STORM real estate asa

ANNUAL REPORT 2016

Contents

SUMMARY 2016

(all figures in USD)

2016 was another challenging year for Storm Real Estate. In fact, the past three years have been very challenging. The recession in Russia has led to a weak rouble and high vacancy on office buildings over the last years.

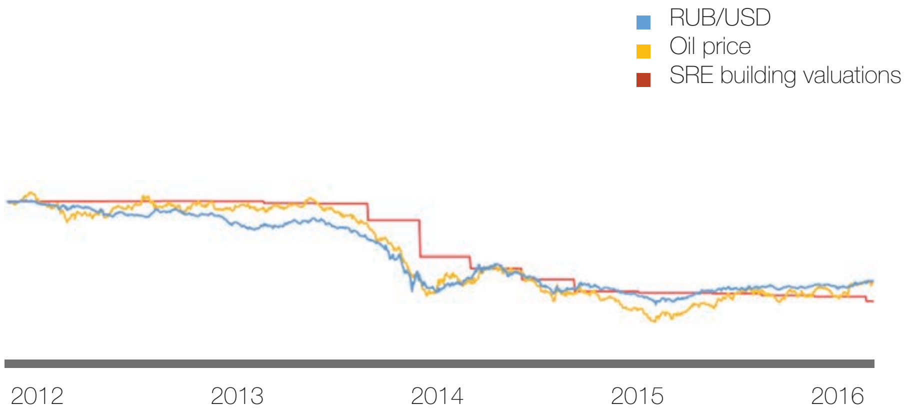
Storm Real Estate recorded a decrease in value of 4.2 million on real estate in Russia in 2016, of a total comprehensive income for the year of -4.8 million. Operating profit from the properties in Russia fell from 8.7 million to 5.0 million.

In May 2016 the Company disposed of its investment in TK Development and paid the majority of the proceeds as dividends to shareholders.

In October 2016 the Company received notice from LLC Gazprom Tsentrremont, the anchor tenant in the Gasfield building since 2009, to terminate the lease. Gazprom will vacate the Gasfield building on 31 May 2017. The Company is currently sourcing new tenants for its Gasfield building.

Key figures from investment properties

Numbers in USD million	2011	2012	2013	2014	2015	2016	2011-2016
Rental income	11.8	12.6	12.9	12.7	10.4	6.2	66.6
Net operating income from properties	8.7	9.6	10.1	10.3	8.7	5.0	52.4
Net operating income %	**74%**	**76%**	**78%**	**82%**	**83%**	**81%**	**78.7%**



The graph above shows the correlation between the valuation of investment property, the oil price and the Russian Ruble.

Return on equity

Numbers in USD million	2011	2012	2013	2014	2015	2016	2011-2016 *
Total Comprehensive Income	9.6	7.0	3.1	-34.2	-16.8	-4.8	-36.1
Equity, beginning of period	79.3	78.7	80.7	78.4	38.8	22.0	79.3
Return on equity	**12.1%**	**8.9%**	**3.9%**	**-43.6%**	**-43.3%**	**-21.9%**	**-45.5**

Return on Equity = Total Comprehensive Income (IFRS) for the period / brought forward equity (IFRS) for start of the period
** Total, not annualised*

Total Shareholder Return

Numbers in NOK	2011	2012	2013	2014	2015	2016	2011-2016
Share price 01.01	12.70	13.05	15.10	17.40	12.50	10.55	12.70
Dividend date	12/05/11	10/05/12	14/05/13	12/05/14	-	26/05/16	*multiple*
Dividends	1.50	1.50	1.00	1.60	-	3.80	9.40
Share price 31.12	13.05	15.10	17.40	12.50	10.55	5.00	5.00
Total Shareholder Return	**15.7%**	**26.7%**	**-8.0%**	**12.0%**	**-15.6%**	**-21.4%**	**+0.1%**

Total Shareholder Return = Movement in share price, dividend adjusted, annualised using XIRR formula.

Return ratios

	Return on equity (1)	Total Shareholder Return (2)	Equity per share in NOK (3)
Last 1 year	-21.9%	-21.4%	-19.6%
Last 3 years (annualized)	-34.0%	-15.5%	-30.1%
Last 5 years (annualized)	-16.0%	-0.3%	-15.0%

(1) Return on Equity = Total Comprehensive Income (IFRS) for the period / brought forward equity (IFRS) for start of the period, annualised.
(2) Total Shareholder Return = Movement in share price, dividend adjusted, annualised using XIRR formula.
(3) NAV per share in NOK = Movement in NAV per share (IFRS) converted to NOK at closing dates, dividend-adjusted, annualised using XIRR formula.

These return rations are Alternative Performance Measures, and are presented in accordance with ESMA's "Guidelines on Alternative Performance Measures" from 2015. These are reliably measured and the company considers these relevant, because different stakeholders might consider different NAV per share in NOK and Total Shareholder Return relevant alternative performance measures.

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.

Storm Real Estate ASA was established in 2007.

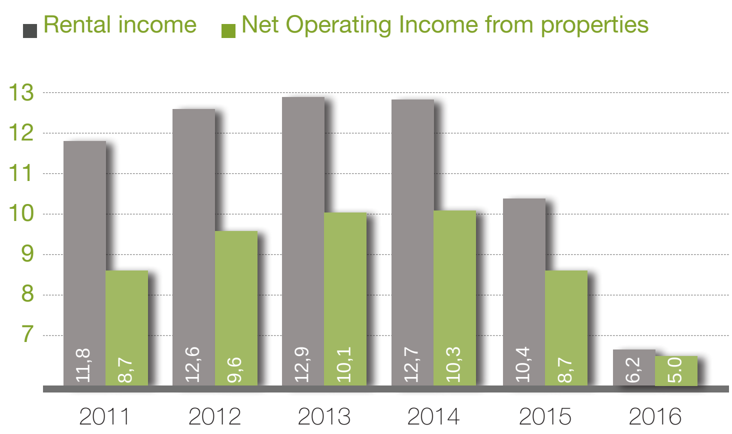
In 2016, the Board decided to narrow down the strategy to bring out underlying values. A multi-asset class strategy and wide geographical spread was seen as a hindrance for some strategic alternatives (mergers, acquisitions, takeovers etc). To enable potential strategic alternatives, the company has reverted to a single-strategy Russia platform.

Following the sale of Grifon House in 2015 and shares in TK Development A/S in 2016, the company's remaining investment is the Gasfield building in Moscow with a total lettable area of approximately 11,500 square meters.

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 center and parking spaces. It has a gross area of 15,000 square meters and a net lettable area of 11,500 square meters. In 2016 there were approx. 20 different tenants, one of which (LLC Gazprom Tsentrremont) accounted for approximately 78% of the total leased area.

Since November 2008 Storm Capital Management Ltd. has managed the Company under an asset management agreement.

A team established locally in Moscow manages the local operations. 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.



MARKET COMMENTARY

In 2016 the company realized shares in TK Development A/S and holdings in investment fund Storm Bond Fund, and distributed large parts of the proceeds as dividends to shareholders. The company is now a focused investment company with one investment in Russia.

Macro snapshot

- Russia is still in a recession. But market commentators anticipate Russia coming out of recession in 2017 and expect growth in the coming years. There is an expected small negative growth in 2016 of -0.5%, but in 2017 there is an expected positive growth of 1.2%.
- Coinciding with an increase in oil prices, the Russian currency also strengthened in 2016. The Russian Rouble has strengthened against the US Dollar with c.28% since the lowest point in January. A stronger rouble gives higher revenues for foreign investors.
- Inflation rate is at 5.3% at the end of 2016 compared with 12.9% a year earlier.
- Unemployment is down from 5.8% at the year end to 5.3% at the end of December 2016.

Real Estate Market

- 5.1 billion USD was invested in commercial properties in 2016, compared with 2.8 billion USD for 2015.
- Of the investments made in 2016, approx. 98% were made by domestic investors, and only 2% by foreign investors.
- In 2016, 317,000 m2 of office space was completed in Moscow, of which the vast majority are class B buildings (78%).
- The vacancy in class B buildings is approx. 15.8%. For class A buildings the vacancy is approx. 26%. For the overall market the vacancy is 17.6%.
- Registered rent levels showed a declining trend in the year.
- It is a trend that tenants seek rental agreements in roubles instead of US dollar. It is reported that 93% of observed rental agreements were contracted in roubles in 2016. Storm Real Estate has also increased our rouble exposure during the last year, which has resulted in lower revenues in USD terms following the sharp rouble drop in 2014 and 2015. However, in 2016 the roubles has recovered somewhat from the sharp drop in previous years.

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 2016 Storm Real Estate ASA had 18,345,623 issued shares.

Each share has a nominal value of NOK 0.40. The Company had no treasury shares as at 31 December 2015 or 31 December 2016.

Shareholder structure

At 31 December 2016 Storm Real Estate ASA had 439 shareholders. The 20 largest shareholders held 67.6% of the shares. The Company's Board Members controlled 44.6% of the shares in the Company at the end of 2016. Morten E. Astrup is in total the largest shareholder in Storm Real Estate through its ownership of and control over related companies.

