



# STORM REAL ESTATE ASA ANNUAL REPORT 2013

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## Highlights 2013

(all figures in USD)

Total comprehensive income fell from USD 7.0 million in 2012 to USD 3.1 million in 2013. This follows the recording of a decline in value of USD 1.0 million in the company's investments in shares. The Company increased its investment in TK Development A/S in 2013 by c. USD 5.8 million.

### Key figures from investment properties

USD million	2009	2010	2011	2012	2013
Rental income	9.8	10.8	11.8	12.6	12.9
Net operating income from properties	7.5	8.0	8.7	9.6	10.1
Net operating income %	77%	77%	74%	76%	78%
Portfolio value	82.2	85.9	99.3	102.7	103.1

### Total Shareholder Return

Numbers in NOK	2011	2012	2013
Price 01.01	12.70	13.05	15.1
Dividends	1.50	1.50	1.00
Price 31.12	13.05	15.10	17.4
Total Shareholder Return	14.6%	27.2%	21.9%

### Return on Equity

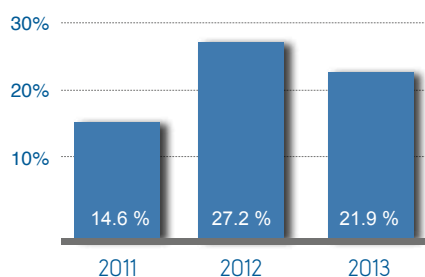
Numbers in million USD	2011	2012	2013
Total Comprehensive Income	9.6	7.0	3.1
Brought forward equity	79.3	78.7	80.7
Return on b/f equity	12.1%	8.9%	3.9%

Operating profit from the properties in Russia increased by 5% from USD 9.6 million to USD 10.1 million thanks to an increase in rental income linked to the properties. The two properties in Russia have been valued at USD 103.1 million, which is USD 0.4 million higher than in 2011.

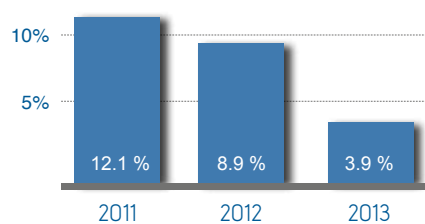
Management of liquid assets via the portfolio of funds and bonds provided USD 2.4 million to the liquidity reserve.

The Company maintained its stated buy-back and dividend policy in 2013, and in 2013 dividends of USD 3.2 million were paid with the share buy-back scheme amounting to an additional USD 2.2 million. The Company thus returned USD 5.4 million to its shareholders in 2013.

Total Shareholder Return



Return on Equity



## This is Storm Real Estate

**Storm Real Estate ASA is an investment company focusing on real estate. Its strategy comprises the direct ownership and management of commercial property in Russia and the EEA., as well as indirect ownership by taking positions in other companies through the purchase of shares or commercial papers.**

Storm Real Estate ASA was established in 2007.

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 square metres. Both buildings are let to solid companies within the oil, gas and pharmaceutical industries.

In addition, the Company owns shares in other real estate companies, with the largest position as at 31 December 2013 being approximately 10.5% of the Danish listed company TK Development A/S.

Since November 2008 Storm Capital Management Ltd. has managed the Company pursuant to an asset management agreement. Storm Capital Management's two partners are indirectly the largest shareholders in Storm Real Estate through their ownership of and control over related companies and investment funds. Storm Capital Management is an asset management company with 13 employees.

A team established locally in Moscow and St. Petersburg manages the operational side of the property portfolio. 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.

The Board consists of five members, four of whom are considered to be independent. The Board also has an independent deputy member.





## Property portfolio

As at 31 December 2013 Storm Real Estate ASA's property portfolio consists of two buildings: Gasfield in Moscow and Grifon House in St. Petersburg.

### Moscow – Gasfield

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. The building comprises offices, a restaurant, fitness centre and parking spaces. It has a gross area of 15,000 square meters and a net lettable area of 11,500 square meters. There are 20 different tenants, one of which (LLC Gazprom Tsentrremont) accounts for approximately 77% of the total leased area.

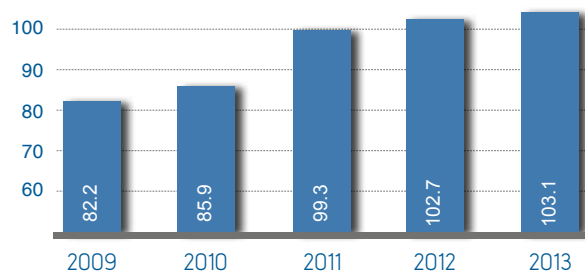


### St. Petersburg – Grifon House

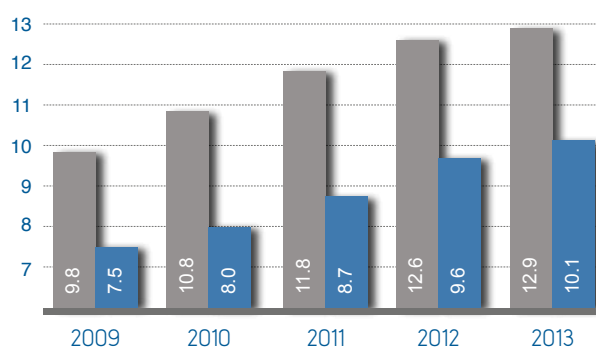
Grifon House is located in the historic centre of St. Petersburg. Grifon House comprises five parts. Four of these parts were built in the 1800s, but were redeveloped and renovated in 2007-2008, and a new part was built in 2007. The property has a lettable area of 6,000 square metres and is fully let to LLC PSI, a pharmaceutical company.

The total annual rental income (gross) for the buildings amounts to approximately USD 13 million, with net operating income of approximately USD 10 million.

Portfolio value



Rental income Net operating income from properties



# Management's report

**The dividend-adjusted shareholder return in 2013 was 21.9%.**

During the last four years the Company has delivered a 46.5% increase in equity per share measured in Norwegian Kroner, resulting in an annual return of 10.0% per year. We will strive to continue to deliver a good return to shareholders.

Our two properties in Russia have continued to provide good results. As at 31 December we had a yield of 9.8%, which is an improvement of 50 basis points from 2012. The properties now generate income of USD 12.9 million per year with a NOI of USD 10.1 million per year. This is a result we are proud of. We will continue to work to provide good results in 2014.

Our main tenants Gazprom Tsentrremont and PSI are still with us, and both have expressed satisfaction with our buildings - this is positive recognition of the good work carried out by the team in London and the local team in Russia. The existing buildings are of high quality and are attractive to high-calibre tenants.

In 2014 there is a somewhat greater uncertainty related to Russia as a result of the political situation between Russia and Ukraine regarding the Crimean peninsula. It is not clear what significance this may have for Storm Real Estate's investments in 2014, but with regard to 2013 we are satisfied with the returns from the properties in Russia.

During the year we have continued to strengthen our position in the Danish company TK Development A/S, and in May 2013 Morten E. Astrup was appointed to the Board of Directors. Previously fewer than 5% of the shareholders were represented on the Board; this is now approximately 40%. Storm Real Estate has 10.5% of the shares and is the largest single shareholder.

In August TK Development A/S carried out a greatly discounted share issue in order to reduce debt and improve its balance sheet. Storm Real Estate subscribed for its proportionate ownership stake in the share issue. The TK Development A/S share has since been traded at 43% up from the lowest price after the share issue, and at the time of writing is trading at 75% over the issue price.

As with all turnaround operations it will take time to restructure and get the company moving in the right direction once more. We know that we have to be patient with our investment in TK Development A/S, and we are. We believe in the company and can see that the company is in the process of turning a corner.

As a result of a change in strategy in 2013, TK Development A/S has announced the sale of Fashion Arena Outlet Center in Prague, Czech Republic, for EUR 71.5 million (TK Development A/S' ownership stake is 75%) and the sale of an office building project in Aalborg to a Danish pension fund for DKK 126.1 million. These transactions will make a significant contribution to the company's liquidity position.

We continue to believe that the investment in TK Development A/S represents an attractive risk/reward and gives us operational gearing within the property market in Northern Europe. We see signs of improvement in some of the markets in which TK Development A/S is active, especially in Denmark and in Copenhagen in particular.

TK Development A/S is currently trading at approximately 54% discount to NAV (last year approximately 70 % discount to NAV), and is as such priced considerably lower than our own share. We therefore see the investment as having a clearly positive effect, provided we manage to create trust in the Company in the market through active ownership.

The shareholders want to see a dividend on their investments and once again we will pay a dividend for 2013. Storm Real Estate has a long-term objective to pay annual dividends in accordance with dividend capacity and a sound liquidity and equity situation.

Storm Real Estate enters 2014 as a very solid company with a significant upside as a result of its investments, especially with regard to the investment in TK Development. Furthermore the Company has a liquidity portfolio to fall back on if there are any challenges along the way. The management of liquidity is an important subject for us and, by way of example, investments in bonds and funds in isolation delivered a profit in excess of our required rate of return of 10% in 2013.

Thank you for your support in 2013, and we look forward to creating value together again in 2014!



# The real estate market

Storm Real Estate invests in property in Russia and the EEA. Below is an update for 2013 for the markets relevant to the Group's operations.

## Russia

Foreign capital flowed into Russia once again in 2013. Foreign capital as a proportion of total investment volume increased from 17% in 2012 to 45% in 2013, while the investment volume was relatively stable at approximately USD 8.1 billion compared with USD 8.8 billion in 2012. Increased demand for properties outside Moscow was noted, with increased demand in both St. Petersburg and other regions. Moscow now accounts for approximately 70% of total investment volume. Available newly built space totalled approximately 900,000 square metres, which is an increase of approximately 300,000 square metres compared with 2012. This represents a combined volume for class A and B buildings of just over 14 million square metres, of which approximately 18% are class A and approximately 82% are class B.

The office segment together with retail were the most popular segments in 2013. These two segments accounted for approximately 37% each of the total investment volume in 2013. This is a change from previous years, when the office market has been the most active. There were two transactions in the market exceeding USD 1 billion, one in the office sector where O1 Properties purchased the commercial centre White Square (the biggest office transaction in Russia), and one in retail where the shopping centre Metropolis was bought by the Morgan Stanley fund MSREI for approximately USD 1.2 billion. The majority of transactions, especially in the office segment, were in Moscow, where approximately 70% of all transactions took place. But there is also healthy demand in St. Petersburg.

The direct return (yield) for the premium segment has fallen slightly in 2013 to 8.5% (8.75% in 2012) for good office properties in Moscow. The very best properties are traded with yields up to 50 basis points lower. Yields on the best shopping centres were approximately 9% in Moscow at the end of 2013.

In 2013 uptake of available space was approximately 1.6 million square metres, down from approximately 2.1 million square metres in 2012. The average vacancy rate has continued to decline slightly from 12.4% in 2012 to 11.9% in 2013 for the market as a whole. The reported vacancy rate in Moscow for class A buildings is 19%, while for class B buildings it is 10%. In St. Petersburg the vacancy rates are 13% for class A buildings and 7% for class B buildings. Rent levels are stable, and the market experienced a slight rise in rents for both class A and class B of 9% and 14% respectively in Moscow, and 7% and 6% in St. Petersburg.

## Europe

The investment market in Europe has turned the corner - in 2013 the transaction volume in European commercial property totalled € 154 billion. Even though this is significantly lower than the € 257 billion total in 2007, this is a 21% improvement from 2012. 2013 saw clear evidence that bank financing is on the way back into the market. Total debt across the European commercial property market is now approximately € 926 billion, compared with approximately € 1.027 billion in 2008. An overhang of heavily mortgaged property remains from the heights of the 2005 – 2008 period, and the process of debt reduction has just begun. There is a tendency in the banking market to handle distressed loans more aggressively and a reduced willingness to extend loan terms. The sale of loan portfolios will continue to be an important strategy to reduced debt, and buyers of portfolios of distressed loans will this contribute to the supply of liquidity. Fresh capital from insurance companies, interest funds, private equity, capital markets and wealthy private individuals was the key to maintaining growth in the commercial property market in 2013.

