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Annual  
report

**2019**

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Annual report 2019

# Storm Real Estate ASA

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# Summary 2019

(all figures in USD)

The rental income had a positive development during 2019, due to full occupancy in the Gasfield building and increased rental rates. All contracts are now RUB based. Income is still too low to cover the Group's financial obligations. The ongoing refinancing process between the company, its main creditor Swedbank and relevant stakeholders has progressed during the year.

On 27 June 2019 the company entered into a conditional agreement with Swedbank and Aconcagua Management Ltd. The agreement outlines a long-term financial solution where the company will seek to refinance a share of the current debt to Swedbank in another bank. The remaining part of the debt will then be sold to Aconcagua Management Ltd at an agreed price. Aconcagua Management Ltd is the largest shareholder in Storm Real Estate ASA and is owned by Morten E. Astrup. The intention is for the acquired debt subsequently to be converted into equity. The Board has secured measures to provide equal treatment for all shareholders in this connection.

The agreement is conditional upon achieving satisfactory terms on the financing from the other bank. Since it entered into the agreement, the company has been working with a local Russian bank on refinancing a share of

the current debt. This process has had a slow progression, hence there have been many extensions of the conditional agreement with Swedbank. Currently, the agreement expires at the latest on 10 June 2020.

According to market experts, estimated future growth in rental rates in the Moscow region was estimated at approximately 5% before the corona crisis. The effects of the crisis are still uncertain. A new financial crisis in Russia will likely have a severe negative effect on the Group's rental income.

During 2019 the occupancy has increased from 86% since the beginning of the year, to 99% as at 31 December. The tenant base consists of 79 lease agreements, making it much less dependent on individual tenants.

The Group made a profit of USD 2.1 million in 2019, predominately due to a USD +1.0 million increase in valuation of the Gasfield building over the income statement, USD +2.4 million in translation differences and high occupancy in the building.

The carrying value of the building in the balance sheet, obtained from an independent valuer, does not reflect the liquidation value at yearend. According to the applicable IFRS rules, a liquidation value can only be presented once management intend to liquidate the entity or has no realistic alternative but to do so, which is not the case at the moment.

## Key figures from investment properties

USD million	2012	2013	2014	2015	2016	2017	2018	2019
Rental income	12.6	12.9	12.7	10.4	6.2	3.0	1.6	2.9
Net operating income from properties	9.6	10.1	10.3	8.7	5.0	1.8	0.2	1.6
Net operating income %	76%	78%	82%	83%	81%	60%	16%	56%
Valuation of investment property	102.7	103.1	70.3	34.7	30.5	26.8	21.4	24.9

Return on equity (numbers in USD)	2015	2016	2017	2018	2019	Last 5 years <sup>(1)</sup>
Total comprehensive income	16,8	-4,8	-4,2	-7,3	2,1	-31,0
Adjusted equity, beginning of period	38,8	15,8	14,1	10,0	2,6	38,8
Return on equity	-43,3%	-30,5%	-29,4%	-73,4%	78,9%	-80,0%

Return on Equity = Total Comprehensive Income (IFRS) for the period / (brought forward equity (IFRS) as at start of the period + other changes in equity than Total Comprehensive income (IFRS) for the period), annualised. \*

\*The formula used to calculate the return on equity stated above was altered on 30 June 2019. The former formula (Return on Equity = Total Comprehensive Income (IFRS) for the period / brought forward equity (IFRS) for start of the period, annualised) did not consider other changes in equity than Total Comprehensive income in the period. To show the return on other changes in equity as well, we have included it in the new formula, see above.

Total shareholder return (numbers in NOK)	2015	2016	2017	2018	2019	Last 5 years <sup>(2)</sup>
Share price 01.01	38,15	32,04	15,26	6,70	4,52	38,15
Dividend date	-	27/05/16	-	-	-	multiple
Dividends (adjusted)	-	11,60	-	-	-	11,60
Share price 31.12	32,20	15,26	6,70	4,52	3,40	3,40
Total shareholder return	-15,6%	-20,9%	-56,1%	-32,5%	-24,8%	-29,3%

### Return ratios

	Return on equity <sup>(1)</sup>	Total shareholder return <sup>(2)</sup>
Last 1 year	-78,9%	-24,8%
Last 3 years (annualized)	-30,6%	-39,4%
Last 5 years (annualized)	-33,3%	-29,3%

(1) Return on Equity = Total Comprehensive Income (IFRS) for the period / (brought forward equity (IFRS) as at start of the period + other changes in equity than Total Comprehensive income (IFRS) for the period), annualised. \*

(2) 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.

\*The formula used to calculate the return on equity stated above was altered on 30 June 2019. The former formula (Return on Equity = Total Comprehensive Income (IFRS) for the period / brought forward equity (IFRS) for start of the period, annualised) did not consider other changes in equity than Total Comprehensive income in the period. To show the return on other changes in equity as well, we have included it in the new formula, see note (1) above.

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.

# This is Storm Real Estate

**Storm Real Estate ASA is an investment company focusing on real estate. Its strategy comprises ownership and management of commercial property in Russia.**

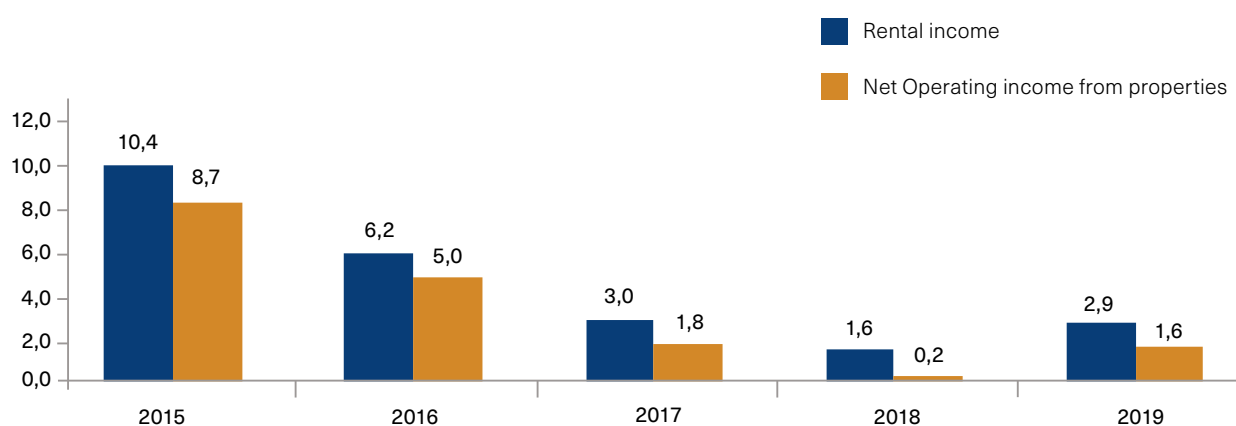
Storm Real Estate ASA was established in 2007.

The company has in the past had multiple investments across several countries, including direct ownership of real estate as well as indirect exposure via stakes in other real estate companies.

Following the earlier sale of Grifon House and shares in TK Development A/S, the company's remaining investment property is the Gasfield building in Moscow. The Gasfield property is a class B+ building located in the area between the Third Ring Road and the Moscow Automobile Ring Road (MKAD), close to the Gazprom headquarters in Moscow. The building includes offices, a restaurant, fitness center and parking spaces. It has a gross area of 15,000 square meters and a net lettable area of 11,000 square meters.

A team established locally in Moscow manages the local operations. Their work includes sourcing new tenants, credit control, property management, accounting and other administrative functions in Russia. The team ensures that the buildings are run efficiently and effectively, maintaining a high standard of customer service for the tenants.

From November 2008 until the end of September 2019, Storm Capital Management Ltd has managed the Company under an asset management agreement. From 1 October 2019 Storm Norge took over as asset manager, due to Storm Capital Management Ltd moving its business to Norway.





# Market commentary

## Macro snapshot

- Macro forecasts shows minor changes in the Russian economy despite the announcement of massive infrastructure investments and national projects, from the authorities.
- Unemployment is at 4.53%.
- The Central Bank has reduced the key rate to 6.25%. The key rate is down 4.75 percentage points in 4 years (The Central Bank of Russian Federation, 14.02.2020).
- Inflation outlook is 3.8% for 2019 and 3.0% for 2020 (before the corona crisis).
- There was a net outflow of EUR 168m of foreign investments in 2019.

## Real Estate Market

- Demand: Take-up (lease and sale deals) was at 2.0 million sq. m in Moscow in 2019, same as 2018. Still, there was a positive absorption of 234 000 sq. m in 2019, due to low construction activity. The absorption is expected to continue to be positive in the coming years (before the corona crisis).
- Vacancy: Vacancy rate for class B was at 9.7% in 2019 (10.2% in 2018)
- Rental rates: Average rental rate for class B was RUB 16 113 in 2019 (RUB 15 030 in 2018). Expected growth is 4-6% per year.

*Sources market information Russia as at 31 December 2019: Cushman & Wakefield, Trading Economics, Ministry of Economic Development, Oxford Economics.*

# Share and shareholder information

Storm Real Estate ASA seeks to maintain an open and inclusive shareholder information policy. Providing timely information on any matters that may affect the company's share price should help the share price better reflect the Company's underlying value.

## The share

Storm Real Estate ASA was listed on the Oslo Stock Exchange on 6 July 2010. Ticker: STORM. The shares are registered in the Norwegian Central Securities Depository, registration number (ISIN) NO0010360175. The registrar for the share is Nordea.

At 31 December 2019 Storm Real Estate ASA had 8,834,563 issued shares.

Each share has a nominal value of NOK 0.20. The Company had no treasury shares as at 31 December 2018 or 31 December 2019.

## Reverse share split in 2019

On 27 June 2019 the Annual General Meeting adopted a reverse share split reducing the number of shares from 88 345 623 to 8 834 563. The reverse share split came into effect on 10 July 2019. The reverse share split was done in order to be compliant with the requirements of the Continuing obligations of stock exchanged listed companies, stating that the company must implement measures if the value of its shares has been lower than NOK 1 for a six-month period. The reverse share split did not affect the value of each shareholder's position.

## Shareholder structure

At 31 December 2019 Storm Real Estate ASA had 678 shareholders. The 20 largest shareholders held 81.9% of the shares. The Company's Board Members controlled 56.75% (2018: 56.75%) of the shares in the Company at the end of 2019. Morten E. Astrup is in total the largest shareholder in Storm Real Estate.

	31.12.2018		31.12.2019	
	Shares	%	Shares	%
Norwegian	33,272,477	37,7%	3,225,108	36.5%
Foreign	55,073,146	62,3%	5,609,455	63.5%
Total	88,345,623	100.0%	8,834,563	100.0%

Table: domestic and foreign shareholders

## Equal treatment of shareholders

There is only one share class, and each share entitles the holder to one vote. Storm Real Estate ASA is committed to the principle of equal treatment of all shareholders. The Company's Articles of Association contain no provisions on voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions on shareholder rights.



### Related-party transactions

There have been no material transactions between Storm Real Estate ASA and shareholders, members of the Board of Directors, members of management or close relatives of any such parties, other than those disclosed in the financial statements.

### Annual general meeting

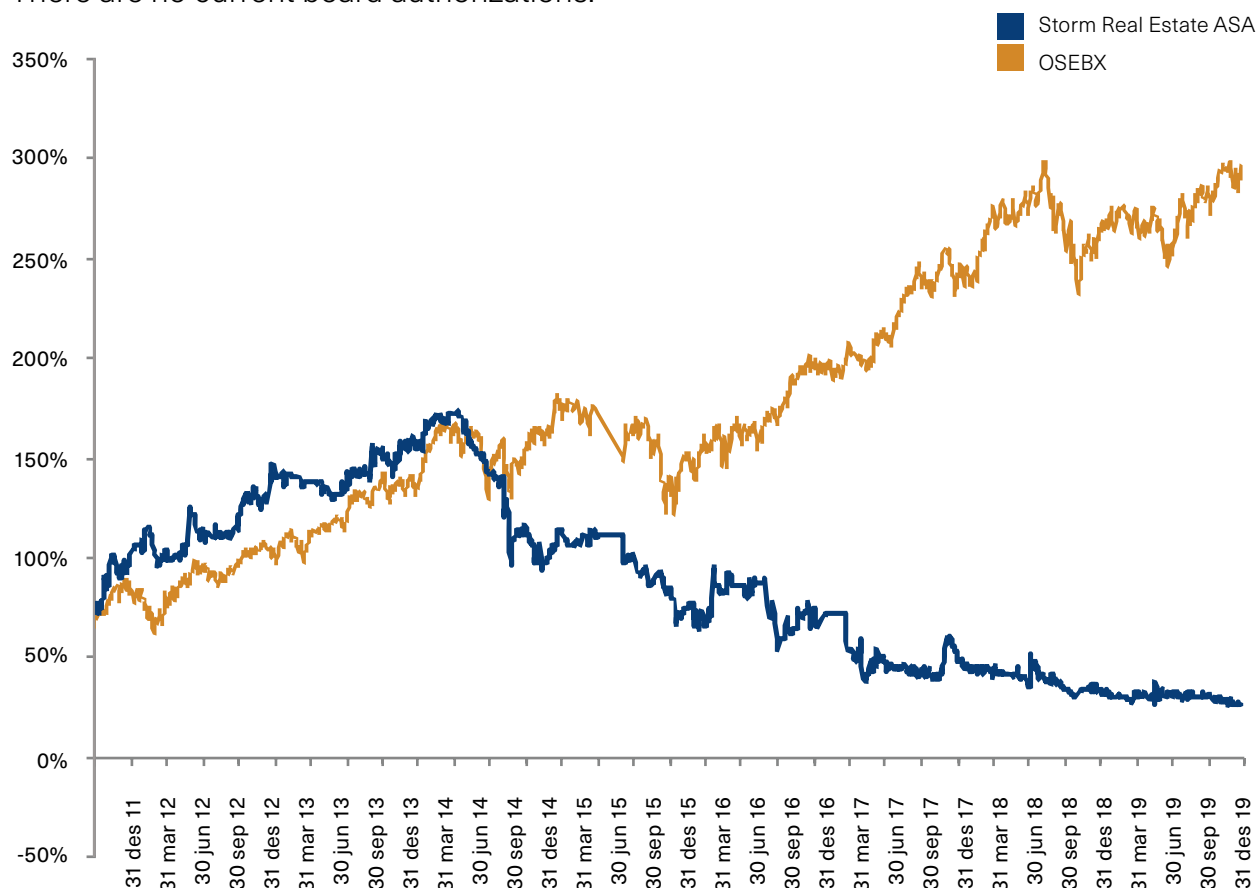
The annual general meeting is the Company's supreme authority. The meeting will be held in June this year. The Board determines the agenda for the annual general meeting and works to ensure that it becomes a forum for the shareholders. Notice of the meeting is sent out no later than 21 days in advance and will also be available on the Company's website and through the Oslo Stock Exchange notification service. Shareholders who would like to receive such information by email can register with the company's Investor Relations contact. Shareholders who are unable to attend may vote by proxy. The Company has prepared proxy forms which enable shareholders to vote on individual issues.

