

Q4

Storm Real Estate ASA
Interim Report
January – September 2013



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

Highlights

Numbers in million USD

	2013	2012	Q4 2013	Q4 2012
Total comprehensive income	3,1	7,0	2,4	-0,6
Rental income	12,9	12,6	3,3	3,1
NOI from properties	10,1	9,6	2,4	2,3
Change in property valuations	+0,4	+3,4	+0,1	+0,2

Return ratios last 12 months

	NOK	USD
NAV per share per 31 December 2013	25.79	4.24
Return NAV per share measured ¹⁾	14.5%	4.9%
Share price per 31 December 2013	17.40	2.86
Total shareholder return (TSR) ¹⁾	21.9%	11.8%

¹⁾ Adjusted for dividends 1,00 NOK / 0,17 USD per share

Exchange rate USD/NOK 31/12/2013: 6.0837

Exchange rate USD/NOK 31/12/2012: 5.5664



Financial overview

(all following numbers are in USD)

Summary

The company achieved a total comprehensive income of 2.4 million in Q4 2013 compared to -0.6 million for the same period in 2012. Year to date the total comprehensive income is 3.1 million (2012: 7.0 million).

Income from investment property in Russia was 3.3 million for the quarter, while property related costs were at 0.9 million. This resulted in a net operating profit of 2.4 million from the properties, representing an increase of 4.3% compared to the same period in 2012 (2.3 million). For 2013 the net operating profit from the properties is 10.1 million (2012: 9.6 million).

The company has an unrealised value increase from its investment in TK Development A/S of 0.4 million in the fourth quarter, after an increase in the share price by 3.2%.

So far this year, it is recorded unrealised losses of 1.0 million from the investment. The carrying amount of the investment is 12.2 million as at 31 December.

Other investments in funds and bonds, mainly Storm Bond Fund, gave positive returns and contributed to total comprehensive income by 0.4 million. Earnings from the investments in funds and bonds are 2.4 million year to date.

Borrowing cost represents 0.7 million in the fourth quarter of which in 0.5 million is interest and 0.2 million is net outgoing interest on interest rate swaps. For 2013, the borrowing cost is 3.0 million (2012: 3.2 million).

The value of the properties is revised up with 0.1 million in the fourth quarter in accordance with valuations obtained from an independent valuer, Cushman & Wakefield. For the year, an adjustment of 0.4 million was registered in the balance sheet. According to international accounting standards (IFRS), this amount are to be split over two separate posts, explained by the following:

The Russian subsidiaries which own the buildings have Russian roubles as functional currency. According to IFRS, only the part of the fair value adjustment which can be attributed to RUB is presented over the Income Statement. The effect of currency exchange movements between RUB and USD is presented as Other Comprehensive Income and is included in the term Total Comprehensive Income.

We perceive Total Comprehensive Income as the most relevant measure of the company's profit. In every quarter we present an explanatory statement of the fair value adjustment:

Change in value, mill USD	12M 2013	12M 2012
Over Income Statement	+8.2	-2.2
Translation Differences over Other Comprehensive Income	- 7.8	+5.6
Sum Value Adjusted Properties	+ 0.4	+3.4

Statement of financial position

The properties are recorded at 103.1 million in the statement of financial position according to valuations obtained from an independent valuer, Cushman & Wakefield.

The company had 28.4 million invested in stocks, bonds and funds, and 6.4 million in cash, as at 31 December 2013.

The company's NAV per share measured in NOK as at 31 December is NOK 25.79, representing an increase of 4.5% for the quarter. The increase in NAV year to date measured in NOK is 14.5% (adjusted for dividends NOK 1.00 in 2013).

The main risks and uncertainties facing the company is largely the same as those described in the company's annual report for 2012.

Oslo, 12 February 2014

The Board of Directors, Storm Real Estate ASA

The company's investment areas

Market commentary Russia

Macro snapshot

Growth measured in GDP grew by 1.5 % in 2013, which was somewhat below expectations. At the beginning of the year the estimate from the Russian authorities were approx. 3.4%. The weak growth in Russia is largely linked to the crisis in Europe countries, which has put a damper on the demand on Russia's key export goods, oil and gas

Industrial Production had zero growth in 2013 and investments in fixed capital are reduced significantly from the previous year.