The markets most relevant for Storm Real Estates investment in TK Development are described below.

### Sweden:

Demand for good retail premises remains high in Stockholm and Gothenburg. There was a significant increase in high-quality shopping centre space, for example the expansion and renovation of Frölunda Torg (65,000 square metres), Allum enlarged with an additional 15,000 square metres and Källered expected to expand from 80,000 square metres to 160,000 square metres in the next few years. TK Development is now expanding its centre in Barkaby (Stockholm).

### Denmark:

Favourable demographic trends are driving growth in residential property in Copenhagen. This, combined with low prices, creates some opportunities. Foreign investors are active in retail as well as residential property in Denmark. Demand is predominantly concentrated on central areas in Copenhagen. Other cities and regions remain behind in terms of demand, but there are areas which gives grounds for optimism, such as for example Esbjerg.

### Poland:

Retail remains one of the most attractive sectors, and represented approximately 43% of the total transaction volume of €3.2 billion in 2013. Warsaw continues to be the most popular location for investment, but a growing interest in non-central areas has been noted.

### Czech Republic:

There is great interest from foreign investors in the property market in the Czech Republic, which is reflected by TK Development's sale of Fashion Arena Outlet Center to Meyer Bergman, a privately-owned management company with its head office in London. Demand for shopping centres remains high, with an expectation for a doubling of floor space during 2013, from approximately 3 million square metres to approximately 6 million square metres. The majority of all investment activity remains centred on Prague.

## 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 2013 Storm Real Estate ASA had 19,224,922 issued shares.

Each share has a nominal value of NOK 0.40. At 31 December 2013 the Company held 721,799 treasury shares, compared with 21,799 treasury shares at the start of the year.

### Shareholder structure

At 31 December 2013 Storm Real Estate ASA had 478 shareholders. At 31 December 2013 the 20 largest shareholders held 58.6% of the shares.

The Company's Board Members controlled 32.6% of the shares in the Company at the end of 2013.

	31.12.2012		31.12.2013	
	Shares	%	Shares	%
Norwegian	13.629.461	70,9%	12.458.153	64,8 %
Foreign	5.595.461	29,1%	6.766.769	35,2 %
Total	19.224.922	100%	19.224.922	100,0 %

### 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. All shareholders have the opportunity to obtain effective redress for infringement of their rights. 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. There are no restrictions on the negotiability of the shares.

## Annual general meeting

The annual general meeting is the Company's supreme authority. It is normally held in May. 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 usually 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 quarterly presentations in Oslo for shareholders, brokers and analysts. 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 the General Manager Einar Pedersen ([einar@stormcapital.co.uk](mailto:einar@stormcapital.co.uk)).

## Current board authorisations

The annual general meeting on 14 May 2013 authorised the Board to purchase shares in the Company for up to 10% of the share capital. The authorization ceases to apply on 14 November 2014.



# Corporate governance

Good corporate governance is key in 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 2013 equity was USD 78.4 million and the equity ratio 57%, which the Board sees as sufficient based on the risk and the size of the business. Considerations on the Company’s capital structure are based on the Group’s targets, market outlook, strategies and risk profile.

### Dividends

Storm Real Estate has a long-term objective to pay annual dividends. When considering dividends, the Board emphasises the Company’s dividend capacity, the requirements for a sound level of equity and sufficient financial resources for future growth. The Board considers buy-backs of shares to supplement dividends as a way of returning value to the shareholders.

## 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. Notice of an extraordinary general meeting shall be sent to shareholders no later than two weeks before the date of the extraordinary general 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 and consists of Erik M. Mathiesen (Chairperson), Christopher W. Ihlen and Per Lorang. The next election will be held at the annual general meeting in 2014.

## Board of Directors

Storm Real Estate's Board of Directors consists of five members and one deputy. 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 considered to be "independent members". Morten E. Astrup is the largest shareholder.

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



### Stein Aukner, Chairman (born 1949)

Mr Aukner is currently on the board of several Norwegian companies, including CentraGruppen, Agra Holding and Bama Gruppen AS. 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 considered an independent member of the Board of Directors.



### Morten E. Astrup, Vice Chairman (born 1975)

Mr Astrup is a partner and CIO of Storm Capital Management Ltd., and has 20 years of asset management experience. He is a specialist within alternative investments, private equity and real estate. He was both CEO and co-founder of the Norwegian hedge fund Ørn Norden. He has been financial advisor to both institutions and the "Storm Family Offices" in Europe, and has held board positions in several international companies. 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 London.



### 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 considered an independent member of the Board of Directors.



### Nini Høegh Nergaard, Board member (born 1972)

Ms Nergaard is currently chairperson of the board of OPAK 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 considered an independent member of the Board of Directors.



### Fredrikke Aaeng, Board member (born 1976)

Ms Aaeng is senior adviser in the Ownership Department of the Norwegian Ministry of Trade, Industry and Fisheries, where she works on recruitment to the boards of state-owned enterprises. She has previously worked as a head-hunter focusing on banking/finance/real estate, most recently for Capus AS, and has board experience dating back to 2007. Previous positions include senior sales manager, structured products, at Nordea Bank Norway (2004-2007), associate at JP Morgan London (Oslo) (2002-2004) and trader at Norges Bank Investment Management in Oslo (2000-2001). Ms Aaeng has a B.Sc. (Hons) in Business Administration from the University of Bath, England (2000) and studies psychology at Oslo University. She is a Norwegian citizen and resides in Oslo, Norway. Ms Aaeng is considered an independent member of the Board of Directors.



### Christopher W. Ihlen, Alternate Board member (born 1968)

Mr Ihlen is the general manager of Kevlar AS and currently sits on the board of 21 Norwegian companies, including Solist Investor AS and Vika Eiendomsforvaltning AS. Investment in and management of commercial real estate is the main activity of most of the companies in which he is involved. He has experience in brokerage and management of real estate dating back to 1997, and has worked for Neas and been a partner in NAI First Partners. Mr Ihlen has a law degree from Oslo University, where he studied between 1991 and 1997. He is a Norwegian citizen and resides in Oslo, Norway. Mr Ihlen is considered an independent deputy 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 management agreement in force between Storm Real Estate and Storm Capital Management Ltd. This agreement was first entered into in 2008 with a term of 5 years plus a period of notice of one year. In November 2011 the annual general meeting granted the Board the authority to make changes to the management agreement, including the term of the agreement. In 2013 the agreement was extended so that there is now a rolling notice period of 12 months with a discontinuation supplement equivalent to 12 month's fees.

## 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 licences 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 behaviour 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 of Directors has established two committees: the audit committee and the remuneration and governance committee. Both committees prepare matters for the Board of Directors.

## Audit committee

The audit committee acts as a preparatory body in connection with the Board's supervisory role with respect to financial control and external audit, and supports the Board in the administration and exercise of the Board's responsibility for supervisory oversight in accordance with:

- the Norwegian Public Limited Liability Companies Act and Norwegian securities legislation
- the Norwegian Accounting Act and related legislation
- applicable listing standards of the Oslo Stock Exchange

The audit committee consists of Kim Mikkelsen, Fredrikke Aaeng and Stein Aukner. The General Manager also attends meetings of the committee. The committee was established at the time of the stock exchange listing in July 2010 and held five meetings in 2013.

## Remuneration and governance committee

The remuneration and governance committee submits proposals on management remuneration to the Board of Directors and reviews the corporate governance policies and procedures, including insider information guidelines. The committee consists of two members, Nini Høegh Nergaard (Chairperson) and Christopher W. Ihlen. The committee met once in 2013.

The Board had 10 meetings in 2013.

## 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 CFO is responsible for financial reporting, including responsibility for the fields of accounting, taxation, duties and financial reporting. Control measures have been established in connection with the presentation of quarterly and annual financial statements. The audit committee undertakes a preparatory review of the quarterly 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 2013, the remuneration for the year since the previous ordinary general meeting was set at NOK 250,000 for the Chairman and NOK 125,000 for Board members. Morten E. Astrup, partner at Storm Capital Management Ltd, does not receive a fee for his duties as a board member. In addition, NOK 40,000 was set for fees for members of the Audit committee.

## Remuneration to Storm Capital Management Ltd.

Storm Capital Management Ltd. receives a management fee of two percent of the Company's equity per year as remuneration for managing Storm Real Estate. This amount includes management salaries, travel expenses and offices outside Russia. Transactions with Storm Capital Management are described in more detail in the notes to the financial statements. There is no performance-related fee.

## 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. All information made public will be 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. The auditor also participates in relevant meetings of the audit committee at least once a year. 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 2013

Storm Real Estate is an investment company focusing on real estate through both the direct ownership of buildings and taking positions in other listed property companies.

Both of the Company's Russian properties were fully let as at 31 December 2013. This business has generated good results and cash flow. There is some uncertainty related to how long the main tenant in Moscow, Gazprom Tsentrremont, will continue to rent in the building. The Company has a framework agreement for an annual review of tenants and the current lease agreement runs until March 2015.

In recent months the media has been dominated by the political situation between Russia and Ukraine regarding the Crimean peninsula. The situation remains unresolved. It is not clear what significance this may have for Storm Real Estate's investments, but the Board assumes that this will result in a higher level of risk for the Company's exposure to Russian than was previously the case. The Board will continue to follow the political situation.

In 2012 Storm Real Estate took a larger position in the Danish listed company TK Development A/S. In 2013 the Company has increased this position. As at 31 December 2013 Storm Real Estate controlled approximately 10.5% of the shares in TK Development. The Board considers the holding to be a long-term strategic investment and sees potential for an upside related to this investment. Storm Real Estate is represented on the Board of TK Development by two members.

The Company has maintained its management strategy for liquidity. Liquid assets are primarily placed in the investment fund Storm Bond Fund or in high interest bonds. Developments in the financial markets in recent years show that there is an increased risk associated with financial investments. One way the Company seeks to control and minimise this risk is by active management.

In 2013 the Company paid funds to its shareholders through both dividends and share buy-backs. NOK 1.00 was paid as a dividend and in addition the Company bought back 700,000 shares. The Board proposes a dividend of NOK 1.60 per share in 2014, as well as the cancellation of its holdings of treasury shares.

## Profit performance

The Board considers the Group's results for 2013 to be acceptable. The core business has developed according to plan and operating income from the Russian properties has increased. It is true that the investment in TK Development A/S reduces the 2013 results by USD 1 million. The share price has risen since the end of the financial year. As at 4 April 2014 the TK Development share price had risen 42% since 1 January which equates to an increased value of approximately USD 5 million on Storm Real Estate's shareholding. The Company has achieved a good return from its liquidity management. The rising level of interest rates throughout the year has resulted in a significant reversal/recognition of the former provision for losses for hedge agreements already entered into. During the year a provision related to a former acquisition was reversed. Total comprehensive income was USD 3.1 million. This is weaker than in 2012, which is primarily due to the modest increase in value for the properties in Russia and significant provisions for tax. The increase in latent tax is connected to the effect of a stronger USD against both the Rouble and NOK.

## Consolidated financial statements

The consolidated statements are prepared according to 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.

## Summary of the income statement

Total comprehensive income for the year was USD 3.1 million in 2013 (2012: USD 7.0 million). This is USD 3.8 million lower than the previous year. Net operating income from properties totalled USD 10.1 million (2012: USD 9.6 million). This is an increase of USD 0.5 million from 2012 as a result of higher rental income.

The value of the buildings was adjusted by USD 0.4 million in 2013 in line with valuation models used by independent appraisers. In 2012 this increase was USD 3.4 million. Rent increases and more cost-efficient operation have contributed to an increase in the value of the buildings.

A fall in the value of the investment in TK Development of USD 1.0 million was recorded in 2013 (2012: fall in value of USD 1.8 million). The Group's management of liquid assets via shares, funds and other securities contributed USD 2.4 million.

Borrowing costs, including interest linked to interest rate swaps, were USD 3.0 million in 2013 compared with USD 3.1 million for 2012. In addition, an increase in the value of interest rate hedging derivatives of USD 3.4 million has been included for 2013 connected with the increasing interest rate curve (2012: decrease in value of USD 1.4 million).

In 2013 the Group reversed a provision of USD 1.0 million related to a previous takeover which is no longer expected to fall due.

