

New listing Oslo Børs

Storm Real Estate



First day of listing 6 July 2010

TICKER: STORM
SECTOR: 40403020
Real Estate Operating Companies

INDICES: OSEAX,
OSE40GI/OSE4040GI

ISIN NO: NO0010360175
MARKET CAP.: NOK 323 ml
NOM VALUE: NOK 0.40
NO OF SHARES: 23,091,995
DOMICILE: Norway
IPO PRICE: NOK 14.00
ADVISOR(S): First Securities,
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Storm Real Estate ASA's business strategy is to acquire and manage modern, yielding, commercial properties in Moscow and St Petersburg.

The Company invests in class A and B yielding properties and is therefore not exposed to development risks. The property portfolio consists of two office buildings, Gasfield in Moscow and Grifon House in St. Petersburg, with a total lettable area of approximately 20,000 sq m. Both buildings are let to solid companies within the oil, gas and pharmaceutical industries.

A team established locally in Moscow and St. Petersburg is managing the operational side of the property portfolio. The team ensures that the buildings are run efficiently and effectively, maintaining a high standard of customer service to tenants.

Storm Real Estate ASA was established as Eastern Property AS in April 2007. The Company raised NOK 560 million through a private placement, prior to being listed on the Norwegian OTC in August 2007. In October 2007, the Company changed its name to E-Star Property AS. In November the same year the Company acquired the Gasfield Property in Moscow. In November 2008, Storm Capital Management Ltd was awarded a five year asset management agreement to run the Company and replaced the previous management. The change was provoked by a large shareholder group demanding active ownership. The Company consequently changed name to Storm Real-Estate Fund AS. In April 2009, the Company acquired the Grifon House property in St. Petersburg for USD 17 million on a debt free basis. The Company changed its name to Storm Real Estate AS in December 2009, and again to Storm Real Estate ASA following the conversion into a public limited liability company in May 2010.

Over the last few years Storm Real Estate ASA has built a portfolio of properties in Moscow and St. Petersburg.

The Gasfield office building was built in 2006 and is located centrally in Moscow. The acquisition was financed by the Company's cash balance (USD 21.5 million) and bank loan (USD 41.5 million). The building consists of gross 15,000 square meters and net 11,500 square meters rentable area. It comprises offices, parking places, a restaurant and fitness centre. There are currently 15 tenants, of which one of them leases approximately



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70 % of the total rentable area. Occupation ratio is at 100 %. Annual property related operating income of approximately USD 6 million.

Grifon House in central St. Petersburg was financed using the Company's cash balance. In the building there is approximately 7,000 square meters of rentable office space and it includes air conditioning and secure parking. Occupancy ratio is of 100 % and is currently leased by one tenant. Annual property related operating income of approximately USD 2 million.

Given the fact that Russia is a high beta country, the Russian economy has the potential to experience a fast rebound from the hard hit in the global financial crisis and downturn. Russia's capital market has already rebounded and IMF estimates 4% GDP growth already in 2010. The Russian real estate market has not yet seen a significant rebound, but with its late cyclical characteristics, it should eventually follow the capital markets.

The commercial real estate markets in both Moscow and St Petersburg are suffering from oversupply as a consequence of a significant increase in supply during the economic boom years and the recent considerable fall in demand. Vacancy levels are highest in new buildings that require additional spending on fittings before moving in, and in areas outside city centres, as tenants can be more selective in both quality and location. However, since there was genuine demand for supply of new offices in the beginning of the real estate boom in Russia, the current oversupply should quickly be absorbed once the economy turns around.

The pre-crisis increase in rents was more modest in St Petersburg than in Moscow, hence also the decline. Storm's properties were not hit as hard as the rest of the market when it comes to lease levels. This was mainly because of efficient marketing, customer care and that the properties were let to lower than the market levels prior to the 2008 crisis.

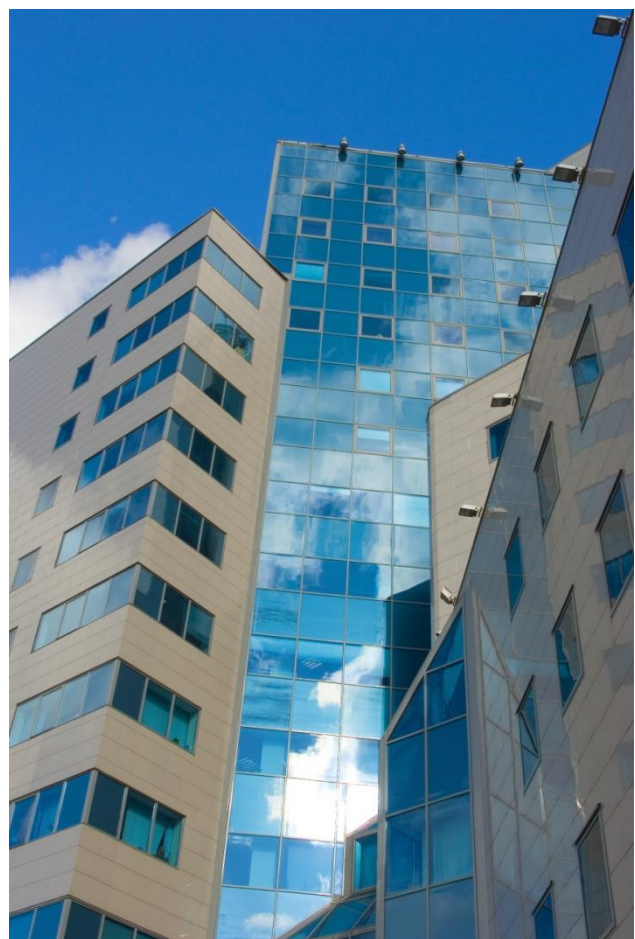
Rental income was USD 9.8 million for 2009, an increase of USD 0.9 million from the previous year. Rental income in 2007 was USD 0.8 million. Property related expenses were USD 2.3 million, resulting in Net Operating Income from the properties of USD 7.5 million. This includes rental income from the newly acquired Grifon House for the period April to December. This compares to NOI from properties of USD 6.9 million in 2008 and USD 0.6 million in 2007.

Other operating expenses were reduced from USD 9.9 million in 2008 to USD 2.4 million in 2009. There were significant expenses connected to identifying, negotiating and acquiring new property in 2008. The majority of the expenses were not repeated in 2009 and the operating expenses were reduced by USD 7.5 million. In 2007, other operation expenses were 3.9 million.

The operating profit for 2009 was USD 4.6 million, compared to losses in 2008 and 2007 of USD 5.6 million and 4.1 million respectively.

The Company has exposure to, predominately, three currencies. Its functional currency is USD, the share is denominated, and the Company holds significant assets, in NOK and finally the Russian subsidiaries and its assets have RUB as the functional currency. During the year of 2009 the income statement shows currency exchange gains of USD 5.6 million, compared to losses of USD 6.9 million in 2008. In 2007 currency gains amounted to USD 2.3 million.

As of 30 June, 2010, Storm Real Estate ASA had 595 registered shareholders. Storm Nordic Fund was the largest shareholder with ca 10% of shares. Related parties controlled by Storm Capital Management Ltd's owners held approximately 5% additional shares.



Gasfield, Moscow