STORM REAL ESTATE ASA

AGM PRESENTATION: THE COMPANY'S FINANCIAL SITUATION

Storm Real Estate ASA
15 May 2018

Disclaimer

This presentation contains forward looking information, which is based on assumptions, analysis, views and opinions. Actual future outcome may differ significantly from assumptions. As such, information in this presentation is subject to significant uncertainty. This presentation must be read together with the company's annual report for 2017.

Content

1. Going concern issues
2. Solidity
3. Cash flow
4. Financing

1. GOING CONCERN ISSUES

As outlined in the company's annual report, Storm Real Estate ASA is in a challenging financial situation:

1. Storm only has one asset and revenue source - the Gasfield building in Moscow.
   The Gasfield building is currently 60% occupied and 40% vacant.

2. The Group's legal structure and cost base is not sustainable; the single income-earning asset cannot carry the cost base.

3. The bank loan is due on June 2019. Currently, refinancing of Russian assets is highly challenging.

4. Russia has faced several years of economic hardship following both political sanctions but also low oil prices.

5. The local area where Gasfield is located has in the past housed many Gazprom companies, and the area has consequently been hit particularly hard by Gazprom's strategic decision to move a number of businesses to St. Petersburg.

As a result of the above, Storm is currently loss-making; and the future liquidity situation is uncertain.

The company expects to be able to achieve full occupancy in the Gasfield building, but is likely to require a longer runway.

2. SOLIDITY

- The group had a net book value of USD 10.0m as at 31 December 2017.

Balance sheet:

- Gasfield valued at USD 26.6m
- Cash USD 2.2m
- Bank loan 18.1m
- Equity ratio 33.7%

→ The board considers the company's financial constraints one of liquidity rather than solidity.

→ Valuation reports obtained from local market experts indicate that the company's assets exceed the value of its liabilities.

→ <u>However,</u> in today's market environment processes can be long and it might take time to realize assets if needed.

3. CASH FLOWS

- The Group is currently running cash-flow negative:
  - o Russia operations approximately break-even
  - o No cash flow to support Norway op.ex and bank loan

- With current rental rates, even at full occupancy the business model would be challenging:
  - o Russia annual EBITDA profitable
  - o Group annual EBITDA profitable, before cash flow from financing activities
  - o Interest costs are high. EBITDA does not yet cover interest expenses
  - o In addition, amortisation from Q4 2018 at USD 0.3m per quarter

- Hence, the group's legal structure and cost base is not sustainable:
  - However, the Russia operations (standalone) is designed to be profitable.
  - The challenges are too expensive cost base and the cash flow to bank

(a) Cost base:

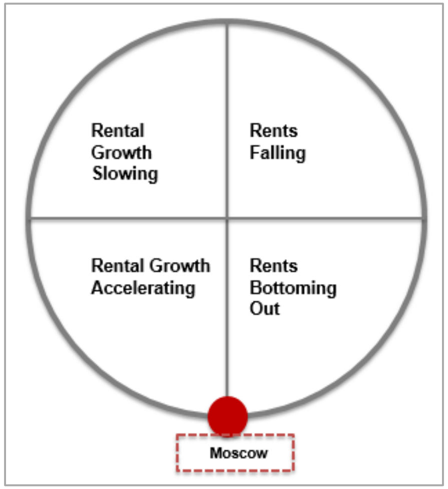
- Storm has reduced a number of costs the last few years and are trying to reduce further.
- E.g. being a listed company is quite burdensome and incurs expenses, both direct and indirect.

(b) Cash flow to bank:

- The company does have enough cash flow to support payments to the bank.
- The board therefore sees a new agreement with the bank combined with an approach to the shareholders to raise more capital as the most probable outcome

4. RE-FINANCING

- The bank loan is due for repayment in full in June 2019
- A sale of the Gasfield building at the bottom of a real estate cycle does not appear to be an attractive proposition for shareholders.



Source: Jones Lang Lasalle

- Furthermore in today’s market environment, such processes can be long and it might take time to realise the building.
- The board therefore sees a new agreement with the bank; combined with an approach to the shareholders to raise more capital as the most probable outcome.
- The aim is to ensure sufficient time to be able to see an upturn in the rate levels, increased occupancy in the building and the possibility to carry out an orderly market sale.