### Investor relations

Management works continuously to ensure an open and active dialogue with investors and other participants in the financial market. There are semi-annual presentations. Updated information can be found on the Company's website: [www.stormrealestate.no](http://www.stormrealestate.no). The Investor Relations contact at Storm Real Estate ASA is Kristoffer Holmen ([kristoffer@stormcapital.no](mailto:kristoffer@stormcapital.no)).

### Current board authorizations

There are no current board authorizations.



# Corporate governance

## CORPORATE GOVERNANCE

Good corporate governance is key to aligning the interests of shareholders, management, employees and other stakeholders. Storm Real Estate is committed to achieving high standards of corporate governance and long-term shareholder value creation.

The Norwegian Code of Practice for Corporate Governance is intended to support listed companies by clarifying the division of roles between shareholders, the Board of Directors and management more comprehensively than is required by the current legislation. Storm Real Estate operates in accordance with the Norwegian Code of Practice for Corporate Governance. The Code is a collection of “comply or explain” guidelines, and Storm Real Estate’s governance structure is in accordance with the guidelines. The following sections detail the key aspects of Storm Real Estate’s corporate governance policy.

## BUSINESS

The scope of business is trading and investing in real estate and securities relating to this, inter alia by participating in other companies involved in similar business activities through equity, loans or providing guarantees, as defined in the Company’s Articles of Association. Storm Real Estate ASA is listed on the Oslo Stock Exchange.

Ticker: STORM.

## SHARE CAPITAL AND DIVIDENDS

### Share capital

The Company aims to maintain a sound financial structure, reflecting the nature of its business. As at 31 December 2019 equity was USD 4.7 million and the equity ratio was 17.8%. This follows several years of negative developments in Russia. During 2018 the Company was no longer able to fulfill its debt obligations, hence, it entered into negotiations with relevant stakeholders in order to refinance the Group. These negotiations continued throughout 2019. The aim is to reach sustainable financing of the Group’s operations.

### Dividends

Storm Real Estate has a long-term objective to pay dividends. When considering dividends, the Board emphasizes the company’s dividend capacity, the requirements for a sound level of equity and sufficient financial resources. The Board considers buy-backs of shares to supplement dividends as a way of returning value to the shareholders. Given the current income and financing situation, the Company is not able to either pay dividends to its shareholders or buy back shares.

## **EQUAL TREATMENT OF SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS**

Storm Real Estate's objective is that all shareholders are treated equally. The Company has one class of shares, and all shares have equal voting and dividend rights. All of Storm Real Estate's shareholders have equal rights in the event of share capital increases.

The Board and management shall treat all shareholders equally with regard to price-relevant information. Storm Real Estate is listed on the Oslo Stock Exchange and is thus obliged to comply with the disclosure requirements in Norwegian securities legislation. The company discloses all price relevant information to the market through Oslo Stock Exchange's news site [www.newsweb.no](http://www.newsweb.no) and on Storm Real Estate's website [www.stormrealestate.no](http://www.stormrealestate.no).

Related-party transactions shall be carried out according to the arm's length principle and always in compliance with the Norwegian Public Limited Liability Companies Act.

## **FREELY NEGOTIABLE SHARES**

The shares of Storm Real Estate are freely negotiable.

## **ANNUAL GENERAL MEETING**

The annual general meeting is open to all shareholders and all shares have equal voting rights. There are no ownership restrictions. The notice of the annual general meeting shall be sent out to the shareholders no later than 21 days prior to the date of the meeting. The provision requiring companies to send such documents by post does not apply if the documents concerning matters to be dealt with at the general meeting have been made available on the Company's website. A shareholder may still ask to receive documents concerning matters to be dealt with at the general meeting by post. All shareholders can participate in person or by proxy.

## **NOMINATION COMMITTEE**

The nomination committee submits its recommendations on the composition of the Board and remuneration of board members to the annual general meeting. The board members are directly elected by the annual general meeting. The nomination committee is elected for a period of two years. The current committee members consists of Christopher W. Ihlen and Nini Nergaard.

## BOARD OF DIRECTORS

Storm Real Estate's Board of Directors consists of five members. The Company seeks a balanced composition of the Board, taking into account the expertise, experience and background relevant to the Company's operations. The majority of the members of the Board of Directors are independent members.

**A presentation of the members of the Board of Directors follows below:**



**Stein Aukner**

*Chairperson  
(born 1949)*

Mr Aukner is currently on the board of several Norwegian companies, including, Agra Holding and Bama Gruppen. He has previously held senior management positions at a number of Norwegian companies. Mr Aukner has an MBA from Copenhagen Business School and is also an Authorised Financial Analyst – the Norwegian equivalent of AFA. He is a Norwegian citizen and resides in Oslo, Norway. Mr Aukner is an independent member of the Board of Directors.



**Morten E. Astrup**

*Deputy Chairperson  
(born 1975)*

Mr Astrup is the owner of Aconcagua Management Ltd (largest shareholder in Storm Real Estate) and Storm Norge AS (asset manager of Storm Real Estate), and has 20 years of asset management experience. He is a specialist within alternative investments, private equity and real estate. He has held board positions in several international companies and been an advisor to both private and institutional investors in Europe. Mr Astrup holds a master's degree in Business and Economics from BI Norwegian Business School/City University London. He is a Norwegian citizen and resides in Switzerland.



**Nini Høegh Nergaard**

*board member  
(born 1972)*

Ms Nergaard is currently chairperson of the board of Dønski Toppidrett AS, in addition to her work as a director of Storm Real Estate ASA. Between 1998 and 2005 she was employed as a financial analyst at Handelsbanken Capital Markets, Oslo. Ms Nergaard has a law degree from Oslo University, where she studied between 1992 and 1998. She is a Norwegian citizen and resides in Snarøya, Norway. Ms Nergaard is an independent member of the Board of Directors.



**Kim Mikkelsen**

*board member  
(born 1968)*

Kim Mikkelsen is an investor and member of the board of several financial and internet companies. He invests in small and medium-sized enterprises via his companies Strategic Capital, Strategic Investments and Strategic Venture Capital. Through Strategic Capital he was a majority shareholder and CIO of Nordic Asset Management, a Danish management company that he started in 2003 and that grew to manage funds of GBP 400 million before being acquired in 2009 by PFA Pension, Denmark's second-largest pension fund. Mr Mikkelsen has held several management positions in investment banks in London and Copenhagen. He is a Danish citizen and is an alternate member of the Board of Directors.



**Anna Musiej Aanensen**

*board member  
(born 1970)*

Anna Musiej Aanensen is partner and head of Finance at Vesseladmin AS, a Norwegian technology company focusing on ocean mobility. From 2017 till 2019 she worked at Coface, a global credit insurance company, heading its activities in Norway. From 2010 till 2017 she worked for Export Credit Norway being responsible for financing the projects within oil & gas industries. Between 1998 and 2010 she worked for Handelsbanken where she kept various positions. Mrs Aanensen has a Master of Science from Warsaw School of Economics and Executive MBA in Maritime Offshore from Norwegian Business School in Oslo. She is a Norwegian citizen and independent board member.



## THE WORK OF THE BOARD OF DIRECTORS

Storm Real Estate attaches importance to independence and neutrality in all relations between the Board, management and owners in general. The principles of independence, neutrality and standard business practice also apply in dealings with other stakeholder groups such as customers, suppliers, banks and other business connections.

The relationship between the Board of Directors, the Company and the operational management is regulated by the asset management agreement in force between Storm Real Estate and Storm Norge AS. Storm Norge took over as asset manager on 1 October 2019, after Storm Capital Management Ltd, the former asset manager, moved its business to Norway. The current agreement is adopted to the financial difficulties the Group is experiencing, and will be renegotiated once the Group is refinanced.

### The Board is responsible for

- setting the strategic direction of Storm Real Estate and monitoring management's performance within that framework
- ensuring there are adequate resources available to achieve the objectives
- approving and monitoring financial reporting and asset management
- approving and monitoring progress on business objectives
- ensuring that any necessary statutory licenses are in place and that measures are taken to ensure compliance with the law
- ensuring that the Company has adequate risk management procedures in place
- ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behavior and a culture of corporate and social responsibility
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company

The Board had 13 meetings in 2019.

### Audit committee

Due to the limited scope of the Company's business and also its financial constraints, the Board does not have a separate audit committee. The board members currently perform the responsibilities previously assumed by the audit committee.

### Remuneration and governance committee

Due to the limited scope of the Company's business and also its financial constraints, the Board does not have a remuneration and governance committee. The board members currently perform the responsibilities previously assumed by the remuneration and governance committee.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has good internal control procedures and appropriate systems for risk management adapted to the Company's operations. The Company has drawn up an authority matrix which is included in the steering documents. The CEO is responsible for financial reporting. Control measures have been established in connection with the presentation of the semi-annual and annual financial statements. The board of directors undertake a preparatory review of the semi-annual and annual financial statements.

## REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors is determined annually by the Ordinary General Meeting. At the company's ordinary general meeting in 2019, the remuneration for the year since the previous ordinary general meeting was set at NOK 250,000 for the Chairperson and NOK 125,000 for Board members. Large shareholders Morten E. Astrup and Kim Mikkelsen do not charge a board fee for their duties as board members.

## REMUNERATION TO STORM CAPITAL MANAGEMENT LTD. AND STORM NORGE AS

Storm Capital Management Ltd and Storm Norge AS receives an asset management fee of NOK 250,000 per month (NOK 3 million per annum). However, given the current financial situation, only half of the fee is payable each month. The remaining unpaid fee accumulates as an unsecured debt to Storm Norge AS. This amount includes salaries, travel expenses and offices outside Russia. Transactions with Storm Norge AS are described in more detail in the notes to the financial statements.

## INVESTOR RELATIONS

The Board is committed to reporting financial results and other relevant information openly and in accordance with the requirement for equal treatment of all shareholders and participants in the securities market. It is the Company's aim to ensure that the market is in possession of correct, clear and timely information about the Company's operations at all times. This is essential for the efficient pricing of the share and for the market's confidence in the Company. The Company also aims to ensure that its operations are monitored by securities analysts. The Company maintains an open investor relations policy. Key company information made public is published in both Norwegian and English, in order to make information available to both domestic and international investors.

## TAKEOVERS

There are no barriers to takeovers in Storm Real Estate's Articles of Association.

## AUDITOR

The Group's auditor is Ernst & Young AS. The auditor participates in the board meeting at which the financial statements are approved, and meetings when needed. The auditor meets with the board once a year without management being present. The auditor's fees are reported each year to the annual general meeting.

## Board of Directors' report

The rental income had a positive development during 2019, due to full occupancy in the Gasfield building and increased rental rates. All contracts are now RUB based. Income is still too low to cover the Group's financial obligations. The ongoing refinancing process between the company, its main creditor Swedbank and relevant stakeholders has progressed during the year.

On 27 June 2019 the company entered into a conditional agreement with Swedbank and Aconcagua Management Ltd. The agreement outlines a long-term financial solution where the company will seek to refinance a share of the current debt to Swedbank in another bank. The remaining part of the debt will then be sold to Aconcagua Management Ltd at an agreed price. Aconcagua Management Ltd is the largest shareholder in Storm Real Estate ASA and is owned by Morten E. Astrup. The intention is for the acquired debt subsequently to be converted into equity. The Board has secured measures to provide equal treatment of all shareholders in this connection.

The agreement is conditional upon achieving satisfactory terms on the financing from the other bank. Since it entered into the agreement, the company has been working with a local Russian bank on refinancing a share of the current debt. This process has had a slow progression, hence there have been many extensions of the conditional agreement with Swedbank. Currently, the agreement expires at the latest on 10 June 2020.

Without a final agreement with Swedbank the Board expect that the Gasfield building will be put up for sale on the open market and sold for an amount less than the current debt, leaving no value to the shareholders. If the bank instructs the company to put the building up for sale, the Board will evaluate whether it is in the shareholder's best interest that SRE manages the sale process, or whether it should be left to Swedbank to do it.

