

# Q1

Storm Real Estate ASA  
Interim report  
January – March 2018



Storm Real Estate ASA's business strategy is to acquire and manage real estate. The strategy includes equities and high yield investments.

## Highlights

All numbers in mill. USD

	Q1 2018	Q1 2017
Total Comprehensive Income	-0.6	+2,8

Summary of the largest major items:

NOI from investment property	-0.1	+1,6
Value change investment property	-0.2	+2,1
Other operating expenses	-0.3	-0,2
Borrowing costs	-0.4	-0,5
Currency gain / loss	+0,0	+0,0
Value change on contract- and interest derivatives	+0.4	+0,1
Taxes	0.0	-0,2

## Return ratios

	Return on Equity <sup>(1)</sup>	Total Shareholder Return <sup>(2)</sup>
Last 1 year	-54.5%	-50.8%
Last 3 years (annualised)	-30.1%	-32.0%
Last 5 years (annualised)	-22.3%	-22.0%

<sup>(1)</sup> Return on Equity = Total Comprehensive Income (IFRS) for the period / brought forward equity (IFRS) for start of the period, annualised.

<sup>(2)</sup> Total Shareholder Return = Movement in share price, dividend adjusted, annualised using XIRR formula.

Calculated using historical share prices as adjusted by Oslo Stock Exchange post rights offering in June 2017.

These return ratios are Alternative Performance Measures, and are presented in accordance with ESMA's "Guidelines on Alternative Performance Measures" from 2015. These are reliably measured and the company considers these relevant, because different stakeholders might consider different NAV per share in NOK and Total Shareholder Return relevant alternative performance measures.

## Financial information

(all following numbers are in USD)

### Summary

- The current occupancy rate of the Gasfield building is 60%.
- After the previous anchor tenants vacated 8,756 sq.m. (78% of the building), the company has re-let >4.000 sq.m. across 25 new tenants. The company has thus re-let 46% of the vacant area to date.
- Due to the rental situation and the current market situation, the future liquidity situation of the company is uncertain.
- The bank loan has no amortisations and major covenants are waived until Q4 2018.

### Income statement

- The group had a total comprehensive income in Q1 2018 of -0.6 million, compared with +2.8 million for Q1 2017.
- The carrying value of the investment property Gasfield reduced by 0.2 million in Q1 2018 (Q1 2017: +2.1 million), according to valuation by independent appraiser, Cushman & Wakefield.
- Revenues from the investment property in Russia were 0.3 million in Q1. This compares with 1.8 million for the same period last year.
- Borrowing costs were 0.4 million in the quarter (2017: 0.5 million), including net interest on interest rate swaps.

#### Accounting for value change on investment property:

In accordance with international accounting standards (IFRS) the movement in value of investment property are split over two separate posts, explained by the following: Our Russian subsidiary which owns the building uses Russian roubles as functional currency. According to IFRS, only the part of the fair value adjustment which can be attributed to RUB is presented over the Income Statement. The effect of currency exchange movements between RUB and USD is presented as Other Comprehensive Income and is included in term Total Comprehensive Income. We see Total Comprehensive Income as the most relevant profit measure for the group. In every quarter we present an explanatory statement of the fair value adjustment:

Change in value, million USD	3M 2018	3M 2017
Over income statement	-0,3	-0.2
Translation difference over Other Comprehensive Income	+0.1	+2.3
Sum value adjustments properties	-0.2	+2.1

### Balance sheet

- The investment property Gasfield is recorded at 26.6 million. The building's valuation in accordance with valuation obtained from an independent valuer is 26.4 million. In addition, values of contract derivatives and land leases are recognised with 0.2 million.
- On the closing date, the group had a cash balance of 1.5 million.
- The group's equity ratio is 33.1% as at 31 March 2018.
- The loan-to-value of the Gasfield bank loan is currently 68.7%.
- The Company's NAV per share in NOK is NOK 0.83 per 31 March 2018.

The company's risk is considered very high. The situation in Russia is demanding. High vacancy in the market combined with the company's own vacancy situation could lead to a shortfall on future cash flow. Given the current 40% vacancy in the building, the group is currently loss-making, and the cash reserves are reducing. Future cash flow and ability to meet future liabilities within maturity dates is dependent on sourcing new tenants and improving the financial situation.