	31.12.2015		31.12.2016	
	Shares	%	Shares	%
Norwegian	9,488,779	51.7%	9,108,809	49,7%
Foreign	8,856,844	48.3%	9,236,8147	50,3%
Total	18,345,623	100.0%	18,345,623	100.0%

Table: domestic and foreign shareholders

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.

Annual general meeting

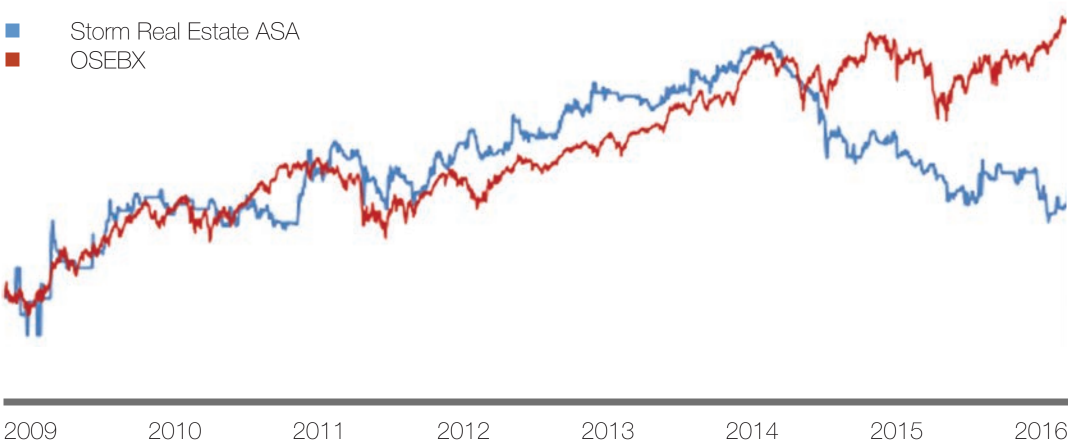
The annual general meeting is the Company's supreme authority. It is normally held in May. The Board determines the agenda for the annual general meeting and works to ensure that it becomes a forum for the shareholders. Notice of the meeting is usually sent out no later than 21 days in advance and will 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 The Investor Relations contact at Storm Real Estate ASA is Einar Pedersen (einar@stormcapital.co.uk).

Current board authorizations

The annual general meeting on 26 May 2016 authorized the Board to purchase shares in the Company for up to 10% of the share capital. The authorization is valid until 26 May 2018. The authorization has not been used.



The graph above shows Storm Real Estate ASA (dividend-adjusted) vs Oslo Stock Exchange Benchmark Index (OSEBX)

CORPORATE GOVERNANCE

Good corporate governance is key to 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 2016 equity was USD 11.0 million and the equity ratio was 30.4%. This follows three years of highly negative developments particularly in Russia. 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 dividends. When considering dividends, the Board emphasizes the company’s dividend capacity, the requirements for a sound level of equity and sufficient financial resources. 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 and on Storm Real Estate’s website 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. The current committee members were elected by the annual general meeting in May 2016 and consists of Per Lorange (chairman), Christopher W. Ihlen and Erik M. Mathiesen.

Board of Directors

Storm Real Estate's Board of Directors consists of three members plus one alternate board member. 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 independent members. Morten E. Astrup is the largest shareholder.

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

Stein Aukner, Chairperson (born 1949)

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

Morten E. Astrup, Deputy Chairperson (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 has held board positions in several international companies and been an advisor to both private and institutional investors in Europe. 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 Switzerland.

Kim Mikkelsen, alternate 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 an alternate member of the Board of Directors.

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 arrangement was initially 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 with a rolling notice period of 12 months with a discontinuation supplement equivalent to 12 month's fees. In December 2015 the Company received notice of the termination of the agreement from Storm Capital Management. In 2016 the Company agreed a new management agreement with Storm Capital Management Ltd on new terms.

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 licenses 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 behavior 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.

The Board had 9 meetings in 2016.

Audit committee

Following the reduced scope of the Company's business and also its financial constraints, in 2016 the Board resolved to discontinue a separate audit committee. The three board members currently performs the responsibilities previously assumed by the audit committee.

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 met once in 2016.

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 2016, the remuneration for the year since the previous ordinary general meeting was set at NOK 250,000 for the Chairperson 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. This was unchanged from the year before.

Remuneration to Storm Capital Management Ltd.

Storm Capital Management Ltd. receives a management fee of 750,000 NOK per quarter 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 2016

2016 was another poor year for Storm Real Estate. For the third financial year running, the economic situation in Russia has had a significant adverse effect on the company's financial performance.

In October 2016, the main tenant of the Gasfield building occupying 78% of the area, LLC Gazprom Tsentrremont, gave notice to terminate the lease. The planned date for vacating the building is within 31 May 2017. High vacancy and low rental rates in the market means that the re-letting process is challenging.

In 2016, the Board decided to streamline its investment areas as a strategy to bring out the underlying values of the company. As part of this strategy, the Board resolved to sell the company's stake in TK Development A/S (Denmark). After the sale, the remaining business consists of direct ownership of investment property in Russia. The majority of the proceeds from the sale of the TK Development shares was paid out to our shareholders as dividends (NOK 3.80 per share).

Due to the rental situation following the termination notice from the anchor tenant and the current market situation, the future liquidity situation is uncertain. The company has therefore made an arrangement with the lender to ensure longer visibility of cash flows. The lender has agreed to waive covenants and amortisations until September 2018, and to extend the maturity of the loan until June 2019. In return, the company has agreed to make an extraordinary amortization of USD 3 million, which will be raised by means of a share issue in June 2017. This will be put forward to the Annual General Meeting in May.

Since November 2008 Storm Capital Management Ltd. has managed the Company pursuant to an asset management agreement. In December 2015, the Company received notice of termination of the management agreement from Storm Capital Management. The agreement expired in December 2016. During 2016 the board made an evaluation of the appropriate future management of the Company. In August 2016, the board signed a new asset management with Storm Capital Management.

Consolidated financial statements

The consolidated statements are prepared in accordance with 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.

Commentary on profits and losses

The Board is not satisfied with the Company's results for 2016. There is significant uncertainty related to future rental income. However, the company owns an attractive asset in Russia with good upside potential.

Summary of the income statement

Total comprehensive income for 2016 was USD -4.8 million (2015: USD -16.8 million).

Fair value adjustments of properties in Russia of USD -4.2 million (2015: USD -19.0 million).
Net operating income from investment properties in Russia was USD 5.0 million, a reduction from USD 8.7 million in 2015.

A negative result was recorded from shares in TK Development of USD -3.0 million (2015: USD -0.1 million). In the same period the Company recorded a foreign exchange gain on Danish Kroner of approximately USD 0.7 million (2015: USD -1.5 million), making the net loss in USD -2.2 million (2015: USD -1.5 million).

Borrowing costs, including interest linked to interest rate swaps, were USD 2.1 million in 2016 (2015: USD 3.2 million). Borrowing costs are significantly reduced following the sale of Grifon House in December 2015, and also extraordinary repayments on the continuing bank loan. In addition, a gain in the value of interest rate hedging derivatives of USD 0.4 million has been included for 2016 connected with a increasing interest rate curve (2015: USD 0.1 million).

A negative tax expense (tax income) has been recognized, primarily resulting from a reduction in the value of the investment property in Russia. Income taxes for the period are USD -1.2 million (2015: USD -2.3 million).

Summary of the balance sheet

The value of investment property totaled USD 31.2 million (2015: USD 39.0 million).

Bank deposits totaled USD 4.4 million (2015: USD 1.7 million).

The Group has financed the properties in Russia via a bank loan totaling USD 21.1 million (2015: USD 24.7 million).

The Group has recognised a liability of NOK 1.0 million linked to hedging derivatives (interest-rate hedging and foreign currency hedging) (2015: USD 1.4 million).

The Company was not in breach of the covenants of the bank loan as at 31/12/2016.

Cash flow statement

The Group had a cash flow before changes in working capital of USD 2.7 million (2015: USD 7.1 million). Financing activities resulted in a net inward cash flow of USD 15.4 million (2015: USD 15.0 million), primarily linked to the sale of the shares in TK Development.

Financing activities resulted in a net outward cash flow of USD 14.2 million (2015: USD 21.7 million).
The Company paid out a dividend of NOK 3.80 per share totaling USD 8.4 million (2015: no dividend).
Furthermore, bank debt was repaid with USD 3.6 million (2015: 17.8 million following the sale of Grifon House).
Interests paid was USD 2.1 million (2015: 3.2 million).

Financial statements for Storm Real Estate ASA

The parent company loss for the year was 3.5 million compared with a profit of USD 1.8 million in 2015.
The Parent Company's main source of income essentially comes dividends from investments in subsidiaries.
In 2016 this income was USD 2.4 million (2015: 2.4 million).

In 2016 the Company merged with its Cypriot subsidiary Tiberton Yard Finance Ltd, with the parent company as the surviving entity. The Company has therefore taken over the subsidiary's assets and liabilities.

