

Q1

Storm Real Estate ASA
January – March 2016



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

	3M 2016	3M 2015
Total Comprehensive Income	-2,6	-2,3

Major items:

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

Return ratios

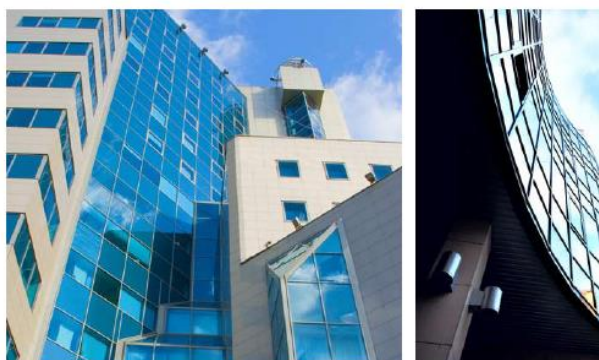
	Return on Equity ⁽¹⁾	Total Shareholder Return ⁽²⁾	NAV per share in NOK ⁽³⁾
The last year (1 year)	-46,9%	-12,6%	-45,6%
The last 3 years (annualised)	-28,3%	-11,8%	-26,2%
The last 5 years (annualised)	-13,6%	-1,9%	-13,0%

(1) Return on Equity = Total Comprehensive Income for the period / brought forward equity for start of the period.

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

The share was listed on Oslo Stock Exchange in June 2010.

(3) NAV per share in NOK = IRR NAV per share, dividend-adjusted.



Financial Information

(all following numbers are in USD)

Highlights

- The company has a total comprehensive loss of -2.6 million USD in Q1 2016, compared with the figure of -2.3 million USD for the same period in 2015.
- Investment property in Russia has been written down by 0.3 million USD, in accordance with valuations from independent valuer Cushman & Wakefield.
- Revenues from investment properties in Russia were 1.4 million USD in Q1 2016, compared with 2.7 million USD for the same period in 2015. Over the last year there have been agreed reductions in rent level to anchor tenant in the Gasfield building. In 2015 the company also had income from the Grifon building, sold in 2015.
- The share price in TK Development decreased by 11% in Q1 2016 and brought a valuation loss of 1.5 million USD. The position was a long-term strategic investment and therefore not currency hedged. The Danish Krone strengthened approximately 4% against the US dollar in the quarter, which resulted in a currency gain of 0.6 million USD in this period.
- After the closing date, the company has also sold its entire shareholding of its investment in TK Development. After the sale, the company has direct ownership in investment properties in Russia. The proceeds from the sale will be used to increase the company's working capital and the board has also proposed to distribute dividends to the company's shareholders.
- The value of the investments in bonds and funds are circa unchanged in Q1 2016.
- Borrowing costs were 0.6 million USD in the quarter (2015: 0.8 million USD), including interest rate swap agreements.
- Storm Real Estate ASA has in Q1 2016 sold its entire shareholding in Storm Bond Fund.

Accounting for value change on investment property:

In accordance with international accounting standards (IFRS) the movement in value of investment property are split over two separate posts, explained by the following: Our 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 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, million USD	3M 2016	3M 2015
Over income statement	-0.4	-5.0
Translation difference over Other Comprehensive Income	+0.1	-0.64
Sum Value Adjustments properties	-0.3	-5.6

Balance sheet

- The investment property Gasfield is recorded at 36.7 million USD. The building's valuation in accordance with valuation obtained from an independent values is 34.4 million USD. In addition, values of contract derivatives and land leases are recognised with 2.3 million USD.
- On the closing date, the company has 11.7 million invested in TK Development A/S. In addition, the company has 2.3 million in short term investments in bonds and cash and cash equivalent of 1.8 million USD.
- The group has made provisions of 5.0 million in deferred tax. This is largely related to value adjustments on investment properties in Russia after acquisition date, and measured in local currency. Deferred tax could become payable on a potential realisation of the buildings, while a potential realisation of shares in the property-owning subsidiaries could result in lower tax or no taxes.
- The company's NAV per share in NOK 31 March 2016 is 8.74 kr.

