

Q1

Storm Real Estate ASA
Interim Report
January – March 2014



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

Highlights

All numbers in mill USD

	Q1 2014	Q1 2013
Total Comprehensive Income	0,9	1,4

Major items:

NOI from investment property	2,5	2,3
Value change investment property	-1,9	0,2
Value change real estate shares	3,2	1,6
Other operating expenses	-0,8	-0,8
Return on funds and other liquid investments	0,6	0,6
Borrowing costs	-0,7	-0,9
Value change on contract- and interest derivatives	-0,3	0,9
Taxes	-1,5	-2,4

Return ratios

	Return on Equity ⁽¹⁾	Total Shareholder Return ⁽²⁾
Last 1 year	3,3%	16,0%
Last 3 years (annualised)	2,6%	8,0%
Last 5 years (annualised)	7,0%	29,6%

(1) Return on Equity = Total Comprehensive Income / average equity for the same period

(2) Total Shareholder Return = Movement in share price, dividend adjusted.

The share was listed on Oslo Stock Exchange in June 2010. Before listing the share was traded OTC.



Financial overview

(all following numbers are in USD)

Summary

The recent media coverage has been dominated by the political situation between Russia and Ukraine. The situation is still considered unresolved. It is unclear what impact this could have on Storm Real Estate's investments, but the Board considers that this gives a higher risk profile for the company's exposure to Russia than before. The Board is working on measures to reduce risks related to Russia.

The company had a Total Comprehensive Income of 0.9 million Q1 2014, compared with 1.4 million for the same period in 2013.

Income from investment property in Russia was 3.2 million for the quarter, while operating costs were 0.7 million. This resulted in a net operating income from the properties of 2.5 million, an increase of 0.2 million from the same quarter in 2013 (2.3 million).

The Company had an unrealized increased value on the investment in TK Development A/S of 3.2 million in Q1, after the share price rose by approx. 27%. The carrying amount of the investment as at 31 March was 15.4 million.

From other investments in shares and funds, mainly Storm Bond Fund, it is recorded an value increase of a total of 0.6 million. The carrying value of these investments as at 31 March was 16.1 million.

Borrowing costs amounted to 0.7 million in Q1, compared with 0.9 million in the same period last year. Of this, 0.5 million was loan interest (2013: 0.5 million) and 0.2 million was net interest on interest rate swaps (2013: 0.4 million).

Taxes in the group are high in periods when the Russian rouble falls against the US dollar, because the investment properties are worth more in local currency. The Russian rouble fell significantly against the U.S. dollar during the period, and therefore there has been a value increase measured in roubles. With this follows an increase in deferred tax. In Q1, this effect was 1.1 million in increased deferred tax. In addition, there was 0.2 million in withholding tax on dividends from Russian subsidiaries. Total tax expense for the quarter was 1.5 million (Q1 2013: 2.4 million).

Appreciating USD against roubles can also make it more expensive for some tenants to pay their rent in USD.

Property values are adjusted down by 1.9 million Q1 in accordance with valuations from an independent valuer, Cushman & Wakefield. This is related to a somewhat weaker market for commercial property in Moscow and St Petersburg.

According to international accounting standards (IFRS), this amount are to be split over two separate posts, explained by the following:

The Russian subsidiaries which own the buildings have Russian roubles as functional currency. According to IFRS, only the part of the fair value adjustment which can be attributed to RUB is presented over the Income Statement. The effect of currency exchange movements between RUB and USD is presented as Other Comprehensive Income and is included in the term Total Comprehensive Income. We perceive Total Comprehensive Income as the most relevant measure of the company's profit. In every quarter we present an explanatory statement of the fair value adjustment:

Change in value, mill USD	3M 2014	3M 2013
Over Income Statement	+5,4	+1,7
Translation Differences over Other Comprehensive Income	-7,3	-1,5
Sum Value Adjusted Properties	-1,9	+0,2

Statement of financial position

The property values are 101.2 million in accordance with valuations from an independent valuer, Cushman & Wakefield.

The company had 15.4 million invested in TK Development A/S which is classified as a long-term investment. In addition, the company had 16.1 million in short-term shares, bonds and funds as at 31 March 2014, and the cash balance was 6.3 million.

The group has accrued for 10.1 million in deferred tax. This is largely related to deferred tax linked to value changes from the investment properties in Russia after acquisition.

The company's NAV per share measured in NOK as at 31 March was 25.73 NOK.

The board has proposed to the Annual General Meeting on 7 May 2014 to distribute a dividend of 1.60 NOK per share.