Future outlook

The future direction of the company will largely depend on the success of re-letting of the Gasfield building. Successful re-letting will note only provide a profitable business model, but also more opportunities in terms of refinancing or other strategic alternatives like realisation, mergers etc. The re-letting process is challenging in today's market but we are confident that we have an office building which should be attractive for new tenants in the future.

Return target

The Group's operations are considered to be associated with higher risk than traditional real estate companies. In the light of this, the Board has set a target of a return on equity of 10% per year over time. This target has not been achieved in recent years.

Financial risk and risk management

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

Staff, and Health, Safety and the Environment (HSE)

The parent company has no personnel and the subsidiaries have five employees in Russia, of which three are women. There have been no work-related accidents in 2016. There is no material negative environmental impact related to the Company's operations. The Group recorded nil days of sickness absence in 2016.

Social responsibility reporting

In accordance with the 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. The Company is aware of this and has introduced procedures and routines to its daily operations to reduce the risk of corruption. The Company is conscious of its role in society related to combating corruption operates with a high level of transparency and openness, and subsidiaries have clear instructions for transparency; in particular with regards 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 closely 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.

Assumption of going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the annual report for 2016 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:
- Transferred from other equity USD 3,531k.

Oslo, 7 April 2017
The Board of Directors and General Manager of Storm Real Estate ASA

Stein Aukner
Chairperson

Morten E. Astrup
Board member

Nini E.H. Nergaard
Board member

Einar Pedersen
General Manager

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Storm Real Estate group

All numbers in 000 USD	Note	2016	2015
Continuing operations:			
Rental income	6	6,197	10,365
Total income		**6,197**	**10,365**
Property related expenses	6	-1,169	-1,710
Personnel expenses	16	-434	-451
Other operating expenses	15	-1,607	-1,385
Total operating expenses		**-3,212**	**-3,546**
Operating profit before fair value adjustments		**2,985**	**6,819**
Gain/loss from fair value adjustments on investment property	6	-10,394	-7,461
Total operating profit		**-7,409**	**-643**
Finance revenues	14	573	264
Finance expenses	14	-2,146	-3,841
Disposal of subsidiary	24	0	-1,810
Currency exchange gains (losses)	14	-69	-1,102
Net financial gains (losses)		**-1,643**	**-6,490**
Earnings before tax		**-9,051**	**-7,133**
Income tax expense	18	-1,160	-2,339
Profit (Loss) for the Period from continuing operations		**-7,891**	**-4,794**
Discontinued operations:			
Profit (Loss) from discontiuned operations	14.23	**-2,268**	**-1,549**
Profit (loss), attributable to owners of parent		**-10,160**	**-4,794**
Profit (loss), attributable to non-controlling interests		**0**	**0**
Other comprehensive income:			
Items that are reclassified from Equity to earnings in subsequent periods:			
Translation differences from foreign operations		5,352	-11,993
Sum other income and expenses after tax, continuing operations		**5,352**	**-11,993**
Sum other income and expenses after tax, discontinued operations		**0**	**0**
Other comprehensive income, net of tax		**5,352**	**-11,993**
Comprehensive income, attributable to owners of parent		**-4,807**	**-16,787**
Comprehensive income, attributable to non-controlling interests		**0**	**0**
Average Number of Shares (Excluding Treasury Shares)		18,345,623	18,345,623
Basic and diluted earnings per share (USD)	20	-0.55	-0.26
Basic and diluted earnings per share (USD) from continuing operations		-0.43	-0.18
Total Comprehensive Income per share (USD)	20	-0.26	-0.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

per 31 December

Storm Real Estate group

All numbers in 000 USD	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Investment property	6	31,215	38,950
Financial investments	10	0	12,641
Property, Plant and Equipment (PP&E)	8	18	20
Total non-current assets		**31,233**	**51,611**
Current assets			
Financial investments	10	0	4,651
Other receivables	13	473	387
Cash and cash equivalents	11	4,371	1,703
Total current assets		**4,844**	**6,741**
TOTAL ASSETS		**36,078**	**58,352**
EQUITY AND LIABILITIES			
Paid-in equity			
Ordinary shares		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			
Other equity		-68,069	-57,036
Total other equity		**-68,069**	**-57,036**
TOTAL EQUITY		**10,966**	**22,000**
Liabilities			
Non-current liabilities			
Loans from credit institutions	12	18,716	0
Deferred tax liabilities	19	864	4,513
Financial derivative liability	10	562	817
Other long-term liabilities		213	321
Total non-current liabilities		**20,355**	**5,651**
Current liabilities			
Trade liabilities	11	84	58
Financial derivative liability	10	973	4,450
Loans from credit institutions	12	2,366	24,707
Other short-term liabilities	17	1,334	1,486
Total current liabilities		**4,756**	**30,700**
TOTAL LIABILTIES		**25,111**	**36,351**
TOTAL EQUITY AND LIABILITIES		**36,078**	**58,352**

Oslo, 7 April 2017
The Board of Directors and General Manager of Storm Real Estate ASA

Stein Aukner
Chairperson

Morten E. Astrup
Board member

Nini E.H. Nergaard
Board member

Einar Pedersen
General Manager

CONSOLIDATED STATEMENT OF CASH FLOWS

Storm Real Estate group

All numbers in 000 USD	Note	2016	2015
Cash Flow from operational activities			
Earnings before Tax, continuing operations		-9,051	-5,584
Earnings before Tax, discontinued operations		-2,268	-1,549
Earnings before Tax		-11,320	-7,133
Adjusted for:			
depreciations	8	6	8
value adjustment on investment property	6	10,394	7,461
finance income	14	2,774	87
finance expenses	14	1,774	3,490
disposal of subsidiary	24	0	1,810
net currency gains	14	-958	1,337
Cash flow before changes in working capital		**2,670**	**7,061**
Change in working capital:			
trade receivables and other receivables		-86	123
trade payables and other payables		-49	-577
paid taxes		-1,154	-2,339
Net cash flow from operational activities		**1,381**	**4,268**
Cash Flow from investment activities			
Outflows from financial investments		0	-3,179
Inflows from financial investments		15,225	5,365
Disposal of subsidiary, net of cash		0	12,615
Interest received		151	248
Net cash flow from investment activities		**15,376**	**15,049**
Cash flow from financing activities			
Repayment on loans	12	-3,637	-17,822
Purchase of treasury shares		0	-663
Dividends paid		-8,420	0
Interest paid		-2,113	-3,225
Net cash flow from financing activities		**-14,170**	**-21,710**
Net change in cash and cash equivalents		**2,587**	**-2,393**
Carried forward cash and cash equivalents		1,703	3,922
Currency exchange variation on cash and cash equivalents		82	174
Cash and cash equivalents at end of period		**4,371**	**1,703**
Including restricted cash and deposits	11	238	238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 1 January - 31 December

Storm Real Estate group

		Paid-in equity			Other equity		
	Note	Share capital	Share premium	Other paid-in equity	Retained earnings	Translation differences on foreign operations	Total equity
1 January 2015		**1,236**	**21,036**	**56,763**	**26,399**	**-66,649**	**38,786**
Profit (loss) for the period					-4,794		-4,794
Other comprehensive income						-11,993	-11,993
Total Comprehensive Income		0	0	0	-4,794	-11,993	-16,787
31 December 2015		**1,236**	**21,036**	**56,763**	**21,605**	**-78,641**	**22,000**
1 January 2016		**1,236**	**21,036**	**56,763**	**21,605**	**-78,641**	**22,000**
							Profit (loss)
for the period					-10,160		-10,160
Other comprehensive income						5,352	5,352
Sum		0	0	0	-10,160	5,352	-4,807
Dividends					-8,420		-8,420
Intra-group merger	7				2,194		2,194
31 December 2016		**1,236**	**21,036**	**56,763**	**5,220**	**-73,288**	**10,966**

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.

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, 0250 Oslo, Norway. In the 2016 financial year the company was invested in real estate via an office building in Moscow and shares in the Danish real estate development company TK Development A/S. The TK shares were sold in 2016.

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 7 April 2017. The financial statements will be dealt with at the general meeting on 11 May 2017 for final approval.

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 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 and financial instruments 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5. 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. New and amended IFRS standards with effect from 1.1.2016 have not had an effect on the Group Amendments not mentioned here have not had an effect on the Group's annual report. Future amendments to standards and interpretations that can be relevant to the Company are described below.

IFRS 15 Revenue from Contracts with Customers

IASB has issued a new, common standard for revenue recognition, IFRS 15. The standard replaces all existing standards and interpretations for revenue recognition. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The effective date for IFRS 15 is 1 January 2018. The Group has carried out an initial assessment of the effects of implementing the standard, and has not identified any significant effects for its financial position or results. Recognition of rental income from commercial real estate is not expected to be changed in any material way.

IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 lays down principles for recognizing, measuring, presenting and disclosing leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The new standard requires that the lessee recognize assets and liabilities for most leases, which is a significant change from the current principle. For the lessor IFRS 16 essentially continues the existing principles in IAS 17. In line with this, a lessor shall continue to classify their leases as operating leases or finance leases, and account for these two types of leases differently. Effective for annual periods beginning on or after 1 January 2019. The Group intends to implement the relevant amendments on the effective date.