Tax charges are high in periods when the Dollar appreciates as the Group's assets increase in value in local currency. The US Dollar appreciated during the period against the Russian Rouble and this resulted in the recording of an increase in value measured in Roubles. This then results in an increase in the calculated deferred tax. The US Dollar also appreciated against the Norwegian Kroner and this means that the parent company's receivables from Group companies are worth more measured in Kroner. This also results in an increase in the calculated tax charge. Taxes for the period are therefore high, totalling USD 7.5 million (2012: USD 0.4 million).

## Summary of the statement of financial position

The value of properties totalled USD 103.1 million (2012: USD 102.7 million), and the value of the investment in TK Development A/S represents USD 12.2 million. The value of the investment in Storm Bond Fund was USD 16.2 million (2012: USD 19.0 million). Bank deposits totalled USD 6.4 million (2012: USD 15.1 million).

The Group has financed the two buildings in Russia via bank loans totalling USD 45.0 million (2012: USD 47.6 million, equivalent to 44% of the value of the buildings on the reporting date (2012: 46%).

The Group has a liability of NOK 1.0 million linked to hedging derivatives (interest-rate hedging and foreign currency hedging) (2012: USD 5.4 million).

The Group has an equity ratio of 57%. This is subsequent to a dividend of NOK 1.00 per share (equivalent to USD 3.2 million) and buy-backs of shares for a total of USD 2.2 million.

## Summary of the cash flow statement

The Group had a cash flow before changes in working capital of USD 8.3 million (2012: USD 6.4 million). Investing activity resulted in a net outflow of USD 2.7 million (2012: net inflow of USD 4.6 million), primarily linked to the purchase of shares in property companies and trading in the directly owned liquidity portfolio.

Financing activities resulted in a net outflow of USD 11.0 million (2012: USD 9.8 million), of which USD 5.7 million is linked to debt financing in the form of interest and repayments (2012: USD 4.9 million) and USD 5.4 million is linked to dividend payments to shareholders (2012: USD 4.8 million).

The Group recorded a new reduction in cash and liquid assets of USD 8.7 million (2012: increase of USD 1.1 million).

## Financial statements for Storm Real Estate ASA

Profit for the year for the parent company is USD 4.7 million compared with USD 2.9 million in 2012.

The parent company's income essentially comes from interest income on loans to other companies in the Group. This income totalled USD 10.2 million in 2013 (2012: USD 12.3 million). The Company has long-term loans to subsidiaries totalling US 92.2 million (2012: USD 75.7 million), as well as other receivables from subsidiaries totalling USD 25.9 million (2012: USD 49.8 million).

## Outlook for the Group

Both the buildings in Moscow and St Petersburg are fully let. The existing tenancies are considered sound but, given the signals the Company has received from the principal tenant in the Gasfield building, this may change in 2015. With its presence in the country the Group is well positioned to manage its investments in Russia. In the future action will be taken to create a better balance between exposure in Russia and investments in other markets. In 2014 the Board will focus on measures that aim to contribute to reducing the difference between the Company's valuation on the stock exchange and the net asset value in the financial statements. The Group has significant liquid assets available. This means it is well positioned to be able to react to investment opportunities. The Board will continue to seek to return assets to the shareholders and proposes to the annual general meeting a dividend of NOK 1.60 per share.

## Return target

The Group's operations are considered to be associated with somewhat higher risk than traditional real estate companies. In the light of this, the Board has set a return on equity target of 10% per year over time. This target has not been achieved in recent years. For the record the Board wishes to point out that this is a long-term goal. The Board has a continuous focus on measures to contribute to achieving this target for the return on equity.

## Treasury shares

At the end of the year the Company had 721,799 treasury shares, which represents 3.8% of total shares issued. The cancellation of treasury shares will be proposed at the ordinary general meeting. The purchase of treasury shares at prices significantly lower than the book equity per share will have a positive effect for the remaining shareholders and the Board will continue to consider using share buy-backs as a method of value creation.

## Financial risk and risk management

Certain risk factors may adversely affect Storm Real Estate, including financial risk, risk related to the operations of the Company and market risk. If one or more of these risks or uncertainties should be realised, the Company's business, operating profit and financial position could be materially and adversely affected. In addition, the Company is exposed to interest rate, credit, liquidity and currency risk. The group's risks are fully described in note 4 Financial risk management to the Group's financial statements.

The Company attempts to mitigate the impact of interest rate risk by establishing/entering into fixed interest rate agreements or employing hedges where deemed beneficial or warranted as a condition for securing financing. Currency risk is mitigated by continuously reviewing the exposure to currencies other than USD. Foreign currency hedging is normally carried out concurrent with exposure to other currencies.

## Personnel and Health, Safety and Environment (HSE)

The parent company has no personnel and the subsidiaries have six employees in Russia, of which four are women. There have been no work-related accidents in 2013. There is no material negative environmental impact related to the Company's operations. The Group recorded 9 days of sickness absence in 2013.

## Social responsibility reporting

In accordance with the new 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. In 2013 Russia was in 133rd place out of 176 countries in the annual analysis by Transparency International. The Company has a major focus on this and has taken this into consideration in its procedures and daily operations in order to fight corruption. The Company is conscious of its role in society in this regard and operated with a high level of transparency and openness, and subsidiaries have clear instructions for transparency; in particular with regard to Group management and our auditors. The Board is not aware of any cases of corruption related to the Group's operations, and will continue to focus 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. There is no material negative environmental impact related to the Company's operations.



## Assumption of going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the annual report for 2013 has been prepared based on the assumption of a going concern.

## Distribution of profit

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

- Provision for dividend USD 4.866 million
- Transferred from other equity USD 0.141 million
- Total USD 4.725 million

Oslo, 4 April 2014

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



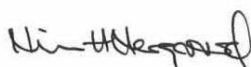
Stein Aukner  
Chairman



Morten E. Astrup  
Board member



Kim Mikkelsen  
Board member



Nini E.H. Nergaard  
Board member



Fredrikke Aaeng  
Board member



Einar Pedersen  
General Manager

# Consolidated statement of comprehensive income

For the period 1 January - 31 December

All numbers in 000 USD	Note	2013	2012
Rental income	6	12,901	12,580
<b>Total income</b>		<b>12,901</b>	<b>12,580</b>
Property related expenses	6	2,832	2,998
Personnel expenses	16	749	707
Other operating expenses	15	2,365	2,866
<b>Total operating expenses</b>		<b>5,946</b>	<b>6,571</b>
<b>Operating profit before fair value adjustments</b>		<b>6,955</b>	<b>6,009</b>
Gain/loss from fair value adjustments on investment property	6	8,220	-2,238
<b>Total operating profit</b>		<b>15,175</b>	<b>3,771</b>
Finance revenues	14	7,314	2,971
Finance expenses	14	-4,166	-4,863
Currency exchange gains (losses)	14	342	-196
<b>Net financial gains (losses)</b>		<b>3,490</b>	<b>-2,088</b>
<b>Earnings before tax</b>		<b>18,665</b>	<b>1,683</b>
Income tax expense	18	7,475	373
<b>Profit for the period</b>		<b>11,190</b>	<b>1,310</b>
<b>Other comprehensive income:</b>			
<i>OCI to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on net investments in foreign operations		-1,566	1,156
Tax effects on exchange differences on net investments		157	-116
Translation differences from foreign operations		-6,638	4,624
<b>Other comprehensive income, net of tax</b>		<b>-8,048</b>	<b>5,664</b>
<b>Total Comprehensive income for the period</b>		<b>3,142</b>	<b>6,974</b>
Average number of shares		18,685,315	19,203,659
Earnings per share (USD)	20	0.60	0.07
Total Comprehensive Income per share (USD)	20	0.17	0.36

# Consolidated statement of financial position

Storm Real Estate group

as of 31 December

All numbers in 000 USD	Note	31.12.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	6	103,100	102,700
Financial investments	10	12,176	0
Property, Plant and Equipment (PP&E)	8	5	21
Intangible assets		1	2
Financial derivative assets	10	53	49
<b>Total non-current assets</b>		<b>115,335</b>	<b>102,772</b>
<b>Current assets</b>			
Financial investments	10	16,223	25,485
Other receivables	13	639	656
Cash and cash equivalents	10	6,362	15,099
<b>Total current assets</b>		<b>23,225</b>	<b>41,240</b>
<b>TOTAL ASSETS</b>		<b>138,561</b>	<b>144,013</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Paid-in equity</b>			
Ordinary shares		1,296	1,296
Share premium		21,036	21,036
Treasury shares		-50	-1
Other paid-in equity		61,734	61,734
<b>Total paid-in equity</b>		<b>84,016</b>	<b>84,065</b>
<b>Other equity</b>			
Other equity		-5,578	-3,346
<b>Total other equity</b>		<b>-5,578</b>	<b>-3,346</b>
<b>TOTAL EQUITY</b>		<b>78,437</b>	<b>80,718</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	12	42,364	44,954
Deferred tax liabilities	19	9,522	5,702
Financial derivative liability	10	1,011	5,392
Other long-term liabilities		100	95
<b>Total non-current liabilities</b>		<b>52,997</b>	<b>56,142</b>
<b>Current liabilities</b>			
Trade liabilities	11	96	589
Income tax payable		2,015	0
Loans from credit institutions	12	2,606	2,606
Other short-term liabilities	17	2,411	3,958
<b>Total current liabilities</b>		<b>7,128</b>	<b>7,153</b>
<b>TOTAL LIABILITIES</b>		<b>60,125</b>	<b>63,295</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>138,561</b>	<b>144,013</b>

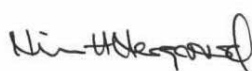
Oslo, 4 April 2014

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

  
Stein Aukner  
Chairman

  
Morten E. Astrup  
Board member

  
Kim Mikkelsen  
Board member

  
Nini E.H. Nergaard  
Board member

  
Fredrikke Aaeng  
Board member

  
Einar Pedersen  
General Manager

## Consolidated statement of cash flows

All numbers in 000 USD	Note	2013	2012
<b>Cash Flow from operational activities</b>			
Earnings before tax		18,665	1,683
<i>adjusted for</i>			
depreciations	8	18	28
value adjustment on investment property	6	-8,220	2,238
finance income	14	-1,683	2,971
finance expenses	14	-615	4,863
net currency gains	14	133	565
<b>Cash flow before changes in working capital</b>		<b>8,298</b>	<b>6,405</b>
<i>Change in working capital:</i>			
trade receivables and other receivables		-67	466
trade payables and other payables		-2,197	436
paid taxes		-984	-1,033
<b>Net cash flow from operational activities</b>		<b>5,051</b>	<b>6,275</b>
<b>Cash Flow from investment activities</b>			
Outflows from financial investments		-11,967	-34,004
Inflows from financial investments		9,145	38,103
Interest received		139	511
<b>Net cash flow from investment activities</b>		<b>-2,683</b>	<b>4,605</b>
<b>Cash flow from financing activities</b>			
Repayment on loans	12	-2,604	-1,718
Net purchase of treasury shares		-2,239	-47
Dividends paid		-3,153	-4,816
Interest paid		-3,045	-3,229
<b>Net cash flow from financing activities</b>		<b>-11,041</b>	<b>-9,809</b>
<b>Net change in cash and cash equivalents</b>		<b>-8,673</b>	<b>1,071</b>
Carried forward cash and cash equivalents		15,099	14,043
Currency exchange variation on cash and cash equivalents		-63	-14
<b>Cash and cash equivalents at end of period</b>		<b>6,362</b>	<b>15,099</b>
Including restricted cash and deposits		372	372

# Consolidated statement of changes in equity

For the period 1 January - 31 December

	Paid-in equity				Other equity		Total equity
	Share capital	Share premium	Other paid-in equity	Treasury shares	Retained earnings	Translation differences on foreign operations	
<b>1 January 2012</b>	<b>1,422</b>	<b>21,036</b>	<b>61,731</b>	<b>-134</b>	<b>8,459</b>	<b>-13,784</b>	<b>78,729</b>
Rounding off changes from prev. years	1		3	-1		-2	1
Net purchase of treasury shares				-1	-46		-47
Deleting treasury shares	-127			134	-8		0
Profit (loss) for the period					1,310		1,310
Dividend					-4,940		-4,940
Other comprehensive income						5,664	5,664
<b>Total</b>	<b>-126</b>	<b>0</b>	<b>3</b>	<b>132</b>	<b>-3,683</b>	<b>5,662</b>	<b>1,989</b>
<b>31 December 2012</b>	<b>1,296</b>	<b>21,036</b>	<b>61,734</b>	<b>-1</b>	<b>4,776</b>	<b>-8,122</b>	<b>80,718</b>
<b>1 January 2013</b>	<b>1,296</b>	<b>21,036</b>	<b>61,734</b>	<b>-1</b>	<b>4,776</b>	<b>-8,122</b>	<b>80,718</b>
Profit (loss) for the period					11,190		11,190
Net purchase of treasury shares				-49	-2,190		-2,239
Dividends					-3,184		-3,184
Other comprehensive income						-8,048	-8,048
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-49</b>	<b>5,816</b>	<b>-8,048</b>	<b>-2,281</b>
<b>31 December 2013</b>	<b>1,296</b>	<b>21,036</b>	<b>61,734</b>	<b>-50</b>	<b>10,592</b>	<b>-16,171</b>	<b>78,437</b>



# Notes Storm Real Estate group

## NOTE 1 General information

Storm Real Estate ASA (hereafter “Storm Real Estate”, the “Company” or the “Group”) is a property investment company that invests in rental properties and securities with real estate exposure in Russia and the EEA.