For further business risks than described above, please refer to the company's annual report for 2017.

Oslo, 14 May 2018,

The Board of Directors,  
Storm Real Estate ASA

## The company's investment areas

### Real Estate in Russia (Gasfield, Moscow)

#### Macro snapshot

- Despite a slow start in Q1 and a new round of sanctions, economic development forecasts in Russia remain positive.
- Oxford Economics predicts GDP growth of 1.8% in the upcoming year.
- Low inflation is a big factor in the health of the Russian economy. In February, inflation stood at 2.2%, the lowest rate in contemporary Russian history.
- Unemployment is unchanged at 5.2%.
- The Central Bank has lowered the key rate to 7.25%, a cut of 5.25 percentage points in just under 3 years.

#### Real Estate Market

- A low 0.2 billion EUR was invested in commercial properties in Q1 (compared to 4.0 billion EUR for the year 2017 and 1 billion EUR in 2016).
- Prime yields have compressed from 10.5% to 9.5% for offices, responding to the stabilization of the inflation and the significant reduction in the central bank key rate.
- The Russian market continues to be dominated by domestic investors. No foreign capital is reported invested into Russian real estate in Q1 2018 (2017: 14% of the investment volume).
- New supply continues to be low. In Q1 2018 new construction amounted to 37,000 sq. m. Four small office buildings were delivered into the market, the largest of which was the La-5 with rentable area 16,800 sq. m.
- Due to a consistently low rate of new construction and high take-up, the vacancy rate continued the decline and stood at 12% at the end of Q1 2018.
- Observed rent levels are 4% higher than at Q1 last year.

Sources market information Russia: Cushman & Wakefield, Trading Economics, Ministry of Economic Development, Oxford Economics

## Consolidated Statement of Comprehensive Income

All numbers in 000 USD	Note	Unaudited Q1 2018	Unaudited Q1 2017	Audited 2017
<b>Continuing operations:</b>				
Rental income	3	332	1,822	3,034
<b>Total Income</b>		<b>332</b>	<b>1,822</b>	<b>3,034</b>
Property related Expenses	3	-471	-264	-1,242
Personnel Expenses		-87	-64	-251
Other Operational Expenses		-236	-170	-749
<b>Total Operational Expenses</b>		<b>-794</b>	<b>-498</b>	<b>-2,242</b>
<b>Operating Profit (Loss) Before Fair Value Adjustments</b>		<b>-462</b>	<b>1,324</b>	<b>792</b>
Fair Value Adjustments on Investment Property	3	-337	-206	-5,398
<b>Total Operating Profit (Loss)</b>		<b>-799</b>	<b>1,118</b>	<b>-4,606</b>
Finance Revenues	5	443	11	575
Finance Expenses	5	-460	-383	-1,999
Currency Exchange Gains (Losses)	5	35	10	29
<b>Net Financial Gains (Losses)</b>		<b>18</b>	<b>-363</b>	<b>-1,395</b>
<b>Earnings before Tax (EBT)</b>		<b>-782</b>	<b>756</b>	<b>-6,001</b>
Income Tax Expenses	7	-32	215	-477
<b>Profit (loss), attributable to owners of parent</b>		<b>-750</b>	<b>541</b>	<b>-5,524</b>
<b>Profit (loss), attributable to non-controlling interests</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Comprehensive Income:</b>				
<i>Items that are reclassified from Equity to earnings in subsequent periods:</i>				
Translation differences		185	2,237	1,370
<b>Sum other income and expenses after tax</b>		<b>185</b>	<b>2,237</b>	<b>1,370</b>
<b>Comprehensive income, attributable to owners of parent</b>		<b>-565</b>	<b>2,778</b>	<b>-4,154</b>
<b>Comprehensive income, attributable to non-controlling interests</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Earnings per share (EPS), attributable to owners of parent</b>				
Weighted average number of shares		88,345,623	18,345,623	54,208,637
Basic and Diluted earnings per share (USD)		-0.01	0.03	-0.10
Basic and Diluted Total Comprehensive Income per share (USD)		-0.01	0.15	-0.08