The retail business is one of the strongest positive drivers in the Russian economy, showing a 4.5% growth from 12 months back. An increase in income, particularly in the public sector, and an increase in household lending are relevant factors that affect the increase in the retail business.

The inflation has stabilized in the last 18 months and is at a level around 6.5%. The Central Bank of Russia has announced a goal of better inflation targeting in the medium term. The inflation target for 2014 is now 5%

The real estate market

Approximately 8.1 billion USD was invested in commercial real estate in Russia in 2013. It is at the same level as the year before. A number of transactions were also in their final stages by the end of 2013 and are expected to be completed early 2014. The office property market had the majority of deals in 2013 and represent 37% of the total transaction volume (3.0 billion). The largest deals in the office property market during 2013 was White Square which sold for 1.0 billion USD and White Gardens which was sold to Millhouse Capital for approx. 740 million USD.

New constructions in Moscow are increasingly outside the historic centre of the city. In 2013 about 50% of all new buildings were outside the third ring road in Moscow. Approximately 900.000 m² was produced in Moscow, which is the highest number since 2010. 49 new office building were completed, for example; Mercury City Tower, White Gardens (as mentioned above) and 9 Acres.

Increased rental levels were recorded during 2013, of 7-12% depending on quality, location and class. The yield for the best properties in Moscow is now at 8.5% for office buildings and 9.0% for shopping centres.

The vacancy rate is very stable for Class B buildings. The rate has only fluctuated between 9.4 and 11.1% since 2009 and is now on approx. 10.3%. For Class A buildings the vacancy level increased slightly and had an average value of 18.9% during 2013, which is connected with a number of new buildings on the market, but the market seem to prefer existing buildings. A little as 6.3% of space in new office buildings completed in 2013 had signed leases in advance.

Shares in TK Development A/S

Storm Real Estate hold 10.5% of the shares in TK Development A/S at year end 2013.

TK Developments NAV per share was DKK 16 at the end of the third quarter, reported 18 December 2013. By comparison, the market price for the company at 31 December was DKK 6.40 per share, representing a discount of approx. 60% of book value. Storm Real Estate's average cost price is 7.96 DKK per share.

TK Development reported that they had 1.9 billion DKK in property values in the segment Asset Management and Nordea Markets' analysis estimate a yield of 6.7% on this portfolio. The company also reported a value of the development portfolio of 1.2 billion DKK, total property value of 3.1 billion DKK, excluding discontinuing business.

The company reported a loss of 35.1 million DKK in Q1-Q3, of which continuing operations accounted for of approx. 21.6 million DKK and discontinuing operations approx. 14 million DKK. The company guides profit from continuing operations, which suggests significant sales in the near future.

Sale processes have been announced for the centres Futurum Hradec Kralove (28.250 m²) and Fashion Arena Outlet (25.000 m²), both in the Czech Republic.

Kilder markedsinformasjon Russland: Rosstat, Cushman & Wakefield, Jones Lang Lasalle