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, N-0250 Oslo, Norway. The portfolio of office buildings consists of one building in Moscow and one in St. Petersburg.

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 04 April 2014. The shareholders have the power to amend the consolidated financial statements at the annual general meeting to be held on 07 May 2014.

## NOTE 2 Basis of preparation

### NOTE 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 Parent Company's financial statements are presented in accordance with a simplified version of IFRS 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, with the exception of investment property, financial contracts and financial assets and liabilities, which are all 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000), unless otherwise indicated.

### NOTE 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, with the exception of the following new and amended standards adopted by the Group from 1 January 2013. The amendments are described below. There are other amendments to standards and interpretations which apply

for 2013. Amendments not mentioned here have not had an effect on the Group's annual report.

#### IAS 1 Presentation of Financial Statements

The amendments to IAS 1 mean that items in the Statement of total comprehensive income must be grouped into two categories. Items that may be reclassified to the income statement at a future date (for example net gain on hedging of net investments, currency translation differences on translation of foreign entities to the presentation currency, net change in cash flow hedging, and net gain or loss on financial assets classified as available for sale) must be presented separately from items that will never be reclassified. The amendments are only significant to presentation and have no impact on the Group's financial position or results. The amendments are applicable with effect for financial years starting on or after 1 July 2012, and the Group has therefore implemented these with effect from and including the financial year that started on 1 January 2013.

#### IFRS 13 Fair Value Measurement

The standard lays down principles and guidance for fair value measurement of assets and liabilities that other standards require or allow to be measured at fair value. IFRS 13 is applicable with effect for financial years starting on or after 1 January 2013. The Group will apply the standard from the effective date.

#### (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 standards and interpretations that have been adopted up to the date of presentation of the consolidated financial statements but ahead of their effective date are detailed below. The Group intends to implement the relevant amendments on the effective date, providing that the EU approves the amendments prior to presentation of the consolidated financial statements.

#### IFRS 9 Financial Instruments

IFRS 9 in its present form reflects the first phase of the IASB's work to replace the current IAS 39, and concerns classification and measurement of financial assets and liabilities as defined in IAS 39. Initially, the standard was to enter into effect for financial years starting on or after 1 January 2013, but amendments to IFRS 9 adopted in December 2011 deferred the effective date until 01 January 2017. Later phases of this project relate to hedge accounting and impairment of financial assets. The Group plans to apply IFRS 9 when the standard comes into effect and has been approved by the EU, in so far as it is relevant to the Group.

#### IAS 32 Financial Instruments: Presentation

IAS 32 has been amended to clarify the meaning of “currently has a legally enforceable right to set-off” and also to clarify the application of IAS 32's offsetting criteria to settlement systems such as clearing house systems, for example, which apply gross settlement mechanisms that are not simultaneous. The amendments are applicable with effect for financial years starting on or after 1 January 2014. The Group does not consider the amendment to be relevant to the Group's financial statements in the first instance, but plans to apply the standard when it enters into effect if it later becomes relevant to the Group.

### **IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that address consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 is based on a single control model that is to be applied to all entities including special purpose entities (SPE). The amendments introduced in IFRS 10 require management to exercise significant judgement to determine which entities are controlled by and are therefore required to be consolidated by the parent company. This has resulted in the Group having evaluated which companies are to be consolidated in accordance with IFRS 10, and compared with the current IAS 27. The content of the concept of control has changed somewhat from IAS 27. The determining factor in whether companies are to be consolidated in accordance with IFRS 10 is whether or not there is control. Control exists when the investor has power over the investment object, is exposed to or has rights to variable returns from the investment object, and is able to exercise power to control the activities of the investment object that have a material impact on returns. Within the EU/EEA, IFRS 10 is effective for financial years starting on or after 1 January 2014. The Group does not consider the amendment to be relevant to the Group's financial statements in the first instance, but plans to apply the standard when it enters into effect if it later becomes relevant to the Group.

### **Amendments to IFRS 10, IAS 27 and IFRS 12 relating to investment entities**

The amendments to IFRS 10 mean that companies that meet the definition of an investment entity are no longer required to consolidate their subsidiaries. There is one exception: subsidiaries that perform investment-related services for the investment entity must be consolidated. Other investments in subsidiaries, joint arrangements and associates are to be recognised at fair value through profit or loss. Investment entities that are obliged to recognise all their subsidiaries at fair value through profit or loss in accordance with IFRS 10 present separate financial statements as their only financial statements. The requirement for disclosure in the notes has been expanded.

The amendments enter into effect for financial years starting on or after 1 January 2014, but have not yet been approved by the EU. The Group has not evaluated the full effect of the amendments. The Group plans to apply the standard when it comes into effect, in so far as it is relevant to the Group.

### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 is applicable to companies that have interests in subsidiaries, joint arrangements, associates or non-consolidated structured entities. IFRS 12 replaces the disclosure requirements previously contained in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. In addition, a number of new disclosure requirements are introduced. The amendments are not significant for the Group's financial position or results. Within the EU/EEA, IFRS 12 is effective for financial years starting on or after 1 January 2014. The Group has not evaluated the full effect of the amendments. The Group plans to apply the standard when it comes into effect, in so far as it is relevant to the Group.

Otherwise there are no other IFRSs or IFRIC interpretations that have yet to come into effect which are expected to have a material effect on the financial statements.

## **NOTE 23 Basis of consolidation and business combinations**

A subsidiary is a company in which the Group has control over financial and operating policies. 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 financial and operating guidelines.

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 IAS 39, 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 unrealised 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.

## **NOTE 24 Functional currency and presentation currency**

The Group's consolidated financial statements are presented in USD, which is also the Parent Company's functional currency. 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 into the functional currency on the reporting

date. All currency translation differences are taken to the income statement. In the consolidated financial statements, currency translation differences linked to net investments are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement. Tax charges linked to currency translation differences on such items are recognised in other comprehensive income.

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.

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. On disposal of a foreign entity, the cumulative amount carried in equity relating to that particular entity is recognised in the income statement.

## NOTE 2.5 Segment information

The Company operates within different business segments as per the definitions in IFRS 8. Business areas with unique financial characteristics are divided into direct investments in investment property and investments in shares in property companies. The business areas are separate segments that are followed up together by decision-makers. See note 25 for detailed segment information for the financial year.

## NOTE 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 in the financial statements for the preceding year.

## NOTE 3.2 Property, plant and equipment

Property, plant and equipment that are 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. Acquisition cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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, only 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.

## NOTE 3.3 Operating leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases are classified as operating expenses and charged to the income statement on a straight-line basis over the term of the lease.

### (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.

## NOTE 3.4 Financial assets

### NOTE 3.4.1 Classification

The Group classifies its financial instruments in the following categories:

(a) at fair value through profit or loss and (b) loans and receivables measured at amortised cost. The classification depends on the purpose for which the financial instrument was acquired. Management determines the classification of its financial instruments at initial recognition.

### (a) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. A financial instrument is classified in this category if acquired in principle for the purpose of selling in the short term. Instruments are also categorised as held for trading unless they are designated as hedges.

### (b) Loans and receivables measured at amortised cost

Loans and receivables are non-derivative financial instruments with fixed or determinable cash flows that are not quoted in an active market. They are classified as current assets unless the redemption date is more than 12 months after the reporting date, in which case they are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.



## NOTE 34.2 Recognition and measurement

Ordinary purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. All financial assets not carried at fair value through profit or loss are initially recognised at fair value with the addition of transaction costs. Financial assets carried at fair value through profit and loss are initially recognised at fair value. Subsequent measurement is at fair value through profit and loss.

Loans and receivables are initially recognised at fair value plus directly attributable transaction expenses. Loans and receivables are subsequently measured at amortised cost using the effective interest method, such that the effective interest is the same for the entire lifetime of the instruments.

## NOTE 34.3 De-recognition

A financial instrument is de-recognised when:

- i) the rights to receive cash flows from the instrument have expired; or
- ii) the Group has transferred its rights to receive cash flows from the instrument and either (i) the Group has transferred substantially all the risks and rewards relating to the instrument, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards relating to the instrument, but has transferred control of the instrument.

## NOTE 3.5 Financial liabilities

### NOTE 3.5.1 Classification

The Group's financial liabilities cover trade and other current payables, long-term debt and derivative financial instruments.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the short term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships in accordance with IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities that do not come into the "held for trading" category and that are not designated at fair value through profit and loss are classified as "other liabilities".

### NOTE 3.5.2 Recognition and measurement

The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Subsequent measurement is also at fair value through profit or loss.

Other liabilities are recognised at amortised cost. Subsequent measurement is also at fair value.

### NOTE 3.5.3 De-recognition

A financial liability is derecognised when the obligation under the liability is discharged, 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, this is treated as de-recognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

## NOTE 36 Trade receivables

Trade receivables are recognised initially in the balance sheet at fair value and subsequently measured at amortised cost using the effective interest method, less provision for bad debts. A provision for bad debts on trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the assets and the estimated future cash flows from the assets.

## NOTE 37 Cash and cash equivalents

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

## NOTE 38 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.

## NOTE 3.9 Related-party transactions

A person is considered as a related party if he or she, 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 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.

## NOTE 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 utilised. 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 realised or the deferred tax liability

is settled. The provision for deferred tax is based on the expected manner of realisation 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.

### NOTE 311 Revenue recognition

The Group's revenue includes rental income from the properties. This is recognised in income over the period of the lease. Revenue arising from expenses recharged to tenants is recognised in the period in which the expenses can be contractually recovered. The parent company has revenue from services sold to Group companies and interest income from Group companies. This income is recognised when it is recovered.

### NOTE 312 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.

### NOTE 313 Classification of assets and debt

Current assets and short-term debt maturing within 12 months are classified as current assets or short-term debt. Strategic investments are classified as non-current assets. The next 12 months' portion of long-term debt is presented as short-term.

### NOTE 314 Earnings per share

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

## NOTE 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 programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group has pursued a policy of having solid tenants who can discharge their obligations 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.

### NOTE 4.1 Market risk

The climate in the financial market and especially the price of real estate and general rental levels in Russia represents risk, as it will affect the Company's rental income. The Company aims to reduce these types of fluctuation by continuing to require deposits from tenants, typically equivalent to three months' rent. The Company's investments in shares in other property companies are also subject to market risk.

#### (i) Currency risk

Storm Real Estate is a Norwegian group with its main focus on rental properties in Russia and share investments in the EEA. This exposes the Group to currency risk arising from various currency exposures, primarily with respect to NOK, USD, RUB and DKK. 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.