## Consolidated Statement of Financial Position

All numbers in 000 USD	Note	Unaudited 31.03.2018	Audited 31.12.2017
Investment Property	3	26,581	26,760
PP&E		9	10
<b>Sum Fixed Assets</b>		<b>26,590</b>	<b>26,770</b>
Pre-paid income tax		356	352
Other Receivables	10	280	265
Cash and Cash Equivalents	4	1,471	2,247
<b>Total Current Assets</b>		<b>2,107</b>	<b>2,865</b>
<b>Total Assets</b>		<b>28,696</b>	<b>29,634</b>
Share Capital		4,575	4,575
Share Premium		21,036	21,036
Other Paid-in Equity		56,605	56,605
<b>Total Paid-in Equity</b>		<b>82,216</b>	<b>82,216</b>
Other equity		-72,787	-72,222
<b>Total other equity</b>		<b>-72,787</b>	<b>-72,222</b>
<b>Total Equity</b>		<b>9,429</b>	<b>9,994</b>
Loans From Credit Institutions	4	17,536	17,836
Deferred Tax Liabilities		230	284
Financial Derivative Liabilities	4	141	528
Other Long-term Liabilities		252	287
<b>Total non-current liabilities</b>		<b>18,159</b>	<b>18,936</b>
Trade Payables		34	37
Loans from Credit Institutions	4	600	300
Other Current liabilities	9	474	367
<b>Total Current liabilities</b>		<b>1,108</b>	<b>705</b>
<b>Total Liabilities</b>		<b>19,267</b>	<b>19,640</b>
<b>Total Equity and Liabilities</b>		<b>28,696</b>	<b>29,634</b>

## Consolidated Statement of Cash Flow

	Unaudited 3M 2018	Unaudited 3M 2017	Audited 2017
All numbers in 000 USD			
<b>Cash Flow from Operational Activities</b>			
Earnings before Tax	-782	756	-6,001
<i>Adjusted for:</i>			
Depreciations	1	2	4
Value Adjustments on Investment Property	337	206	5,398
Financial Income	-13	-18	-97
Financial Expenses	30	390	1,522
Net Currency Gains	-13	-8	-7
<b>Cash Flow Before Changes in Working Capital</b>	<b>-440</b>	<b>1,328</b>	<b>818</b>
<i>Changes in Working Capital:</i>			
Trade Receivables and Other Receivables	-15	-8	208
Trade Payables and Other Payables	42	-40	-1,005
Paid Taxes	0	-230	-461
<b>Net Cash Flow From Operating Activities</b>	<b>-412</b>	<b>1,049</b>	<b>-440</b>
<b>Cash Flow From Investment Activities</b>			
Interest Received	15	12	79
<b>Net Cash Flow From Investment Activities</b>	<b>15</b>	<b>12</b>	<b>79</b>
<b>Cash Flow From Financing Activities</b>			
Share issue, payments/costs	0	-591	3,181
Repayments of Loans	0	0	-3,000
Interest Paid	-408	-500	-1,932
<b>Net Cash flow From Financing Activities</b>	<b>-408</b>	<b>-1,091</b>	<b>-1,751</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-805</b>	<b>-30</b>	<b>-2,111</b>
Carried Forward Cash and Cash Equivalents	2,247	4,371	4,371
FX movements on opening balance	29	78	-12
<b>Cash and Cash Equivalents on Closing Date</b>	<b>1,470</b>	<b>4,418</b>	<b>2,247</b>
Of which restricted Cash and Cash Equivalents	238	238	237



## Consolidated Statement of Changes in Equity

All numbers in 000 USD	Paid-in Equity			Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings	Translation Differences on Foreign Operations	
<b>1 January 2017</b>	<b>1,236</b>	<b>21,036</b>	<b>56,763</b>	<b>5,220</b>	<b>-73,288</b>	<b>10,966</b>
Profit (Loss) for the Period				-5,524		-5,524
Other Comprehensive Income					1,370	1,370
Sum	0	0	0	-5,524	1,370	-4,154
Share issue	3,339		-158			3,181
Sum other capital changes	3,339	0	-158	0	0	3,181
<b>31 December 2017 (unaudited)</b>	<b>4,575</b>	<b>21,036</b>	<b>56,605</b>	<b>-304</b>	<b>-71,918</b>	<b>9,994</b>