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

Oslo, 6 May 2014

The Board of Directors, Storm Real Estate ASA

The company's investment areas

Market commentary Russia

Macro snapshot

All eyes were on Russia during the first three months in 2014. In February Russia staged the Olympic Games in Sochi, followed by the political turmoil surrounding the Crimean peninsula in March. This caused the pendulum to swing slightly from increasing Russia's position as a country with attractive investment opportunities to a country with increased perceived risk.

It is unclear what effect the international sanctions against Russia will have on the Russian economy. The Russian Government is forecasting growth in gross domestic product (GDP) of 2.5%, but several large investment banks have downgraded expectations for GDP growth of approx. 2% to 1%.

Russian rouble has fallen significantly over the period. Over the past 12 months the rouble fell 16% against USD and 14% against EUR, but most of this decline came in the 1st quarter of 2014. Devaluation of the rouble is expected to lead to higher inflation, which in turn may contribute to reduced growth. Private consumption has been a strong driver of Russian growth in recent years, and if private consumption weakened, this could put a damper on growth.

Unemployment is at 5.6% and is one of the strongest elements of the Russian economy.

The real estate market

Approximately 8 billion USD was invested in commercial real estate in Russia in Q1 2014. It is substantially less than the same period last year, but last year there were some very large transactions.

Within the office property market in Moscow most indicators point down. A total of 290,000 m² was registered as purchased or let during this period, which is 29% lower than the same period last year. The vacancy rate increased with 0.5 percentage points to 12.7% for the market overall. In Class A the vacancy rate is 20.9% and in Class B 10.6%.

Leases signed in Q1 2014 were signed at lower levels than at year-end 2013, while yield increased with 0.25 percentage points to 8.75%.

In St. Petersburg the trend is the same. Average rents are down 11% from last quarter, driven especially by the large exchange rate fluctuations in the quarter. The vacancy rate is somewhat down for Class B buildings by 1.1%. The vacancy rate for Class A buildings are up 0.2%.

Shares in TK Development A/S

Storm Real Estate hold 10.5% of the shares in TK Development A/S at 31 March 2014, to a value of 83.4 million DKK (15.4 million USD).

In Q1 2014 TK Development A/S announced two sales. The company's 75% interest (share) in Fashion Arena Outlet (25.000 m²) in the Czech Republic is sold to Meyer Bergman. The price for the whole center estimated to 71.5 million EUR. The Alfa Laval office project in Aalborg (6.000 m²) is sold to PensionDanmark for 126.1 million DKK.

TK Development published its annual report for 2013/14 (accounting year ending 31 January).

The company reported a loss of 49 million DKK in fiscal year 2013/14. Excluding discontinued operations, the company reported a profit before tax of 3.9 million DKK, compared with a loss of 272.3 million the year before.

NAV per share was DKK 15.80 at the end of the financial year. By comparison, the marked price of the company as of 31 March 2014 was DKK 8.10, representing a discount of approximately 50% of book value. Storm Real Estate's average cost is DKK 7.96 DKK per share at 31 March 2013.

Sources market information Russia: Knight Frank, Cushman & Wakefield, Jones Lang Lasalle

Consolidated Statement of Comprehensive Income

Numbers in 000 USD	Note	Q1 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
Rental Income	3	3,246	3,123	12,901
Total Income		3,246	3,123	12,901
Property related Expenses	3	717	795	2,832
Personnel Expenses		155	167	749
Other Operational Expenses		595	667	2,365
Total Operational Expenses		1,467	1,629	5,946
Operating Profit (Loss) Before Fair Value Adjustments		1,778	1,494	6,955
Fair Value Adjustments on Investment Property	3	5,414	1,727	8,220
Total Operating Profit (Loss)		7,192	3,221	15,175
Finance Revenues	5	3,918	3,253	7,314
Finance Expenses	5	-998	-894	-4,166
Currency Exchange Gains (Losses)	5	-232	-168	342
Net Financial Gains (Losses)		2,688	2,191	3,490
Earnings before Tax (EBT)		9,880	5,412	18,665
Income Tax Expenses	7	1,534	2,419	7,475
Profit (Loss) for the Period		8,346	2,994	11,190
Other Comprehensive Income:				
<i>OCI to be reclassified to profit or loss in subsequent periods:</i>				
Currency Effect of Net Investments in Foreign Operations		-1,239	-257	-1,566
Tax Effect of Net Investments in Foreign Operations		124	26	157
Translation Differences		-6,381	-1,352	-6,638
Sum Other Comprehensive Income		-7,496	-1,583	-8,048
Total Comprehensive Income for the Period		850	1,411	3,142
Average Number of Shares (Excluding Treasury Shares)		18,384,123	19,203,123	18,685,315
Earnings per share (USD)		0.45	0.16	0.60
Total Comprehensive Income per share (USD)		0.05	0.07	0.17