Kilder TK Development: Nordea Markets, TK Development A/S

Consolidated Statement of Comprehensive Income

Numbers in '000 USD	Note	12M 2013 Unaudited	12M 2012 Audited	Q4 2013 Unaudited	Q4 2012 Unaudited
Rental Income	3	12,901	12,580	3,285	3,094
Total Income		12,901	12,580	3,285	3,094
Property related Expenses	3	2,832	2,998	859	767
Personnel Expenses		749	707	153	160
Other Operational Expenses		2,365	2,866	553	1,024
Total Operational Expenses		5,946	6,571	1,566	1,951
Operating Profit (Loss) Before Fair Value Adjustments		6,955	6,009	1,719	1,143
Fair Value Adjustments on Investment Property	3	8,220	-2,238	1,432	-1,766
Total Operating Profit (Loss)		15,175	3,771	3,151	-623
Finance Revenues	5	6,255	2,971	2,360	384
Finance Expenses	5	-3,106	-4,863	-719	-2,568
Currency Exchange Gains (Losses)	5	342	-196	236	49
Net Financial Gains (Losses)		3,490	-2,088	1,877	-2,136
Earnings before Tax (EBT)		18,665	1,683	5,029	-2,759
Income Tax Expenses	7	7,475	373	1,341	84
Profit (Loss) for the Period		11,190	1,310	3,688	-2,844
Other Comprehensive Income:					
<i>OCI to be reclassified to profit or loss in subsequent periods:</i>					
Currency Effect of Net Investments in Foreign Operations		-1,566	1,156	-236	395
Tax Effect of Net Investments in Foreign Operations		157	-116	24	-40
Translation Differences		-6,638	4,624	-1,043	1,892
Sum Other Comprehensive Income		-8,048	5,664	-1,256	2,247
Total Comprehensive Income for the Period		3,142	6,974	2,432	-596
Average Number of Shares (Excluding Treasury Shares)		18,685,315	19,203,659	18,503,123	19,203,123
Earnings per share (USD)		0.60	0.07	0.20	-0.15
Diluted Earnings per share (USD)		0.60	0.07	0.20	-0.15
Total Comprehensive Income per share (USD)		0.17	0.36	0.13	-0.03

Consolidated Statement of Financial Position

Numbers in '000 USD	Note	31.12.2013 Unaudited	31.12.2012 Audited
Investment Property	3	103,100	102,700
PP&E		5	21
Intangible assets		1	2
Financial Derivative Assets	4	53	49
Total Non-Current Assets		103,159	102,772
Financial Investments	4	28,400	25,485
Other Receivables	10	639	656
Cash and Cash Equivalents	4	6,362	15,099
Total Current Assets		35,401	41,240
Total Assets		138,561	144,013
Ordinary shares		1,296	1,296
Share Premium		21,036	21,036
Treasury Shares		-50	-1
Other Paid-in Equity		61,734	61,734
Total Paid-in Equity		84,016	84,065
Other Equity		-5,578	-3,346
Total Other Equity		-5,578	-3,346
Total Equity		78,437	80,718
Loans From Credit Institutions	4	42,364	44,954
Deferred Tax Liabilities		9,522	5,702
Financial Derivative Liabilities	4	1,011	5,392
Other Long-term Liabilities		100	95
Total long term liabilities		52,997	56,142
Trade Payables		96	589
Loans from Credit Institutions	4	2,606	2,606
Other Short-term Payables	9	4,426	3,958
Total short term liabilities		7,128	7,153
Total Liabilities		60,125	63,295
Total Equity and Liabilities		138,561	144,013

Consolidated Statement of Cash Flow

Numbers in '000 USD	12M 2013 Unaudited	12M 2012 Audited
Cash Flow from Operational Activities		
Earnings before Tax	18,665	1,683
<i>Adjusted for:</i>		
Depreciations	18	28
Value Adjustments on Investment Property	-8,220	2,238
Financial Income	-1,683	-2,971
Financial Expenses	-615	4,863
Net Currency Gains	133	565
Cash Flow Before Changes in Working Capital	8,298	6,405
<i>Changes in Working Capital:</i>		
Trade Receivables and Other Receivables	-67	466
Trade Payables and Other Payables	-2,197	436
Paid Taxes	-984	-1,033
Netto kontantstrøm fra operasjonelle aktiviteter	5,051	6,275
Cash Flow From Investment Activities		
Net Investments in Financial Securities	-11,967	-34,004
Investments in Other Assets	9,145	38,103
Interest Received	139	511
Net Cash Flow From Investment Activities	-2,683	4,605
Cash Flow From Financing Activities		
Repayments of Loans	-2,604	-1,718
Net Purchase of Treasury Shares	-2,239	-47
Dividends paid	-3,153	-4,816
Interest Paid	-3,045	-3,229
Net Cash flow From Financing Activities	-11,041	-9,809
Net Change in Cash and Cash Equivalents	-8,673	1,071
Carried Forward Cash and Cash Equivalents	15,099	14,043
Currency Exchange Variation on Cash and Cash Equivalents	-63	-14
Cash and Cash Equivalents on Closing Date	6,362	15,099
Of which restricted Cash and Cash Equivalents	372	372