The company's risk is still considered high due to the company's exposure to Russia. The situation in Russia is still very demanding. Large vacancy combined with short leases in our buildings could lead to lower future income.

The business risks are otherwise roughly the same as those described in the company's annual report for 2015.

Oslo, 25. May 2016,

The Board of Directors, Storm Real Estate ASA

The Company's Investment areas

Market commentary Russia

Macro snapshot

- Russia is still in recession. Market experts estimate negative growth also in 2016.
- The Russian rouble was weak in Q1 2016, but has after quarter end slightly strengthened, together with an increase in the oil price.
- Inflation is down from 16.9% at the end of first quarter 2015, to 7.3% by the end of first quarter 2016.
- Unemployment has slightly increased from 5.8% at year end to 6.0% at the end of first quarter 2016.

Real Estate Market

- Approximately 2.6 billion USD was invested in commercial real estate during first quarter 2016. For comparison the invested volume for the whole of 2015 was 2.8 billion USD.
- Of the investments made, approximately 2.4 billion USD were made by domestic investors, and 0.2 billion USD by foreign investors.
- During the quarter, 63,000 m² of office buildings were completed in Moscow. No Class A buildings were completed in this period.
- The vacancy in class B buildings is approx. 16.3%. For class A buildings the vacancy is approx. 29%. For the overall market the vacancy is 19.3%.
- Registered rent levels showed a declining trend during the first quarter.
- It is a trend that tenants seek rental agreements in roubles instead of US dollar. 94% of observed rental agreements were contracted in roubles during first quarter. Storm Real Estate has also increased their rouble exposure during the last year which has resulted in lower revenues in USD.

Investment in TK Development A/S

- Storm Real Estate own 11.1% of the shares in TK Development A/S at 31. March 2016, with a value of 76.6 million DKK (11.7 million USD).
- TK Development published annual report for 2015/2016 on 1.april 2016 (TK's accounting year ends 31 January).
- The company reported earnings before tax of -190.0 million DKK against -17.4 million DKK for the same period last year (excluding discontinuing operations).
- This includes impairment losses of 194.6 million DKK.
- TK Development has published a change in its strategy by focusing on real estate development in Denmark, Sweden and Poland.
- The asset management segment of the business will be sought to be sold within a three to five year period.
- NAV per share is reported at DKK 13.10 per share. For comparison, Storm Real Estate's average cost price on the shares was DKK 8.00 per share as at 31 March 2016.
- The market price of the share at 31 March 2016 was DKK 7.05, representing a discount of approximately 46% of NAV.

Investments in funds and bonds

- Storm Real Estate ASA held investments in bonds with exposure to real estate at the end of first quarter.
- The company has in the first quarter sold its entire shareholding of its investment in Storm Bond Fund.
- The return for the first quarter was approximately unchanged.

Sources market information Russia: Cushman & Wakefield, Trading Economics, Ministry of Economic Development
Sources TK Development A/S: Company's quarter reports/annual report and company announcements.