Management has established a policy to mitigate currency risk against the Parent Company's functional currency (USD). As settlements between companies in Russia must be made in RUB, Group companies that are parties to contractual agreements denominated in RUB include a clause in the agreements that use a fixed exchange rate to ensure that a minimum fixed amount in USD will be received. The lease contracts are exposed to the risks of changes in RUB/USD exchange rates and changes in risk-free interest rates. 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:

000 USD	Effect attributable to profit for 2013	Effect attributable to equity
1% appreciation in USD	+701	-604
1% depreciation in USD	-701	+604

*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 would be 0-20%.*

The majority of lease agreements have a clause stipulating a minimum exchange rate for payments. The fair value of this derivative is estimated based on currency forecasts and then calculated using the Black & Scholes model.

A sensitivity analysis of the fair value of the embedded derivative as at 31 December 2013 is shown below.

Change in exchange rate, %	Value
Minus 10%	+43
Minus 5%	+13
Minus 1%	+2
31.12.2013	-
Plus 1%	-2
Plus 5%	-7
Plus 10%	-11



## (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:

000 USD	Effect attributable to profit for 2013
1% rent increase	+129
1% rent decrease	-129

*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.*

## (iii) Interest rate risk on cash flows and fair value

The Company has financed properties with bank loans totalling USD 45 million. To reduce the interest rate risk, the Company has entered into interest rate swaps totalling USD 34 million at a weighted average of 2.91% for 7.3 years from 31 December 2013. The table below illustrates the net effect of a change in interest rates of one percentage point.

000 USD	Effect on interest paid (loans)	Effect on interest received (swaps)	Net effect per year
1% increase in interest rate	-468	+340	-128

The fair value of interest rate swaps is measured at the present value of future cash flows in the statement of financial position, and the change in fair values are brought over the income statement. The table below shows the effect a change of one percentage point would have had on the consolidated statement of total comprehensive income.

000 USD	Effect on interest expenses	Change in PV of interest rate swaps	Effect on equity
1% increase in interest rate	-128	+2,271	+2,143

## NOTE 4.2 Credit risk

Credit risk is managed on a Group basis and structures the levels of credit risk by placing limits on the Group's exposure to a single counterparty, or groups of counterparties, such risks being subject to an annual and more frequent review. 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. If there is no independent rating, the Company assesses the credit quality of the customer, based on past experience and other factors.

The Group aims to limit the credit exposure to any one credit institution. No covenants were broken during 2013, and the Company does not expect significant losses from counterparties in 2014. 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.

## NOTE 4.3 Liquidity risk

The Group aims to keep liquidity sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility to seize market opportunities and at the same time withstand fluctuations in income and expenses. At year-end the Group had satisfactory liquid reserves and funding flexibility. Management continuously monitors forecasts of the Group's liquidity reserves.

The Group acquired the Gasfield building in 2007, with approximately 65% LTV financing. The Group also took up a new loan of USD 12 million in 2011 for the refinancing of Grifon House. The Group has an overall LTV ratio of 43.6% of the market value of the investment properties. The Company has an opportunistic approach to new investment, and is aiming for approximately 50%-60% LTV at Group level. The Company's acquisitions are dependent on being able to obtain financing.

The table below analyses the Group's financial liabilities (borrowing), broken down by maturity (all figures in USD 000).

As at 31 December 2012	0-1 yr	1-5 yrs	>5 yrs	Total
Repayments of interest-bearing debt (nominal value)	2,606	20,862	24,346	47,814
Advance payments from tenants	1,536	94	0	1,630
Interest rate swaps (undiscounted)	1,019	3,078	21	4,119
Currency forwards	758	0	0	758
Trade payables and other short-term debt	7,153	0	0	7,153
Interest on loans	2,134	6,323	679	9,136
<b>Total</b>	<b>15,207</b>	<b>30,357</b>	<b>25,045</b>	<b>69,852</b>

As at 31 December 2013	0-1 yr	1-5 yrs	>5 yrs	Total
Repayments of interest-bearing debt (nominal value)	2,606	42,603	0	45,208
Advance payments from tenants	1,550	94	0	1,644
Interest rate swaps (undiscounted)	915	1,213	-567	1,561
Trade payables and other short-term debt	4,522	0	0	4,522
Interest on loans	1,812	4,577	0	6,389
<b>Total</b>	<b>11,404</b>	<b>48,487</b>	<b>-597</b>	<b>59,324</b>

## NOTE 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 optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the level of the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital comprises capital invested through investments in investment property and securities, as well as cash and cash equivalents.

The target for return on capital is a minimum of 5-10%. In 2013 the return on capital measured in dividend-adjusted equity per share was 14.5% measured in Norwegian Kroner and 4.9% measured in US dollars.

This includes a recorded decrease in value in the long-term share investment in TK Development A/S from which the Company hopes to see a positive return in the future. As at 31 December 2013 the direct return from ongoing operation of the properties in Russia was 9.8%, measured as operating profit from the properties as a percentage of the value of the properties at the end of the year. Seen in isolation, investment of the Company's other assets in shares and bonds achieved a return of >10%. The Company considers the 2013 target for return on capital to have been achieved.

### Solidity

The Group has a solid equity ratio. The equity ratio was 57% at 31 December 2013. The equity ratio was 56 % at 31 December 2012. The Group has equity ratio requirements in relation to loan agreements and has not been in breach of these as at the reporting date.

## NOTE 5. Critical accounting estimates and assumptions

Estimates and judgements 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.

## NOTE 5.1 Critical accounting estimates and assumptions

### Fair value of investment property

Investment properties are recognised at fair value. A separate valuation is carried out by independent experts in which the properties are assessed using updated macro assumptions (market-based rent rates, discount rates, inflation expectations, economic growth, etc.)

The Company bases the fair value of investment properties on external valuations by independent appraisers. There are multiple methods for assessing the fair value of investment properties. The Group has to date used the discounted cashflow method, which is the present value of estimated future cash flows, using known contractual parameters, as well as expectations for market development. This method is the most widely recognised method for valuation of real estate. See note 6 for more information about the investment properties.

### Fair value of derivatives and other financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the transfer date. The quoted market price used for financial assets held by the Group is the current bid price. The Group has instruments for which valuation techniques must be applied to determine fair value. The fair value of embedded derivatives is estimated based on currency forecasts and then calculated using the Black & Scholes model. The fair value of interest rate swaps and forward contracts is calculated by the issuing financial institution as the present value of future estimated cash flows. The carrying amount of trade receivables (face value minus provision for bad debts) and trade payables is not considered to deviate significantly from fair value.

### Property acquisition and business combinations

When property is acquired through the acquisition of companies, management must evaluate the substance of the assets and the business of the acquired entity in order to assess whether the acquisition represents a business acquisition. When such acquisitions are not considered to be a business acquisition, they are not treated as business combinations. The cost of acquiring the entity is divided between the company's identifiable assets and liabilities based on their relative fair value on the acquisition date. Goodwill or deferred tax will thus not arise. In other cases the company transfer is treated as a business combination.

	<b>GROUP</b>	
	<b>2013</b>	<b>2012</b>
<b>Fair value of investment properties</b>		
Per 1 January	102,700	99,300
Changes in fair value in the properties' functional currency RUB	8,220	-2,238
Translation differences	-7,820	5,638
<b>Per 31 December</b>	<b>103,100</b>	<b>102,700</b>
		<b>GROUP</b>
	<b>2013</b>	<b>2012</b>
<b>Net Operating Income (NOI) from properties</b>		
Rental income	12,901	12,580
Direct property related costs	-2,832	-2,999
<b>Net Operating Income</b>	<b>10,069</b>	<b>9,581</b>
<b>NOI yields based on fair value per 31 December</b>	<b>9.8 %</b>	<b>9.3 %</b>

The properties were fully let as of 31 December 2012 and 31 December 2013. The valuation of the investment property as 31 December 2012 and 2013 has been performed by an independent expert valuer, Cushman & Wakefield in Moscow. For both years a discounted cash flow model has been applied. 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. Also see note 5 for critical accounting estimates and assumptions.

	Moscow		St. Petersburg	
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>Independent valuer's valuation parameters</b>				
Discount rates	11.0 %	11.0 %	12.0 %	12.0 %
Cap.rates / yield (*)	10.0 %	10.0 %	10.0 %	10.0 %
Market rental rates, \$/sq.m	700	670	400	400
Estimated rent growth year 1	3.0 %	3.0 %	2.0 %	2.0 %
Estimated rent growth year 2	3.0 %	3.0 %	2.0 %	2.0 %
Estimated rent growth year 3	3.0 %	3.0 %	2.0 %	2.0 %
Estimated rent growth year 4	3.0 %	3.0 %	2.0 %	2.0 %
Estimated rent growth year 5	3.0 %	3.0 %	2.0 %	2.0 %
Estimated rent growth year 6	3.0 %	3.0 %	2.0 %	2.0 %

\* Yield expresses the relation between rental income and property value.

<b>Sensitivity analysis at 31 December 2013, million USD</b>	<b>GROUP</b>
Effect of an increase in discount rates of 1%	-3.6
Effect of an increase in capitalisation rates of 1%	-5.8

#### Summary of significant contracts

In the Gasfield building in Moscow, the anchor tenant is LLC Gazprom Tsentrremont who rents around 77% of the lettable area. Storm Real Estate has established a framework for a long-term tenancy with a annual renewal. In May 2013, Storm Real Estate ASA signed an extension to the contract for an additional 11 months.

The Grifon House building in St. Petersburg is let to LLC PSI. The contract is divided in separate lease agreements where a portion expires in December 2014, and the remaining expires in April 2015.

<b>Specification of tenants representing more than 10% of the group's income</b>	<b>2013</b>	<b>2012</b>
LLC Gazprom Tsentrremont	8,459	7,873
LLC PSI	2,987	2,975

## NOTE 7 Group companies and investment in subsidiaries

000 USD

Group company	Location	Formed/ acquired	Ownership
OOO Martex	Russia	2007	100%
CJSC Grifon	Russia	2009	100%
Tiberton Yard Ltd	Cyprus	2007	100%
Tiberton Yard Holding 2 Ltd	Cyprus	2008	100%
Tiberton Yard Finance Ltd	Cyprus	2008	100%
Gasor Consulting Ltd	Cyprus	2008	100%
Pete Ltd	Cyprus	2008	100%
Avonglade Ltd	Cyprus	2008	100%
Storm Real Estate Ltd	Cyprus	2009	100%

## NOTE 8 Property, plant &amp; equipment

000 USD

	Computers and telephony	Sum	Computers and telephony	Sum
Historic cost	2013	2013	2012	2012
At 1 January	193	193	184	184
Additions	2	2	10	10
Disposals	-11	-11	-1	-1
<b>At 31 December</b>	<b>184</b>	<b>184</b>	<b>193</b>	<b>193</b>
<b>Depreciation and impairment</b>				
At 1 January	-172	-172	-141	-141
Depreciation this period	-18	-18	-28	-28
Write-downs this period	11	11	-3	-3
<b>At 31 December</b>	<b>-179</b>	<b>-179</b>	<b>-172</b>	<b>-172</b>
<b>Net book value 31 December</b>	<b>5</b>	<b>5</b>	<b>21</b>	<b>21</b>

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).

## NOTE 9 Tenancy lease agreements

000 USD

	31.12.2013	GROUP 31.12.2012
<b>Future minimum rents receivable under non-cancellable contracts are as follows:</b>		
Within 1 year	6,706	9,962
Between 1 and 5 years	1,957	7,152
Over 5 years	0	0
<b>Sum</b>	<b>8,663</b>	<b>16,285</b>

## NOTE 10 Other financial assets and liabilities

000 USD

	31.12.2013	31.12.2012
<b>Financial investments</b>		
Held-for-trading investments: quoted equity shares	12,176	6,463
Held-for-trading investments: fund investments	16,223	19,023
<b>Sum financial investments</b>	<b>28,400</b>	<b>25,485</b>
<b>Derivative assets not designated as hedges</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Embedded derivatives	14	49
Forward currency contracts	39	0
<b>Sum derivative assets not designated as hedges</b>	<b>53</b>	<b>49</b>
<b>Total other financial assets</b>	<b>28,453</b>	<b>25,535</b>
<b>Derivative liabilities not designated as hedges</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Foreign exchange forward contracts	0	-758
Interest rate swaps	-1,011	-4,634
<b>Sum derivative liabilities not designated as hedges</b>	<b>-1,011</b>	<b>-5,392</b>
<b>Total other financial liabilities</b>	<b>-1,011</b>	<b>-5,392</b>
<b>Interest bearing loans</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Interest bearing loans	44,970	47,559
<b>Total interest bearing loans</b>	<b>44,970</b>	<b>47,559</b>

### 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 payments (see Note 4). The fair value of this asset is estimated based on currency forecasts, followed by calculations using the Black & Scholes model.