IFRS 9 Financial Instruments

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of any credit losses. Effective for annual periods beginning on or after 1 January 2018. The Group intends to implement the relevant amendments on the effective date. Implementation is not expected to have any material impact on the company's financial position or results.

(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 Group's policy is to implement the relevant amendments on the effective date where the amendments are relevant to the Group.

NOTE 2.3 Basis of consolidation and business combinations

Subsidiaries are all companies over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns as a result of involvement with the company and the Group is able to impact returns through its power over the company. 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 the relevant activities.

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 recognized 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 recognized at fair value at the acquisition date. In accordance with IAS 39, subsequent changes to the fair value of the contingent consideration are recognized 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 unrealized 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 2.4 Functional currency and presentation currency

The Group's functional and presentation currency is USD. 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 using the functional currency spot rates of exchange on the reporting date. All currency translation differences are taken to the income statement. Tax charges linked to currency translation differences on such items are recognized 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 recognized as other comprehensive income. 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 recognized in the income statement.

NOTE 2.5 Segment information

The Company has operated 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 recognized 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 derecognized 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 recognized 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 at the time of sale.

NOTE 3.2 Property, plant and equipment

Property, plant and equipment that is 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 recognized as a separate asset, as appropriate, 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 recognized 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 has classified its financial instruments in the following categories:
(a) at fair value through profit or loss and (b) loans and receivables measured at amortized 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 categorized as held for trading unless they are designated as hedges.
(b) Loans and receivables measured at amortized cost
Loans and receivables are non-derivative financial instruments with fixed 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 3.4.2 Recognition and measurement
Ordinary purchases and sales of financial assets are recognized 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 recognized at fair value with the addition of transaction costs. Financial assets carried at fair value through profit and loss are initially recognized at fair value. Subsequent measurement is at fair value though profit and loss.

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

NOTE 3.4.3 De-recognition
A financial instrument is derecognized 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 either as financial liabilities at fair value through profit and loss or as other liabilities. Financial liabilities classified as financial liabilities at fair value through profit or loss comprise liabilities held for trading. 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
All financial liabilities are recognised initially at fair value and, in the case of other liabilities, net of directly attributable transaction costs. 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. Trade payables and bank loans are measured at amortized cost. Other liabilities are recognized at amortized cost.

NOTE 3.5.3 De-recognition
A financial liability is derecognized when the obligation under the liability is discharged, canceled 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 derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

NOTE 3.6 Trade receivables
Trade receivables are recognized initially in the balance sheet at fair value and subsequently measured at amortized 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 3.7 Cash and cash equivalents

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

NOTE 3.8 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 recognized at cost and deducted from equity. No gain or loss is recognized 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 recognized in other equity/ other contributed equity. Voting rights related to treasury shares are canceled 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 certain 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 recognized only to the extent that it is probable that there will be future taxable income against which the temporary differences can be utilized. 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 realized or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realization 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 3.11 Revenue recognition

The Group's revenue includes rental income from the properties. This is recognized in income over the period of the lease. Revenue arising from expenses recharged to tenants is recognized 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 recognized when it is recovered.

NOTE 3.12 Interest income

Interest income is recognized 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 recognized using the effective interest rate.

NOTE 3.13 Classification of assets and liabilities

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

3.14 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 program focuses on the unpredictability of the financial markets and seeks to minimize the potential adverse effects on the Group's financial performance. The Group has attempted to maintain 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

Investments in Russia are deemed to have high market risk. The climate in the financial market and especially the price of real estate, demand for premises 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 is also subject to market risk.

(i) Currency risk
Storm Real Estate is a Norwegian group with its main focus on rental properties in Russia. 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 recognized 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). The rental lease contracts are exposed to the risks of changes in RUB/USD exchange rates. Lease agreements have been entered into in USD which are to be translated into RUB with a maximum exchange rate, and the highest such USD/RUB rate is 45 Rubles per dollar. With a real exchange rate significantly higher, in practice the revenue from these contracts is fully exposed to the Russian Ruble.

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 net income	Effect attributable to equity (other comprehensive income)	Net effect on the Company's equity
1% appre-ciation in USD	+191	-529	-338
1% depre-ciation in USD	-191	+529	+338

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 in a normal situation would be 0-20%. Exchange rate fluctuations related to the Russian Ruble have also been higher, for example in 2014-2015.

In 2014 and 2015 the Russian Ruble fell considerably against the USD. Indirect effects resulting from this are that it becomes difficult for tenants in the market to pay their rent in USD. This has an effect on rents and as a result on valuations of investment property. Such effects are indirect and impossible to quantify. The sensitivity analysis above does not contain such indirect effects of a weaker exchange rate, but the effect of exchange rate changes on the market for investment property can be significant.

(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 2015
1% rent increase	+62
1% rent decrease	-62

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 totaling USD 21.1 million. To reduce the interest rate risk, the Company has entered into interest rate swaps totaling USD 26.5 million whereby a variable interest rate equivalent to USD 3 month LIBOR is swapped with a fixed interest rate of a weighted average of 2.82% for 4.2 years from 31 December 2016. 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	-203	+265	-62

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 floating interest rate	-62	+1.060	+1.359

The group has entities and operations in multiple jurisdictions with corresponding tax risks. Transactions and financing arrangements between related parties have inherent risks related to treatment in local tax jurisdictions with regards to, inter alia, compliance with local transfer pricing regulations, corporate tax deductibility, value added tax etc.

NOTE 4.2 Credit risk

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.

No covenants were broken during 2016, and the Company does not expect significant losses from counterparties in 2016. 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 has over time aimed to keep liquidity sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. Management continuously monitors forecasts of the Group's liquidity reserves.

The company's liquidity risk is high. The situation in Russia is demanding. Large vacancy in the market combined with expiring leases could lead to a shortfall on future cash flow and impact on the company's ability to meet future liabilities. Following the notice of termination from the anchor tenant in the Gasfield building, future cash flow and ability to meet future liabilities is dependent on sourcing new tenants and / or refinancing or restructuring of borrowing terms, hereunder amortisation schedule.

The Group has bank loans with covenants including loan-to-value, equity covenants and debt service ratio (debt service coverage ratio). If the Group exceeds the loan-to-value covenant, the loan agreement requires the Group to repay bank debt in order to maintain compliance with covenants. The Group has little margin for covenants of a 69.3% loan-to-value.

The company is working on various solutions to address the liquidity constraints.

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

As at 31 December 2015	**0-1 yr.**	**1-5 yrs.**	**>5 yrs.**	**Total**
Repayments of interest-bearing debt (nominal value)	2,366	22,415	0	24,780
Advance payments from tenants	709	0	0	709
Interest rate swaps (undiscounted)	554	953	21	1,528
Currency forwards	35	0	0	34
Trade payables and other short-term debt	15	0	0	15
Interest on loans	1,555	2,388	3,942	7,885
Total	**5,198**	**25,756**	**3,963**	**34,917**

As at 31 December 2016	**0-1 yr.**	**1-5 yrs.**	**>5 yrs.**	**Total**
Repayments of interest-bearing debt (nominal value)	2,366	18,777	0	21,143
Advance payments from tenants	840	0	0	840
Interest rate swaps (undiscounted)	444	623		1,067
Trade payables and other short-term debt	880			880
Interest on loans	1,433	2,082	0	3,515
Total	**5,962**	**21,482**	**0**	**27,444**

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 long-term return on capital is a minimum of 10%. In 2016 the return on capital was -21.9% (measured as total comprehensive income for 2016 divided by the equity at the beginning of the year).

Solidity

The Group has an acceptable equity ratio. The equity ratio was 30.4% at 31 December 2016. The equity ratio was 37.7% at 31 December 2015. The Group has equity ratio requirements in relation to loan agreements and was not in breach of these as at the reporting date.

NOTE 5. Critical accounting estimates and assumptions

Estimates and judgments 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 Use of accounting estimates and judgment

Fair value of investment property (estimate)

Investment property is recognized at fair value. A separate valuation is carried out by an independent expert in which the property is assessed using updated macro assumptions (market-based rent rates, discount rates, inflation expectations, economic growth, etc.) The Company bases the fair value of investment property on external valuations by independent appraisers. There are multiple methods for assessing the fair value of investment property. The Group has to date used the discounted cash flow 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 recognized method for valuation of real estate. A valuation is only an estimate, the outcome of which depends on the assumptions adopted by the valuer. Such assumptions may account for the potential of a property in a complex market environment in different ways. See note 6 for more information about the investment property.

Fair value of derivatives and other financial instruments (estimate)

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.