	Paid-in Equity			Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings	Translation Differences on Foreign Operations	
<b>1 January 2018</b>	<b>4,575</b>	<b>21,036</b>	<b>56,605</b>	<b>-304</b>	<b>-71,918</b>	<b>9,994</b>
Profit (Loss) for the Period				-750		-750
Other Comprehensive Income					185	185
Sum	0	0	0	-750	185	-565
<b>31 March 2018 (unaudited)</b>	<b>4,575</b>	<b>21,036</b>	<b>56,605</b>	<b>-1,054</b>	<b>-71,733</b>	<b>9,429</b>

## SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENT

(Unaudited)

### 1. Company Information

Storm Real Estate ASA is a public limited liability company domiciled in Norway. The company is listed on Oslo Stock Exchange. The principal activity of the company is investment in yielding properties in Russia and the EEA, including investments in equities and bonds.

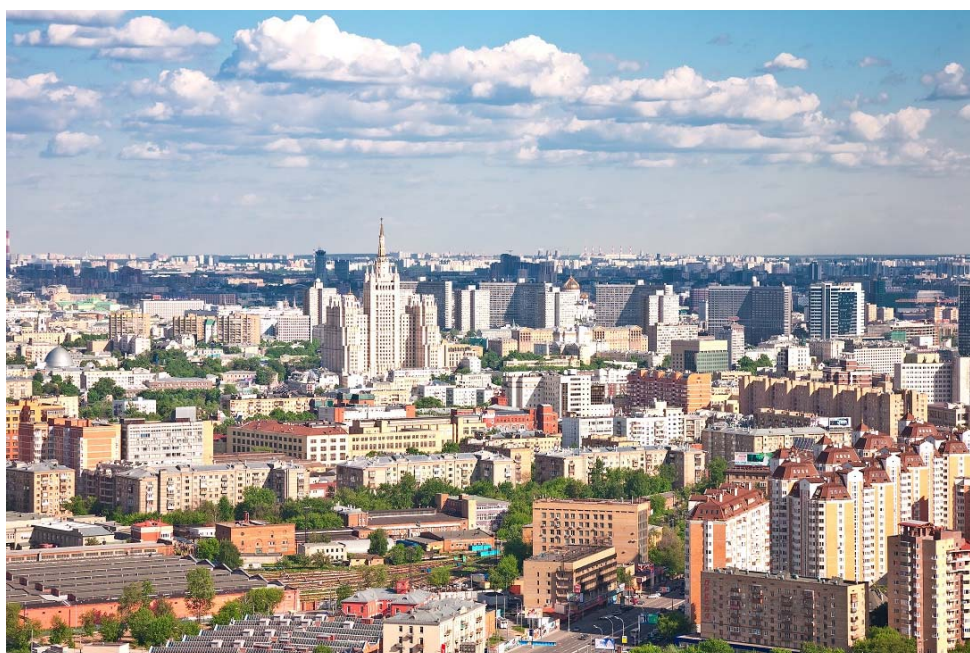
### 2. Basis of Preparation and Accounting Policies

#### Basis of Preparation

The interim financial statements for the period ending 31 March 2018 are prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement of 2017. The interim financial statements are unaudited. The interim financial statement was approved by the Board of Directors on 14 May 2018.

#### Accounting principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for 2017. Two new IFRS standards have been implemented for periods beginning on or after 1 January 2018: IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments). These amendments have not had any material impact on the group's financial statements for 2018. All notes are in '000 USD, except where otherwise indicated.



### 3. Investment property

	31.03.2018	31.12.2017
<b>Value as valued by an independent valuer:</b>		
As at 1 January	26,580	30,500
Value Adjustment Investment *	-180	-3,920
<b>Value per Closing</b>	<b>26,400</b>	<b>26,580</b>
<b>Other assets recognised as part of Investment Property:</b>		
As at 1 January	180	715
Changes in carrying value of land plot lease agreements **	1	-6
Changes in embedded derivatives contract ***	0	-529
<b>Value per Closing</b>	<b>181</b>	<b>180</b>
<b>Carrying value 01.01</b>	<b>26,760</b>	<b>31,215</b>
<b>Carrying value per Closing date</b>	<b>26,581</b>	<b>26,760</b>

\* The functional currency of the Russian subsidiaries including the buildings in Russian Rouble

The fair value changes has two elements:

- Changes in the local functional currency (RUB) are presented in the income statement
- Translation differences in the Group presentation currency (USD) are not allowed in the income statement, and are presented in the statement of comprehensive income.

