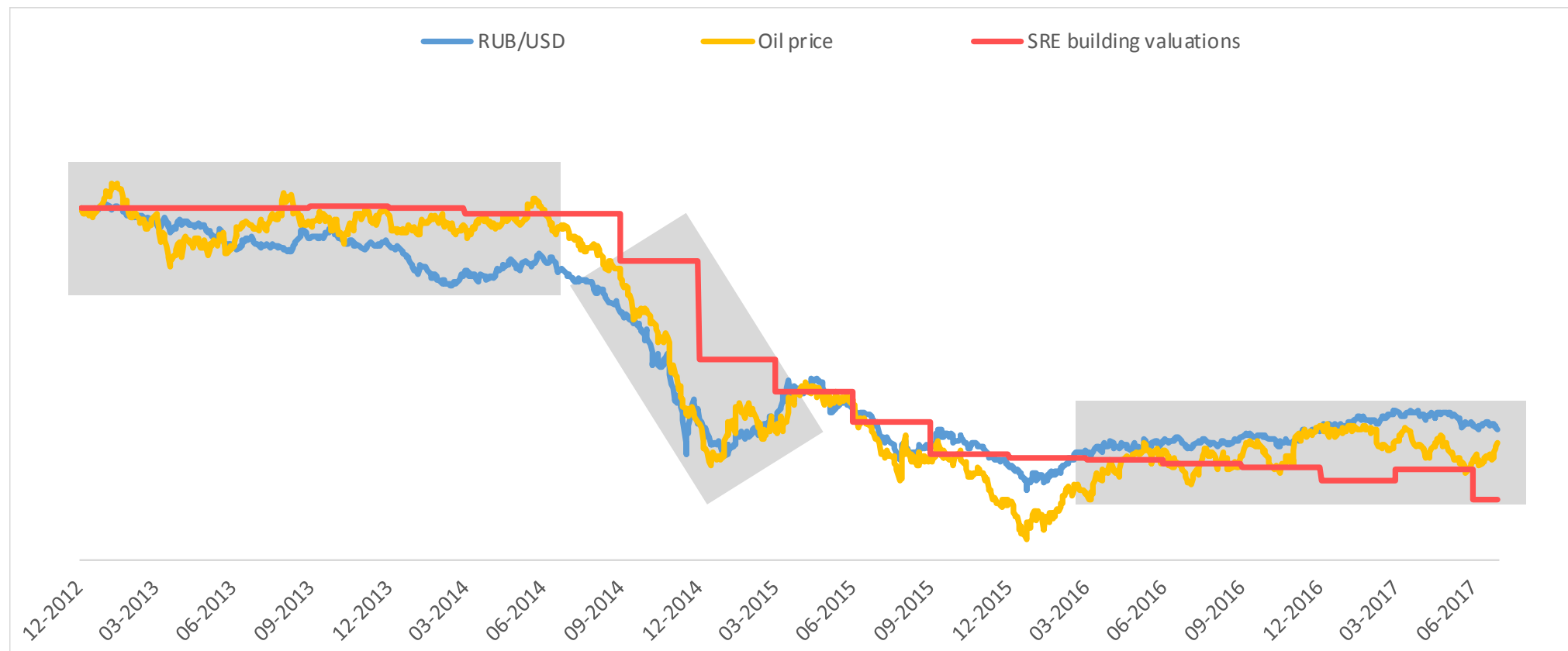
Before listing, the Storm share was traded OTC.

Share prices are adjusted for dividends and changes in number of issued shares.