NOTE 6 Investment property

000 USD

	GROUP	
Value as valued by an independent valuer:	**2016**	**2015**
As at 1 January	34,700	69,900
Value Adjustment Investment Property *	-4,200	-19,000
Disposal Investment Property	0	-16,200
Value per Closing date	**30,500**	**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 **	32	-247
Changes in carrying value of embedded derivatives contrac ***	-3,567	4,250
Assets as a result of embedded derivatives contract **		
Value per Closing date	**715**	**4,250**
Carrying value of Investment Property IFRS 01.01	**38,950**	**70,343**
Carrying value of Investment Property IFRS 31.12	**31,215**	**38,950**

* The functional currency of the Russian subsidiaries including the buildings in Russian Rouble. The fair value changes has two elements:

	GROUP	
	2016	**2015**
Change in RUB over income statement	-10,394	-7,461
Translation Differences over comprehensive Income	6,194	-11,539
Net movement in fair value	**-4,200**	**-19,000**

** The Company has capitalised land plot leaseagreements 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 fiancial 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 10).
The properties were virtually fully let as of 31 December 2015 and 31 December 2016.
The valuation of investment property as 31 December 2015 and 2016 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 marked 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.

Independent valuer's valuation parameters	**31.12.2016**	**31.12.2015**
Discount rates	12.5 %	12.5 %
Capitalisation rates	11.5 %	11.5 %
Market rental rates, $/sq.m	300	300

Sensitivity analysis at 31 December 2016, million USD	**31.12.2016**	**31.12.2015**
Effect of an increase in discount rates of 1%	-1.0	-1.2
Effect of an increase in capitalisation rates of 1%	-1.7	-1.8

Summary of significant contracts

In the Gasfield building in Moscow, the anchor tenant is LLC Gazprom Tsentrremont who rents around 78% of the lettable area.Storm Real Estate has established a framework for a long-term tenancy with annual renewal. In October 2016, Gazprom Tsentrremont gave notice to terminate the lease. The parties first agreed an extension until 31 March 2017. In February 2017 the parties have agreed another extension, this time until 31 May 2017 and at reduced rent levels.

Specification of tenants representing more than 10% of the group's income	**2016**	**2015**
LLC Gazprom Tsentrremont	5,577	6,372

NOTE 7 Group companies and investment in subsidiaries

000 USD

Group company	Location	Formed/ Acquired	Ownership
OOO Martex	Russia	2007	100%
Tiberton Yard Holding 2 Ltd	Cyprus	2008	100%
Gasor Consulting Ltd	Cyprus	2008	100%
Storm Real Estate Ltd	Cyprus	2009	100%

Intercompany merger

Storm Real Estate ASA has in 2015 carried out a cross-border merger with subsidiary Tiberton Yard Ltd (Cyprus).
Storm Real Estate ASA has in 2016 carried out a cross-border merger with subsidiary Tiberton Yard Finance Ltd (Cyprus).
See note 2 to the parent company's accounts for information about the mergers.

NOTE 8 Property, plant & equipment

000 USD

	Computers and telephony	Sum	Computers and telephony	Sum
Historic cost	**2016**	**2016**	**2015**	**2015**
At 1 January	138	138	162	162
Additions	18	18	0	0
Disposals	0	0	-24	-24
At 31 December	**156**	**156**	**138**	**138**
Depreciation and impairment				
At 1 January	-118	-118	-129	-129
Depreciations this period	-6	-6	-8	-8
Translation differences of depreciations and write-downs	-14	-14	19	19
At 31 December	**-138**	**-138**	**-118**	**-118**
Net book value 31 December	**18**	**18**	**20**	**20**

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 equiment, depreciated straight line over the lifespan of the assets (3 years for computers and 7 years for telephone equipment).

NOTE 9 Tenancy agreements

000 USD

		GROUP
Future minimum rents receivable under non-cancellable contracts are as follows:	**31.12.2016**	**31.12.2015**
Within 1 year	2,557	5,078
Between 1 and 5 years	478	366
Over 5 years	0	0
Sum	**3,035**	**5,444**

NOTE 10 Other financial assets and liabilities

000 USD

Financial investments	31.12.2016	31.12.2015
Held-for-trading investments: quoted equity shares	0	12,641
Held-for-trading investments: quoted bonds	0	2,107
Held-for-trading investments: fund investments	0	2,543
Sum financial investments	**0**	**17,291**
Forward currency contracts	0	35
Sum derivative assets not designated as hedges	**0**	**35**
Total other financial assets	**0**	**17,326**

Derivative liabilities not designated as hedges	31,12,2016	31,12,2015
Foreign exchange forward contracts	0	0
Interest rate swaps	-1,006	-1,401
Embedded derivatives	-529	-4,054
Land plot leases	-186	-154
Sum derivative liabilities not designated as hedges	**-1,721**	**-5,609**
Total other financial liabilties	**-1,721**	**-5,609**

Interest bearing loans	31,12,2016	31,12,2015
Interest bearing loans	21,081	24,707
Total interest bearing loans	**21,081**	**24,707**

Embedded derivatives

Embedded financial derivatives occur as a result of currency fluctuations between RUB and USD. Most of the tenancy lease agreements are in USD, and include a clause with a minimum and maximum exchange rate for the conversion and payment in RUB. In 2015 an agreement was signed with the achor tenant on a maximum exchange rate of USD/RUB = 45. Roubles had depreciated by the reporting date, hence a negative value is recognized on the embedded derivatives on the reporing date. See note 6 regarding the recognition of an identical amount associated with investment property. Thus, the gross presentation of this currency derivative has not had an effect on the company's equity.

Interest rate swaps

The parent company has entered into interest swap agreements. 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.

Financial assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Sum**
Investment property (*)	0	0	31,215	31,215
Sum	**0**	**0**	**31,215**	**31,215**

Financial liabilties measured at fair value / where fair value must be presented	**Level 1**	**Level 2**	**Level 3**	**Sum**
Interest bearing loans	0	21,081	0	21,081
Embedded derivatives	0	0	529	529
Land plot leases	0	186	0	186
Interest rate swaps	0	1,006	0	1,006
Sum	**0**	**22,274**	**529**	**22,802**

(*) 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.

	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Financial assets				
Trade receivables	3	3	3	3
Other receivables	470	384	470	384
Derivative financial assets at fair value through profit or loss	0	35	0	35
Held-for-trading financial investments	0	17,291	0	17,291
Cash and short-term deposits	4,371	1,703	4,371	1,703
Sum	**4,884**	**19,416**	**4,844**	**19,416**
Financial liabilities				
Interest-bearing loans and borrowings	21,081	24,707	21,143	24,780
Trade liabilities	84	58	84	58
Other short-term liabilities	1,250	1,656	1,250	1,656
Land plot leases	186	154	186	154
Derivative financial liabilities at fair value through profit or loss	1,535	5,455	1,535	5,455
Sum	**24,136**	**32,030**	**24,198**	**32,103**

Cash and cash equivalents include restricted cash of 238 (2015: 238).

NOTE 12 Bank loan

000 USD

Interest bearing borrowings at amortised cost	Interest	Maturity	GROUP 31.12.2016	31.12.2015
Secured bank loan	LIBOR + margin	2018	21,081	24,707
Sum interest bearing borrowings at amortised cost			**21,081**	**24,707**

Nominal value:
The nominal value of the bank loan as of 31 December 2015 was 24,780 and as of 31 December 2016 was 21,143.

Security:
The investment property Gasfield in Moscow is pledged as security for the bank loan, book value USD 31,215K

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

For loan to value up to 50%	4.50%
For loan to value up to 55%	4.75%
For loan to value up to 60%	5.00%
For loan to value up to 65%	5.50%
For loan to value up to 70%	6.00%
For loan to value over 70%	8.00%

Bank loan:
The prinicpal on the loans are repaid according to the following schedule:

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.

Covenants:
The loan contain financial covenants, inter alia on loan to value (maximum 70% of the valuation made by independent valuer) equity ratio (minimum 20%) and Debt Service Coverage Ratio (>1.2). The company was not in breach of loan covenants as at the reporting date.

Other:
The lender has in its credit committee on 31/03/2017 granted amended terms to the company's loan agreement, subject to documentation and a capital injection. See note 25 Events after the closing date for further information.

NOTE 13 Other receivables

000 USD

Other receivables	31.12.2016	31.12.2015
Taxes receivable *	218	179
Other receivables	256	47
Sum other receivables	**473**	**387**

No trade receivables were overdue as of 31 December 2015 or 31 December 2016.
*) The Russian entities have income tax and VAT receivable related to previous years.

NOTE 14 Finance income and costs

000 USD

	GROUP	
Finance income	**2016**	**2015**
Interest income	178	263
Changes in fair value, held-for-trading financial investments	0	0
Changes in fair value, financial derivatives over profit and loss	395	0
Other finance income	0	1
Sum finance income	**573**	**264**

Finance costs	**2016**	**2015**
Interest costs from loans measured at amortised cost	-2,075	-3,240
Sale of subsidiary	0	-1,810
Changes in fair value, financial derivatives over profit and loss	0	-113
Changes in fair value, held-for-trading financial investments	23	-351
Other finance costs	-93	-137
Sum finance costs	**-2,146**	**-5,652**

Foreign exchange gains and losses	**2016**	**2015**
Foreign exchange gains	46	1,696
Foreign exchange losses	-115	-2,798
Sum foreign exchange gains and losses	**-69**	**-1,102**
Net finance gains (losses), continuing operations	**-1,643**	**-6,490**

Finance income and costs from discontinued operations:	**2016**	**2015**
Net Currency Gain (Loss)	706	-1,454
Fair Value Adjustment, Financial Investments	-2,975	-95
Sum other operating expenses	**-2,268**	**-1,549**

NOTE 15 Other operating expenses

000 USD

Other operating expenses	**2016**	**2015**
Management fees	1,012	716
Legal, agency and consultancy fees	138	149
Auditors	239	246
Other operating expenses	212	265
Depreciation	6	0
Sum other operating expenses	**1,607**	**1,377**

Auditor fees *(auditor fees are quoted excl. vat)*	**2016**	**2015**
Audit fees	94	115
Other services	146	105
Sum auditor expenses	**239**	**220**

NOTE 16 Personnel costs

000 USD

Personnel costs	**2016**	**2015**
Salaries and bonuses	289	271
Board fees	75	112
Social security taxes	71	67
Sum personnel costs	**435**	**451**
Number of employees	5	6
Average number of employees	5	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. See note 21 Related Party transactions. Also see note 8 to the parent company's accounts for a list of board fees.