The carrying value of the building in the balance sheet, obtained from an independent valuer, does not reflect the anticipated liquidation value. According to the applicable IFRS rules, a liquidation value can only be presented once management intend to liquidate the company, which is not the case at the moment.

The office market in the area surrounding the Gasfield building have been dominated by Gazprom companies, and consequently the area was hit hard by Gazprom's strategic decision to move several of its businesses to St. Petersburg in 2017. The effect was reduced rental rates in the area. Nevertheless, the area is now building up a new identity and is attracting more and more small and medium size companies, making it more diversified. A new metro station under construction, close to the Gasfield building, is also likely to increase the demand in the years to come.



Since its financial crisis in 2014, Russia has had a slow recovery, especially due to international sanctions. If the corona virus, currently affecting the whole world including Russia, triggers another financial crisis, it is likely that the following recovery will also be slow.

The Gasfield building's ability to adapt to rapid changes and its diversified tenant base, suggests that the building is better prepared than many of its competitors for what that might come. However, a new financial crisis in Russia will likely have a severe negative effect on the Group's rental income. Please also refer to Note 5 of the consolidated financial statement.

Given that the company secures a refinancing and continues its operations the Board will focus on preparing the Gasfield building for an orderly market sale when the timing is right.

During 2019 the Board has initiated actions to adapt the Group's costs to the current situation. A key issue for the future is to eliminate costs related to the listing on Oslo Stock Exchange.

### **Consolidated financial statements**

The consolidated statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting policies have been consistently applied in all Group entities in all periods. All figures stated in the report are in USD unless specified otherwise.

### **Commentary on profits and losses**

Close to full occupancy the whole year has improved rental income substantially, but the Group is still not able to cover its financial obligations. Hence, the necessity to refinance the Group in order to adapt the debt to the current income level. Further, the complexity of our legal structure and overall cost level for the operation of one single property is considered unsustainable. Significant changes must be implemented to bring down the cost level.

Total comprehensive income for 2019 was USD 2.1 million (2018: USD -7.3 million), mostly due to fair value adjustments on the investment property (USD 1.0 million) and translation differences (USD 2.4 million).

Net operating income from investment properties in Russia was USD 1.6 million (2018: USD 0.2 million).

The value of the investment property has increased by USD 3.5 million from USD 21.4 million to USD 24.9 million. (2018: decrease in value of USD 5.4 million). The value increase given by the appraisers is mostly related to strengthening of the rouble (translation differences of app. USD 2.5 million), but the fair value of the building in RUB has

also increased by USD 1.0 million, suggesting a positive change in the Gasfield building's income potential. As previously noted, the fair value does not reflect an expected obtainable prize in a forced sale under current market conditions.

Borrowing costs were USD 1.4 million in 2019 (2018: USD 1.8 million). In accordance with the standstill agreement with Swedbank, the company terminated all interest rate swap agreements in 2018.

Income taxes for the period are USD 0.3 million (2018: USD -0.1 million).

### **Summary of the balance sheet**

The value of investment property totalled USD 24.9 million (2018: USD 21.4 million). Bank deposits totalled USD 0.9 million (2018: USD 0.5 million).

The Group is financed by a loan from Swedbank totalling USD 19.9 million (2018: USD 18.7 million). The change in value is due to accumulation of unpaid interest.

The Company was not in breach of covenants of the bank loan as at 31 December 2019, due to the agreed waivers.

### **Cash flow statement**

The Group had a cash flow before changes in working capital of USD 0.4 million (2018: USD -0.9 million).

Investment activities resulted in a net cash flow of USD -0.0 million (2018: USD +0.1 million).

Financing activities resulted in a net cash flow of USD -0.2 million due to interest payments (2018: USD -1.3 million).

### **Financial statements for Storm Real Estate ASA**

The parent company profit for the year was USD 2.5 million compared to a loss of USD 7.8 million in 2018. The change in profit is mostly due to the value increase of the shares in the company's subsidiaries, which again is due to the value increase of the Gasfield building.

The Parent Company's main source of income is dividends from investments in subsidiaries. In 2019 this income was USD 0.0 million (2018: USD 0.0 million).

The parent company made a reversal of impairment loss (profit) of USD 3.7 million on its investments in subsidiaries (2018: impairment of USD 8.0 million), mainly due to the

value increase of the Gasfield Building.

### **Future outlook**

The future of the company is dependent on concluding agreement with Swedbank in respect of the refinancing of the Group. Without such agreement it is highly unlikely that company will manage to raise sufficient capital to maintain operations.

### **Return target**

The Group's operations are considered associated with higher risk than traditional real estate companies. Given the current high level of uncertainty the Board consider setting a return target to be inapplicable.

### **Financial risk and risk management**

The current unresolved situation with respect to long term financing of the operations represents a major risk.

Certain other risk factors may also adversely affect Storm Real Estate, the major risks being related to the operations of the company and market risk. If one or more of these risks or uncertainties are crystallised, the Company's business, operating profit and financial strength could be materially and adversely affected. In addition, the Company is exposed to interest rate, credit and currency risk. For more information about the Group's risks please see note 4 Financial risk management to the Group's financial statements.

### **Staff, and Health, Safety and the Environment (HSE)**

The parent company has no personnel and the subsidiaries have five employees in Russia, of which three are women. There have been no work-related accidents in 2019. There is no material negative environmental impact related to the Company's operations. The Group recorded 35 days of sickness absence in 2019.

### **Social responsibility reporting**

In accordance with the reporting requirements in section 3-3 of the Norwegian Accounting Act the Group presents a report on its work related to social responsibility.

Storm Real Estate has operations in Russia, where corruption is a greater challenge than in Norway. The Company is aware of this and has introduced procedures and routines to its daily operations to reduce the risk of corruption. The Company is conscious of its role in society related to combating corruption, operates with a high level of transparency and openness. The Board is not aware of any cases of corruption related to the Group's operation and will continue to focus closely on this in the future.

The Company also focuses on employee rights and social conditions, and the Board is not aware of any challenges related to employee rights or social conditions in the workplace. The Company has no specific guidelines related to human rights.

### Assumption of going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the annual report for 2019 has been prepared under the assumption of a going concern, on the basis that management neither intend nor is forced to liquidate the company. However, a liquidation can be forced by the bank within a short period of time, if the company does not reach an agreement with the bank concerning the long-term financing of the Group. Thus, there is significant uncertainty related to the going concern assumption. See also note 5 to the Group's financial statements.

Given a sustainable agreement with the bank and a successful cost cutting program, the Board believe the Group will be able to raise capital to provide a long enough time horizon to see improved market conditions, making the Group once again profitable.

### Distribution of annual result

The Board recommends the following distribution of the parent company's result for the year:

- Transferred to equity USD 2,1 million.

Oslo, 30 April 2020

The Board of Directors and Interim General Manager of Storm Real Estate ASA



**Stein Aukner**  
Chairperson



**Morten E. Astrup**  
Board member



**Nini E.H. Nergaard**  
Board member



**Kim Mikkelsen**  
Board member



**Anna Musiej Aanensen**  
Board member



**Kristoffer Holmen**  
Interim General Manager



# Consolidated Statement of Comprehensive Income

Storm Real Estate Group

<i>All numbers in 000 USD</i>	Note	2019	2018
Rental income	6,9	2 903	1 581
<b>Total Income</b>		<b>2 903</b>	<b>1 581</b>
Property related Expenses	6	-1 265	-1 335
Personnel Expenses	16	-310	-282
Other Operational Expenses	15	-792	-969
<b>Total Operational Expenses</b>		<b>-2 367</b>	<b>-2 586</b>
<b>Operating Profit (Loss) Before Fair Value Adjustments</b>		<b>536</b>	<b>-1 005</b>
Fair Value Adjustments on Investment Property	6	951	-904
<b>Total Operating Profit (Loss)</b>		<b>1 487</b>	<b>-1 909</b>
Finance Revenues	14	11	605
Finance Expenses	14	-1 521	-1 802
Currency Exchange Gains (Losses)	14	43	-62
<b>Net Financial Gains (Losses)</b>		<b>-1 466</b>	<b>-1 259</b>
<b>Earnings before Tax (EBT)</b>		<b>21</b>	<b>-3 168</b>
Income Tax Expenses	18,19	-335	-122
<b>Profit (loss), attributable to owners of parent</b>		<b>-314</b>	<b>-3 046</b>
<b>Profit (loss), attributable to non-controlling interests</b>		<b>0</b>	<b>0</b>
<b>Other Comprehensive Income:</b>			
<i>Items that are reclassified from Equity to income statement in subsequent periods:</i>			
Translation differences	12,23	2 395	-4 287
<b>Sum other income and expenses after tax</b>		<b>2 395</b>	<b>-4 287</b>
<b>Comprehensive income, attributable to owners of parent</b>		<b>2 081</b>	<b>-7 334</b>
<b>Comprehensive income, attributable to non-controlling interests</b>		<b>0</b>	<b>0</b>
<b>Earnings per share (EPS), attributable to owners of parent</b>			
Weighted average number of shares		8 834 563	88 345 623
Basic and Diluted earnings per share (USD)		-0,04	-0,03
Basic and Diluted Total Comprehensive Income per share (USD)		0,24	-0,08

# Consolidated Statement of Financial Position

Storm Real Estate Group

<i>All numbers in 000 USD</i>	<i>Note</i>	<i>31.12.19</i>	<i>31.12.18</i>
<b>Fixed Assets</b>			
Investment Property	6	24 891	21 419
PP&E	8	3	5
<b>Sum Fixed Assets</b>		<b>24 894</b>	<b>21 424</b>
<b>Current assets</b>			
Pre-paid income tax	18	256	208
Other Receivables	13	486	144
Cash and Cash Equivalents	11	861	500
<b>Total Current Assets</b>		<b>1 603</b>	<b>852</b>
<b>Total Assets</b>		<b>26 497</b>	<b>22 277</b>
<b>Paid-in Equity</b>			
Share Capital	20,22	405	405
Share Premium		25 206	25 206
Other Paid-in Equity		56 600	56 599
<b>Total Paid-in Equity</b>		<b>82 211</b>	<b>82 210</b>
<b>Other equity</b>			
Other equity		-77 492	-79 573
<b>Total other equity</b>		<b>-77 492</b>	<b>-79 573</b>
<b>Total Equity</b>		<b>4 719</b>	<b>2 637</b>

All numbers in 000 USD

	Note	31.12.19	31.12.18
<b>Non-current liabilities</b>			
Deferred Tax Liabilities	19	422	112
Other Long-term Liabilities	10	259	266
<b>Total non-current liabilities</b>		<b>681</b>	<b>378</b>
<b>Current liabilities</b>			
Trade Payables	11	50	53
Loans from Credit Institutions	12	19 917	18 678
Other Current liabilities	17	1 131	529
<b>Total Current liabilities</b>		<b>21 097</b>	<b>19 261</b>
<b>Total Liabilities</b>		<b>21 778</b>	<b>19 639</b>
<b>Total Equity and Liabilities</b>		<b>26 497</b>	<b>22 277</b>

Oslo, 30 April 2020

The Board of Directors and Interim General Manager of Storm Real Estate ASA



Stein Aukner  
Chairperson



Morten E. Astrup  
Board member



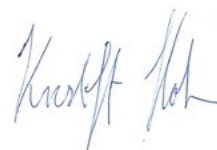
Nini E.H. Nergaard  
Board member



Kim Mikkelsen  
Board member



Anna Musiej Aanensen  
Board member



Kristoffer Holmen  
Interim General Manager

# Consolidated Statement of Cash Flows

Storm Real Estate Group

All numbers in 000 USD

	2019	2018
<b>Cash Flow from Operational Activities</b>		
Earnings before Tax	21	-3 168
Adjusted for:		
Depreciations	2	3
Value Adjustments on Investment Property	-951	904
Financial Income	-12	-77
Financial Expenses	1 521	1 273
Net Currency Gains	-164	130
<b>Cash Flow Before Changes in Working Capital</b>	<b>418</b>	<b>-935</b>
Changes in Working Capital:		
Trade Receivables and Other Receivables	-390	283
Trade Payables and Other Payables	598	184
Paid Taxes	-147	-40
<b>Net Cash Flow From Operating Activities</b>	<b>479</b>	<b>-508</b>
<b>Cash Flow From Investment Activities</b>		
Outflows from Investments in fixed assets	-27	0
Inflows from sale of fixed assets	0	2
Interest Received	11	118
<b>Net Cash Flow From Investment Activities</b>	<b>-16</b>	<b>120</b>
<b>Cash Flow From Financing Activities</b>		
Share issue, payments/costs	0	-6
Repayments of Loans	-7	0
Interest Paid	-185	-1 267
<b>Net Cash flow From Financing Activities</b>	<b>-192</b>	<b>-1 273</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>271</b>	<b>-1 661</b>
Carried Forward Cash and Cash Equivalents	500	2 247
FX movements on opening balance	90	-86
<b>Cash and Cash Equivalents on Closing Date</b>	<b>861</b>	<b>500</b>
Of which restricted Cash and Cash Equivalents	238	238



# Consolidated Statement of Changes in Equity

Storm Real Estate Group

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>31 December 2017</b>	<b>4 575</b>	<b>21 036</b>	<b>56 606</b>	<b>-304</b>	<b>-71 918</b>	<b>9 995</b>
<b>IFRS 9 Application</b>				<b>-18</b>		<b>-18</b>
<b>1 January 2018</b>	<b>4 575</b>	<b>21 036</b>	<b>56 606</b>	<b>-322</b>	<b>-71 918</b>	<b>9 977</b>
Reduction of share capital	-4 170	4 170				0
Issue cost (2017)			-6			-6
Profit (Loss) for the Period				-3 046		-3 046
Other Comprehensive Income					-4 287	-4 287
<b>Sum</b>	<b>-4 170</b>	<b>4 170</b>	<b>-6</b>	<b>-3 046</b>	<b>-4 287</b>	<b>-7 339</b>
<b>31 December 2018</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-3 368</b>	<b>-76 205</b>	<b>2 638</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 2019</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-3 368</b>	<b>-76 205</b>	<b>2 638</b>
Profit (Loss) for the Period				-314		-314
Other Comprehensive Income					2 395	2 395
<b>Sum</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-314</b>	<b>2 395</b>	<b>2 081</b>
<b>31 December 2019</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-3 682</b>	<b>-73 810</b>	<b>4 719</b>

# Notes Storm Real Estate Group

## 1. General information

Storm Real Estate ASA (hereafter "Storm Real Estate", the "Company" or the "Group" together with its subsidiaries) is a property investment company that invests in real estate in Russia.