Consolidated Statement of Comprehensive Income

All numbers in 000 USD	Note	Unaudited Q1 2016	Unaudited Q1 2015	Audited 2015
Rental Income	3	1,438	2,736	10,365
Total Income		1,438	2,736	10,365
Property related Expenses	3	-286	-445	-1,710
Personnel Expenses		-194	-129	-451
Other Operational Expenses		-415	-426	-1,385
Total Operational Expenses		-895	-1,000	-3,546
Operating Profit (Loss) Before Fair Value Adjustments		543	1,736	6,819
Fair Value Adjustments on Investment Property	3	-396	-4,991	-7,461
Total Operating Profit (Loss)		147	-3,255	-643
Finance Revenues	5	61	2,975	264
Finance Expenses	5	-2,731	-1,293	-3,841
Sale of subsidiary		0	0	-1,810
Currency Exchange Gains (Losses)	5	415	-2,064	-1,102
Net Financial Gains (Losses)		-2,255	-382	-6,490
Earnings before Tax (EBT)		-2,108	-3,637	-7,133
Income Tax Expenses	7	-110	-1,472	-2,339
Profit (Loss) for the Period		-1,998	-2,165	-4,794
Other Comprehensive Income:				
<i>OCI to be reclassified to profit or loss in subsequent periods:</i>				
Translation Differences		-614	-114	-11,993
Sum Other Comprehensive Income		-614	-114	-11,993
Total Comprehensive Income for the Period		-2,612	-2,278	-16,787
Average Number of Shares (Excluding Treasury Shares)		18.345.623	18.345.623	18.345.623
Earnings per share (USD)		-0,11	-0,12	-0,26
Total Comprehensive Income per share (USD)		-0,14	-0,12	-0,92

Consolidated Statement of Financial Position

All numbers in 000 USD	Note	31.03.2016	31.12.2015
Investment Property	3	36,711	38,950
Financial Investments	4	11,704	12,641
PP&E		20	20
Sum Fixed Assets		48,436	51,611
Financial investments	4	2,256	4,651
Other Receivables	10	468	387
Cash and Cash Equivalents	4	1,807	1,703
Total Current Assets		4,531	6,741
Total Assets		52,966	58,352
Share Capital		1,236	1,236
Share Premium		21,036	21,036
Other Paid-in Equity		56,763	56,763
Total Paid-in Equity		79,035	79,035
Other equity		-59,880	-57,036
Total other equity		-59,880	-57,036
Total Equity		19,388	22,000
Loans From Credit Institutions	4	20,113	0
Deferred Tax Liabilities		5,063	4,513
Financial Derivative Liabilities	4	2,121	817
Other Long-term Liabilities		185	321
Total long term liabilities		27,481	5,651
Trade Payables		10	58
Financial Derivative Liabilities		2,143	4,450
Loans from Credit Institutions	4	2,366	24,707
Other Short-term Payables	9	1,578	1,486
Total short term liabilities		6,096	30,700
Total Liabilities		33,577	36,351
Total Equity and Liabilities		52,966	58,352

Consolidated Statement of Cash Flow

All numbers in 000 USD	Q1 2016	Q1 2015	2015
Cash Flow from Operational Activities			
Earnings before Tax	-2,108	-3,637	-7,133
<i>Adjusted for:</i>			
Depreciations	1	2	8
Value Adjustments on Investment Property	396	4,991	7,461
Financial Income	1,422	-2,975	87
Financial Expenses	1,248	1,293	3,490
Gain/Loss on disposal of subsidiary	0	0	1,810
Net Currency Gains	-512	2,132	1,337
Cash Flow Before Changes in Working Capital	447	1,807	7,061
<i>Changes in Working Capital:</i>			
Trade Receivables and Other Receivables	-80	-401	123
Trade Payables and Other Payables	3	3,199	-577
Paid Taxes	-226	-811	-2,339
Net Cash Flow From Operating Activities	144	3,794	4,268
Cash Flow From Investment Activities			
Outflows from Investments in Financial Securities	0	0	-3,179
Inflows from Investments in Financial Securities	2,644	1,022	5,365
Sale of subsidiary, net of cash	0	0	12,615
Interest Received	57	54	248
Net Cash Flow From Investment Activities	2,702	1,076	15,049
Cash Flow From Financing Activities			
Repayments of Loans	-2,233	-651	-17,822
Changes in Other Long-term Liabilities	0	0	-663
Interest Paid	-595	-758	-3,225
Net Cash flow From Financing Activities	-2,828	-1,410	-21,710
Net Change in Cash and Cash Equivalents	17	3,460	-2,393
Carried Forward Cash and Cash Equivalents	1,703	3,922	3,922
Currency Exchange Variation on Cash and Cash Equivalents	88	277	174
Cash and Cash Equivalents on Closing Date	1,807	7,658	1,703
Of which restricted Cash and Cash Equivalents	238	372	238