## OIL PRICE vs PROPERTY VALUES vs ROUBLE



## RUSSIA – INFLATION

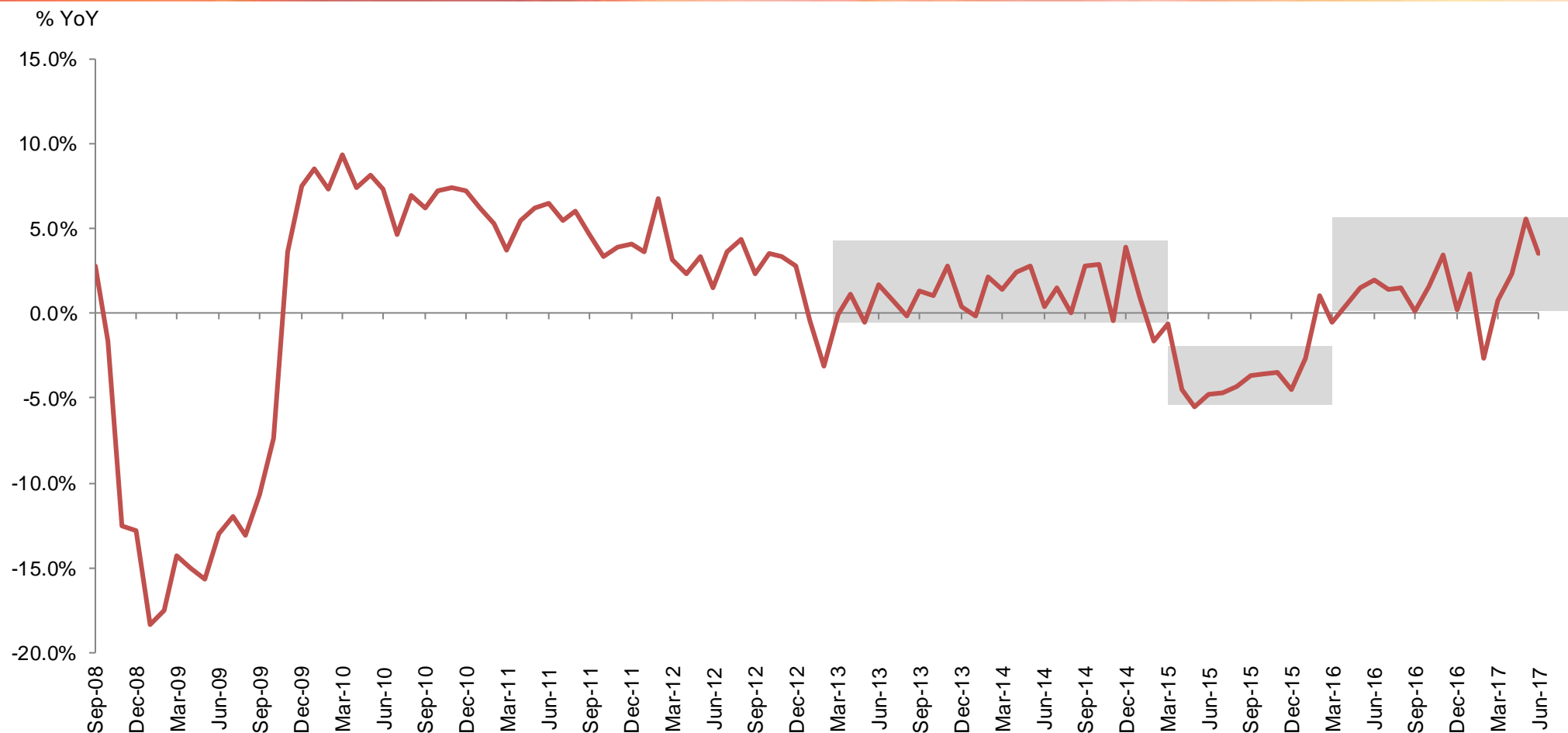
Inflation rate

*Inflation rate based on CPI*



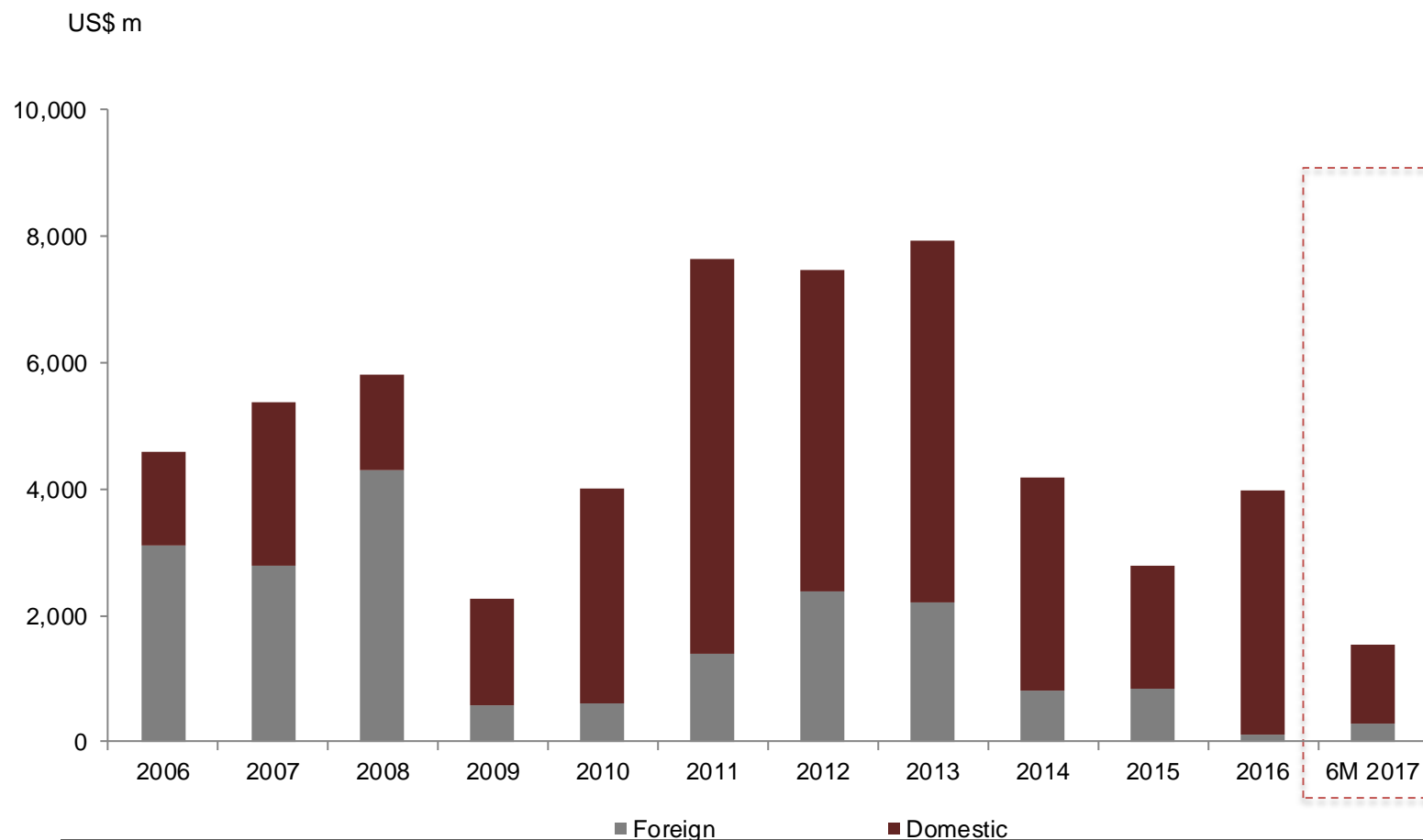
STORM CAPITAL MANAGEMENT

## RUSSIA – INDUSTRIAL PRODUCTION



*Economic activity (as measured by industrial production) showing a positive trend*