### Interest rate swaps

The parent company has entered into interest swap agreements which fixes the interest on parts of the loan. Fair values of the interest swaps are calculated based on expectations on future cash flows with today's interest rates and the yield curve over the remaining fixed period.

## NOTE 11 Fair value hierarchy

000 USD

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.

<b>Assets measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Sum</b>
Investment property (*)	0	0	103,100	103,100
Held-for-trading investments: quoted equity shares	12,176	0	0	12,176
Held-for-trading investments: fund investments	16,223	0	0	16,223
Embedded derivatives	0	14	0	14
Foreign exchange forward contracts	0	39	0	39
<b>Sum financial assets measured at fair value</b>	<b>28,400</b>	<b>53</b>	<b>103,100</b>	<b>131,552</b>
<b>Liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Sum</b>
Interest bearing loans	0	45,208	0	45,208
Interest rate swaps	0	1,011	0	1,011
<b>Sum financial liabilities measured at fair value</b>	<b>0</b>	<b>46,219</b>	<b>0</b>	<b>46,219</b>

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

**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 statement.

	<u>Carrying amount</u>		<u>Fair value</u>	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>Financial assets</b>				
Trade receivables	13	0	13	0
Other receivables	625	656	625	656
Derivative financial assets at fair value through profit or loss	53	49	53	49
Held-for-trading financial investments	28,400	25,485	28,400	25,485
Cash and short-term deposits	6,362	15,099	6,362	15,099
<b>Sum</b>	<b>35,453</b>	<b>41,289</b>	<b>35,453</b>	<b>41,289</b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	44,970	47,559	45,208	47,813
Trade liabilities	95	589	95	589
Other short-term liabilities	4,426	3,512	4,426	3,512
Derivative financial liabilities at fair value through profit or loss	1,011	0	1,011	0
<b>Sum</b>	<b>50,502</b>	<b>51,660</b>	<b>50,740</b>	<b>51,914</b>



## NOTE 12 Bank loan

000 USD

			<b>GROUP</b>	
<b>Interest bearing borrowings at amortised cost</b>	<b>Interest</b>	<b>Maturity</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Secured bank loan I	LIBOR + margin	2018	33,705	36,103
Secured bank loan II	LIBOR + margin	2016	11,264	11,456
<b>Sum interest bearing borrowings at amortised cost</b>			<b>44,970</b>	<b>47,559</b>

			<b>GROUP</b>	
<b>Interest bearing borrowings at amortised cost</b>			<b>31.12.2013</b>	<b>31.12.2012</b>
Secured bank loan, non-current portion			42,364	44,954
Secured bank loan, current portion			2,606	2,606
<b>Sum interest bearing borrowings</b>			<b>44,970</b>	<b>47,559</b>

### Nominal value:

The nominal value of bank loan I as of 31 December 2013 was 33,808 and as of 31 December 2012 was 36,173.  
The nominal value of bank loan II as of 31 December 2013 was 11,400 and as of 31 December 2012 was 11,640.

### Security:

The investment properties are pledged as security for the bank loan, book value USD 103,100K.  
Bank loan I is financing of the Gasfield property and Bank loan II is financing of the Grifon property.

### Interest margin:

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

	<u>Bank loan I:</u>	<u>Bank loan II:</u>
For loan to value up to 55%	3.50%	4.25%
For loan to value up to 60%	4.00%	4.25%
For loan to value up to 65%	4.50%	4.75%
For loan to value up to 70%	5.00%	5.50%
For loan to value up to 70%	5.00%	7.50%

### Bank loan:

The principal on the loans are repaid according to the following schedule:

#### Bank loan I:

Year 1-2 from start date: 1,5% of balance per year  
Year 3-4 from start date: 3,0% of balance per year  
Year 5-10 from start date: 5,7% of balance per year  
Repayment of residual at the maturity of the loan period.

#### Bank loan II:

Year 1-5 from start date: USD 240 K per year  
Repayment of residual at the maturity of the loan period.

### Covenants:

The Company has not been in breach of the loan covenants at the reporting date.

## NOTE 13 Other receivables

000 USD

<b>Other receivables</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Taxes receivable	420	476
Prepayments	110	40
Other receivables	96	137
Trade receivables	13	3
<b>Sum other receivables</b>	<b>639</b>	<b>656</b>

No trade receivables were overdue as of 31 December 2013 or 31 December 2012.  
The Russian entities have income tax and VAT receivable related to previous years.

## NOTE 14 Finance income and costs

000 USD

	<b>GROUP</b>	
	<b>2013</b>	<b>2012</b>
<b>Finance income</b>		
Interest income	253	681
Changes in fair value, held-for-trading financial investments	2,432	2,024
Changes in fair value, financial derivatives over profit and loss	3,573	0
Other finance income	1,057	267
<b>Sum finance income</b>	<b>7,314</b>	<b>2,971</b>
<b>Finance costs</b>		
Interest costs from loans measured at amortised cost	-2,887	-3,203
Changes in fair value, financial derivatives over profit and loss	-75	-1,432
Changes in fair value, held-for-trading financial investments	-1,059	0
Other finance costs	-145	-229
<b>Sum finance costs</b>	<b>-4,166</b>	<b>-4,863</b>
<b>Foreign exchange gains and losses</b>		
Foreign exchange gains	2,365	2,937
Foreign exchange losses	-2,023	-3,133
<b>Sum foreign exchange gains and losses</b>	<b>342</b>	<b>-196</b>
<b>Net finance gains (losses)</b>	<b>3,490</b>	<b>-2,088</b>

## NOTE 15 Other operating expenses

000 USD

	<b>2013</b>	<b>2012</b>
<b>Other operating expenses</b>		
Management fees	1,555	1,693
Legal, agency and consultancy fees	116	421
Auditors	253	163
Other operating expenses	414	561
Bad debts	9	0
Depreciation	18	28
<b>Sum other operating expenses</b>	<b>2,365</b>	<b>2,866</b>
<b>Auditor fees</b> <i>(auditor fees are quoted excl. vat)</i>		
Audit fees	166	138
Other services	87	25
<b>Sum auditor expenses</b>	<b>253</b>	<b>163</b>

## NOTE 16 Personnel costs

000 USD

	<b>2013</b>	<b>2012</b>
<b>Personnel costs</b>		
Salaries and bonuses	502	479
Board fees	161	120
Social security taxes	86	107
<b>Sum personnel costs</b>	<b>749</b>	<b>707</b>
Number of employees	6	6
Average number of employees	6	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 of 1,555 in 2013 (2012: 1,693).

Also see note 8 to the parent company's accounts for a list of board fees.

## NOTE 17 Other current liabilities

000 USD

	2013	2012
Taxes payable	590	836
Advance rents received	1,550	1,587
Remaining instalment on acquisitions	0	1,000
Other current liabilities	271	89
<b>Sum other current liabilities</b>	<b>2,411</b>	<b>3,512</b>

## NOTE 18 Income tax

000 USD

<b>Consolidated income statement</b>	<b>2013</b>	<b>2012</b>
Current income tax	3,464	1,294
Movement in deferred tax	3,928	-921
Movement in deferred tax due to changes in tax rates	83	0
<b>Sum income tax</b>	<b>7,475</b>	<b>373</b>

<b>The tax on the group's profit before tax differs from the theoretical amount as follows:</b>	<b>2013</b>	<b>2012</b>
Profits before tax	18,665	1,683
<b>Tax at domestic tax rates applicable to respective countries</b>	<b>5,002</b>	<b>1,013</b>

### Tax effects of:

FX variations between functional currency and tax currency	1,797	-1,706
Income not subject to tax	-533	-637
Expenses not deductible for tax purposes	604	1,211
Withholding tax from foreign entities at different tax rate	200	109
Tax losses for current year not recognised	463	383
Recognition of earlier years' non-recognised deferred tax	-58	0
<b>Sum income tax</b>	<b>7,475</b>	<b>373</b>

## NOTE 19 Deferred tax

000 USD

<b>Deferred tax reversal</b>	<b>2013</b>	<b>2012</b>
Deferred tax asset reversed in less than 12 months	0	0
Deferred tax liabilities reversed in more than 12 months	9,522	5,702
<b>Net deferred tax liability</b>	<b>9,522</b>	<b>5,702</b>

<b>Movement in deferred tax</b>	<b>2013</b>	<b>2012</b>
Per 1 January	5,702	6,523
Charged over income statement in the period	3,928	-809
Charged over comprehensive income in the period	-108	-11
<b>Deferred tax liability as per 31 December</b>	<b>9,522</b>	<b>5,702</b>

## NOTE 19 Deferred tax (continued)

Movement in deferred tax liability / assets (without netting of liabilities and assets):

000 USD

Deferred tax assets	C/forward losses	Receivables	Non current assets	Other	Sum
<b>31 December 2011</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>916</b>	<b>3,167</b>
Period movement	-2,251	0	0	850	-1,400
<b>31 December 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
Period movement	0	0	0	0	0
<b>31 December 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>

Deferred tax					
<b>31 December 2011</b>	<b>0</b>	<b>-3,446</b>	<b>-6,116</b>	<b>-128</b>	<b>-9,691</b>
Period movement	0	1,942	311	-32	2,220
<b>31 December 2012</b>	<b>0</b>	<b>-1,504</b>	<b>-5,805</b>	<b>-161</b>	<b>-7,471</b>
Period movement	0	-1,065	-1,571	-1,183	-3,820
<b>31 December 2013</b>	<b>0</b>	<b>-2,569</b>	<b>-7,376</b>	<b>-1,344</b>	<b>-11,290</b>
<b>Net deferred tax liabilities 2012</b>	<b>0</b>	<b>-1,504</b>	<b>-5,805</b>	<b>1,605</b>	<b>-5,702</b>
<b>Net deferred tax liabilities 2013</b>	<b>0</b>	<b>-2,569</b>	<b>-7,376</b>	<b>423</b>	<b>-9,522</b>

PP&amp;E consists predominately of investment property.

The Group has estimated tax losses of 600 (2012: 911) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may only be used to offset taxable profits of certain companies in the Group, and there is uncertainty connected to future profits.

## NOTE 20 Earnings per share

000 USD

Ordinary earnings per share	2013	2012
Net profit attributable to ordinary equity holders of parent company (000 USD)	11,190	1,310
Weighted average number of shares	18,685,315	19,203,659
<b>Net profit per share attributable to ordinary equity holders (1 USD)</b>	<b>0.60</b>	<b>0.07</b>

Total comprehensive income per share	2013	2012
Total comprehensive income (000 USD)	3,142	6,974
Weighted number of shares	18,685,315	19,203,659
<b>Total comprehensive income per share (1 USD)</b>	<b>0.17</b>	<b>0.36</b>

## NOTE 21 Dividends paid and proposed

NOK

Proposed for approval at the AGM (not recognised as a liability at 31 December)

	2013	2012
Dividend per share (NOK)	1.60	1.00
Dividend per share (USD), using the exchange rate at 31 December	0.26	0.18
Total dividends (000 NOK), using the number of shares at 31 December *)	29,605	19,203
Total dividends (000 USD), using the exchange rate at 31 December	4,866	3,450

\*) Qualifying shares excluding treasury shares on the closing date.

## NOTE 22 Related party transactions

The Group has a management agreement with Storm Capital Management Ltd. and Surfside Ventures Ltd. On Asset Management and administrative services. Board member Morten E. Astrup is a shareholder in Surfside Ventures Ltd. and controls Storm Capital Management Ltd through the above mentioned company.