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 2015	1,236	21,036	56,763	0	26,399	-66,649	38,786
Profit (Loss) for the Period					-2,165		-2,165
Other Comprehensive Income						-114	-114
Sum	0	0	0	0	-2,165	-114	-2,278
31 March 2015	1,236	21,036	56,763	0	24,234	-66,762	36,508

	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 2016	1,236	21,036	56,763	0	21,605	-78,641	22,000
Profit (Loss) for the Period					-1,998		-2,062
Other Comprehensive Income						-614	-614
Sum	0	0	0	0	-1,998	-614	-2,612
31 March 2016	1,236	21,036	56,763	0	19,607	-79,255	19,388

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENT

(Unaudited)

1. Company 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.

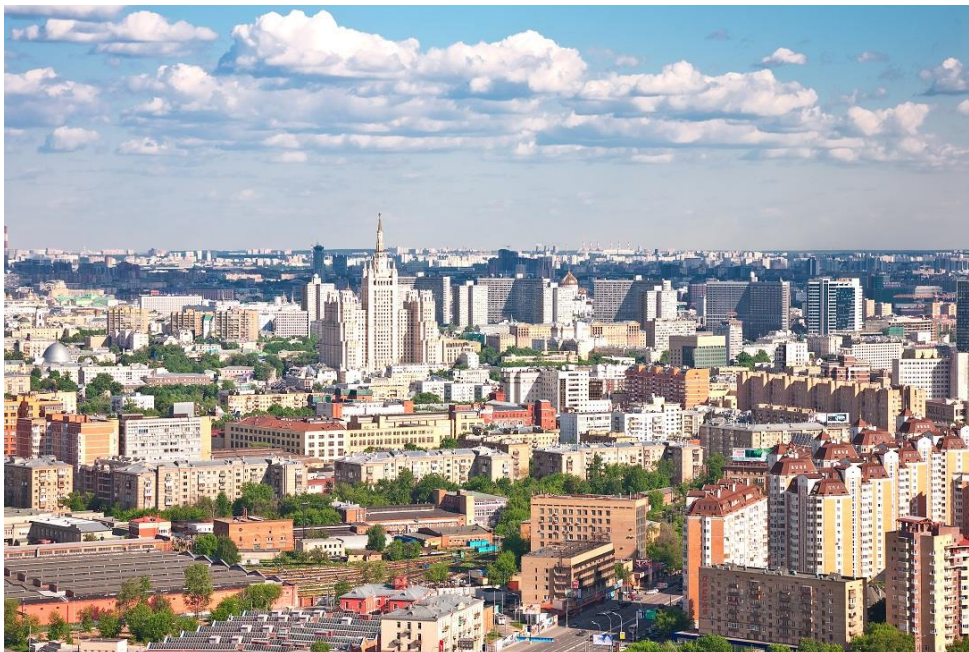
2. Basis of Preparation and Accounting Policies

Basis of Preparation

The interim financial statements for the period ending 31 March 2016 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 2015. The interim financial statements are unaudited. The interim financial statement was approved by the Board of Directors on 25 May 2016.

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 2015. All notes are in '000 USD, except where otherwise indicated.



3. Investment Property

	31.03.2016	31.12.2015
Value as valued by an independent valuer:		
As at 1 January	34,700	69,900
Value Adjustment Investment Property *	-300	-19,000
Disposal Investment Property	0	-16,200
Value per Closing date	34,400	34,700
Other assets recognised as part of Investment Property:		
As at 1 January	4,250	443
Changes in carrying value of land plot lease agreements **	-28	-247
Changes in embedded derivatives contract ***	-1,911	4,054
Value per Closing date	2,311	4,250
Carrying value 01.01	38,950	70,343
Carrying value per Closing date	36,711	38,950

* 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 in the income statement.
- Translation differences in the Group presentation currency (USD) are not allowed in the income statement, and are presented in the statement of comprehensive income.

