



STORM REAL ESTATE ASA

AGM PRESENTATION: THE COMPANY'S FINANCIAL SITUATION

Storm Real Estate ASA
24 June 2020

Disclaimer

This presentation contains forward looking information, which is based on assumptions, analysis, views and opinions. Actual future outcome may differ significantly from assumptions. As such, information in this presentation is subject to significant uncertainty. This presentation must be read together with the company's annual report for 2019 and announcements published on www.newsweb.no, under the ticker "STORM".

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1. Going concern and events after the reporting period

As outlined in the company's annual report, Storm Real Estate ASA (the "Company" or "SRE") is in a challenging financial situation:

- *"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." Swedbank has communicated that it wishes to exit its engagement with SRE.*
- *"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 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."*

1. Going concern and events after the reporting period (continued)

The company's annual report does also comment on the corona virus crisis:

“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.”

Currently, the situation is unchanged - the occupancy is still high and most tenants are able to pay their rent. However there is high uncertainty related to the outcome of the crisis, especially the future rental rates and occupancy in our area.

1. Going concern and events after the reporting period (continued)

After the publication of the annual report, the Company entered into a new standstill agreement with Swedbank-.

Public announcement, 27 May 2020 (<https://newsweb.oslobors.no/message/506635>):

“Reference is made to previous announcements by Storm Real Estate ASA (the “Company”) relating to a conditional agreement with the Company’s lender as well as its largest shareholder Aconcagua Management Ltd, latest announcement of 6 March 2020 and the Company’s annual report published on 30 April 2020.

As reported, the mentioned agreement has been subject to certain conditions to completion, including inter alia achieving satisfactory terms on financing from another financing source. As it has proved challenging to conclude these conditions within a reasonable time frame, the Company is pleased to report that the parties have today entered into a new standstill agreement, replacing the previous conditional agreement.

The new agreement extends the agreed standstill period to 30 June 2022. During the standstill period, the Company and (provided equal treatment of shareholders is ensured) Aconcagua Management Ltd will have a right to repay and/or purchase the entirety of the outstanding debt for an amount equal to the sum of the USD equivalent of RUB 558 million (at the exchange rate at time of transaction, however not higher than USD:RUB 65) and USD 2.9 million. The Company has not paid interests or amortisation since year-end 2019. The continued standstill remains subject to certain continuing conditions, including inter alia absence of certain events of default (e.g. not including non-payment or financial covenants). As part of and as a condition for the standstill, the Company has also agreed and undertaken that all available cash shall be paid as interests on the loan, starting 30 June 2020.

The new agreement provides prolonged stability for the Company to seek to conclude a sustainable debt level and capital structure.

Current occupancy in the Gasfield building is 92%, divided on 75 lease agreements.”

2. Solidity

Balance sheet as at 31 December 2019:

- Investment property (Gasfield building) valued at USD 24.9m
 - Cash USD 0.9m
 - Bank loan 19.9m
 - Equity USD 4,7m
 - Equity ratio 17.8%
- 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.
- A forced sale within a short period of time will most likely result in a price significantly lower than the debt amount.

3. Liquidity

- According to the latest standstill agreement the Company has agreed and undertaken that all available cash shall be paid as interests on the loan, starting 30 June 2020. Hence, the liquidity in the Group should not be a problem as long as rental income exceeds operational expenses during the standstill period.
- In order to continue its operations, the Group will need to refinance its debt and reduce its costs in order to adapt to the current income situation.
- Measures taken by SRE:
 1. Refinance of debt, see next slide
 2. Cost cutting initiatives:
 - Reduced asset management fee.
 - Reduced accounting expenses
 - Tender competition for audit services
 - Cost cutting plan

4. Refinancing

According to the latest standstill agreement with Swedbank, the Company and/or Aconcagua Management Ltd have a right to repay and/or purchase the entirety of the outstanding debt for an amount equal to the sum of the USD equivalent of RUB 558 million (at the exchange rate at time of transaction, however not higher than USD:RUB 65) and USD 2.9 million (the “exit price”). Given the current USD:RUB rate (above 65) this amount is equal to approximately USD 11.5 million. The Company has until 30 June 2022 to secure the financing of the exit price.