Consolidated Statement of Changes in Equity

	Paid-in Equity				Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Treasury Shares	Retained Earnings	Translation Differences on Foreign Operations	
1 January 2012	1,422	21,036	61,731	-134	8,459	-13,784	78,729
Rounding differences Prev. Years	1		3	-1		-2	1
Net Treasury Shares				-1	-46		-47
Deletion of Treasury Shares	-127			134	-8		0
Profit (Loss) for the Period					1,310		1,310
Dividends					-4,940		-4,940
Other Comprehensive Income						5,664	5,664
Sum	-126	0	3	132	-3,683	5,662	1,989
31 December 2012	1,296	21,036	61,734	-1	4,776	-8,122	80,718

	Paid-in Equity				Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Treasury Shares	Retained Earnings	Translation Differences on Foreign Operations	
1 January 2013	1,296	21,036	61,734	-1	4,776	-8,122	80,719
Profit (Loss) for the Period					11,190		11,190
Treasury Shares				-49	-2,190		-2,239
Dividends					-3,184		-3,184
Other Comprehensive Income						-8,048	-8,048
Sum	0	0	0	-49	5,816	-8,048	-2,281
31 December 2013	1,296	21,036	61,734	-50	10,592	-16,171	78,437

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited)

1. Corporate Information

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

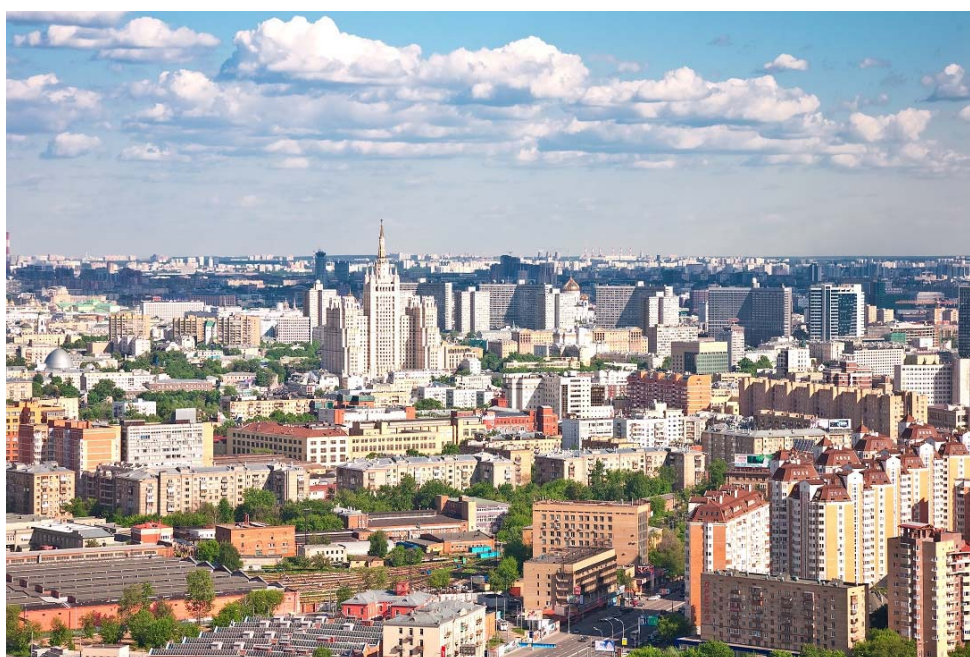
2. Basis of Preparation and Accounting Policies

Basis of Preparations

The interim financial statements for the period ending 31 December 2013 are prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement of 2012. The Group has only one business segment and does not present segment information. It is under review if the company has more than one business segment in relation to requirements in IFRS 8, and the company will eventually present business segments in the annual statement for 2013. The interim financial statements are unaudited. The interim financial statement was approved by the Board of Directors on 12 February 2014.