Consolidated Statement of Financial Position

Numbers in 000 USD	Note	31.03.2014 Unaudited	31.12.2013 Audited
Investment Property	3	101,200	103,100
Financial Investments		15,408	12,176
PP&E		20	5
Intangible assets		0	1
Financial Derivative Assets	4	1	53
Total Non-Current Assets		116,629	115,335
Financial Investments	4	16,111	16,223
Other Receivables	10	668	639
Cash and Cash Equivalents	4	6,276	6,362
Total Current Assets		23,055	23,225
Total Assets		139,685	138,561
Share capital		1,296	1,296
Share Premium		21,036	21,036
Treasury Shares		-60	-50
Other Paid-in Equity		61,734	61,734
Total Paid-in Equity		84,005	84,016
Other Equity		-5,152	-5,578
Total Other Equity		-5,152	-5,578
Total Equity		78,853	78,437
Loans From Credit Institutions	4	41,735	42,364
Deferred Tax Liabilities		10,147	9,522
Financial Derivative Liabilities	4	1,492	1,011
Other Long-term Liabilities		63	100
Total long term liabilities		53,437	52,997
Trade Payables		150	96
Loans from Credit Institutions	4	2,606	2,606
Other Short-term Payables	9	4,640	4,426
Total short term liabilities		7,396	7,128
Total Liabilities		60,833	60,125
Total Equity and Liabilities		139,685	138,561

Consolidated Statement of Cash Flow

Numbers in 000 USD	Q1 2014 Unaudited	Q1 2013 Unaudited
Cash Flow from Operational Activities		
Earnings before Tax	9,880	5,412
<i>Adjusted for:</i>		
Depreciations	2	7
Value Adjustments on Investment Property	-5,414	-1,727
Financial Income	-3,918	-2,314
Financial Expenses	998	-45
Net Currency Gains	76	-1,191
Cash Flow Before Changes in Working Capital	1,624	142
<i>Changes in Working Capital:</i>		
Trade Receivables and Other Receivables	-31	-861
Trade Payables and Other Payables	22	-111
Paid Taxes	-766	-272
Net cash flow from operational activities	849	-1,102
Cash Flow From Investment Activities		
Outflows from Investments in Financial Securities	-818	-7,354
Inflows from Investments in Financial Securities	1,784	1,755
Interest Received	49	57
Net Cash Flow From Investment Activities	1,015	-5,543
Cash Flow From Financing Activities		
Repayments of Loans	-651	-651
Net Purchase of Treasury Shares	-434	0
Interest Paid	-698	-858
Net Cash flow From Financing Activities	-1,783	-1,509
Net Change in Cash and Cash Equivalents	81	-8,153
Carried Forward Cash and Cash Equivalents	6,362	15,099
Currency Exchange Variation on Cash and Cash Equivalents	-166	33
Cash and Cash Equivalents on Closing Date	6,276	6,979
Of which restricted Cash and Cash Equivalents	372	372

Consolidated Statement of Changes in Equity

	Paid-in Equity				Other Equity			Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Treasury Shares	Retained Earnings	Translation Differences on Foreign Operations		
1 January 2013	1,296	21,036	61,734	-1	4,776	-8,122		80,719
Profit (Loss) for the Period					2,994			2,994
Other Comprehensive Income						-1,583		-1,583
<i>Sum</i>	0	0	0	0	2,994	-1,583		1,411
31 March 2013	1,296	21,036	61,734	-1	7,770	-9,706		82,130

	Paid-in Equity				Other Equity			Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Treasury Shares	Retained Earnings	Translation Differences on Foreign Operations		
1 January 2014	1,296	21,036	61,734	-50	10,592	-16,171		78,437
Profit (Loss) for the Period					8,346			8,346
Treasury Shares				-10	-424			-434
Other Comprehensive Income						-7,496		-7,496
<i>Sum</i>	0	0	0	-10	7,922	-7,496		416
31 March 2014	1,296	21,036	61,734	-60	18,514	-23,666		78,853

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited)