## RUSSIA – INVESTMENT VOLUME BY SOURCE OF CAPITAL

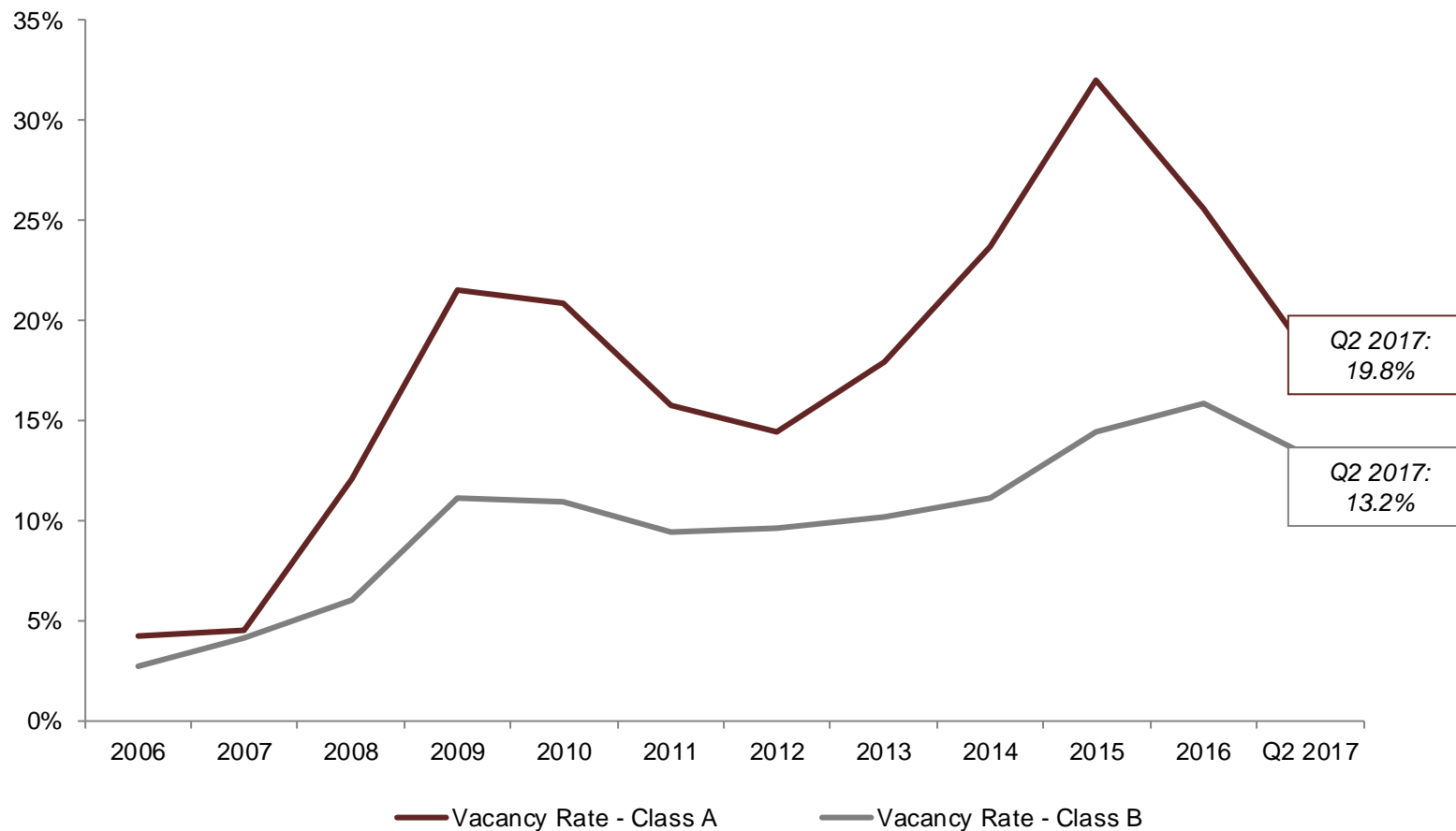


- Investment volume reached c. US\$ 1.5 billion in H1 2017.
- For reference the investment volume in 2016 was US\$ 4.0 billion.