NOTE 17 Other current liabilities

000 USD

	2016	2015
Taxes payable	314	657
Advance rents received	840	709
Other current liabilities	180	120
Sum other current liabilities	**1,334**	**1,486**

NOTE 18 Income tax

000 USD

Consolidated income statement	**2016**	**2015**
Current income tax	918	1,662
Movement in deferred tax	-2,078	-4,124
Movement in deferred tax due to changes in tax rates	0	123
Sum income tax	**-1,160**	**-2,339**

The tax on the group's profit before tax differs from the theoretical amount as follows	**2016**	**2015**
Profits before tax	1,946	-7,133
Tax at domestic tax rates applicable to respective countries	**527**	**-301**
Tax effects of:		
FX variations between functional currency and tax currency	241	-2,271
Income not subject to tax	-2,543	-557
Expenses not deductible for tax purposes	803	838
Withholding tax from foreign entities at different tax rate	187	264
Tax losses for current year not recognised	-519	0
Recognition of earlier years' non-recognised deferred tax expense	0	243
Recognition of earlier years' non-recognised deferred tax assets	0	-141
Changes in deferred tax due to changed tax rate	143	-176
Effect of tax merger	0	-239
Sum income tax	**-1,160**	**-2,339**

NOTE 19 Deferred tax

000 USD

Deferred tax reversal	**2016**	**2015**
Deferred tax asset reversed after more than 12 months	0	0
Deferred tax liabilities reversed in less than 12 months	0	0
Deferred tax liabilities reversed after more than 12 months	864	4,513
Net deferred tax liability	**864**	**4,513**

Movement in deferred tax	**2016**	**2015**
Per 1 January	4,513	10,824
Charged over income statement in the period	-2,078	-4,124
Use of non-recognised deferred tax	0	0
Charged over comprehensive income in the period	624	-2,186
Effect of intra-group merger	-5,646	0
Not recognised deferred tax asset	3,451	0
Deferred tax liability as per 31 December	**864**	**4,513**

NOTE 19 Deferred tax (continued)

Movements in deferred tax / deferred tax assets (without netting of assets and liabilities)

000 USD

Deferred tax assets	C/forward losses	Receivables	Non current assets	Other	Sum
31 December 2014	**-0**	**0**	**0**	**577**	**577**
Period movement	1,288	0	0	-219	1,069
31 December 2015	**1,288**	**0**	**0**	**358**	**1,646**
Period movement (recognised)	0	0	0	-219	-18
Period movement (non-recognised)	-1,288	0	0	-340	-1,628
31 December 2016	**0**	**0**	**0**	**-0**	**-0**
Deferred tax					
31 December 2014	**0**	**-2,569**	**-6,512**	**-2,320**	**-11,402**
Period movement	0	0	2,702	1,082	3,784
Disposals on sale	0	0	1,456	0	1,456
31 December 2015	**0**	**-2,569**	**-2,354**	**-1,238**	**-6,161**
Period movement	0	0	1,472	0	1,472
Period movement (non-recognised)	0	0	2	3,824	3,826
31 December 2016	**0**	**-2,569**	**-880**	**2,586**	**-864**
Net deferred tax liabilities 2015	**1,288**	**-2,569**	**-2,354**	**-880**	**-4,513**
Net deferred tax liabilities 2016	**0**	**-2,569**	**-880**	**2,586**	**-864**

PP&E consists predominately of investment property.

NOTE 20 Earnings per share

000 USD

Ordinary earnings per share	**2016**	**2015**
Net profit attributable to ordinary equity holders of parent company (000 USD)	-10,160	-4,794
Weighted average number of shares	18,345,623	18,345,623
Net profit per share attributable to ordinary equity holders (1 USD)	**-0,55**	**-0.26**

Total comprehensive income per share	**2016**	**2015**
Total comprehensive income (000 USD)	-4,807	-16,787
Weighted number of shares	18,345,623	18,345,623
Total comprehensive income per share (1 USD)	**-0,26**	**-0.92**

NOTE 21 Related party transactions

The Group has an asset management agreement with Storm Capital Management Ltd. on Asset Management services.
Board member Morten E. Astrup is sole shareholder of Storm Capital Management Ltd.

According to the management agreement the fee has was earlier split with 25% payable to Storm Capital Partners Ltd and 75% to Storm Capital Management Ltd.From September 2015, the fee was paid in full to Storm Capital Management Ltd.

In December 2015 the Company received a notice of termination of the management agreement from Storm Capital Management Ltd. The agreement expired 21 December 2016, with a termination fee payable. The parties entered into a new management agreement from 21 December 2016 at NOK 750k per quarter.

000 USD

Transactions with related parties	**2016**	**2015**
Storm Capital Management Ltd. - management fee	390	655
Storm Capital Management Ltd. - termination fee	688	0
Storm Capital Partners Ltd.	0	123
Total related party transactions	**1,078**	**778**

Investments in fund managed by Storm Capital Management Ltd	**2016**	**2015**
Storm Bond Fund	0	2,543
Sum	**0**	**2,543**

The balance againts related parties other than group companies were nil as of 31 December 2015 and 31 December 2016.

NOTE 22 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 23 Operating segments and discontinued operations

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

Segment profits 2016	**Real estate shares**	**Property Russia**	**Other**	**Sum**
Operating income	0	6,197	0	6,197
Direct propery related expenses	0	-1,715	6	-1,169
Indirect administration costs	0	-415	-1,628	-2,043
Value change investment property measures in local currency RUB	0	-10,394	0	-10,394
Operating profit	**0**	**-5,787**	**-1,622**	**-7,409**
Finance income	-2,973	24	549	573
Finance costs	0	-1,947	-201	-5,121
Net currency income / costs	704	-51	-16	637
Earnings before tax	**-2,269**	**-7,761**	**-1,290**	**-11,320**
Tax	0	652	508	1,160
Annual profit	**-2,269**	**-7,109**	**-782**	**-10,160**
Other comprehensive income	0	5,352	0	5,352
Total Comprehensive Income	**-2,269**	**-1,756**	**-782**	**-4,807**

Assets and Liabilities	**Real estate shares**	**Property Russia**	**Other**	**Sum**
Assets	0	31,873	4,204	36,077
Liabilities	0	24,448	664	25,111
Net asset values	**0**	**7,425**	**3,540**	**10,966**

NOTE 23 Operating segments (continued)

000 USD

Segment profits 2015	Real estate shares	Property Russia	Other	Sum
Operating income	0	10,365	0	10,365
Direct propery related expenses	0	-1,718	0	-1,718
Indirect administration costs	0	-449	-1,379	-1,828
Value change investment property measures in local currency RUB	0	-7,461	0	-7,461
Operating profit	**0**	**736**	**-1,379**	**-643**
Finance income	-95	42	317	264
Finance costs	0	-3,382	-460	-3,841
Sale of subsidiary	0	-1,810	0	-1,810
Net currency income / costs	-1,454	-295	647	-1,102
Earnings before tax	**-1,549**	**-4,709**	**-875**	**-7,133**
Tax	0	-652	2,967	2,339
Annual profit	**-1,549**	**-5,337**	**2,092**	**-4,794**
Other comprehensive income	0	-11,993	0	-11,993
Total Comprehensive Income	**-1,549**	**-17,330**	**2,092**	**-16,787**

Assets and Liabilities	Real estate shares	Property Russia	Other	Sum
Assets	12,641	47,936	-2,225	58,351
Liabilities	0	30,646	5,707	36,352
Net asset values	**12,641**	**17,290**	**-7,932**	**22,000**

Discontinued operations

The Company has in 2016 sold their entire investment in TK Development, which entirely constituted the reporting segment "real estate shares". In accordance with IFRS 5 this is presented as "discontinued operations".

000 USD

Net profit from discontinued operations:	2016	2015
Value change	-2,975	-95
Currency fluctuations (*)	706	-1,454
Result before tax	**-2,268**	**-1,549**
Tax cost	0	0
Net profit	**-2,268**	**-1,549**
Other Revenues and Costs	0	0
Net profit, discontinued operations	**-2,268**	**-1,549**
Shares	18,345,623	18,345,623
Earnings per share, discontinued operations.	**-0.12**	**-0.08**

(*) The investment in TK Development A/S (DKK) were not hedged.