The Company was established on 2 January 2007 and is a public limited liability company. The Company is incorporated and domiciled in Oslo with its registered office at Dronning Mauds gate 3, 0250 Oslo, Norway. Its current business is owning and operating an office building in Moscow - The Gasfield building.

The Company is listed on the Oslo Stock Exchange, ticker STORM.

The consolidated financial statements were approved for issue by the Board of Directors on 30 April 2020. The final financial statements is expected to be put forward for approval by the general meeting in June 2020.

Going concern is disclosed in note 5.2

## 2. Basis of preparation

### 2.1 General

The consolidated financial statements of Storm Real Estate ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union in accordance with the Norwegian Accounting Act. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The consolidated financial statements have been prepared on a historical cost basis, except for invest-

ment property which is stated at fair value. Preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000), unless otherwise indicated.

### 2.2 Changes in accounting policies and disclosures

#### (a) New and amended standards adopted by the Group

The accounting policies used in the consolidated financial statements are consistent with the previous year's statements. New and amended IFRS standards with effect from 1.1.2019 have had just a small effect on the Group's annual report. Future amendments to standards and interpretations that can be relevant to the Company are described below.

#### IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 lays down principles for recognising, measuring, presenting and disclosing leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The new standard requires that the lessee recognise assets and liabilities for most leases, which is a significant change from the current principle. For the lessor IFRS 16 essentially continues the existing principles in IAS 17. In line with this, a lessor shall continue to classify their leases as operating leases or finance leases, and account for these

two types of leases differently. Lessees are required to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Currently, the land plot lease agreement in Russia is the only significant lease contract. This has been accounted for as investment property using the fair value model in IAS 40, and initial recognition was stated at fair value, hence the adoption of IFRS 16 did not have an effect on the accounting. The Group has no other material lease agreements. The Group elected to adopt IFRS 16 using the modified retrospective method.

#### **(b) Standards, amendments to and interpretations of existing standards**

The Group has not chosen early adoption of any new or amended IFRSs or IFRIC interpretations.

The Group's policy is to implement the relevant amendments on the effective date where the amendments are relevant to the Group.

#### **(c) Standards implemented in 2020**

From 1.1.2020 the Group will not implement standards that will have a significant impact on the the financial statements.

### **2.3 Basis of consolidation and business combinations**

Subsidiaries are all companies which the Group has control over. Control exists when the Group is exposed to, or has rights to, variable returns as a result of involvement with the company, and the Group is able to impact returns through its power over the company. Control is normally achieved when the Group owns – directly or indirectly – more than 50% of the voting shares in the company. The effect of any existing voting rights resulting from exercisable options is included in the assessment of control. The Group also assesses whether control exists where fewer than 50% of the voting rights are held, but the Group is nevertheless in a position to control the relevant activities.

Such companies are included in the consolidated financial statements from the date on which the Group obtains control over the company. In the same way, the company is deconsolidated when control over the company ceases.

The purchase method is applied to business combinations. The consideration transferred is measured at the fair value of assets transferred, liabilities incurred, and equity instruments issued. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs related to business combinations are expensed as incurred. Identifiable assets and liabilities are recognised at fair value at the acquisition date. Non-controlling interests in the acquiree are measured on a case-by-case basis either at fair value or at their share of the acquiree's net assets.

In the case of a step acquisition, equity interests from previous acquisitions are remeasured at the control date to fair value through profit and loss. Any contingent consideration is recognised at fair value at the acquisition date. In accordance with IFRS 9, subsequent changes to the fair value of the contingent consideration are recognised in the income statement or as a change to other comprehensive income if the contingent consideration is classified as an asset or liability. Contingent considerations classified as equity are not remeasured, and subsequent settlement is entered against equity.

Intra-company transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated. The financial statements of subsidiaries are restated where necessary to achieve consistency with the Group's accounting policies.

### **2.4 Functional currency and presentation currency**

The Group's presentation currency is USD since Storm Real Estate's (the parent company) functional currency is USD. Each entity in the Group determines its own functional currency, and items included in the income statement of each entity are measured using

that functional currency. The functional currency is the currency within the primary economic environment in which the entity operates.

Transactions in foreign currencies are initially recorded in the functional currency at the rate on the transaction date. Monetary items denominated in foreign currencies are translated using the functional currency spot rates of exchange on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the rate on the reporting date. All currency translation differences are recognised in the income statement.

The assets and liabilities of foreign entities are translated into the presentation currency at the rate on the reporting date, and related income statement items are translated at average exchange rates per quarter. Currency translation differences arising on the translation are recognised as other comprehensive income. In the consolidated financial statements, currency translation differences linked to net investments in foreign operations are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement.

## 2.5 Segment information

Currently, the Company operates in only one segment – Russian real estate.

## 3. Summary of significant accounting policies

### 3.1 Investment property

Investment property comprises completed property held to generate rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is recognised initially at cost including transaction costs. Transaction costs include transfer taxes, professional

fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net selling price and the carrying amount of the asset at the time of sale.

### 3.2 Property, plant and equipment

Property, plant and equipment that is not directly attributed to the investment property is classified as non-current assets and measured at acquisition cost less depreciation and impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of the items.

Costs incurred after the asset has been taken into use are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the acquisition will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is written down to zero. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

### 3.3 Leases

#### (a) Where a Group company is the lessee

These lease agreements are recognised in the balance sheet in accordance with IFRS 16.

**(b) Where a Group company is the lessor**

Properties leased under operating leases are included in investment property in the Company's statement of financial position. Rental income is recognised over the term of the lease on a straight-line basis.

At the start of a lease agreement tenants pay a security deposit. This is treated as an advance payment from the tenants. The tenants then continue to pay in advance for the term of their lease, such that the level of the security deposit is maintained.

**3.4 Financial assets**

All figures in the financial statements are presented according to the new IFRS 9.

**3.4.1 Classification, recognition and measurement**

Financial assets within the scope of IFRS 9 are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Group's rent receivables do not contain a significant financing component or for which the Group has applied the practical expedient, they are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is

performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

As at 31 December 2019 the only relevant category is financial assets at amortised cost.

The Group measures financial assets at amortised cost if both of the following conditions are met:

1. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Group's financial assets (trade (rent) and other receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

**3.4.2 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial

position) when:

1. The rights to receive cash flows from the asset have expired, or
2. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### 3.4.3 Derecognition according to IFRS 9

For trade receivables the Group applies a simplified approach in calculating expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 3.5 Financial liabilities

All figures in the financial statements are presented

according to the new IFRS 9.

### 3.5.1 Classification, recognition and measurement

Financial liabilities are classified at initial recognition, and subsequently measured at amortized cost, with some exemptions.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

### 3.5.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### 3.6 3.6 Trade (rent) receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised



cost. Refer to accounting policies on financial assets in note 3.4.

### 3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

### 3.8 Share capital and treasury shares

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Own equity instruments which are bought back (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity/ other contributed equity. Voting rights related to treasury shares are cancelled and no provision is made for payment of dividends on treasury shares.

### 3.9 Related-party transactions

A person or a company (or other legal entities) is considered as a related party if he, she or it, directly or indirectly, has the possibility to exercise control or influence over another party in connection with financial and operational decisions. Parties are also considered related if they are under control or significant influence. Transactions with related parties are based on the arm's length principle.

Loans to certain subsidiaries are considered as part of the Group's net investment. Exchange rate changes related to monetary items (receivables and liabilities) which are a part of the Company's net investment in foreign entities are treated as currency translation differences, and thus entered against equity.

### 3.10 Taxes payable and deferred tax

The tax expense for the period comprises taxes payable and change in deferred tax. However, deferred tax is not recorded if it arises on initial recognition of an asset or liability in a transaction, other than a business combination, that affects neither accounting nor

taxable profit or loss on the transaction date.

Deferred tax assets are recognised only to the extent that it is probable that there will be future taxable income against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realized, or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities.

Tax effects on other comprehensive income are separated and presented via other comprehensive income. These include exchange differences on net investments in foreign entities.

### 3.11 Revenue recognition

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

These lease agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services

includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

### 3.12 Interest income

Interest income is recognised in income as it is earned using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the effective interest rate.

### 3.13 Classification of assets and liabilities

The Group presents assets and liabilities in the statement of financial position based on current/

non-current

classification. An asset is current when it is expected to be realised or intended to sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

### 3.14 Earnings per share

Earnings per share is calculated by dividing profit by the weighted average number of outstanding shares in the Group during the reporting period. Treasury shares are not included in the calculation.

## 4. Financial risk management

The Group's activities expose it to a variety of financial risks: market, credit and liquidity risk. The Group's overall risk management focuses on the unpredictability of markets and seeks to identify and, if possible, minimise the potential adverse effects on the Group's financial performance. The Group has attempted to maintain a policy of having solid tenants, even in difficult financial times.

Management identifies and evaluates financial risk, and has policies covering specific areas such as credit risk, currency risk, use of derivative financial instruments and investment of excess liquidity.

### 4.1 Market risk

Investments in Russia are deemed to have high market

risk. The climate in the financial market and especially the price of real estate, demand for premises and general rental levels in Russia represents risk, as it will affect the Company's rental income. The Company aims to reduce some of this risk by continuing to require deposits from tenants, typically equivalent to 2-3 months' rent. The situation has also changed, from having one anchor tenant in the past to currently having several smaller tenants.

### (I) Currency risk

Storm Real Estate is a Norwegian group with its main focus on rental properties in Russia. This exposes the Group to currency risk arising from various currency exposures, primarily with respect to NOK, USD and RUB. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The rental lease contracts are exposed to the risks of changes in RUB/USD exchange rates. Up to around 2014-2015 rental agreements were in US dollar. Following the recession and geo-political situation with sanctions against Russia, there has been a "de-dollarization" of the Russian real estate market and currently all lease agreements are denominated in Russian roubles. As such the building is a Russian rouble asset, and the bank loan is in US Dollar. A hedge between RUB and USD has been considered, however hedging the Russian rouble comes at a significant cost, and the Company has to date not considered it sufficiently attractive.

A sensitivity analysis of the stated factors for the Group's presentation currency and the Parent Company's functional currency (USD) is shown below. If the value of the USD changes relative to other currencies, this will have the following effects on the consolidated financial statements:

USD 000	Effect attributable to net income	Effect attributable to equity (other comprehensive income)	Net effect on the Company's equity
1% appreciation in USD	+169	-415	-246
1% depreciation in USD	-169	+415	+246
10% appreciation in USD	+1,688	-4,147	-2,460
10% depreciation in USD	-1,688	+4,147	+2,460
20% appreciation in USD	+3,375	-8,294	-4,919
20% depreciation in USD	-3,375	+8,294	+4,919

*The effect is deemed to be linear, so that a 5% change is five times larger than a change of 1%. A reasonable range for exchange rates in a normal situation would be 0-20%. Exchange rate fluctuations related to the Russian Ruble have also been higher.*

### (II) Price risk

The Group is exposed to risk concerning property prices and property rental, and the Group has geographically concentrated its activity in Russia. The Group has further indirect exposure to price risk as a result of developments in the financial markets, since these affect the tenants' ability to pay.

Sensitivity analysis for price risk:

	Effect attributable to profit for 2019
1% rent increase	+30
1% rent decrease	-30

*The effect is deemed to be linear, so that a 5% change is five times larger than a change of 1%.*

*Price changes can also affect the valuation of the buildings.*

The carrying value of the building in the balance sheet, obtained from an independent valuer, reflects the value given a long-term perspective, it does not reflect the liquidation value at yearend. According to the applicable IFRS rules, a liquidation value can only be presented once there is a concrete decision to liquidate the entity, which is not the case at the moment.

**(III) Interest rate risk on cash flows and fair value**

The Company has financed properties with bank loans consisting of a principal amount of USD 18.1 million and accumulated interests of USD 1.8 million. To reduce the interest rate risk, the Company has earlier entered into interest rate swaps agreements. These agreements were terminated in 2018 according to agreements with Swedbank AB. Hence, there are no interest rate swap agreements effecting the financial accounts for the time being. The table below illustrates the net effect of a change in interest rates of one percentage point.

USD 000	Effect on interest paid (loans)
1% increase in interest rate	-183

The group operations across multiple jurisdictions with corresponding tax risks. Transactions and financing arrangements between related parties have inherent risks related to treatment in local tax jurisdictions with regards to, inter alia, compliance with transfer pricing regulations, corporate tax deductibility, value added tax etc.