- Foreign capital constituted 18% of total investment volume in H1, after only 6% in 2016.

*Foreign capital returning*

## MOSCOW OFFICE MARKET – VACANCY RATE

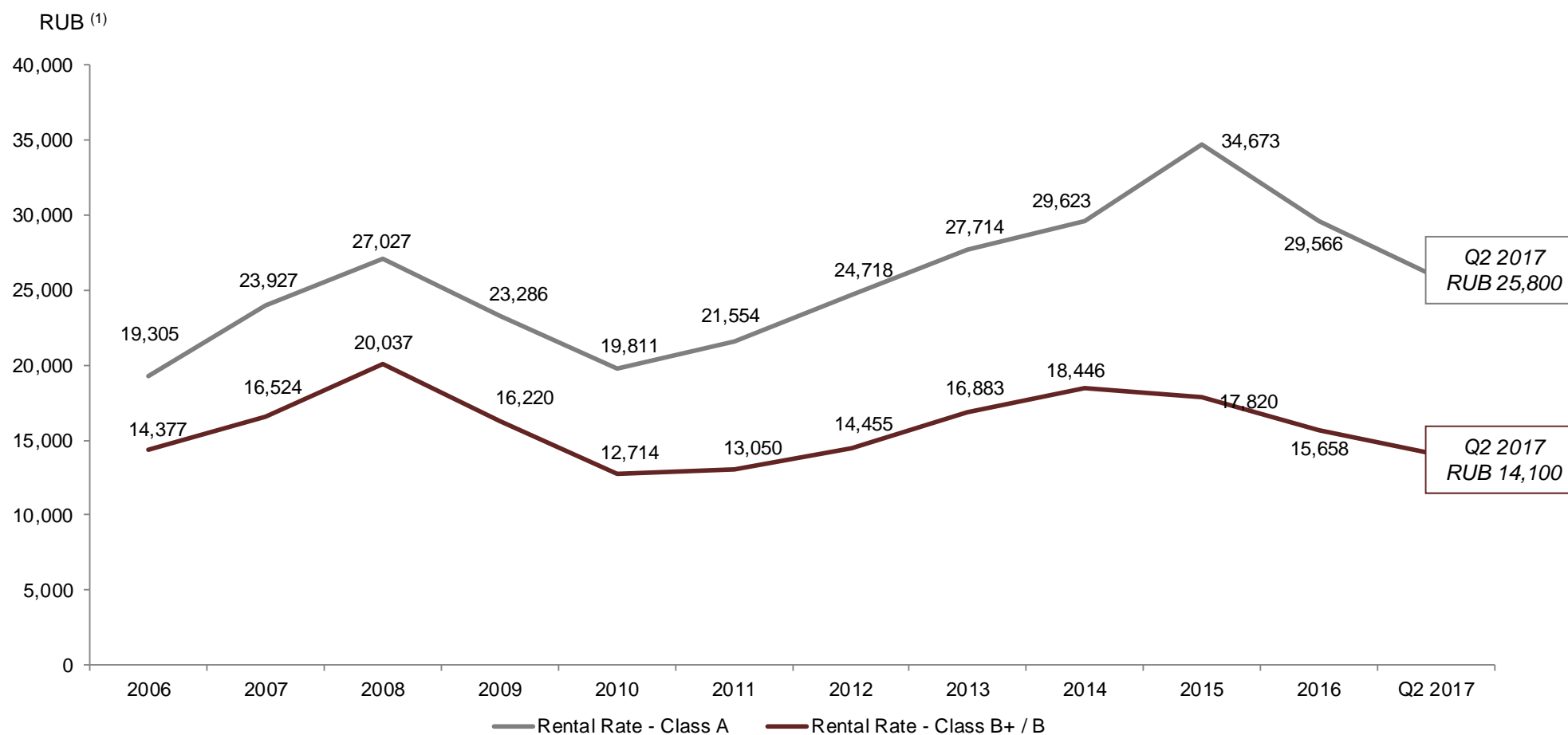
Vacancy (%)