000 USD

Cash flows from discontinued operations	2016	2015
Net Cash Flow From Operating Activities	0	0
Net Cash Flow From Investment Activities	10,372	0
Net Cash flow From Financing Activities	0	0
Net Cash flows from discontinued operations	**10,372**	**0**

NOTE 24 Disposal of subsidiary

In 2015, the group sold the shares in group company Pete Ltd including its subsidiary CJSC Grifon. Total comprehensive income includes a loss on realisation of these shares as follows:

Total transaction sum	13,263
Of which sale of intra-group receivable from Pete Ltd	9,885
Of which sale of intra-group receivable from CJSC Grifon	2,878
Sales price for the shares in Pete Ltd	500
Net book value of assets and liabilities in the consolidated accounts on the transaction date	15,073
Of which value of intra-group receivable from Pete Ltd	-9,885
Of which value of intra-group receivable from CJSC Grifon	-2,878
Net book value of shares in Pete Ltd on transaction date	2,310
Loss (sales price - net book value)	**-1,810**

NOTE 25 Events after the closing date

The company's lender has in its credit committee on 31/03/2017 granted amended terms to the company's loan agreement.

The amended terms include
- postponement of the maturity date to June 2019
- no amortisation up to and including Q3 2018
- waiving of covenants up to and including Q3 2018
- adjusted covenants for the period Q4 2018 to maturity, adapted to the changed market conditions in Russia

The covenants from Q4 2018 include an Interest Service Ratio on Russia level of 1.1x, and quarterly amortisations at USD 0.3 million. LTV and equity ratio covenants remain at 70% and 20%, respectively.

These amendments are subject to that the company obtains new capital of at least USD 3 million, to be paid to the bank as an extraordinary amortisation within 24/06/2017, and also subject to documentation.

These amended terms provide the company with better visibility and ability to meet its loan obligations. The agreement with the anchor tenant in the Gasfield building expires on 31/05/2017, and the company is in process of sourcing new tenants. The Board will make a proposal for a capital increase to the shareholders in a General Meeting.

STATEMENT OF COMPREHENSIVE INCOME

Storm Real Estate ASA

for the period 1 January - 31 December

All numbers in 000 USD	Note	2016	2015
Other income		0	0
Total income		**0**	**0**
Personnel expenses	8	-84	-121
Other operating expenses	7	-1,491	-1,177
Total operating expenses		**-1,545**	**-1,298**
Operating profit (loss) before fair value adjustments		**-1,575**	**-1,298**
Finance revenues	6	3,532	4,308
Finance expenses	6	-6,784	1,263
Disposal of subsidiary	14	0	492
Currency exchange gains (losses)	6	1,338	-1,000
Net financial gains (losses)		**-1,915**	**2,536**
Earnings before tax (EBT)		**-3,490**	**1,238**
Income tax expense	10	41	-629
Profit (loss) for the period		**-3,531**	**1,867**
Other comprehensive income:			
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
Other comprehensive income, net of tax		**0**	**0**
Total Comprehensive income for the period		**-3,531**	**1,867**

STATEMENT OF FINANCIAL POSITION

Storm Real Estate ASA

per 31 December

All numbers in 000 USD	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Investment in subsidiaries	2	27,147	45,751
Financial derivative assets	3	0	12,641
Loans to subsidiaries	13	4,480	40,595
Total non-current assets		**31,627**	**98,986**
Current assets			
Receivables from group companies	13	144	32,647
Financial investments	3	0	4,651
Other receivables	5	87	12
Cash and cash equivalents		4,117	1,021
Total current assets		**7,348**	**38,330**
TOTAL ASSETS		**35,976**	**137,317**
EQUITY AND LIABILITIES			
Paid-in equity			
Ordinary shares	12	1,236	1,236
Share premium		21,036	21,036
Treasury shares	12	0	0
Other paid-in equity		56,763	56,763
Total paid-in equity		**79,035**	**79,035**
Other equity			
Other equity		-68,077	58,148
Total other equity		**-68,077**	**-58,148**
TOTAL EQUITY		**10,958**	**20,887**
Liabilities			
Non-current liabilities			
Loans from credit institutions	4	18,716	0
Deferred tax liabilities	10	0	2,797
Financial derivatives	3	562	817
Loans from group companies		0	47,411
Total non-current liabilities		**19,278**	**51,026**
Current liabilities			
Trade liabilities		40	29
Corporate tax payable	10	0	216
Loans from credit institutions	4	2,366	24,707
Financial derivatives		444	549
Payables to group companies		2,752	39,677
Other short-term liabilities	9	138	226
Total current liabilities		**5,740**	**65,404**
TOTAL LIABILTIES		**25,018**	**116,430**
TOTAL EQUITY AND LIABILITIES		**35,976**	**137,317**

Oslo, 7 April 2017
The Board of Directors and General Manager of Storm Real Estate ASA

Stein Aukner
Chairperson

Morten E. Astrup
Board member

Nini E.H. Nergaard
Board member

Einar Pedersen
General Manager

STATEMENT OF CASH FLOWS

Storm Real Estate ASA

All numbers in 000 USD	Note	2016	2015
Cash Flow from operational activities			
Earnings before tax		-3,490	1,238
adjusted for :			
finance income	6	-3,532	-4,308
finance expenses	6	6,784	1,263
disposal of subsidiary		0	-492
net currency gains		-1,659	1,853
Cash Flow before changes in working capital		**-1,896**	**-445**
Change in working capital:			
trade receivables and other receivables		-75	46
trade payables and other payables		-114	-7
paid taxes		-192	-969
Net cash flow from operational activities		**-2,277**	**-1,376**
Net cash flow from investment activities			
Net payments in/out from intra-group loans		1,625	17,692
Payments out for financial investments		0	-3,179
Payments in for financial investments		15,225	5,365
Sale of subsidiary, net of cash		0	553
Dividends received		2,375	2,376
Interest received		574	189
Net cash flow from investment activities		**19,799**	**22,996**
Cash flow from financing activities			
Repayment of loans	4	-3,637	-17,823
Purchase of treasury shares	12	0	0
Dividends paid		-8,420	0
Interest paid		-2,095	-3,833
Net cash flow from financing activities		**-14,152**	**-21,655**
Net change in cash and cash equivalents		**3,370**	**-35**
Carried forward cash and cash equivalents		1,021	1,098
Currency exchange variation on cash and cash equivalents		-273	-41
Cash and cash equivalents at end of period		**4,117**	**1,021**
Including restricted cash and deposits		238	238

STATEMENT OF CHANGES IN EQUITY

for the period 1 January - 31 December

Storm Real Estate ASA

	Paid-in equity				Other equity	
	Share capital	Share premium	Other paid-in equity	Treasury shares	Retained earnings	Total equity
1 January 2015	**1,236**	**21,036**	**56,761**	**-0**	**-32,789**	**46,245**
Profit (loss) for the period					1,867	1,867
Merger with subsidiary					-27,226	-27,226
Total	-0	-0	-0	-0	-25,359	-25,359
31 December 2015	**1,236**	**21,036**	**56,761**	**-0**	**-58,148**	**20,887**
1 January 2016	**1,236**	**21,036**	**56,761**	**0**	**-58,148**	**20,887**
Profit (loss) for the period					-3,531	-3,531
Dividends paid					-8,420	-8,420
Merger with subsidiary					2,021	2,021
Sum	0	0	0	0	-9,929	-9,929
31 December 2016	**1,236**	**21,036**	**56,761**	**0**	**-68,077**	**10,958**

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.

Income is recognised when it is probable that transactions will generate future economic benefits in favour of the company, and the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts. Revenues from sale of services are recognised in line with the provision of the services.

NOTE 2 Investment in subsidiaries

000 USD

SRE ASA investment in subsidiaries	Location	Formed/ acquired	Ownership	Equity 31.12.2015	Book value SRE ASA 2015	Book value SRE ASA 2014
Gasor Consulting Ltd *	Cyprus	2015*	100%	2,654	27,144	45,744
Tiberton Yard Holding 2 Ltd	Cyprus	2015	100%	12	2	2
Storm Real Estate Ltd	Cyprus	2009	100%	-81	1	1
Sum				**2,585**	**27,147**	**45,751**

* Investment in Gasor Consulting Ltd is resulting from a merger between Storm Real Estate ASA and Tiberton Yard Ltd in 2015.

Inter-company merger
Storm Real Estate ASA has in 2015 undertaken a cross border merger with its subsidiary Tiberton Yard Ltd (Cyprus), with Storm Real Estate ASA as the surviving entity. The merger is a parent/ subsidiary merger without compensation and is accounted for using the continuity method.

In 2016, the group undertook a cross-border merger between the parent company Storm Real Estate ASA (Norway) and its subsidiary Tiberton Yard Finance Ltd (Cyprus). The purpose of the merger was to restructure the group so that the exposure towards Cyprus as jurisdiction is reduced in light of recent years' political and economic instability in Cyprus, as well as reduce the number of group companies which will reduce the company's overhead costs.The merger also had an effect on the net asset value of the company in that a provision for deferred tax on currency gains between the two group entities was reversed.