According to the management agreement the fee is split with 25% payable to Surfside Ventures and 75% to Storm Capital Management. The fee is calculated based on 2% of value-adjusted equity, calculated annually at 31 December and adjusted for changes in capital.

000 USD

<b>Transactions with related parties</b>	<b>2013</b>	<b>2012</b>
Storm Capital Management Ltd.	1,252	1,320
Surfside Ventures Ltd.	389	411
<b>Total related party transactions</b>	<b>1,641</b>	<b>1,731</b>
<b>Investments in fund managed by Storm Capital Management Ltd</b>	<b>2013</b>	<b>2012</b>
Storm Bond Fund	16,223	19,023
<b>Sum</b>	<b>16,223</b>	<b>19,023</b>

The balance againts related parties other than group companies were nil as of 31 December 2013 and 31 December 2012.

## NOTE 24 Shareholder capital and shareholders

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

## NOTE 25 Operating segments

See note 2.5 for a description of the company's operating segments. The segment investment property in Russia contains elements from several group companies, e.g. borrowing costs and hedging derivatives which are from the parent company.

000 USD

<b>Segment profits</b>	<b>Real estate shares</b>	<b>Property Russia</b>	<b>Other</b>	<b>Sum</b>
Operating income	0	12,901	0	12,901
Direct property related expenses	0	-2,850	0	-2,850
Indirect administration costs	0	-760	-2,335	-3,096
Value change investment property measures in local currency RUB	0	8,220	0	8,220
Operating profit	0	17,511	-2,335	15,175
Finance income	0	3,756	3,558	7,314
Financ costs	-1,033	-2,897	-236	-4,166
Net currency income / costs	517	261	-437	342
Earnings before tax	-516	18,631	550	18,665
Tax	0	-3,387	-4,089	-7,475
<b>Annual profit</b>	<b>-516</b>	<b>15,245</b>	<b>-3,539</b>	<b>11,190</b>
Other comprehensive income	0	-8,048	0	-8,048
<b>Total Comprehensive Income</b>	<b>-516</b>	<b>7,197</b>	<b>-3,539</b>	<b>3,142</b>
<b>Assets and Liabilities</b>	<b>Real estate shares</b>	<b>Property Russia</b>	<b>Other</b>	<b>Sum</b>
Assets	12,176	108,064	18,320	138,560
Liabilities	0	54,624	5,500	60,124
Net asset values	12,176	53,440	12,819	78,435

## Statement of comprehensive income

Storm Real Estate ASA

for the period 1 January - 31 December

All numbers in 000 USD	Note	2013	2012
Other income		354	288
<b>Total income</b>		<b>354</b>	<b>288</b>
Personnel expenses	8	178	150
Other operating expenses	7	2,027	2,415
<b>Total operating expenses</b>		<b>2,205</b>	<b>2,565</b>
<b>Operating profit (loss) before fair value adjustments</b>		<b>-1,852</b>	<b>-2,277</b>
Finance revenues	6	13,910	12,253
Finance expenses	6	-4,142	-6,211
Currency exchange gains (losses)	6	1,016	-1,183
<b>Net financial gains (losses)</b>		<b>10,783</b>	<b>4,859</b>
<b>Earnings before tax (EBT)</b>		<b>8,932</b>	<b>2,581</b>
Income tax expense	10	4,207	-361
<b>Profit (loss) for the period</b>		<b>4,725</b>	<b>2,943</b>
<b>Other comprehensive income:</b>			
Exchange differences on net investments in foreign operations		0	0
Tax effects on exchange differences on net investments		0	0
Translation differences from foreign operations		0	0
<b>Other comprehensive income, net of tax</b>		<b>0</b>	<b>0</b>
<b>Total Comprehensive income for the period</b>		<b>4,725</b>	<b>2,943</b>



# Statement of financial position

Storm Real Estate ASA

per 31 December

All numbers in 000 USD	Note	31.12.2013	31.12.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	2	14	137
Financial derivative assets	3	12,176	0
Loans to subsidiaries	13	92,268	75,662
<b>Total non-current assets</b>		<b>104,458</b>	<b>75,799</b>
<b>Current assets</b>			
Receivables from group companies	13	25,886	49,754
Financial investments	3	0	6,441
Other receivables	5	56	16
Cash and cash equivalents		1,358	4,001
<b>Total current assets</b>		<b>27,300</b>	<b>60,211</b>
<b>TOTAL ASSETS</b>		<b>131,758</b>	<b>136,010</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Paid-in equity</b>			
Ordinary shares	12	1,296	1,296
Share premium		21,036	21,036
Treasury shares	12	-50	-1
Other paid-in equity		61,734	61,734
<b>Total paid-in equity</b>		<b>84,016</b>	<b>84,065</b>
<b>Other equity</b>			
Other equity		-2,700	-2,051
<b>Total other equity</b>		<b>-2,700</b>	<b>-2,051</b>
<b>TOTAL EQUITY</b>		<b>81,316</b>	<b>82,014</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	4	42,364	44,954
Deferred tax liabilities	10	2,192	0
Other long-term liabilities	3	1,011	5,392
<b>Total non-current liabilities</b>		<b>45,567</b>	<b>50,346</b>
<b>Current liabilities</b>			
Trade liabilities		47	465
Corporate tax payable	10	2,015	174
Loans from credit institutions	4	2,606	2,606
Other short-term liabilities	9	208	406
<b>Total current liabilities</b>		<b>4,876</b>	<b>3,651</b>
<b>TOTAL LIABILITIES</b>		<b>50,443</b>	<b>53,997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>131,758</b>	<b>136,010</b>

Oslo, 4 April 2014

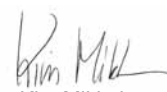
The Board of Directors and General Manager of Storm Real Estate ASA



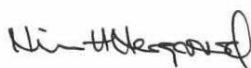
Stein Aukner  
Chairman



Morten E. Astrup  
Board member



Kim Mikkelsen  
Board member



Nini E.H. Nergaard  
Board member



Fredrikke Aaeng  
Board member



Einar Pedersen  
General Manager

## Statement of cash flows

Storm Real Estate ASA

for the period 1 January - 31 December

All numbers in 000 USD	Note	2013	2012
<b>Cash Flow from operational activities</b>			
Earnings before tax		8,932	2,581
adjusted for:			
finance income	6	-13,910	-12,253
finance expenses	6	4,142	6,211
net currency gains		-540	1,183
<b>Cash Flow before changes in working capital</b>		<b>-1,376</b>	<b>-2,277</b>
<i>Change in working capital:</i>			
trade receivables and other receivables		7,222	3,975
trade payables and other payables		-508	415
paid taxes		-164	0
<b>Net cash flow from operational activities</b>		<b>5,173</b>	<b>2,113</b>
<b>Net cash flow from investment activities</b>			
Payments out for financial investments		-11,967	-31,412
Payments in for financial investments		5,528	28,608
Interest received		9,675	12,120
<b>Net cash flow from financing activities</b>		<b>3,236</b>	<b>9,316</b>
<b>Cash flow from financing activities</b>			
Repayment of loans	4	-2,567	-1,718
Net purchase of treasury shares	12	-2,239	-47
Change in long-term liabilities		0	-296
Dividends paid		-3,153	-4,816
Interest paid		-3,046	-3,229
<b>Net cash flow from financing activities</b>		<b>-11,004</b>	<b>-10,105</b>
<b>Net change in cash and cash equivalents</b>		<b>-2,595</b>	<b>1,323</b>
Carried forward cash and cash equivalents		4,001	2,690
Currency exchange variation on cash and cash equivalents		-47	-12
<b>Cash and cash equivalents at end of period</b>		<b>1,358</b>	<b>4,001</b>
Including restricted cash and deposits		372	372

# Statement of changes in equity

Storm Real Estate ASA

for the period 1 January - 31 December

	Paid-in equity				Other equity	Total equity
	Share capital	Share premium	Other paid-in equity	Treasury shares	Retained earnings	
<b>1 January 2012</b>	<b>1,423</b>	<b>21,036</b>	<b>61,732</b>	<b>-134</b>	<b>-</b>	<b>84,058</b>
Rounding differences from prev. years	1	-	3	-1	-	3
Net purchase of treasury shares				-1	-46	-47
Deleting of treasury shares	-127			134	-8	0
Profit (loss) for the period					2,943	2,943
Dividend					-4,940	-4,940
<b>Total</b>	<b>-127</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>-2,051</b>	<b>-2,044</b>
<b>31 December 2012</b>	<b>1,296</b>	<b>21,036</b>	<b>61,732</b>	<b>-1</b>	<b>-2,051</b>	<b>82,014</b>
<b>1 January 2013</b>	<b>1,296</b>	<b>21,036</b>	<b>61,732</b>	<b>-1</b>	<b>-2,051</b>	<b>82,014</b>
Net purchase of treasury shares				-49	-2,190	-2,239
Profit (loss) for the period					4,725	4,725
Dividends					-3,184	-3,184
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-49</b>	<b>-649</b>	<b>-698</b>
<b>31 December 2013</b>	<b>1,296</b>	<b>21,036</b>	<b>61,732</b>	<b>-50</b>	<b>-2,700</b>	<b>81,316</b>

## Notes Storm Real Estate ASA

### NOTE 1 Accounting Principles

Storm Real Estate ASA is a public limited liability company registered in Norway. Its head office is at Dronning Mauds gate 3, 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 as cost. Investments are recognised at cost for investments in subsidiaries unless there have been impairment of the values. 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.

### NOTE 2 Investment in subsidiaries

000 USD

<b>SRE ASA investment in subsidiaries</b>	<b>Location</b>	<b>Formed/ acquired</b>	<b>Ownership</b>	<b>Equity 31.12.2013</b>	<b>Book value SRE ASA 2013</b>	<b>Book value SRE ASA 2012</b>
Storm Real Estate Ltd	Cyprus	2009	100%	-53	1	1
Tiberton Yard Finance Ltd	Cyprus	2008	100%	-731	3	3
Storm Shoppingcenter AS (liquidated 2013)	Norway	2012	100%	0	0	137
<b>Sum</b>				<b>-784</b>	<b>5</b>	<b>142</b>

### NOTE 3 Other financial assets and liabilities

000 USD

<b>Financial investments</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Held-for-trading investments: stocks	12,176	6,441
<b>Sum financial investments</b>	<b>12,176</b>	<b>6,441</b>
<b>Derivative assets not designated as hedges</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Foreign exchange forward contracts	39	0
<b>Sum derivative assets not designated as hedges</b>	<b>39</b>	<b>0</b>
<b>Total other financial assets</b>	<b>12,215</b>	<b>6,441</b>
<b>Derivative liabilities not designated as hedges</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Foreign exchange forward contracts	0	-758
Interest rate swaps	-1,011	-4,634
<b>Sum derivative liabilities not designated as hedges</b>	<b>-1,011</b>	<b>-5,392</b>
<b>Total other financial liabilities</b>	<b>-1,011</b>	<b>-5,392</b>
<b>Interest bearing loans</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Interest bearing loans	44,970	47,559
<b>Total interest bearing loans</b>	<b>44,970</b>	<b>47,559</b>

#### Interest rate swaps

The parent company has entered into interest swap agreements which fixes the interest on parts of the loan. Fair values of the interest swaps are calculated based on expectations on future cash flows with today's interest rates and the yield curve over the remaining fixed period.

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.

<b>Assets measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Sum</b>
Held-for-trading investments: stocks	12,176	0	0	12,176
Foreign exchange forward contracts	0	39	0	39
<b>Sum financial assets measured at fair value</b>	<b>12,176</b>	<b>39</b>	<b>0</b>	<b>12,215</b>

<b>Liabilities measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Sum</b>
Interest bearing borrowings	0	45,208	0	45,208
Interest rate swaps	0	1,011	0	1,011
<b>Sum financial liabilities measured at fair value</b>	<b>0</b>	<b>46,219</b>	<b>0</b>	<b>46,219</b>

<b>Interest bearing borrowings at amortised cost</b>	<b>Interest</b>	<b>Maturity</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Secured bank loan I	LIBOR + margin	2018	33,705	36,103
Secured bank loan II	LIBOR + margin	2016	11,264	11,456
<b>Sum interest bearing borrowings at amortised cost</b>			<b>44,970</b>	<b>47,559</b>

<b>Interest bearing borrowings at amortised cost</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Secured bank loan, long-term portion	42,364	44,954
Secured bank loan, short-term portion	2,606	2,606
<b>Sum interest bearing borrowings</b>	<b>44,970</b>	<b>47,559</b>

#### Nominal value:

The nominal value of bank loan I as of 31 December 2013 was 33,808 and as of 31 December 2012 36,173.