- *Drop in vacancy rates*
- *Class B continues to show lower vacancy rates than class A*
- *Low new delivery contributes to reduced vacancy rates*

*Vacancy rates falling on low supply*

## MOSCOW OFFICE MARKET - AVERAGE RENTAL RATES IN RUB <sup>(1)</sup>

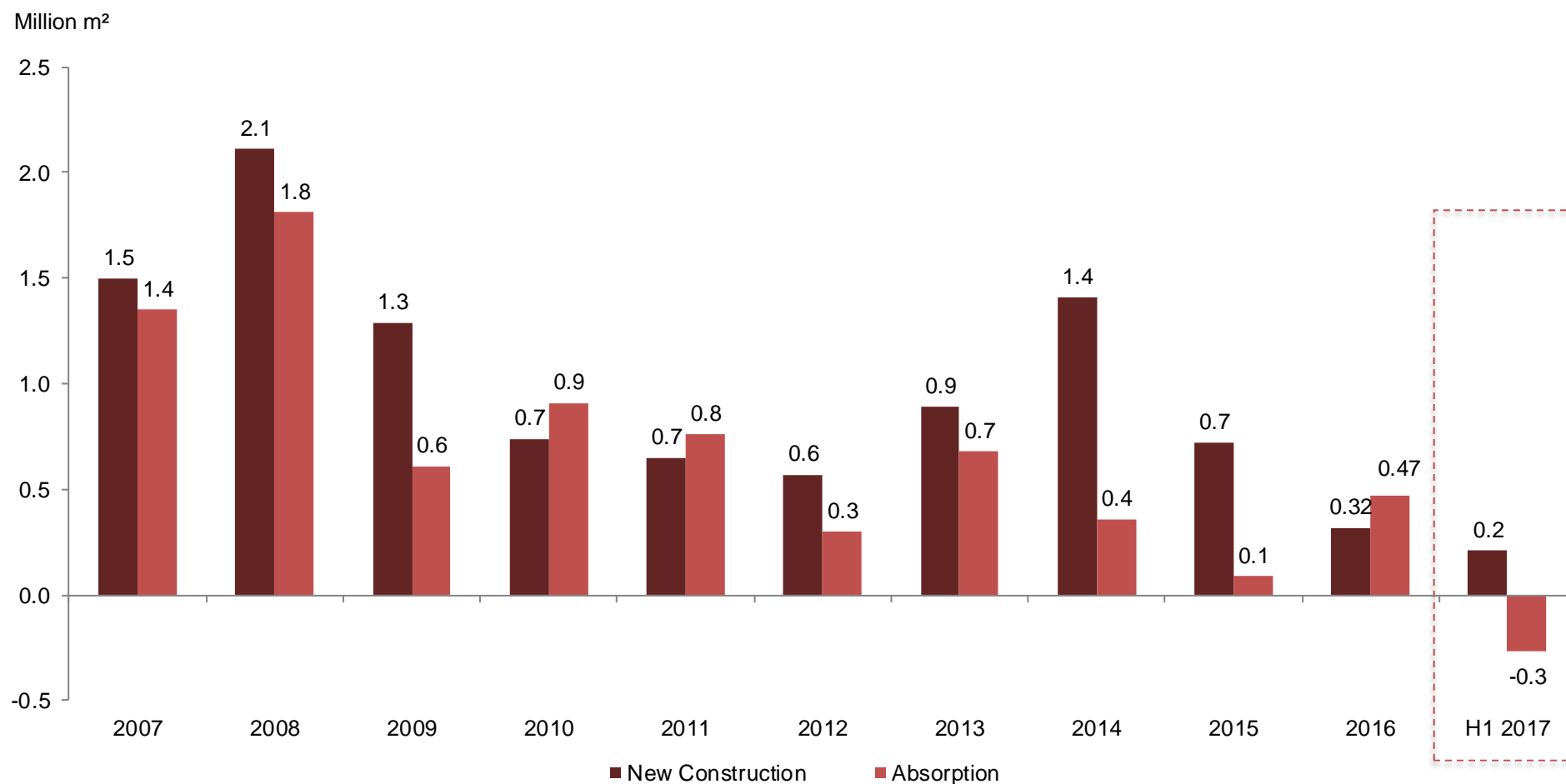