**4.2 Credit risk**

Credit risk arises on cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables and liabilities. For banks and financial institutions, the Group aims to use parties with a good credit rating. All new contracts with tenants require a deposit and the rent is partly invoiced in advance. If rent is not paid on time, the Company immediately begins the search for a new tenant.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

**4.3 Liquidity risk**

The Group has over time aimed to keep liquidity sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. Management continuously monitors forecasts of the Group's liquidity reserves.

The company's liquidity risk is very high. As a result of periods with high vacancy in the Gasfield building, low rental rates and a weak rouble, the Group's cash deposit and income have decreased dramatically, leaving the Group unable to fulfil its debt obligations. Hence, since September 2018 the Group and its main creditor, Swedbank AB, have agreed on several standstill agreements waving covenants, amortization and interest payments. Storm Real Estate is negotiating with the bank, relevant stakeholders and external parties in order to refinance the Group. The current standstill agreement with Swedbank expires on 10 June 2020. The market will be updated on any changes at once.

The company is working on various solutions to address the liquidity constraints; including cost reductions.

The table below analyses the Group's financial liabilities (borrowing), broken down by maturity (all figures in USD 000). Since the company has only a short-term standstill agreement with its main creditor, and it is not able to fulfil its debt obligations if this agreement expires without a successful refinancing of the Group, most liabilities are classified as short-term, see note 12. Hence, the maturity is set to less than one year for most of the items.

As at 31 December 2019	0-1 years	1-5 years	5+ years	Total
Repayments of interest-bearing debt *	18,143	0	0	18,143
Accumulated interests	1,774	0	0	1,774
Advance payments from tenants	430	0	0	430
Land plot lease agreements	0	0	134	134
Other financial liabilities	875	0	0	875
<b>Total</b>	<b>21,222</b>	<b>0</b>	<b>134</b>	<b>21,356</b>

As at 31 December 2018	0-1 years	1-5 years	5+ years	Total
Repayments of interest-bearing debt *	18,143	0	0	18,143
Accumulated interests	535	0	0	535
Advance payments from tenants	225	0	0	225
Land plot lease agreements	0	0	119	119
Other financial liabilities	505	0	0	505
<b>Total</b>	<b>19,408</b>	<b>0</b>	<b>119</b>	<b>19,527</b>

\* Nominal (actual) value, not amortised cost (accounting value).

Due to the company's liquidity situation, below are the interest-bearing debt broken down into 6-month periods in 2019:

Financial year 2019	Beginning of year	0-6 m	6-12 m	End of the year
Principal amount	18,143	0	0	18,143
Unpaid interest on loans	535	640	599	1,774
<b>Total</b>	<b>18,678</b>	<b>639</b>	<b>599</b>	<b>19,917</b>

Going concern is disclosed in note 5.2

#### 4.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an appropriate capital structure. In order to maintain or adjust the capital structure, the Group may adjust the level of the dividend paid to shareholders, issue new shares or sell assets to reduce debt. The Group's capital comprises capital invested through investments in investment property, as well as cash and cash equivalents.

As a result of the dramatic decrease in income compared to the Group's income peak in 2013, the group is loss-making given the current financing, and is reliant on a positive outcome from the negotiation between the company, the bank and other relevant stakeholders in order to survive. Due to this, there is a significant uncertainty related to the going concern assumption.

Going concern is disclosed in note 5.2

#### 4.5 Tax risk

The Russian tax, currency and customs legislation is

subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within Russia suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, additional taxes, penalties and interest may be assessed.

Separately, new deoffshorization rules, which came into force starting 1 January 2015, may have influence on tax affecting the Group and should be mentioned. In accordance with these rules the Russian tax authorities have the right to challenge application of the double tax treaty benefits (beneficial ownership concept). These amendments as well as the concept of taxation of capital gains from indirect sale of property-rich companies, may impact the Group.

## 5. Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the present circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the final outcome. The estimates and assumptions that represent a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Board confirms that the annual report for 2019 has been prepared under the assumption of going concern, on the basis that management neither intended nor is forced to liquidate the company. However, a liquidation can be forced by the bank within a short period of time, if the Group is unable to refinance its current debt.

Thus, there is significant uncertainty related to the going concern assumption.

### 5.1 Use of accounting estimates and judgment

#### **Fair value of investment property (estimate)**

Investment property is recognised at fair value. A separate valuation is carried out by an independent expert in which the property is assessed using updated macro assumptions (market-based rent rates, discount rates, inflation expectations, economic growth, etc.) The Company bases the fair value of investment property on external valuations by independent appraisers. There are multiple methods for assessing the fair value of investment property. In 2018 The Group used the discounted cash flow method (income method), which is the present value of estimated future cash flows, using known contractual parameters, as well as expectations for market development (market approach). However, in 2019 the valuer (Cushman & Wakefield) changed the valuation method to a pure income approach due to few sales of comparable buildings in the market. A valuation is only an estimate, the outcome of which depends on the assumptions adopted by the valuer. Such assumptions may account for the potential of a property in a complex market environment in different ways. See note 6 for more information about the investment property.

### 5.2 Going concern and events after the reporting period

During the year SRE has negotiated with its main creditor Swedbank, to reach a long-term financing solution that will make the Company able to continue its operations.

On 27 June 2019 the company entered into a conditional agreement with Swedbank and Aconcagua Management Ltd. The agreement outlines a long-term financial solution where the company will seek to refinance a share of the current debt to Swedbank in another bank. The remaining part of the debt will then be sold to Aconcagua Management Ltd at an agreed price. Aconcagua Management Ltd is the largest shareholder in Storm Real Estate ASA and is owned by Morten E. Astrup. The intention is for



the acquired debt subsequently to be converted into equity. The Board has secured measures to provide equal treatment for all shareholders in this connection.

The agreement is conditional upon achieving satisfactory terms on the financing from the other bank. Since it entered into the agreement, the company has been working with a local Russian bank on refinancing a share of the current debt. This process has had a slow progression, hence there have been many extensions of the conditional agreement with Swedbank. Currently, the agreement expires at the latest on 10 June 2020.

Without a final agreement with Swedbank the Board expect that the Gasfield building will be put up for sale on the open market and sold for an amount less than the current debt, leaving no value to the shareholders. If the bank instructs the company to put the building up for sale, the Board will evaluate whether it is in the shareholder's best interest that SRE manages the sale process, or whether it should be left to Swedbank to do it.

The carrying value of the building in the balance sheet, obtained from an independent valuer, does not reflect the anticipated liquidation value. According to the applicable IFRS rules, a liquidation value can only be presented once management intend to liquidate the company, which is not the case at the moment.

Since its financial crisis in 2014, Russia has had a slow recovery, especially due to international sanctions. If the corona virus, currently affecting the whole world

including Russia, triggers another financial crisis it is likely that the following recovery will also be slow. The Gasfield building's ability to adapt to rapid changes and its diversified tenant base, suggests that the building is better prepared than many of its competitors for what that might come. However, a new financial crisis in Russia will likely have a severe negative effect on the Group's rental income. Currently, the crisis has had little effect on the occupancy and the rental income. However, we are experiencing that some of the tenants are struggling with their rental payment. The liquidity in the Russian subsidiary is considered sufficient to handle these cases at the moment. See also note 9 for more information concerning the rental income.

There is also uncertainty related to how the corona crisis will affect the refinancing process. The company will inform the market immediately if there are any material changes in the process.

The Board confirms that the annual report for 2019 has been prepared under the assumption of a going concern, on the basis that management do not intend to liquidate the company. However, a liquidation can be forced by the bank within a short period of time, if the company does not reach an agreement with the bank concerning the long-term financing of the Group. Thus, there is significant uncertainty related to the going concern assumption.

See also note 4.3 and 4.4 for more information related to going concern.











## 6. Investment property

000 USD

GROUP

Value as valued by an independent valuer:	2019	2018
As at 1 January	21 300	26 580
Value Adjustment Investment Property *	3 457	-5 280
Value per Closing date	24 757	21 300
Other assets recognised as part of Investment Property:		
As at 1 January	119	180
Changes in carrying value of land plot lease agreements **	14	-61
Value per Closing date	134	119
Carrying value of Investment Property IFRS 01.01	21 419	26 760
Carrying value of Investment Property IFRS 31.12	24 891	21 419

\* The functional currency of the Russian subsidiaries including the buildings in Russian Rouble. The fair value changes has two elements:

	2019	2018
Change in RUB over income statement	951	-904
Translation Differences over comprehensive Income	2 520	-4 437
Net movement in fair value	3 471	-5 341

\*\* The Company has capitalised land plot lease agreements in accordance with IAS 40 Investment Property and IFRS 16 Leases.

The valuation of investment property as 31 December 2018 and 2019 has been performed by an independent expert valuer, Cushman & Wakefield in Moscow (C&W). The variables used for valuation are both company specific and market derived. Company specific variables include contractual rental income and expenses. Market derived variables include, inter alia, market rent rates, market discount rates and market capitalisation rates. In 2019 C&W changed the valuation method from 50% market approach and 50% income approach, to a pure income approach due to few sales of comparable buildings in the market.

The carrying value of the building in the balance sheet reflects the value given a long-term perspective, it does not reflect the liquidation value at yearend. According to the applicable IFRS rules, a liquidation value can only be presented once management intend to liquidate the company or has no realistic alternative but to do so, **which is not the case at the moment**.

Also see note 5 for critical accounting estimates and assumptions.

	Moscow	
Independent valuer's valuation parameters	31.12.2019	31.12.2018
Valuation Gasfield building USD (000')	24 757	21 300
Valuation Gasfield building RUB (000')	1 541 700	1 477 500
Discount rates	14,0 %	14,0 %
Capitalisation rates	10,0 %	10,0 %
Market rates, RUB/sq.m (net of VAT and op.ex), main office areas	16 000	16 000

## Sensitivity analysis at 31 December 2019, million RUB:

The sensitivity analysis below shows the effect of changing discount rate, capitalization rate and income level on the market value of the building (million RUB):

Market rates, RUB/sq.m (net of VAT and op.ex), main office areas: 16,000		Discount rate				
		13,0 %	13,5 %	14,0 %	14,5 %	15,0 %
Capitalization rate	9,0 %	1 713,4	1 682,3	1 651,9	1 622,3	1 593,4
	9,5 %	1 652,8	1 623,0	1 593,9	1 565,6	1 537,9
	10,0 %	1 598,3	1 569,7	1 541,7	1 514,5	1 487,9
	10,5 %	1 548,9	1 521,4	1 494,5	1 468,3	1 442,7
	11,0 %	1 504,1	1 477,5	1 451,6	1 426,3	1 401,6

Market rates, RUB/sq.m (net of VAT and op.ex), main office areas: 14,000		Discount rate				
		13,0 %	13,5 %	14,0 %	14,5 %	15,0 %
Capitalization rate	9,0 %	1 510,4	1 483,1	1 456,5	1 430,6	1 405,3
	9,5 %	1 457,5	1 431,4	1 405,9	1 381,1	1 356,8
	10,0 %	1 409,9	1 384,8	1 360,3	1 336,5	1 313,2
	10,5 %	1 366,8	1 342,7	1 319,1	1 296,2	1 273,8
	11,0 %	1 327,6	1 304,4	1 281,7	1 259,5	1 237,9

## Summary of significant contracts

As at 31 December 2019 the occupancy rate of the Gasfield building was 99% (2018: 86%), divided on 78 lease agreements (2018: 69 agreements).

Specification of tenants representing more than 10% of the group's income in the financial year:	GROUP	
	2019	2018
LLC SAKS (income from tenant passed 10% of total income in 2019)	444	147

## 7. Group companies and investment in subsidiaries

000 USD

Group company	Location	Formed/ Acquired	Ownership
OOO Martex	Russia	2007	100 %
Tiberton Yard Holding 2 Ltd	Cyprus	2008	100 %
Gasor Consulting Ltd	Cyprus	2008	100 %

Storm Real Estate Ltd was dissolved as at 23 October 2018

## 8. Property, plant & equipment

000 USD

	Computers and telephony	Sum	Computers and telephony	Sum
Historic cost	2019	2019	2018	2018
At 1 January	80	80	97	97
Additions	10	10	0	0
Disposals	0	0	-17	-17
At 31 December	90	90	80	80
Depreciation and impairment				
At 1 January	-75	-75	-87	-87
Depreciations this period	-2	-2	-3	-3
Translation differences of depreciations and write-downs	-10	-10	15	15
At 31 December	-87	-87	-75	-75
Net book value 31 December	3	3	5	5

There are no fixed assets in the parent company. Exchange differences have been included in disposals and depreciations. PP&E are recognised at historic cost. Computers & telephony is computers and telephony equipment, depreciated straight line over the lifespan of the assets (3 years for computers and 7 years for telephone equipment).