Accounting Principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for 2012. All notes are in '000 USD except where otherwise indicated



3. Investment Property

Value	31.12.2013	31.12.2012
Per 1 January	102,700	99,300
Value Adjustment *	400	3,400
Value per Closing Date	103,100	102,700

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

The fair value changes has two elements:

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

The two effects are presented separately below:

	12M 2013	12M 2012
Change in RUB over Income Statement	8,220	-2,238
Translation Differences over Comprehensive Income	-7,820	5,638
Net Change in Fair Value	400	3,400

NOI from Properties	12M 2013	12M 2012
Rental Income	12,901	12,580
Direct Property Related Expenses	2,832	2,998
NOI from Properties	10,069	9,582

NOI %	78%	76%
Annualised yield (NOI / Fair Value)	9.8 %	9.3 %

Variables for Independent Valuations	Moscow		St Petersburg	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Discount Rate	11.00%	11.00%	12.00%	12.00%
Yield (cap. rate)	10.00%	10.00%	10.00%	10.00%
Market rates, \$/sq.m	700	670	400	400
Estimated Rate Growth Year 1	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 2	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 3	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 4	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 5	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 6	3.0%	3.0%	2.0%	2.0%

4. Financial Assets and Liabilities

Investments in financial securities	31.12.2013	31.12.2012
Value as at 1 January	25,485	28,033
Additions	11,864	32,108
Disposals	-9,460	-37,939
Change in Fair Value	1,770	1,855
Change in Currency *	-1,260	1,428
Value at Closing Date	28,400	25,485

* investments in other currencies than USD were largely hedged to USD on the closing dates.

Other Financial Assets and Liabilities	31.12.2013	31.12.2012
Cash and Cash Equivalents	6,362	15,099
Financial Investments	28,400	25,485
Embedded Derivatives	14	49
Interest Rate Swaps	-1,011	-4,634
Currency Derivatives	39	-758
Bank Loan	-44,970	-47,559
Total Financial Assets and Liabilities	-11,166	-12,317

Embedded Derivatives

The embedded financial derivative occurs as a result of currency fluctuations between RUB and USD.

Most of the tenancy lease agreements include a clause with a minimum Exchange rate for the rental.

The fair value of this asset is estimated based on currency forecasts, followed by calculations using the Black & Scholes model.

Interest Rate Swap

The parent company has entered into interest rate swap agreements with the lender, Swedbank, which fixes the interest on most of the bank loans. Fair value of the interest swap is based on expectations of future cash flows with today's interest rates and the yield curve over the remaining fixed period.

Currency Derivatives

The company has entered into currency derivative contracts to hedge portions of its exposure to foreign currency (NOK). Accrued profits and losses are presented on the balance sheet based on the currency rate on the closing date compared to the agreed future exchange rate on the forward contracts. The company does not apply hedge accounting for these derivatives.

Bank Loan

The parent company has two loans to finance its properties. The loans are secured with pledge in investment properties, and is repaid in quarterly instalments. The first loan (Gasfield) started in September 2008.

The second loan started in June 2011. Loans are presented in the statement of financial position at amortised cost, and repayments within 12 months are presented as short-term liability.

	31.12.2013	31.12.2012
Long-term Liability	42,364	44,954
Short-term Liability	2,606	2,606
Total Loan at Amortised Cost	44,970	47,559

4. Financial Assets and Liabilities (continues)

Fair value hierarchy

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

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

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

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

Financial assets measured at fair value	Level 1	Level 2	Level 3	Sum
Held-for-trading investments: quoted shares	12,176			12,176
Held-for-trading investments: investment funds	16,223			16,223
Embedded derivatives		14		14
Forward currency contracts		39		39
Sum financial assets measured at fair value	28,400	53	0	28,453

Financial liabilities measured at fair value	Level 1	Level 2	Level 3	Sum
Interest rate swaps		1,011		1,011
Sum financial assets measured at fair value	0	1,011	0	1,011