*Relative stability in rent level in RUB terms*

Source: Cushman & Wakefield

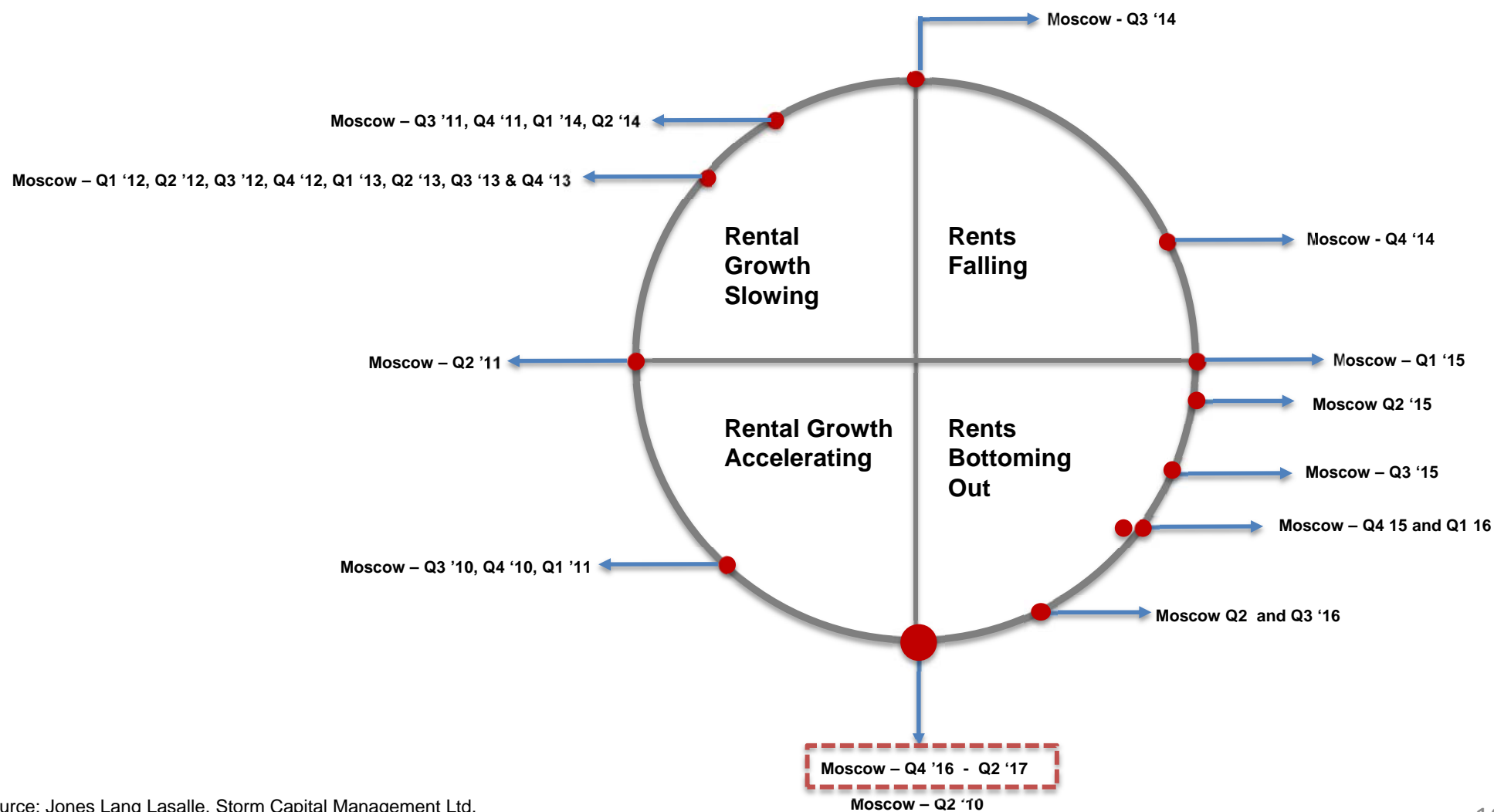
(1) Average rental rates is a weighted average rental rate of asking rents of deals closed within the period, RUB / m<sup>2</sup>/ annum/ triple net (net of op.ex and VAT)