## 9. Tenancy agreements

000 RUB

	31.12.2019	31.12.2018
Monthly income (thousand RUB)	15 575	13 121
Share of monthly income:		
Time to contractual end date:	31.12.2019	31.12.2018
Less than 1 year	10 280 (66%)	7 217 (55%)
Between 1 and 2 years	935 (6%)	918 (7%)
Between 2 and 3 years	467 (3%)	1 575 (12%)
Between 3 and 4 years	0 (0%)	0 (0%)
Between 4 and 5 years	3 894 (25%)	3 411 (26%)
Over 5 years	0 (0%)	0 (0%)
Sum	15 575 (100%)	13 121 (100%)

**10. Other financial assets and liabilities**000 USD  
GROUP

Financial lease	31.12.2019	31.12.2018
Land plot leases	-134	-119
Sum derivative liabilities not designated as hedges	-134	-119
<b>Total other financial liabilities</b>	<b>-134</b>	<b>-119</b>

**Information concerning land plot lease agreement:**

- End date of agreement: 30.07.2051
- Total annual rental payment (thousand RUB): 1,262
- Principal amount (thousand RUB): 8,267
- Annual interest rate: 16%

Interest bearing loans	31.12.2019	31.12.2018
Interest bearing loans	19 917	18 678
<b>Total interest bearing loans</b>	<b>19 917</b>	<b>18 678</b>

Storm Real Estate ASA terminated its interest rate swaps in 2018 according to agreement with the bank. Hence, as at 31 December 2019 the Group no longer had any interest rate swaps.



## 11. Fair value hierarchy

The below table shows an analysis of fair values of assets and liabilities in the group, grouped by level in the fair value hierarchy, which either are measured at fair value or where information about the fair value is provided.

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.

Assets measured at fair value	Level 1	Level 2	Level 3	Sum
Investment property (*)	0	0	24 891	24 891
Sum	0	0	24 891	24 891

(\*) See Note 6 for information regarding fair value of investment properties

### Comparison by class

The classification and measurement requirements of IFRS 9 did not have a significant impact for the Group. The Group continued measuring land plot lease at fair value as previously under IAS 39. Receivables are held to collect contractual cash flows and give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Hence, they are classified as Financial assets at amortised cost.

Interest-bearing loans and borrowings, Trade liabilities and Other short-term liabilities are classified and measured as Debt instruments at amortised cost beginning 1 January 2019.

In accordance with IFRS 9	Carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Financial assets				
Other receivables	512	116	512	116
Cash and cash equivalents	861	500	861	500
Sum	1 373	616	1 373	616

In accordance with IFRS 9	Carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Financial liabilities				
Interest-bearing loans and borrowings	19 917	18 678	19 917	18 678
Trade liabilities	50	53	50	53
Other financial liabilities	1 256	676	1 256	676
Sum	21 222	19 407	21 222	19 407

In the case of a forced sale of the Gasfield building within a short period of time, the board believe that the bank will not recover the total amount of the debt.

Cash and cash equivalents include restricted cash of 238 (2018: 238).

## 12. Bank loan

000 USD

GROUP

Interest bearing borrowings at amortised cost	Interest	Maturity	31.12.2019	31.12.2018
Secured bank loan	LIBOR + margin	June 2020	19 917	18 678
Sum interest bearing borrowings at amortised cost			19 917	18 678

### Nominal value

The nominal value of the bank loan as at 31 December 2019 was 19,917 and as at 31 December 2018 was 18,678. No fair value adjustment to the bank debt has been made as the value of the investment property exceeds the loan value.

### Security

The investment property Gasfield in Moscow is pledged as security for the bank loan, book value 24,891.

### Interest margin

The interest on the loan is calculated based on 3 month USD LIBOR plus the following margins:

For loan to value up to 50%	4,50 %
For loan to value up to 55%	4,75 %
For loan to value up to 60%	5,00 %
For loan to value up to 65%	5,50 %
For loan to value up to 70%	6,00 %
For loan to value over 70%	8,00 %

Since September 2018 the Company has not had the ability to fulfil its loan obligations, hence, it has entered into negotiations with Swedbank AB and other relevant stakeholders with the aim to refinance its interest-bearing debt. During the negotiations, the parties have entered into several standstill agreements in order to have sufficient time to achieve a good outcome for all.

On 27 June 2019 the company entered into a conditional agreement with Swedbank AB and Aconcagua Management Ltd. The agreement outlines a long-term financial solution where the company will seek to refinance a share of the current debt to Swedbank in another bank. The remaining part of the debt will then be sold to Aconcagua Management Ltd at an agreed price. Aconcagua Management Ltd is the largest shareholder in Storm Real Estate ASA and is owned by

Morten E. Astrup. The agreement is conditional upon achieving satisfactory terms on the financing from the other bank. Since it entered into the agreement, the company has been working on the refinancing of a share of the current debt with a local Russian bank. This process has had a slow progression, hence there have been many extensions of the conditional agreement. Still, the board find it likely that the ongoing process will lead to a successful refinancing of the Group. According to the latest extension, the agreement will lapse at the latest on 10 June 2020. If the refinancing plan is completed, the Group will have capacity to continue its operations. The board has initiated measures to ensure equal treatment of the shareholders.

### The amended terms include:

- postponement of the maturity date to 10 June 2020
- no amortisation up to and including 10 June 2020
- waiving of covenants up to and including 10 June 2020
- termination of all interest rate swap agreements
- payment of interests according to ability

As a result of the amended terms the Company has had the following interest costs and payments in 2019 (000 USD):

Loan period	Interest cost	Interest payment	Accumulated unpaid interests
H1	789	150	639
H2	599	0	599
2019	1 388	150	1 238

**13. Other receivables**

000 USD

**GROUP**

<b>Other receivables</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Taxes receivable *	256	69
Other receivables	486	75
<b>Sum other receivables</b>	<b>742</b>	<b>144</b>

See note 11 for more information concerning the value of the trade receivables.

\*) The Russian entity has a VAT receivable.

**14. Finance income and costs**

000 USD

**GROUP****Finance income and costs from continuing operations:**

<b>Finance income</b>	<b>2019</b>	<b>2018</b>
Interest income	11	76
Changes in fair value, financial derivatives over profit and loss	3 700	528
<b>Sum finance income</b>	<b>3 711</b>	<b>605</b>

**GROUP**

<b>Finance costs</b>	<b>2019</b>	<b>2018</b>
Interest costs from loans measured at amortised cost	-1 405	-1 802
Other finance costs	-116	0
<b>Sum finance costs</b>	<b>-1 521</b>	<b>-1 802</b>

**GROUP**

<b>Foreign exchange gains and losses</b>	<b>2019</b>	<b>2018</b>
Foreign exchange gains	615	97
Foreign exchange losses	-120	-160
<b>Sum foreign exchange gains and losses</b>	<b>496</b>	<b>-62</b>

<b>Net finance gains (losses), continuing operations</b>	<b>2 686</b>	<b>-1 259</b>
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<b>Finance income and costs from discontinued operations:</b>	<b>2019</b>	<b>2018</b>
Net Currency Gain (Loss)	0	0
Fair Value Adjustment, Financial Investments	0	0
<b>Net Finance Gains (Losses) discontinued operations</b>	<b>0</b>	<b>0</b>

**15. Other operating expenses**

000 USD

GROUP

Other operating expenses	2019	2018
Management fees (*)	342	377
Legal, agency and consultancy fees	162	251
Accounting	70	78
Auditors	135	171
Other operating expenses	79	88
Depreciation	2	3
<b>Sum other operating expenses</b>	<b>791</b>	<b>969</b>

(\*) see further details about management fees in notes 16 and 21.

GROUP

Auditor fees	(auditor fees are quoted excl.vat)	2019	2018
Audit fees		135	138
Other services		0	33
<b>Sum auditor expenses</b>		<b>135</b>	<b>171</b>

**16. Personnel costs**

000 USD

GROUP

Personnel costs	2019	2018
Salaries and bonuses	202	171
Board fees	59	59
Social security taxes	49	50
<b>Sum personnel costs</b>	<b>310</b>	<b>280</b>
Number of employees	5	6
Average number of employees	5	6

There are no pension schemes in the group. There are no employees in the Norwegian parent company, and therefore no obligation for the Norwegian mandatory pension scheme (OTP).

The company does not have employed management, but is managed by Storm Capital Management Ltd on a asset management contract. For this the company has paid a management fee. See note 21 Related Party transactions. Also see note 8 to the parent company's accounts for a list of board fees.

000 USD

GROUP

**17. Other current liabilities**

	2019	2018
Taxes payable	284	173
Advance rents received	430	225
Other current liabilities	417	132
<b>Sum other current liabilities</b>	<b>1 131</b>	<b>529</b>

**18. Income tax**

000 USD

**GROUP**

<b>Tax recognised over consolidated income statement</b>	<b>2019</b>	<b>2018</b>
Current income tax	50	-6
Movement in deferred tax	285	-116
<b>Sum income tax</b>	<b>335</b>	<b>-122</b>

The tax on the group's profit before tax differs from the theoretical amount as follows:

**GROUP**

	<b>2019</b>	<b>2018</b>
Profits before tax	21	-8 668
Tax at domestic tax rates applicable to respective countries	-25	-2 123

Tax effects of:

FX variations between functional currency and tax currency	64	-457
Income not subject to tax	-147	-796
Expenses not deductible for tax purposes	79	2 778
Withholding tax from foreign entities	0	40
Tax losses for current year not recognised	364	436
<b>Sum income tax</b>	<b>335</b>	<b>-122</b>

**19. Deferred tax**

000 USD

**GROUP**

<b>Deferred tax reversal</b>	<b>2019</b>	<b>2018</b>
Deferred tax liabilities reversed in less than 12 months	0	0
Deferred tax liabilities reversed after more than 12 months	422	112
<b>Net deferred tax liability</b>	<b>422</b>	<b>112</b>

**GROUP**

<b>Deferred tax expense</b>	<b>2019</b>	<b>2018</b>
Per 1 January	112	284
Charged over income statement in the period	285	-116
Charged over comprehensive income in the period	25	-56
<b>Deferred tax liability as per 31 December</b>	<b>422</b>	<b>112</b>

## 19. Deferred tax (continued)

000 USD

Movements in deferred tax / deferred tax assets (without netting of assets and liabilities)

Deferred tax assets	C/forward losses	Receivables	Non current assets and liabilities	Other	Sum
31 December 2017	0	0	0	0	0
Change in deferred tax assets	2 289	0	1 419	0	3 709
Change in deferred tax assets not recognised	-2 289	0	-1 419		-3 709
31 December 2018	0	0	0	0	0
Change in deferred tax assets	2 629	0	1 339	0	3 968
Change in deferred tax assets not recognised	-2 629	0	-1 339		-3 968
31 December 2019	0	0	0	0	0
Deferred tax					
31 December 2017	0		-385		-385
Change in deferred tax liabilities	0	0	497	0	497
31 December 2018	0	0	112	0	112
Change in deferred tax liabilities	0	0	310	0	310
31 December 2019	0	0	422	0	422
Net deferred tax assets/liabilities 2018 (recognised)	0	0	-112	0	-112
Net deferred tax assets/liabilities 2019 (recognised)	0	0	-422	0	-422

## 20. Earnings per share

000 USD

GROUP

Basic and diluted earnings per share	2019	2018
Net profit attributable to ordinary equity holders of parent company (000 USD)	-314	-3 046
Weighted average number of shares	8 834 563	88 345 623
Net profit per share attributable to ordinary equity holders (1 USD)	-0,04	-0,03
GROUP		
Basic and diluted Total comprehensive income per share	2019	2018
Total comprehensive income (000 USD)	2 081	-7 334
Weighted number of shares	8 834 563	88 345 623
Total comprehensive income per share (1 USD)	0,24	-0,08

## 21. Related party transactions

000 USD

The Group has had an asset management agreement with Storm Capital Management Ltd until 30 September 2019. From 1 October 2019 the Group signed a similar agreement with Storm Norge AS due to Storm Capital Management Ltd moving its business to Norway. Board member Morten E. Astrup is sole shareholder of Storm Capital Management Ltd and Storm Norge AS.

The agreed fee for the asset management services is NOK 250k per month. In 2018 an error from 2016 was corrected, resulting in an annual fee of app. NOK 3,090k instead of NOK 3,000k.

Due to the liquidity situation in the Group, it has been agreed that only half of the fee is payable each month. The remaining unpaid fee accumulate as an unsecured liability in the balance sheet of Storm Real Estate ASA. As at 31 December the accumulated debt amounted to NOK 2,000,000. Since Storm Capital Management Ltd is to be liquidated, Aconcagua Management Ltd (Wholly owned by Morten E. Astrup) has purchased its receivable towards Storm Real Estate.

From 1 January 2019, Storm Capital Management Ltd and later Storm Norge AS perform all services covered by the asset management agreement in house, including services previously delivered by KPMG Norway. Surfside Holding AS (wholly owned by Morten E. Astrup) has assisted Storm Capital Management Ltd and Storm Norge on certain accounting related tasks, and has invoiced Storm Real Estate directly for these services.

		GROUP
Transactions with related parties	2019	2018
Storm Capital Management Ltd. - asset management fee	259	377
Storm Norge AS - asset management fee	83	0
Surfside Holding AS - accounting services	36	0
<b>Total related party transactions</b>	<b>378</b>	<b>377</b>

## 22. Shareholder capital and shareholders

Information regarding this is included in the note regarding the parent company. See note 12 to the financial statements of Storm Real Estate ASA.

## 23. Operating segments and discontinued operations

Currently, the Company operates in only one segment – Russian real estate.



**24. Changes in liabilities arising from financing activities**

000 USD

Pursuant to amendments to IAS 7, the Group is from 2017 required to disclose changes in liabilities arising from financing activities. Loans from credit institutions are presented as Interest bearing loans and Accrued interest.