The two effects are presented separately below:

	3M 2018	3M 2017
Change in RUB over Income Statement	-337	-206
Translation Differences over Comprehensive Income	158	2,306
<b>Net Change in Fair Value</b>	<b>-179</b>	<b>2,100</b>
<b>NOI from Properties</b>	<b>3M 2018</b>	<b>3M 2017</b>
Rental Income	332	1,822
Direct Property Related Expenses	471	264
<b>NOI from Properties</b>	<b>-139</b>	<b>1,558</b>

\*\* The Company has capitalised land plot lease agreements in accordance with IAS 40 *Investment Property* and IAS 17 *Leases*.

\*\*\* In prior years the Company an agreement on a lease reduction with the anchor tenant in Moscow.

Reduction was in practice done by agreeing a ceiling on exchange rate USD/RUB = 45. This arrangement was in accordance with IFRS to be treated as a financial derivative. This derivative was related to the investment property. The company recognised a financial liability when USD/RUB at the reporting date was unfavourable.

<b>Variables for Independent Valuations</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Discount Rate	14.50%	14.50%
Yield (cap. rate)	10.50%	10.50%
Market rates, RUB/sq.m (net of VAT and op.ex), main office areas	18,000	18,000

The investment property is valued according to Level 3 of the fair value analysis (see note 4).

#### 4. Financial Assets and Liabilities

Other Financial Assets and Liabilities	31.03.2018	31.12.2017
Cash and Cash Equivalents	1,471	2,247
Interest Rate Swaps	-141	-528
Bank Loan	-18,136	-18,136
Land plot lease agreements	-181	-180
Net Financial Assets and Liabilities	-16,987	-16,597

\*) see note 3 *Investment Property* for a description of the recognised liability of embedded derivatives.

#### Bank loan

The company's lender has in Q2 2017 granted amended terms to the company's loan agreement.

The amended terms include

- postponement of the maturity date to June 2019
- no amortisation up to and including Q3 2018
- waiving of covenants up to and including Q3 2018,
- adjusted covenants for the period Q4 2018 to maturity, adapted to the changed market conditions in Russia.

The covenants from Q4 2018 include an Interest Service Ratio on Russia level of 1.1x, and quarterly amortisations at USD 0.3 million. LTV and equity ratio covenants remain at 70% and 20%, respectively.

These amendments were subject to that the company obtains new capital of at least USD 3 million, to be paid to the bank as an extraordinary amortisation. A rights offering was conducted in Q2 2017. The rights offering was fully subscribed and the company paid an extraordinary amortisation in accordance with the above plan.

#### 4. Financial Assets and Liabilities (continues)

##### Fair value hierarchy

The table below shows an analysis of fair values of financial instruments in the Statement of Financial Position, grouped by level in the fair value hierarchy.

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.

Level 2 – Use of a model with inputs other than level 1 that are directly or indirectly observable market data.

Level 3 - Use of a model with inputs that are not based on observable market data.

Financial liabilities measured at fair value	Level 1	Level 2	Level 3	Sum
Interest rate swaps	-141			-141
Land plot lease agreements	-181			-181
<b>Sum financial liabilities measured at fair value</b>	<b>-322</b>	<b>0</b>	<b>0</b>	<b>-322</b>

##### Comparison per class

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
<b>Financial assets</b>				
Accounts receivable	45	37	45	37
Other receivables	591	228	591	228
Cash and cash equivalents	1,471	2,247	1,471	2,247
<b>Sum</b>	<b>2,107</b>	<b>2,512</b>	<b>2,107</b>	<b>2,512</b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	18,136	18,136	18,143	18,143
Trade liabilities	37	37	37	37
Interest rate swaps	141	528	141	528
Land plot lease agreements	181	180	181	180
Other current liabilities	293	367	293	367
<b>Sum</b>	<b>18,785</b>	<b>19,249</b>	<b>18,792</b>	<b>19,256</b>