The nominal value of bank loan II as of 31 December 2013 was 11,400 and as of 31 December 2012 11,640.

#### Security:

The investment properties are pledged as security for the bank loan, book value 103,100K.

Bank loan I is financing of the Gasfield property and Bank loan II is financing of the Grifon property.

#### Interest margin:

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

	<u>Bank loan I:</u>	<u>Bank loan II:</u>
For loan to value up to 55%	3.50%	4.25%
For loan to value up to 60%	4.00%	4.25%
For loan to value up to 65%	4.50%	4.75%
For loan to value up to 70%	5.00%	5.50%
For loan to value over 70%	5.00%	7.50%

#### Bank loan:

The principal on the loans are repaid according to the following schedule:

##### Bank loan I:

Year 1-2 from start date: 1,5% of balance per year

Year 3-4 from start date: 3,0% of balance per year

Year 5-10 from start date: 5,7% of balance per year

Repayment of residual at the maturity of the loan period.

##### Bank loan II:

Year 1-5 from start date: USD 240 K per year

Repayment of residual at the maturity of the loan period.

#### Covenants:

The Company has not been in breach of the loan covenants at the closing date.

## NOTE 5 Trade and other receivables

000 USD

<b>Other receivables</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Taxes receivable	10	0
Other receivables	47	16
<b>Sum other receivables</b>	<b>56</b>	<b>16</b>

## NOTE 6 Finance income and costs

000 USD

<b>Finance income</b>	<b>2013</b>	<b>2012</b>
Interest income	92	549
Verdiendring, finansielle investeringer holdt for handelsformål	3,582	0
Interest gains from subsidiaries	10,227	11,704
Other finance revenues	8	0
<b>Sum finance income</b>	<b>13,910</b>	<b>12,253</b>

<b>Finance costs</b>	<b>2013</b>	<b>2012</b>
Interest costs from loans measured at amortised cost	-2,876	-3,178
Changes in fair value, financial derivatives over profit and loss	-73	-1,441
Changes in fair value, held-for-trading financial investments	-1,059	-1,431
Other finance costs	-134	-162
<b>Sum finance costs</b>	<b>-4,142</b>	<b>-6,211</b>

<b>Foreign exchange gains and losses</b>	<b>2013</b>	<b>2012</b>
Foreign exchange gains	2,018	1,868
Foreign exchange losses	-1,003	-3,051
<b>Sum foreign exchange gains and losses</b>	<b>1,016</b>	<b>-1,183</b>

<b>Net finance gains (losses)</b>	<b>11,843</b>	<b>4,859</b>
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## NOTE 7 Other operating expenses

000 USD

<b>Other operating expenses</b>	<b>2013</b>	<b>2012</b>
Management fees	1,555	1,643
Legal, agency and consultancy fees	116	421
Auditors	127	52
Other operating expenses	230	299
<b>Sum other operating expenses</b>	<b>2,027</b>	<b>2,415</b>

<b>Auditor fees</b>	<b>2013</b>	<b>2012</b>
<i>(auditor fees are quoted excl. vat)</i>		
Audit fees	54	48
Other services	73	4
<b>Sum auditor expenses</b>	<b>127</b>	<b>58</b>



## NOTE 8 Personnel costs

000 USD

<b>Personnel costs</b>	<b>2013</b>	<b>2012</b>
Board fees	161	120
Social security taxes	17	30
<b>Sum personnel costs</b>	<b>178</b>	<b>150</b>

The parent company did not have any employees in 2012 or 2013 and therefore no pension scheme.

000 NOK

<b>Board fees (incl fees for board committees) paid out in the year</b>	<b>2013</b>	<b>2012</b>
Stein Aukner, chairman of the board	290	290
Morten E. Astrup	0	0
Christopher W Ihlen	125	125
Fredrikke Aaeng	165	165
Nini H. Nergaard	125	125
Kim Mikkelsen	165	0
<b>Sum board fees</b>	<b>870</b>	<b>705</b>

Board fees for 2012-2013:

Chairman of the board: 250,000 NOK

Board members: 125,000 NOK

Audit committee: 40,000 NOK

Board fees for 2013-2014 are subject to approval by the Annual General Meeting in May 2014.

## NOTE 9 Other current liabilities

000 USD

	<b>2013</b>	<b>2012</b>
Liabilities, group companies	0	126
Other current liabilities	208	279
<b>Sum other current liabilities</b>	<b>208</b>	<b>406</b>

## NOTE 10 Income tax

000 USD

<b>Income statement</b>	<b>2013</b>	<b>2012</b>
Current income tax	2,015	174
Movement in deferred tax	2,109	-536
Movement in deferred tax due to changes in tax rates	83	0
<b>Sum income tax</b>	<b>4,207</b>	<b>-361</b>
<b>Basis for taxation, parent company</b>	<b>2013</b>	<b>2012</b>
Earnings before tax in functional currency USD	8,932	2,581
FX variations between functional currency and tax currency	6,416	-6,238
Income and expenses not subject to taxation	-122	2,011
Movement in temporary differences	-8,326	10,922
Movement in tax rates for temporary differences	307	0
Utilisation of retained losses	0	-8,653
<b>Basis for taxation</b>	<b>7,207</b>	<b>623</b>
<b>Tax payable</b>	<b>2,015</b>	<b>174</b>

## NOTE 11 Deferred tax

000 USD

<b>Temporary differences, parent company</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>Change</b>
Financial liabilities	1,011	5,392	-4,381
Receivables	-9,129	-5,183	-3,946
<b>Sum temporary differences</b>	<b>-8,117</b>	<b>209</b>	<b>-8,326</b>
Tax rate	27%	28%	27% / 28%
<b>Deferred tax</b>	<b>-2,192</b>	<b>58</b>	<b>-2,250</b>

## NOTE 12 Share capital and shareholders

000 USD

Share capital and nominal value	31.12.2013	31.12.2012
Shares issued	19,224,922	19,224,922
Nominal amount	0.40	0.40
<b>Share capital</b>	<b>7,689,969</b>	<b>7,689,969</b>

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

Treasury shares	2013	2012
Per 1 January	21,799	1,881,112
Purchased in the period	700,000	21,799
Sold in the period	0	0
Deleted in the period	0	-1,881,112
<b>Per 31 December</b>	<b>721,799</b>	<b>21,799</b>
<b>Average no of treasury shares in the period</b>	<b>539,607</b>	<b>185,732</b>

The shares in 2012 were acquired at a total of USD 47K (including commission).

The shares in 2013 were acquired at a total of USD 2,239K (including commission).

The purpose of the purchase of treasury shares is to provide flexibility in terms of financing possible acquisitions and other transactions.

NOK

20 largest shareholders as of 31 December 2013	Type	Country	Shares	%
SEB PRIVATE BANK S.A. (EXTENDED)	NOM	LUXEMBURG	2,276,802	11.8 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	2,057,130	10.7 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	UK	1,257,971	6.5 %
CREDO EIENDOM A/S			770,288	4.0 %
STORM REAL ESTATE ASA			721,799	3.8 %
DEUTSCHE BANK AG	NOM	UK	709,759	3.7 %
AS BJØRGVIN			579,675	3.0 %
FINANSFORBUNDET			416,650	2.2 %
ØRN NORDEN AS			348,060	1.8 %
AS BANAN			301,338	1.6 %
AUBERT VEKST AS			250,000	1.3 %
STIG AS			225,615	1.2 %
TDL AS			182,250	0.9 %
ALLUM GERD NINNI			181,250	0.9 %
MOTOR-TRADE EIENDOM OG FINANS AS			180,000	0.9 %
NORDENFJELSKA BYKREDITTS STIFTEL			180,000	0.9 %
LANGBERG INGRID MARGARETH			173,750	0.9 %
IJA EIENDOM AS			157,500	0.8 %
ALBION HOLDING AS			155,250	0.8 %
SVENSKA HANDELSBANKEN LUX	NOM	LUXEMBURG	150,000	0.8 %
OTHER SHAREHOLDERS			7,949,835	41.4 %
<b>Sum</b>			<b>19,224,922</b>	<b>100.0 %</b>

\* NOM = Nominee investor owning shares on behalf of clients.

Shares held by board members	Aksjer	%
Morten E. Astrup via Aconagua Management Ltd, Storm Nordic Fund and Ørn Norden AS	3,865,083	20.1 %
Kim Mikkelsen via Strategic Investments A/S	2,057,130	10.7 %
Stein Aukner via Banan AS and Aukner Holding AS	326,338	1.7 %
Christopher W. Ihlen via Kevlar AS	12,500	0.1 %
<b>Sum</b>	<b>6,261,051</b>	<b>32.6 %</b>

## Shares held by management

Management hold indirect holdings in the company by means of investments in Storm Nordic Fund.

This relates to Einar Pedersen (General manager), plus Morten E. Astrup and Erik M. Mathiesen, partners at the management company, Storm Capital Management Ltd. Erik M. Mathiesen also held 114,316 shares directly at 31 December 2013.

## NOTE 13 Related party transactions

The Group has a management agreement with Storm Capital Management Ltd. and Surfside Ventures Ltd. On Asset Management and administrative services. Board member Morten E. Astrup is a shareholder in Surfside Ventures Ltd. and controls Storm Capital Management Ltd through the above mentioned company.

According to the management agreement the fee is split with 25% payable to Surfside Ventures and 75% to Storm Capital Management. The fee is calculated based on 2% of value-adjusted equity, calculated annually at 31 December.

	USD	
<b>Transactions with</b>	<b>2013</b>	<b>2012</b>
Storm Capital Management Ltd.	1,252	1,320
Surfside Ventures Ltd.	389	411
Tiberton Yard Ltd	354	288
<b>Sum related party transactions</b>	<b>1,994</b>	<b>2,018</b>

The balance againts related parties other than group companies were nil as of 31 December 2013 and 31 December 2012.  
The parent had the following balances against group companies:

<b>Current receivables</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Tiberton Yard Finance Ltd	23,210	21,314
Tiberton Yard Ltd	460	26,720
Tiberton Yard Holding 2 Ltd	40	80
Storm Real Estate Ltd	57	6
Pete Ltd	2,118	1,634
<b>Sum current receivables from related parties</b>	<b>25,886</b>	<b>49,754</b>
<b>Non-current receivables</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Tiberton Yard Finance Ltd	67,500	67,500
Tiberton Yard Ltd	16,606	0
Pete Ltd	8,162	8,162
<b>Sum non-current receivables from related parties</b>	<b>92,268</b>	<b>75,662</b>

## 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 2013 calendar year as at 31 December 2013.

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 2013. 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 2013.

To the best of our knowledge:

- the consolidated financial statements and the Parent Company financial statements for 2013 have been prepared in accordance with applicable accounting standards;
- the information in the financial statements gives a true and fair view of the assets, liabilities, financial position and results for the Group and the Parent Company as at 31 December 2013;
- 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, 4 April 2014

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



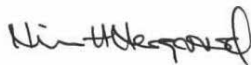
Stein Aukner  
Chairman



Morten E. Astrup  
Board member



Kim Mikkelsen  
Board member



Nini E.H. Nergaard  
Board member



Fredrikke Aaeng  
Board member



Einar Pedersen  
General Manager





# Auditor's report



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av den norske revisorforening

To the Annual Shareholders' Meeting of  
Storm Real Estate ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Storm Real Estate ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Managing Director's responsibility for the financial statements*

The Board of Directors and Managing Director are 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 statement 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 the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



*Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of Storm Real Estate ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements of the Group*

In our opinion, the financial statements of Storm Real Estate ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**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 Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the 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 the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 4 April 2014  
ERNST & YOUNG AS

Asbjørn Rødal  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)









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