	31.12.2018	Cash flows	Other	31.12.2019
Interest bearing loans - non-current	119	0	14	134
Interest bearing loans - current	18 143	0	0	18 143
Accrued interest	535	-150	1 389	1 774
<b>Total liabilities from financing activities</b>	<b>18 797</b>	<b>-150</b>	<b>1 403</b>	<b>20 051</b>

	31.12.2017	Cash flows	Other	31.12.2018
Interest bearing loans - non-current	18 016	0	-17 897	119
Interest bearing loans - current	300	0	17 843	18 143
Accrued interest	51	-51	535	535
<b>Total liabilities from financing activities</b>	<b>18 366</b>	<b>-51</b>	<b>481</b>	<b>18 797</b>

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, and the effect of non-cash flow amortisation of borrowing costs.



БАНК СОВЕТСКИЙ

# Statement of comprehensive income

Storm Real Estate ASA

All numbers in 000 USD

	Note	2019	2018
<b>Other income</b>		0	0
<b>Total income</b>		0	0
<b>Personnel expenses</b>	8	-67	-69
<b>Other operating expenses</b>	7	-680	-697
<b>Total operating expenses</b>		-746	-767
<b>Operating profit (loss) before fair value adjustments</b>		-746	-767
<b>Finance revenues</b>	6	4 267	3 577
<b>Finance expenses</b>	6	-1 389	-9 733
<b>Currency exchange gains (losses)</b>	6	457	-843
<b>Net financial gains (losses)</b>		3 336	-6 998
<b>Earnings before tax (EBT)</b>		2 589	-7 765
<b>Income tax expense</b>	10,11	-97	-40
<b>Profit (loss) for the period</b>		2 492	-7 805
<b>Other comprehensive income:</b>			
<b>Translation differences from foreign operations</b>		0	0
<b>Other comprehensive income, net of tax</b>		0	0
<b>Total Comprehensive income for the period</b>		2 492	-7 805

# Statement of financial position

Storm Real Estate ASA

per 31 December

<i>All numbers in 000 USD</i>	<b>Note</b>	<b>31.12.19</b>	<b>31.12.18</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	2	20 144	16 444
Loans to subsidiaries	13	4 242	3 795
<b>Total non-current assets</b>		<b>24 386</b>	<b>20 239</b>
<b>Current assets</b>			
Receivables from group companies	13	114	441
Other receivables	5	8	10
Cash and cash equivalents	13	580	401
<b>Total current assets</b>		<b>702</b>	<b>852</b>
<b>TOTAL ASSETS</b>		<b>25 088</b>	<b>21 091</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Paid-in equity</b>			
Ordinary shares	12	405	405
Share premium		25 206	25 206
Other paid-in equity		56 600	56 599
<b>Total paid-in equity</b>		<b>82 211</b>	<b>82 210</b>
<b>Other equity</b>			
Other equity		-77 491	-79 980
<b>Total other equity</b>		<b>-77 491</b>	<b>-79 980</b>
<b>TOTAL EQUITY</b>		<b>4 721</b>	<b>2 229</b>

All numbers in 000 USD

	Note	31.12.19	31.12.18
<b>Non-current liabilities</b>			
Loans from group companies	13	39	37
Deferred tax liabilities	11	0	0
<b>Total non-current liabilities</b>		<b>39</b>	<b>37</b>
<b>Current liabilities</b>			
Trade liabilities		22	6
Corporate tax payable	10	0	0
Loans from credit institutions	4	19 917	18 678
Payables to group companies	13	26	26
Other short-term liabilities	9	363	115
<b>Total current liabilities</b>		<b>20 328</b>	<b>18 825</b>
<b>TOTAL LIABILITIES</b>		<b>20 367</b>	<b>18 862</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25 088</b>	<b>21 091</b>

Oslo, 30 April 2020

The Board of Directors and Interim General Manager of Storm Real Estate ASA



Stein Aukner  
Chairperson



Morten E. Astrup  
Board member



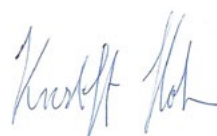
Nini E.H. Nergaard  
Board member



Kim Mikkelsen  
Board member



Anna Musiej Aanensen  
Board member



Kristoffer Holmen  
Interim General Manager

# Statement of cash flows

Storm Real Estate ASA

for the period 1 January - 31 December

All numbers in 000 USD

	Note	2019	2018
<b>Cash Flow from operational activities</b>			
Earnings before tax		2 589	-7 765
adjusted for			
finance income	6	-4 267	-3 577
finance expenses	6	1 486	9 773
net currency gains		-457	843
<b>Cash Flow before changes in working capital</b>		<b>-649</b>	<b>-726</b>
<i>Change in working capital:</i>			
trade receivables and other receivables		2	81
trade payables and other payables		95	7
Intra-group payables		3	-2 479
paid taxes		-97	-40
<b>Net cash flow from operational activities</b>		<b>-646</b>	<b>-3 157</b>
<b>Net cash flow from investment activities</b>			
Net payments in/out from intra-group loans		975	402
Dividends received		0	2 475
Interest received		6	0
<b>Net cash flow from investment activities</b>		<b>981</b>	<b>2 877</b>
<b>Cash flow from financing activities</b>			
Dividends paid			
Interest paid		-150	-1 232
<b>Net cash flow from financing activities</b>		<b>-150</b>	<b>-1 232</b>
<b>Net change in cash and cash equivalents</b>		<b>185</b>	<b>-1 511</b>
Carried forward cash and cash equivalents		401	1 891
Currency exchange variation on cash and cash equivalents		-6	21
<b>Cash and cash equivalents at end of period</b>		<b>580</b>	<b>401</b>
<b>Including restricted cash and deposits</b>		<b>237</b>	<b>237</b>



# Statement of changes in equity

Storm Real Estate ASA

All numbers in 000 USD

	Paid-in Equity			Other Equity	Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings / losses	
<b>1 January 2018</b>	<b>4 575</b>	<b>21 036</b>	<b>56 605</b>	<b>-72 178</b>	<b>10 039</b>
<b>Reduction of share capital</b>	<b>-4 170</b>	<b>4 170</b>			<b>-</b>
<b>Profit (loss) for the period</b>				<b>-7 804</b>	<b>-7 804</b>
<b>Issue cost (2017)</b>			<b>-6</b>		<b>-6</b>
<b>Sum</b>	<b>-4 170</b>	<b>4 170</b>	<b>-6</b>	<b>-7 804</b>	<b>-7 810</b>
<b>31 December 2018</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-79 982</b>	<b>2 229</b>

	Paid-in Equity			Other Equity	Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings / losses	
<b>1 January 2018</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-79 982</b>	<b>2 229</b>
<b>Profit (loss) for the period</b>				<b>2 492</b>	<b>2 492</b>
<b>Sum</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 492</b>	<b>2 492</b>
<b>31 December 2019</b>	<b>405</b>	<b>25 206</b>	<b>56 600</b>	<b>-77 490</b>	<b>4 721</b>



# Notes Storm Real Estate ASA

## 1. Accounting Principles

Storm Real Estate ASA is a public limited liability company registered in Norway. Its head office is at Haakon VIIS gate 5, Oslo. Storm Real Estate ASA uses a simplified version of IFRS as accounting principle. There are no material effects in comparison with ordinary IFRS principles used in the Group. Also see note 3 to the consolidated accounts for further information on accounting principles.

Subsidiaries and investments in related companies are recognised at cost unless the value is considered to be impaired. A write-down to fair value will be done if the impairment is not considered temporary and impairment is considered required by IFRS. Write-downs will be reversed if the requirement for impairment is no longer present.

## 2. Investment in subsidiaries

000 USD

SRE ASA investment in subsidiaries	Location	Formed/ acquired	Ownership	Equity 31.12.2019	Book value SRE ASA 2019	Book value SRE ASA 2018
Gasor Consulting Ltd	Cyprus	2015	99 %	112	20 144	16 444
Tiberton Yard Holding 2 Ltd	Cyprus	2015	100 %	-19	0	0
<b>Sum</b>				<b>93</b>	<b>20 144</b>	<b>24 444</b>

Storm Real Estate Ltd has been deemed to be dissolved as from 23 October 2018.

SRE ASA (99%) and Tiberton Yard Holding 2 Ltd (1%) owns the shares in Gasor Consulting Ltd.

Gasor Consulting Ltd owns 100% of the shares in LLC Martex. LLC Martex owns and operates the Gasfield building (the investment property).

The parent company has in 2019 made an reversed impairment provision of MUS\$ 3.7 on the investment in Gasor Consulting Ltd. due to the increased value of the underlying investment property.

## 3. Other financial assets and liabilities

000 USD

Interest bearing loans	31.12.2019	31.12.2018
Interest bearing loans	19 917	18 678
<b>Total interest bearing loans</b>	<b>19 917</b>	<b>18 678</b>

See note 4 below for further information on the interest bearing loans.

See note 4 below for further information on the interest bearing loans.

### Interest rate swaps

Storm Real Estate ASA terminated its interest rate swaps in 2018 according to standstill agreement with the bank. Hence, as at 31 December 2019 the Company no longer had any interest rate swaps.

#### 4. Fair value hierarchy

000 USD

The below table shows an analysis of fair values of assets and liabilities in the parent company, grouped by level in the fair value hierarchy, which either are measured at fair value or where information about the fair value is provided.

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 /

where fair value must be presented	Level 1	Level 2	Level 3	Sum
Loans and borrowings	0	19 971	0	19 971
Sum	0	19 917	0	19 917

Loans and borrowings	Interest	Maturity	31.12.2019	31.12.2018
Secured bank loan - principal amount	LIBOR + margin	June 2019	18 143	18 143
Accumulated unpaid interests		June 2019	1 774	535
Sum Loans and borrowings			19 917	18 678

##### Security:

The investment property Gasfield in Moscow is pledged as security for the bank loan, book value 26,580.

##### Interest margin:

The interest on the loan is calculated based on 3 month USD LIBOR plus the following margins:

For loan to value up to 50%	4,50 %
For loan to value up to 55%	4,75 %
For loan to value up to 60%	5,00 %
For loan to value up to 65%	5,50 %
For loan to value up to 70%	6,00 %
For loan to value over 70%	8,00 %

Since September 2018 the Company has not had the ability to fulfil its loan obligations, hence, it has entered into negotiations with Swedbank AB and other relevant stakeholders with the aim to refinance its interest-bearing debt.

Please see note 12 to the consolidated accounts for more information concerning this.

## 5. Trade and other receivables

000 USD

	SRE ASA	
	31.12.2019	31.12.2018
Other receivables		
Taxes receivable	0	0
Other receivables	8	7
Sum other receivables	8	7

## 6. Finance income and costs

000 USD

	SRE ASA	
	2019	2018
Finance income		
Interest income	6	7
Interest gains from group companies	561	567
Dividends from subsidiaries	0	2 475
Changes in fair value, financial derivatives over profit and loss	3 700	528
Sum finance income	4 267	3 577
Finance costs		
Interest costs from loans measured at amortised cost	-1 389	-1 733
Impairment of investment in group companies	0	-8 000
Sum finance costs	-1 389	-9 733
Foreign exchange gains and losses		
Foreign exchange gains	614	92
Foreign exchange losses	-157	-935
Sum foreign exchange gains and losses	457	-843
Net finance gains (losses)	3 336	-6 998

**7. Other operating expenses**

000 USD

SRE ASA

Other operating expenses	2019	2018
Management fees	342	377
Legal, agency and consultancy fees	125	43
Accounting	40	78
Auditors	99	133
Other operating expenses	73	66
<b>Sum other operating expenses</b>	<b>680</b>	<b>697</b>

SRE ASA

Auditor fees	(auditor fees are quoted excl. vat)	2019	2018
Audit fees		99	100
Other services		0	33
<b>Sum auditor expenses</b>		<b>99</b>	<b>133</b>

**8. Personnel costs**

000 USD

SRE ASA

Personnel costs	2019	2018
Board fees	59	61
Social security taxes	8	9
<b>Sum personnel costs</b>	<b>67</b>	<b>69</b>

The parent company did not have any employees in 2018 or 2019 and therefore no pension scheme.

The interim general manager, Kristoffer Holmen, is an employee in Storm Norge AS (the asset manager of SRE) and receives his salary from this company. The asset management fee is set to cover these costs.

000 NOK

SRE ASA

Board fees (incl fees for board committees) paid out in the year	2019	2018
Stein Aukner, chairman of the board	250	250
Morten E. Astrup	0	0
Kim Mikkelsen	0	0
Nini H. Nergaard	125	125
Anna Musiej Aanensen	125	125
Christopher W Ihlen (former board member)		
<b>Sum board fees</b>	<b>500</b>	<b>500</b>

**Board fees for 2017-2018:**

Chairman of the board: 250.000 NOK

Board members: 125.000 NOK

Board fees for 2019-2020 are subject to approval by the Annual General Meeting in June 2020.