## 5. Finance income and costs

### Finance income and costs:

	3M 2018	3M 2017
<b>Currency</b>		
Currency Gain	278	1
Currency Loss	-244	9
Net Currency Gain (Loss)	35	10
<b>Finance Revenues</b>		
Interest Revenue	5	14
Fair Value Adjustment, Derivatives	430	115
Other Financial Revenues	8	3
Sum	443	132
<b>Finance Costs</b>		
Interest Costs	-460	-498
Other Finance expenses	0	-7
Sum	-460	-505
Net Finance Gains (Losses)	18	-363

## 6. Shareholder information

### The 20 largest shareholders as at 31.03.2018:

The list is as per the shareholders registered in VPS as 31.03.2018:

Any broker trades before the closing date reported after the closing date is not reflected in this list.

The company's web site [www.stormrealestate.no](http://www.stormrealestate.no) shows an updated top 20 list.

Shareholder	Type *	Country	Shares	%
ACONCAGUA MANAGEMENT LTD		LUXEMBOURG	23,880,399	27.03%
J.P. MORGAN CHASE BANK, N.A., LONDON	NOM	UK	22,127,626	25.05%
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	UK	6,375,172	7.22%
BANAN II AS		NORWAY	2,895,281	3.28%
PACTUM AS		NORWAY	2,791,494	3.16%
AUBERT VEKST AS		NORWAY	2,495,907	2.83%
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	UK	2,129,779	2.41%
ØSTLANDSKE PENSJONISTBOLIGER AS		NORWAY	1,530,600	1.73%
SAMSØ AS		NORWAY	1,267,268	1.43%
ØRN NORDEN AS		NORWAY	1,082,286	1.23%
HYGGEN THORE		NORWAY	931,250	1.05%
MOTOR-TRADE EIENDOM OG FINANS AS		NORWAY	866,811	0.98%
ALBION HOLDING AS		NORWAY	747,625	0.85%
SVENSKA HANDELSBANKEN AB	NOM	NORWAY	722,343	0.82%
LANGBERG INGRID MARGARETH		NORWAY	700,000	0.79%
TDL AS		NORWAY	476,250	0.54%
FINANSFORBUNDET		NORWAY	416,650	0.47%
IFG HOLDING AS		NORWAY	415,000	0.47%
BLAKSTAD MASKIN AS		NORWAY	338,162	0.38%
EILERTSEN OLE JULIAN		NORWAY	303,911	0.34%
<b>SUM 20 LARGEST</b>			<b>72,493,814</b>	<b>82.06%</b>
OTHER SHAREHOLDERS			15,851,809	17.94%
<b>SUM</b>			<b>88,345,623</b>	<b>100.00%</b>

\* NOM = Nominee Accounts; foreign institutions holding shares on behalf of clients.

Shares controlled by board members:		Shares	%
Morten E. Astrup	via Aconcagua Management Ltd and Ørn Norden AS	24,962,685	28.3 %
Kim Mikkelsen	via Strategic Investments A/S	22,127,626	25.0 %
Stein Aukner	via Banan AS and Aukner Holding AS	3,047,235	3.4 %
<b>Sum</b>		<b>50,137,546</b>	<b>56.8 %</b>

## 7. Tax Expenses

<b>Tax Expense for period</b>	<b>3M 2018</b>	<b>3M 2017</b>
Current Tax	-6	258
Deferred Tax	-26	-43
<b>Total Tax Expense for Period</b>	<b>-32</b>	<b>215</b>

## 8. Transactions with Related Parties

	<b>3M 2018</b>	<b>3M 2017</b>
Storm Capital Management Ltd.	94	103
<b>Sum</b>	<b>94</b>	<b>103</b>

## 9. Other current liabilities

	<b>31.03.2018</b>	<b>31.12.2017</b>
Taxes and duties due	164	56
Advance rents paid by tenants	197	183
Other	114	128
<b>Sum</b>	<b>474</b>	<b>367</b>

## 10. Other Current Receivables

	<b>31.03.2018</b>	<b>31.12.2017</b>
Taxes and Duties receivable	49	50
Other Current receivables	232	215
<b>Sum</b>	<b>280</b>	<b>265</b>