The two effects are presented separately below:

	3M 2016	3M 2015
Change in RUB over Income Statement	-396	-4,991
Translation Differences over Comprehensive Income	96	-609
Net Change in Fair Value	-300	-5,600
NOI from Properties		
Rental Income	1,438	2,736
Direct Property Related Expenses	286	445
NOI from Properties	1,152	2,291

** The Company has capitalised land plot lease agreements in accordance with IAS 40 *Investment Property* and IAS 17 *Leases*.

*** In 2015 The Company signed an agreement on a lease reduction with the anchor tenant in Moscow. Reduction is in practice done by agreeing a ceiling on exchange rate USD/RUB = 45. This arrangement shall in accordance with IFRS be treated as a financial derivative. This derivative is related to the investment property. The company has recognised a financial liability when USD/RUB at the reporting date was unfavourable. A recognition of this currency derivative has no effect on the net asset value, when the size of the asset and liability are equal (see liability in note 4).

Variables for Independent Valuations	31.03.2016	31.12.2015
Discount Rate	12.50%	12.50%
Yield (cap. rate)	11.50%	11.50%
Market rates, \$/sq.m	300	300

4. Financial Assets and Liabilities

Investments in financial securities:	31.03.2016	31.12.2015
Value as at 1 January	17,291	22,490
Additions	0	3,175
Disposals	-2,643	-5,402
Change in Fair Value	-1,481	-320
Change in Currency *	794	-2,653
Sum on the closing date	13,960	17,291

* Investments in TK Development A/S (DKK) are not currency hedged.

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

Other Financial Assets and Liabilities	31.03.2016	31.12.2015
Cash and Cash Equivalents	1,807	1,703
Financial Investments	13,960	17,291
Embedded Derivatives	-48	35
Interest Rate Swaps	-2,073	-1,401
Embedded derivatives *)	-2,143	-4,054
Bank Loan	-22,479	-24,707
Land plot lease agreements	-168	-154
Total Financial Assets and Liabilities	-11,144	-11,287

*) see note 3 *Investment Property* for a description of the recognised liability of embedded derivatives.

Bank loan

The parent company has one loan to finance its property. The loan is secured with pledge in investment property, Gasfield and is repaid in quarterly instalments. The loan started in September 2008. The loan matures in September 2018 (nominal balance per 31.03.2016 was 22,547k USD).

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 Position, 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: listed shares	11,704			11,704
Held-for-trading investments: listed bonds	2,256			2,256
Sum financial assets measured at fair value	13,960	0	0	13,960

Finansielle forpliktelser målt til virkelig verdi	Level 1	Level 2	Level 3	Sum
Interest rate swaps		2,073		2,073
Embedded derivatives on leases			2,143	2,143
Land plot lease agreements			168	168
Forward currency contracts		48		48
Sum financial liabilities measured at fair value	0	2,121	2,311	4,432

Comparison per class

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

	Carrying amount		Fair value	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Financial assets				
Financial assets	10	3	10	3
Other receivables	458	384	458	384
Derivative financial assets at fair value	0	35	0	35
Held-for-trading financial investments	13,960	17,291	13,960	17,291
Cash and cash equivalents	1,807	1,703	1,807	1,703
Sum	16,235	19,416	16,235	19,416
Financial liabilities				
Interest-bearing loans and borrowings	22,479	24,707	22,547	24,780
Trade liabilities	10	58	10	58
Derivative financial liabilities at fair value	4,264	5,455	4,264	5,455
Land plot lease agreements	168	154	168	154
Other current liabilities	1,654	1,656	1,654	1,656
Sum	28,575	32,030	28,643	32,103