1. Corporate Information

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

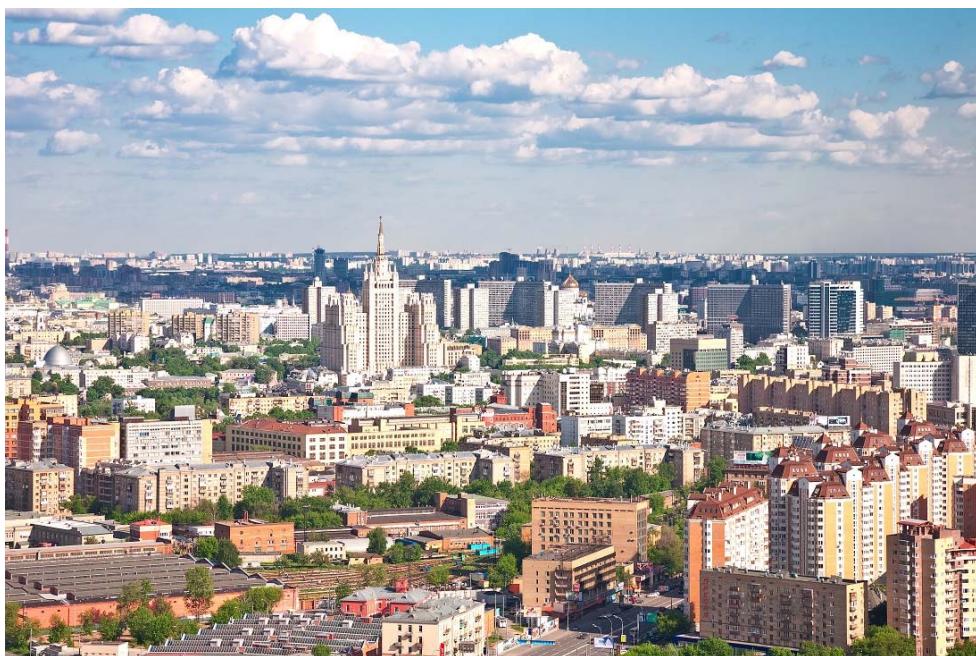
2. Basis of Preparation and Accounting Policies

Basis of Preparations

The interim financial statements for the period ending 31 March 2014 are prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement of 2013. The interim financial statements are unaudited. The interim financial statement was approved by the Board of Directors on 6 May 2014.

Accounting Principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for 2013. All notes are in '000 USD except where otherwise indicated



3. Investment property

Value	31.03.2014	31.12.2013
Per 1 January	103,100	102,700
Value Adjustment *	-1,900	400
Value per Closing Date	101,200	103,100

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

The fair value changes has two elements:

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

The two effects are presented separately below:

	3M 2014	3M 2013
Change in RUB over Income Statement	5,414	1,727
Translation Differences over Comprehensive Income	-7,314	-1,527
Net Change in Fair Value	-1,900	200

	3M 2014	3M 2013
NOI from Properties		
Rental Income	3,246	3,123
Direct Property Related Expenses	717	795
NOI from Properties	2,528	2,328

NOI %	78%	75%
Annualised yield (NOI / Fair Value)	10.0 %	9.0 %

Variables for Independent Valuations	Moscow		St Petersburg	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount Rate	11.25%	11.00%	12.25%	12.00%
Yield (cap. rate)	10.25%	10.00%	10.25%	10.00%
Market rates, \$/sq.m	700	700	390	400
Estimated Rate Growth Year 1	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 2	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 3	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 4	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 5	3.0%	3.0%	2.0%	2.0%
Estimated Rate Growth Year 6	3.0%	3.0%	2.0%	2.0%

4. Financial Assets and Liabilities

Investments in financial securities	31.03.2014	31.12.2013
Value as at 1 January	28,400	25,485
Additions	809	11,864
Disposals	-1,783	-9,460
Change in Fair Value	3,842	1,770
Change in Currency *	252	-1,260
Value at Closing Date	31,519	28,400

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

Other Financial Assets and Liabilities	31.03.2014	31.12.2013
Cash and Cash Equivalents	6,276	6,362
Financial Investments	31,519	28,400
Embedded Derivatives	1	14
Interest Rate Swaps	-1,256	-1,011
Currency Derivatives	-237	39
Bank Loan	-44,341	-44,970
Total Financial Assets and Liabilities	-8,037	-11,166

Embedded Derivatives

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

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

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

Interest Rate Swap

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

Currency Derivatives

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

Bank Loan

The parent company has two loans to finance its properties. The loans are secured with pledge in investment properties, and are repaid in quarterly instalments. The first loan (Gasfield) started in September 2008. The second loan started in June 2011. Loans are presented in the statement of financial position at amortised cost, and repayments within 12 months are presented as short-term liability.