## MOSCOW OFFICE MARKET – NEW CONSTRUCTION AND ABSORPTION



*Low activity: little new construction, and negative absorption.*

## EUROPEAN OFFICE CLOCK 2010 –2017





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## APPENDIX

## GASFIELD BUILDING

Gasfield Building



<b>Class</b>	B
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<b>Gross Area</b>	c. 15,200 m <sup>2</sup>
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<b>Occupancy Rate</b>	c. 30%
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<b>Major Tenant</b>	<i>Gazprom Tsentrremont</i>
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## PERFORMANCE OF THE RUSSIAN MICEX INDEX

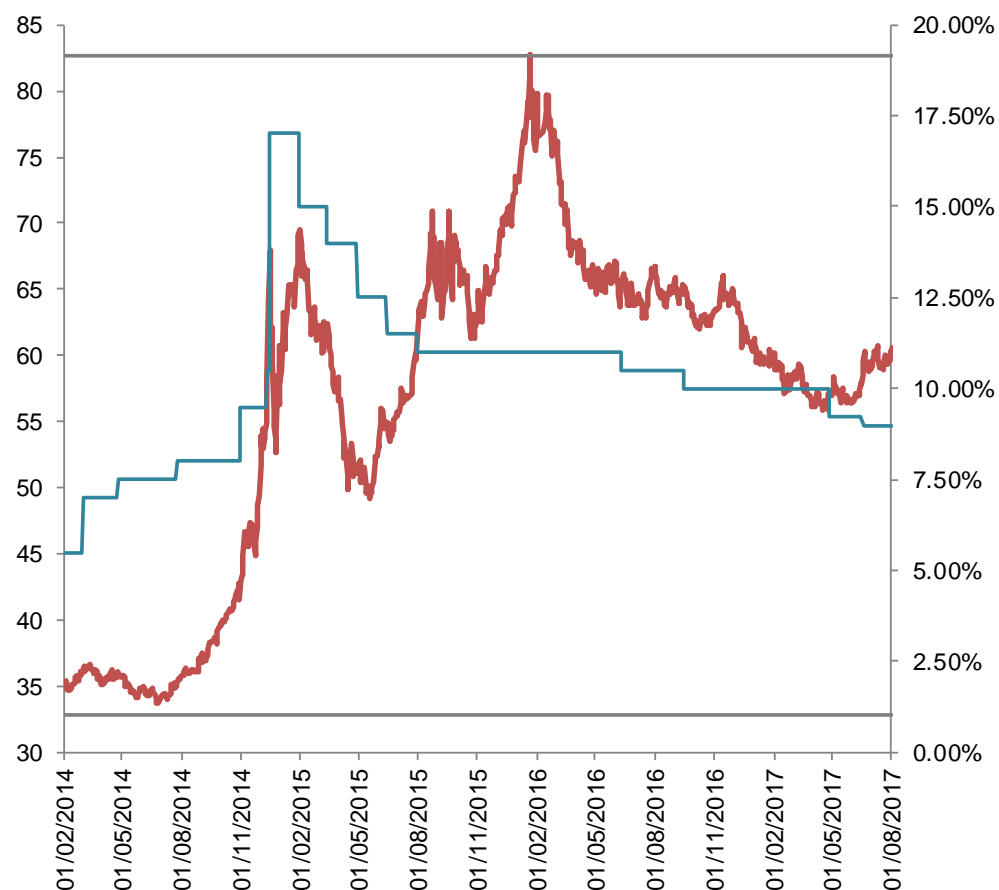
- The MICEX index was up 26,1% in 2015 and 26,8% in 2016
- The Index reached an all time high in January 2017