**9. Other current liabilities**

000 USD

**SRE ASA**

	2019	2018
Accrued expenses	228	65
Other current liabilities	135	50
<b>Sum other current liabilities</b>	<b>363</b>	<b>115</b>

**10. Income tax**

000 USD

**SRE ASA**

Tax recognised over income statement	2019	2018
Current income tax (withholding tax from other jurisdictions)	97	40
Movement in deferred tax	0	0
<b>Sum income tax</b>	<b>97</b>	<b>40</b>

Basis for taxation, parent company	2019	2018
Earnings before tax in functional currency USD	2 492	-7 805
FX variations between functional currency and tax currency	-1 583	9 178
Income and expenses not subject to taxation	-2 266	-4 804
Movement in temporary differences	-298	1 535
Tax losses for current year not recognised	1 654	1 897
<b>Basis for taxation</b>	<b>0</b>	<b>0</b>
<b>Tax payable</b>	<b>0</b>	<b>0</b>

**11. Deferred tax**

000 USD

**SRE ASA**

Temporary differences, parent company	31.12.2019	31.12.2018	Change
Financial liabilities	6 086	6 451	-365
Receivables	0	0	0
Tax losses carried forward	11 952	10 406	1 546
<b>Sum temporary differences</b>	<b>18 038</b>	<b>16 857</b>	<b>1 181</b>
<b>Tax rate</b>	<b>22 %</b>	<b>22 %</b>	
Deferred tax asset (liability)	3 968	3 709	260
Deferred tax asset (liability) not recognised	-3 968	-3 709	-260
<b>Recognised deferred tax asset (liability)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 12. Share capital and shareholders

NOK

		SRE ASA
Share capital and nominal value	31.12.2019	31.12.2018
Shares issued	8 834 563	88 345 623
Nominal amount	0,20	0,02
Share capital	1 766 912	1 766 912

All shares are fully paid. There is only one share class. All shares have equal rights.

On 27 June 2019 the Annual General Meeting adopted a reverse share split reducing the number of shares from 88 345 623 to 8 834 563. The reverse share split came into effect on 10 July 2019. The reverse share split was done in order to be compliant with the requirements of the Continuing obligations of stock exchanged listed companies, stating that the company must implement measures if the value of its shares has been lower than NOK 1 for a six-month period. The reverse share split did not affect the value of each shareholder's position.

## 12. Share capital and shareholders (continued)

NOK

Shareholder	Type	Country	Shares	%
ACONCAGUA MANAGEMENT LTD		Bermuda	2 388 040	27,03 %
JPMorgan Chase Bank N.A. London	NOM	United Kingdom	2 213 263	25,05 %
SIX SIS AG	NOM	Switzerland	855 496	9,68 %
BANAN II AS		Norway	289 529	3,28 %
PACTUM AS		Norway	279 150	3,16 %
AUBERT VEKST AS		Norway	249 591	2,83 %
ØSTLANDSKE PENSJONISTBOLIGER AS		Norway	154 569	1,75 %
ØRN NORDEN AS		Norway	108 229	1,23 %
HYGGEN		Norway	93 125	1,05 %
SAMSØ AS		Norway	89 169	1,01 %
MOTOR TRADE EIENDOM OG FINANS AS		Norway	86 682	0,98 %
ALBION HOLDING AS		Norway	74 763	0,85 %
Svenska Handelsbanken AB	NOM	Luxembourg	72 235	0,82 %
LANGBERG		Norway	70 000	0,79 %
TDL AS		Norway	47 625	0,54 %
FINANSFORBUNDET		Norway	41 665	0,47 %
BLAKSTAD MASKIN AS		Norway	33 817	0,38 %
LKG EIENDOM AS		Norway	30 392	0,34 %
EILERTSEN		Norway	30 392	0,34 %
BofA Securities Europe SA	NOM	France	29 041	0,33 %
Sum 20 largest shareholders			7 236 773	81,91 %
OTHER SHAREHOLDERS			1 597 790	18,09 %
Sum			8 834 563	100,00 %

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

The shareholder list shows the shareholder register from VPS as at 31 December 2019.

Any trades via brokers before the closing date which is registered after the closing date is not reflected in the shareholder list.

&gt;

Shares controlled by board members		Shares	%
Morten E. Astrup	via Aconcagua Management Ltd and Ørn Norden AS	2 496 269	28,26 %
Kim Mikkelsen	via Strategic Investments A/S	2 212 762	25,05 %
Stein Aukner	via Banan II AS and Aukner Holding AS	304 593	3,45 %
Sum		5 013 624	56,75 %

### 13. Related party transactions

000 USD

Storm Real Estate has had an asset management agreement with Storm Capital Management Ltd until 30 September 2019. From 1 October 2019 the Company signed a similar agreement with Storm Norge AS due to Storm Capital Management Ltd moving its business to Norway. Board member Morten E. Astrup is sole shareholder of Storm Capital Management Ltd and Storm Norge AS.

The agreed fee for the asset management services is NOK 250k per month. In 2018 an error from 2016 was corrected, resulting in an annual fee of app. NOK 3,090k instead of NOK 3,000k.

Due to the liquidity situation in the Company, it has been agreed that only half of the fee is payable each month. The remaining unpaid fee accumulate as an unsecured liability in the balance sheet of Storm Real Estate ASA. As at 31 December the accumulated debt amounted to NOK 2,000,000. Since Storm Capital Management Ltd is to be liquidated, Aconcagua Management Ltd (Wholly owned by Morten E. Astrup) has purchased its receivable towards Storm Real Estate.

During the refinancing period, Surfside Holding AS (wholly owned by Morten E. Astrup) has provided accounting services to Storm Real Estate.

The Company has earlier provided a loan to LLC Martex. The principal amount is RUB 264 187 101 and all interests were paid as at 31 December 2019. The interest rate is 13.5%. SRE will not demand amortization or interest payments unless there is sufficient liquidity in LCC Martex.

Transactions with related parties	SRE ASA	
	2019	2018
Storm Capital Management Ltd. - asset management fee	259	377
Storm Norge AS - asset management fee	83	
Surfside Holding AS - accounting services	36	0
Total related party transactions	378	377

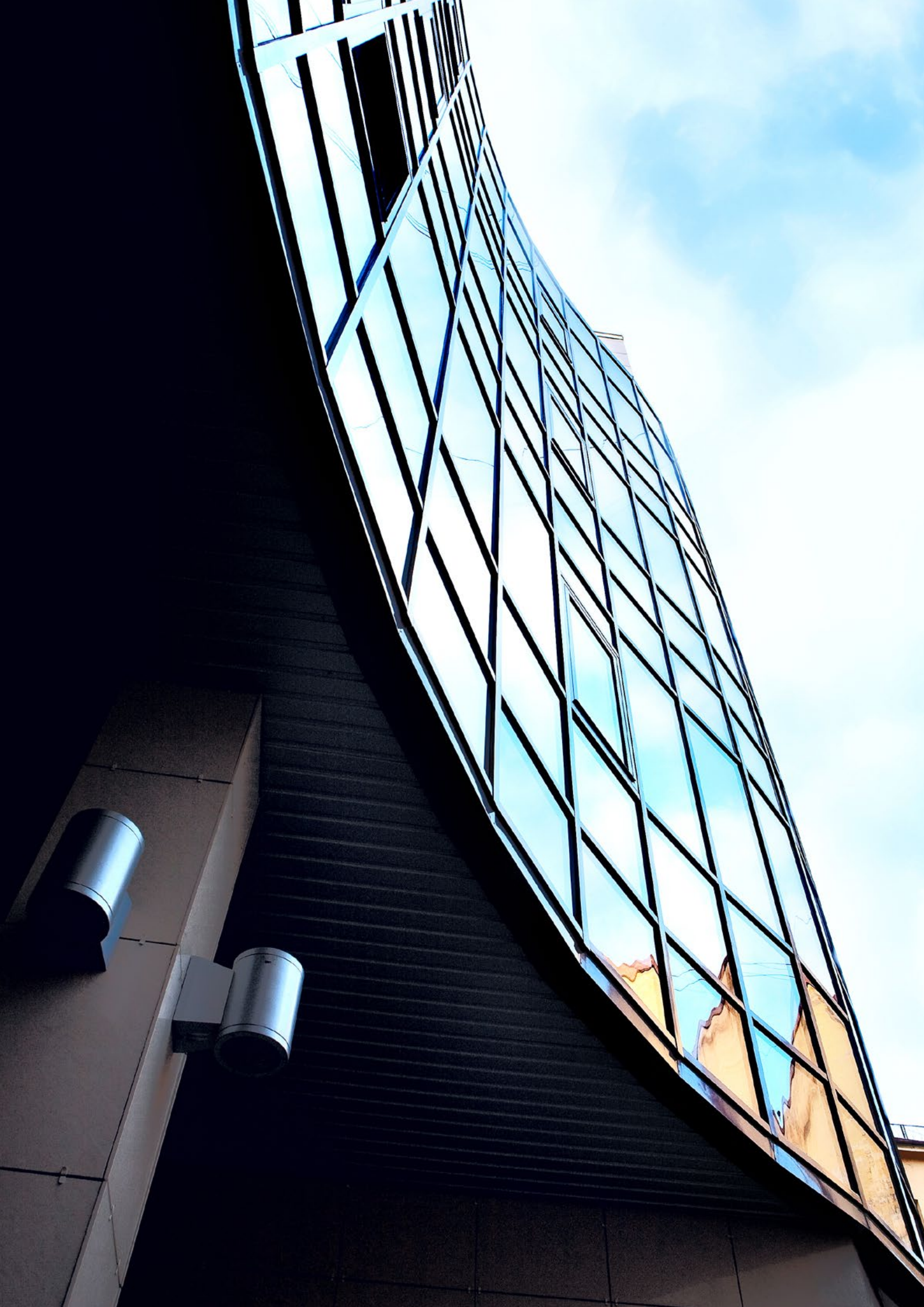
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**The parent had the following balances against group companies:**

	<b>SRE ASA</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Current receivables</b>		
Tiberton Yard Holding 2 Ltd	35	53
LLC Martex	0	386
Gasor Consulting Ltd	80	2
<b>Sum current receivables from related parties</b>	<b>114</b>	<b>440</b>
<b>Non-current receivables</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Gasor Consulting Ltd	0	0
LLC Martex	4 242	3 795
<b>Sum non-current receivables from related parties</b>	<b>4 242</b>	<b>3 795</b>
<b>Current liabilities</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Tiberton Yard Holding 2 Ltd	-26	-26
<b>Sum current liabilities towards group companies</b>	<b>-26</b>	<b>-26</b>
<b>Non-current liabilities</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Gasor Consulting Ltd	-39	-37
<b>Sum current liabilities towards group companies</b>	<b>-39</b>	<b>-37</b>
<b>Net receivables (liabilities) , group companies</b>	<b>4 290</b>	<b>4 172</b>

SRE ASA, Gasor Consulting Ltd and Tiberton Yard Holding 2 Ltd had a cash pool arrangement that was terminated in march 2019.



# Statement by the Board of Directors and General Manager

The Board of Directors and the General Manager have today reviewed and approved the Board of Directors' report and the consolidated and separate financial statements for Storm Real Estate ASA and the Group for the 2019 calendar year as at 31 December 2019.

The consolidated financial statements have been prepared in accordance with IFRSs and related interpretations as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act and generally accepted accounting principles in Norway as at 31 December 2019. The Board of Directors' report for the Group and the Parent Company complies with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as at 31 December 2019.

## To the best of our knowledge:

- the consolidated financial statements and the Parent Company financial statements for 2019 have been prepared in accordance with applicable accounting standards;
- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and loss as at 31 December 2019 for the group and the parent company, however see note 4.3, 4.4 and 5.2 in the consolidated statements;
- the Board of Directors' report provides a true and fair view of:
  - the development, results and position of the Group and the Parent Company
  - the principal risks and uncertainties to which the Group and the Parent Company are subject.

Oslo, 30 April 2020

The Board of Directors and General Manager of Storm Real Estate ASA



Stein Aukner  
Chairman



Morten E. Astrup  
Board member



Nini H. Nergaard  
Board Member



Kim Mikkelsen  
Board Member



Anna Musiej Aanensen  
Board Member



Kristoffer Holmen  
Interim General Manager

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Storm Real Estate ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Storm Real Estate ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

According to note 5.2 Going concern and events after the reporting period the Company is not able to fulfill its current debt obligations and is dependent on reaching a final agreement with its external lender, which is dependent on the Company reaching satisfactory terms on the financing from another bank. In case of a forced liquidation it is likely that the liquidation value will be below carrying value of the building. This indicates that a material uncertainty exists that casts significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. In addition to the matter(s) described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit



matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

#### Valuation of investment property (Group) and investment in subsidiaries (parent company)

The Group's investment property, Gasfield in Moscow, is recognized at fair value, amounting to kUSD 24 891 or 94% of the Group's statement of financial position as of 31 December 2019. For the parent company, the book value of investments in subsidiaries was kUSD 20 144. The Group uses an external appraiser to value the property. The valuation of the Groups investment property in Moscow is dependent on a range of estimates such as rental income, vacancy rates, operating expenses, capital expenditures, discount rate and exit yields, currency exchange rates and property tax. The fair value of the investment property is similarly a key input in the impairment valuation of shares in subsidiaries. The valuation of the investment property is a key audit matter due to its magnitude, the uncertainty of the estimates and the complexity of the calculation

We evaluated the professional qualifications and objectivity of the appraiser used by management. We obtained an understanding of the nature of the work performed, which included an evaluation of the objectivity and scope, including the methods and assumptions applied. We discussed the estimates and the movements in the fair value of the investment property with management and the external appraiser. We evaluated assumptions used in the valuation (the discount and terminal capitalization rate, expected occupancy rate and rentals, forecasts of rental income, cadastral values and operating expenses) by comparing them to analysts' expectations, the Company's budget and historical performance. We involved our valuation experts to evaluate the assumptions used in estimating the fair value of investment property. Further, we tested the mathematical accuracy of the valuation model.

We refer to the Company's disclosures included in Note 3 Summary of significant accounting principles (section 3.1) and note 6 Investment Properties in the consolidated financial statements about the valuation model, key assumptions and estimation uncertainty and note 2 in the parent company financial statements.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and General Manager (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

### **Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

### **Opinion on registration and documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 April 2020  
ERNST & YOUNG AS



Kristin Hagland  
State Authorised Public Accountant (Norway)





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