5. Finance Income and Costs

	3M 2016	3M 2015
Currency		
Currency Gain	723	797
Currency Loss	-308	-2,860
Net Currency Gain (Loss)	415	-2,064
Finance Revenues		
Interest Revenue	61	48
Fair Value Adjustment, Financial Investments	0	2,926
Other Financial Revenues	1	0
Sum	61	2,975
Finance Cost		
Interest Costs	-566	-758
Fair Value Adjustments, Derivatives	-672	-470
Fair Value Adjustments, Financial Investments	-1,483	0
Other Finance Gains (Loss)	-10	-65
Sum	-2,731	-1,293
Net Finance Gains (Losses)	-2,255	-382

6. Shareholder Information

The 20 largest Shareholders as at 31 March 2016:

Shareholder	Type *	Country	Shares	%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	3,178,164	17.32%
ACONCAGUA MANAGEMENT LTD		LUXEMBOURG	3,000,000	16.35%
J.P. MORGAN BANK LUXEMBOURG SA	NOM	UK	850,000	4.63%
STORM NORDIC FUND SICAV SIF		SWEDEN	800,000	4.36%
DEUTSCHE BANK AG	NOM	UK	709,759	3.87%
AS BJØRGVIN		NORWAY	579,675	3.16%
BANAN II AS		NORWAY	476,338	2.60%
FINANSFORBUNDET		NORWAY	416,650	2.27%
AUBERT VEKST AS		NORWAY	373,304	2.03%
ØRN NORDEN AS		NORWAY	348,060	1.90%
TDL AS		NORWAY	182,250	0.99%
HYGGEN THORE		NORWAY	181,250	0.99%
MOTOR-TRADE EIENDOM OG FINANS AS		NORWAY	180,000	0.98%
LANGBERG INGRID MARGARETH		NORWAY	173,750	0.95%
STORM CAPITAL MANAGEMENT		UK	160,000	0.87%
ALBION HOLDING AS		NORWAY	155,250	0.85%
SVENSKA HANDELSBANKEN AB FOR PB	NOM	NORWAY	150,000	0.82%
AAA MANAGEMENT SUPPORT AS		NORWAY	100,000	0.55%
STORM CAPITAL PARTNERS LTD.		LUXEMBOURG	98,855	0.54%
EUROPA LINK AS			72,078	0.39%
SUM 20 LARGEST			12,185,383	66.42%
OTHER SHAREHOLDERS			6,160,240	33.58%
SUM			18,345,623	100.00%

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

The list is as per the shareholders registered in VPS as 31.03.2016

Any broker trades before the closing date reported after the closing date is not reflected in this list.

7. Tax Expenses

Taxes in the Income Statement	3M 2016	3M 2015
Current Tax	218	753
Deferred Tax	-328	-2,225
Total Tax Expense for Period	-110	-1,472

8. Transactions with Related Parties

	3M 2016	3M 2015
Storm Capital Management Ltd.	169	166
Storm Capital Partners Ltd	-	50
Sum	169	216

Contingent liability:

The Company could at the maturity of the management agreement with Storm Capital Management in December 2016, if the outcome is that it will be finally terminated, incur a liability of the termination fee equivalent to 12 months of the 2015 fee.

9. Other current liabilities

	31.03.2016	31.12.2015
Taxes and duties due	524	657
Advance rents paid by tenants	764	709
Other	290	120
Sum	1,578	1,486

10. Other Current Receivables

	31.03.2016	31.12.2015
Taxes and Duties Payable	227	164
Other Current Liabilities	240	223
Sum	468	387

11. Events after the closing date

The Company has on the 04.05.2016 sold their entire share holdings in TK Development A/S. The Company's entire holding of 10,865.175 shares in TK Development was sold at DKK 6.25 per share. After the sale, the Company is left with direct ownership of the investment property in Russia. The proceeds from the sale will be used to increase the company's working capital and the Board has also proposed distribution to the shareholders.

12. Segment Information

	Property Shares	Investment Property	Other	Sum Group
Total comprehensive income 2016	-936	-1,738	63	-2,612
Assets	11,704	37,256	4,006	52,966
Liabilities	0	30,318	3,261	33,578
Net asset value per 31.03.2016	11,704	6,938	745	19,388