## RUSSIA – US\$/RUB AND NOK/RUB EXCHANGE RATE MOVEMENTS AND CBR KEY RATE

US\$/RUB Exchange Rate

CBR Key Rate



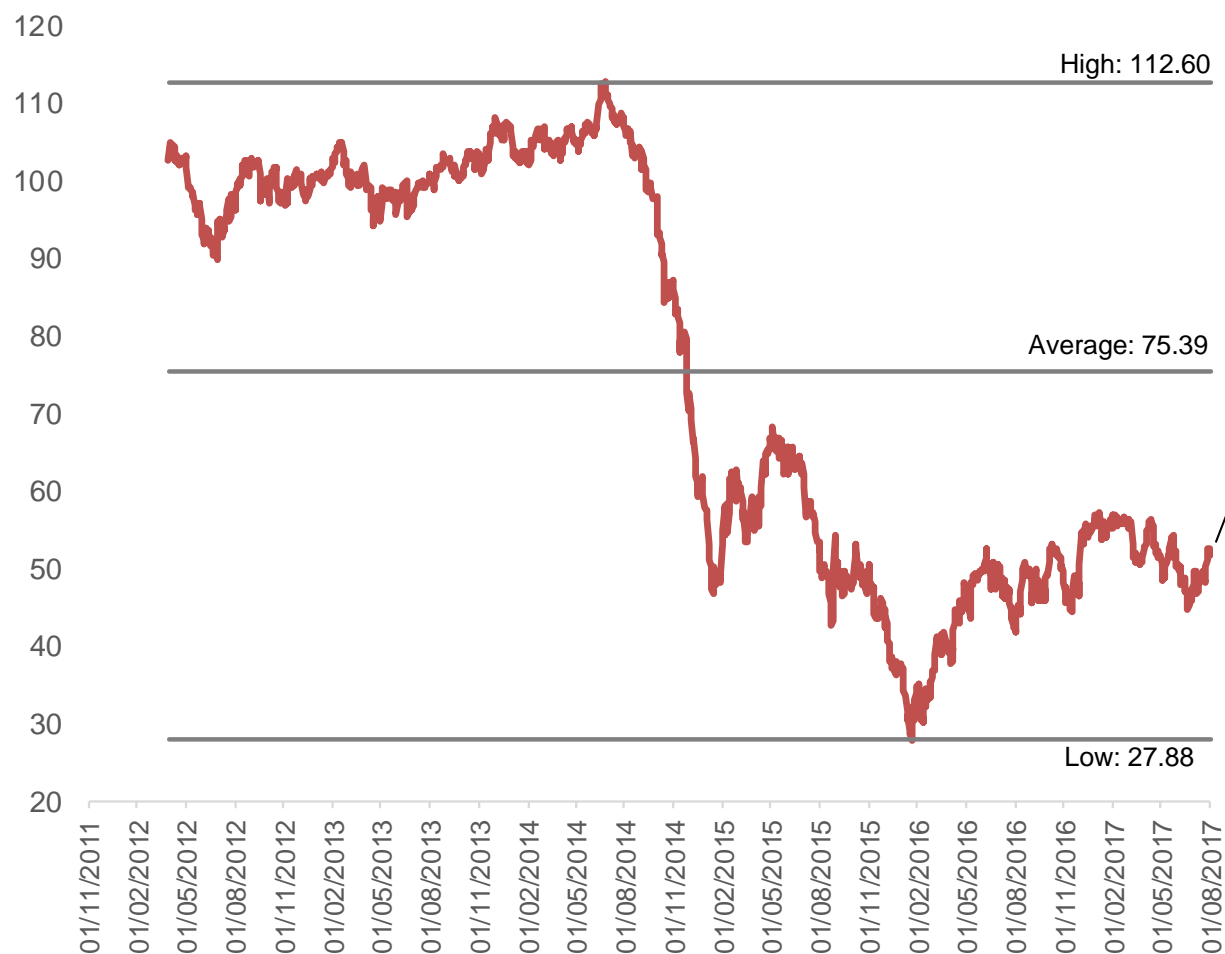
NOK/RUB Exchange Rate

CBR Key Rate

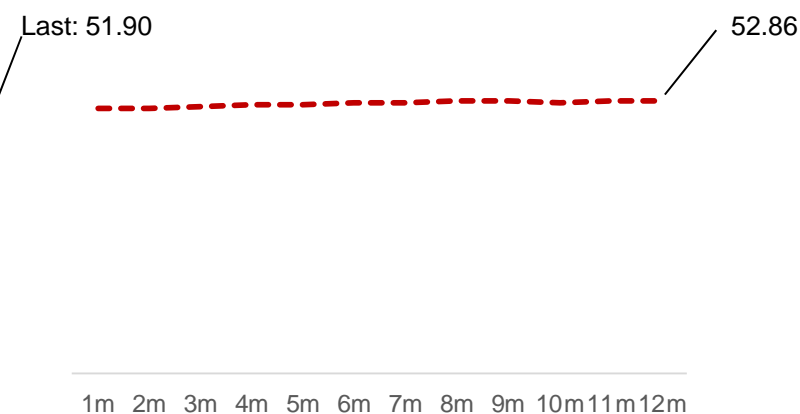


## BRENT OIL PRICE AND OIL PRICE FUTURES

Brent Oil Price (US\$)



Brent Oil Price Futures (US\$)



## CONTACT

Berger House  
36-38 Berkeley Square  
London W1J 5AE  
United Kingdom

E-mail: [info@stormcapital.co.uk](mailto:info@stormcapital.co.uk)

Tel: +44 (0)207 409 3378

Web: [www.stormcapital.co.uk](http://www.stormcapital.co.uk)