Comparison by class

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

	Carrying amount		Fair value	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets				
Financial assets	13	0	13	0
Other receivables	625	656	625	656
Derivative financial assets at fair value	53	49	53	49
Held-for-trading financial investments	28,400	25,485	28,400	25,485
Cash and cash equivalents	6,362	15,099	6,362	15,099
Sum	35,453	41,289	35,453	41,289
Financial liabilities				
Interest-bearing loans and borrowings	44,970	47,559	45,208	47,813
Trade liabilities	95	589	95	589
Derivative financial liabilities at fair value	1,011	0	1,011	0
Other current liabilities	4,426	3,512	4,426	3,512
Sum	50,502	51,660	50,741	51,914

5. Finance Income and Costs

	12M 2013	12M 2012
Currency		
Currency Gain	2,010	2,937
Currency Loss	-1,668	-3,133
Net Currency Gain (Loss)	342	-196
Finance Revenues		
Interest Revenue	253	681
Fair Value Adjustment, Financial Investment	1,372	2,024
Fair Value Adjustments, Derivatives	3,573	0
Other Financial Revenues	1,057	267
Sum	6,255	2,971
Finance Cost		
Interest Costs	-2,960	-3,203
Fair Value Adjustments, Derivatives	-2	-1,432
Other Finance Gains (Loss)	-145	-229
Sum	-3,106	-4,863
Net Finance Gains (Losses)	3,490	-2,088

6. Shareholder Information

20 Largest Shareholders as at 31 December 2013:

Shareholder	Type *	Country	Shares	%
SEB PRIVATE BANK S.A. (EXTENDED)	NOM	LUXEMBOURG	2,276,802	11.84%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	2,057,130	10.70%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	UK	1,257,971	6.54%
CREDO EIENDOM A/S			770,288	4.01%
STORM REAL ESTATE ASA			721,799	3.75%
DEUTSCHE BANK AG	NOM	UK	709,759	3.69%
AS BJØRGVIN			579,675	3.02%
FINANSFORBUNDET			416,650	2.17%
ØRN NORDEN AS			348,060	1.81%
AS BANAN			301,338	1.57%
AUBERT VEKST AS			250,000	1.30%
STIG AS			225,615	1.17%
TDL AS			182,250	0.95%
ALLUM GERD NINNI			181,250	0.94%
MOTOR-TRADE EIENDOM OG FINANS AS			180,000	0.94%
NORDENFJELSKE BYKREDITTS STIFTEL			180,000	0.94%
LANGBERG INGRID MARGARETH			173,750	0.90%
IJA EIENDOM AS			157,500	0.82%
ALBION HOLDING AS			155,250	0.81%
SVENSKA HANDELSBANKEN LUX	NOM	LUXEMBOURG	150,000	0.78%
OTHER SHAREHOLDERS			7,949,835	41.35%
SUM			19,224,922	100.00%

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

Treasury Shares

The company has bought and sold treasury shares in the period.

	31.12.2013	31.12.2012
Treasury Shares as of January 1st	21,799	1,881,112
Net Purchase of Treasury Shares	700,000	21,799
Deletion of Treasury shares	0	-1,881,112
Treasury Shares at Closing Date	721,799	21,799

7. Tax Expense

Income Taxes in the Income Statement	12M 2013	12M 2012
Current Income Tax Expense	3,464	1,294
Deferred Income Tax	3,991	-921
Total Tax Expense for Period	7,454	373

8. Transactions with Related Parties

	12M 2013	12M 2012
Storm Capital Management Ltd.	1,252	1,320
Surfside Ventures Ltd.	389	411
Sum	1,641	1,731

9. Other Current Liabilities

	31.12.2013	31.12.2012
Taxes and Duties Payable	2,605	836
Advance Rents Received	1,550	1,587
Remaining Instalment on Acquisition of Buildings	0	1,000
Other Current Liabilities	271	534
Sum	4,426	3,958

10. Other Current Receivables

	31.12.2013	31.12.2012
Taxes and Duties Receivable	401	492
Other Receivable	238	164
Sum	639	656