	31.03.2014	31.12.2013
Long-term Liability	41,735	42,364
Short-term Liability	2,606	2,606
Total Loan at Amortised Cost	44,341	44,970

4. Financial Assets and Liabilities (continues)

Fair value hierarchy

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

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

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

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

Financial assets measured at fair value	Level 1	Level 2	Level 3	Sum
Held-for-trading investments: quoted shares	15,408			15,408
Held-for-trading investments: investment funds	16,111			16,111
Embedded derivatives		1		1
Sum financial assets measured at fair value	31,519	1	0	31,520

Financial liabilities measured at fair value	Level 1	Level 2	Level 3	Sum
Interest rate swaps		1,256		1,256
Forward currency contracts		237		237
Sum financial assets measured at fair value	0	1,492	0	1,492

Sammenligning per klasse

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

	Carrying amount		Fair value	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Financial assets				
Financial assets	5	13	5	13
Other receivables	663	625	663	625
Derivative financial assets at fair value	1	53	1	53
Held-for-trading financial investments	31,519	28,400	31,519	28,400
Cash and cash equivalents	6,276	6,362	6,276	6,362
Sum	38,464	35,453	38,464	35,453
Financial liabilities				
Interest-bearing loans and borrowings	44,341	44,970	44,557	45,208
Trade liabilities	150	95	150	95
Derivative financial liabilities at fair value	1,492	1,011	1,492	1,011
Other current liabilities	4,640	4,426	4,640	4,426
Sum	50,623	50,502	50,839	50,741

5. Finance Income and Costs

	3M 2014	3M 2013
Currency		
Currency Gain	275	1,071
Currency Loss	-507	-1,240
Net Currency Gain (Loss)	<u>-232</u>	<u>-168</u>
Finance Revenues		
Interest Revenue	47	106
Fair Value Adjustment, Financial Investment	3,842	2,209
Fair Value Adjustments, Derivatives	0	938
Other Financial Revenues	29	0
Sum	<u>3,918</u>	<u>3,253</u>
Finance Cost		
Interest Costs	-731	-833
Fair Value Adjustments, Derivatives	-262	0
Other Finance Gains (Loss)	-5	-61
Sum	<u>-998</u>	<u>-894</u>
Net Finance Gains (Losses)	<u>2,688</u>	<u>2,191</u>

6. Shareholder Information

20 Largest Shareholders as at 31 March 2014:

Shareholder	Type *	Country	Shares	%
DNB LUXEMBOURG S.A.	NOM	LUXEMBOURG	2,581,775	13.43%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	2,416,891	12.57%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	UK	1,257,971	6.54%
STORM REAL ESTATE ASA			879,299	4.57%
DEUTSCHE BANK AG	NOM	UK	709,759	3.69%
AS BJØRGVIN			579,675	3.02%
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	UK	529,600	2.75%
AS BANAN			476,338	2.48%
FINANSFORBUNDET			416,650	2.17%
ØRN NORDEN AS			348,060	1.81%
AUBERT VEKST AS			281,000	1.46%
STIG AS			225,615	1.17%
S. UGELSTAD INVEST AS			191,095	0.99%
TDL AS			182,250	0.95%
ALLUM GERD NINNI			181,250	0.94%
MOTOR-TRADE EIENDOM OG FINANS AS			180,000	0.94%
LANGBERG INGRID MARGARETH			173,750	0.90%
ALBION HOLDING AS			155,250	0.81%
SVENSKA HANDELSBANKEN AB FOR PB	NOM		150,000	0.78%
SKARET INVEST AS			125,000	0.65%
ØVRIGE AKSJONÆRER			7,183,694	37.37%
SUM			19,224,922	100.00%

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

Treasury Shares

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

	31.03.2014	31.12.2013
Treasury Shares as of January 1st	721,799	21,799
Net Purchase of Treasury Shares	157,500	700,000
Treasury Shares at Closing Date	879,299	721,799

7. Tax Expenses

Income Taxes in the Income Statement	3M 2014	3M 2013
Current Income Tax Expense	768	905
Deferred Income Tax	767	1,514
Total Tax Expense for Period	1,534	2,419

8. Transactions with Related Parties

	3M 2014	3M 2013
Storm Capital Management Ltd.	298	341
Surfside Ventures Ltd.	93	106
Sum	391	447

9. Other Current Liabilities

	31.03.2014	31.12.2013
Taxes and Duties Payable	2,851	2,605
Advance Rents Received	1,411	1,550
Other Current Liabilities	377	271
Sum	4,640	4,426

10. Other Current Receivables

	31.03.2014	31.12.2013
Taxes and Duties Receivable	253	401
Other Receivable	415	238
Sum	668	639

11. Segment information

Q1 2014	Property shares	Property Russia	Other	Sum Group
Total earnings per segment	3,232	-2,520	138	850
Assets	15,408	103,285	20,990	139,684
Liabilities	0	54,866	5,966	60,832
Net assets	15,408	48,420	15,024	78,852