NOTE 3 Other financial assets and liabilities

000 USD

Financial investments	**31.12.2016**	**31.12.2015**
Held-for-trading investments: quoted equity shares	0	12,641
Held-for-trading investments: quoted equity bonds	0	2,107
Held-for-trading investments: fund investments	0	2,543
Sum financial investments	**0**	**17,291**
Derivative assets not designated as hedges	**31.12.2016**	**31.12.2015**
Foreign exchange forward contracts	0	35
Sum derivative assets not designated as hedges	**0**	**35**
Total other financial assets	**0**	**17,326**
Derivative liabilities not designated as hedges	**31.12.2016**	**31.12.2015**
Interest rate swaps	1,006	-1,401
Sum derivative liabilities not designated as hedges	**1,006**	**-1,401**
Total other financial liabilties	**1,006**	**-1,401**

NOTE 3 Other financial assets and liabilities (continued)

000 USD

Interest bearing loans	31.12.2016	31.12.2015
Interest bearing loans	21,081	24,707
Total interest bearing loans	**21,081**	**24,707**

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 company does not use hedge accounting.

NOTE 4 Fair value hierarchy

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.

000 USD

Financial liabilties measured at fair value / where fair value must be presented	Level 1	Level 2	Level 3	Sum
Interest bearing borrowings	0	21,081	0	21,081
Interest rate swaps	0	1,006	0	1,006
Sum	**0**	**22,087**	**0**	**22,087**

Interest bearing borrowings at amortised cost	Interest	Maturity	31.12.2016	31.12.2015
Secured bank loan	LIBOR + margin	2018	21,081	24,707
Sum interest bearing borrowings at amortised cost			**21,081**	**24,707**

Nominal value:
The nominal value of the bank loan as of 31 December 2015 was 24,780 and as of 31 December 2016 was 21,143.

Security:
The investment property Gasfield in Moscow is pledged as security for the bank loan, book value USD 31,215K

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

For loan to value up to 50%	4,50%
For loan to value up to 55%	4,75%
For loan to value up to 60%	5,00%
For loan to value up to 65%	5,50%
For loan to value up to 70%	6,00%
For loan to value over 70%	8,00%

Amortisation:
The prinicpal on the loans are repaid according to the following schedule:

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.

NOTE 4 Fair value hierarchy (continued)

Covenants:
The loan contain financial covenants, inter alia on loan to value (maximum 70% of the valuation made by independent valuer) equity ratio (minimum 20%) and Debt Service Coverage Ratio (>1.2). The company was not in breach of loan covenants as at the reporting date.

Other:
The lender has in its credit committee on 31/03/2017 granted amended terms to the company's loan agreement, subject to documentation and a capital injection. See note 15 Events after the closing date for further information.

NOTE 5 Trade and other receivables

000 USD

Other receivables	**31.12.2016**	**31.12.2015**
Taxes receivable	0	16
Other receivables	87	12
Sum other receivables	**87**	**12**

NOTE 6 Finance income and costs

000 USD

Finance income	**2016**	**2015**
Interest income	154	178
Changes in fair value, held-for-trading financial investments	0	0
Interest gains from group companies	607	5,181
Dividends from subsidiaries	2,376	2,376
Gains from the disposal of shares in subsidiaries	0	492
Changes in fair value, financial derivatives over profit and loss	395	0
Reversal of provision for loss on group companies	0	2,150
Other finance revenues	0	0
Sum finance income	**3,532**	**10,377**

Finance costs	**2016**	**2015**
Interest costs from loans measured at amortised cost	-2,075	-3,232
Changes in fair value, financial derivatives over profit and loss	0	-113
Changes in fair value, held-for-trading financial investments	-2,952	-351
Interest costs from group companies	0	-3,076
Impairment of investment in group companies	-1,695	0
Other finance costs	-62	-68
Sum finance costs	**-6,784**	**-6,840**

Foreign exchange gains and losses	**2016**	**2015**
Foreign exchange gains	1,338	888
Foreign exchange losses	0	-1,882
Sum foreign exchange gains and losses	**1,338**	**-994**
Net finance gains (losses)	**-1,915**	**2,543**

NOTE 7 Other operating expenses

000 USD

Other operating expenses	**2016**	**2015**
Management fees	1,012	716
Legal, agency and consultancy fees	98	104
Auditors	199	155
Other operating expenses	182	201
Sum other operating expenses	**1,491**	**1,177**

Auditor fees *(auditor fees are quoted excl. vat)*	**2016**	**2015**
Audit fees	53	53
Other services	146	102
Sum auditor expenses	**199**	**155**

NOTE 8 Personnel costs

000 USD

Personnel costs	**2016**	**2015**
Board fees	75	112
Social security taxes	9	9
Sum personnel costs	**84**	**121**

The parent company did not have any employees in 2014 or 2015 and therefore no pension scheme.

000 NOK

Board fees (incl fees for board committees) paid out in the year	**2016**	**2015**
Stein Aukner, chairman of the board	290	290
Morten E. Astrup	0	0
Kim Mikkelsen	165	165
Nini H. Nergaard	125	125
Silje Augustson	125	0
Christopher W Ihlen	125	125
Fredrikke Aaeng (former board member)	0	51
Sum board fees	**830**	**756**

Board fees for 2015-2016:
Chairman of the board: 250.000 kroner
Board members: 125.000 kroner
Audit committee 40.000 kroner
Board fees for 2016-2017 are subject to approval by the Annual General Meeting in May 2017.
The Audit Committee has been discontinued from 2016-2017.

NOTE 9 Other current liabilities

000 USD

	2016	**2015**
Accrued expenses	45	167
Other current liabilities	93	59
Sum other current liabilities	**138**	**226**

NOTE 10 Income tax

000 USD

Income statement	**2016**	**2015**
Current income tax	41	241
Movement in deferred tax	0	-945
Movement in deferred tax due to changes in tax rates	0	75
Sum income tax	**41**	**-629**

Basis for taxation, parent company	**2016**	**2015**
Earnings before tax in functional currency USD	-3,490	-1,238
FX variations between functional currency and tax currency	381	-4,141
Income and expenses not subject to taxation	3,956	1,925
Movement in temporary differences	-2,924	-1,763
Basis for taxation	**-2,078**	**-2,740**
Tax payable	**0**	**0**

NOTE 11 Deferred tax

000 USD

Temporary differences, parent company	31.12.2016	31.12.2015	Change
Financial liabilties	951	1,360	-709
Receivables *	6,895	-15,288	2,875
Tax losses carried forward	6,432	2,740	2,740
Sum temporary differences	**14,278**	**-11,188**	**4,906**
Tax rate	24	25%	27%
Deferred tax asset (liability)	**3,427**	**-2,797**	**1,548**
Recognised deferred tax asset (liability)	**0**	**-2,797**	**2,797**
Non-recognised deferred tax asset (liability)	**3,427**	**0**	**3,427**

(*) The large movement in temporary differences on receivables is a result of unrealised currency gains on intra-group balances, which were eliminated as a result of the inter-company merger (see note 2).

NOTE 12 Share capital and shareholders

000 USD

Share capital and nominal value	31.12.2016	31.12.2015
Shares issued	18,345,623	18,345,623
Nominal amount	0,40	0,40
Share capital	**7,338,249**	**7,689,969**

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

NOK

20 largest shareholders as of 31 December 2016	Type	Country	Shares	%
ACONCAGUA MANAGEMENT LTD	NOM	LUXEMBOURG	3,928,855	21.4 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	3,574,919	19.5 %
J.P. MORGAN BANK LUXEMBOURG SA		UK	852,091	4.6 %
QVT FUND LP		BELGIUM	637,817	3.5 %
PACTUM AS		NORWAY	579,675	3.2 %
BANAN II AS		NORWAY	476,338	2.6 %
FINANSFORBUNDET		NORWAY	416,650	2.3 %
AUBERT VEKST AS		NORWAY	373,304	2.0 %
TDL AS		NORWAY	182,250	1.0 %
THORE HYGGEN		NORWAY	181,250	1.0 %
MOTOR-TRADE EIENDOM OG FINANS AS		NORWAY	180,000	1.0 %
ØRN NORDEN AS		NORWAY	178,060	1.0 %
INGRID MARGARETH LANGBERG		NORWAY	173,750	0.9 %
ALBION HOLDING AS	NOM	NORWAY	155,250	0.8 %
SVENSKA HANDELSBANKEN AB FOR PB		NORWAY	150,000	0.8 %
INVESTERINGSHUSET DA	NOM	NORWAY	95,159	0.5 %
THE BANK OF NEW YORK MELLON N.V.		BELGIUM	71,942	0.4 %
KIKUT EIENDOM AS		NORWAY	68,750	0.4 %
NINVEST A/S		NORWAY	67,500	0.4 %
BACHE AS		NORWAY	65,250	0.4 %
Sum 20 largest shareholders			**12,408,810**	**67.6 %**
OTHER SHAREHOLDERS			5,936,813	32.4%
Sum			**18,345,623**	**100.0 %**

* NOM = Nominee investor owning shares on behalf of clients.
The shareholder list shows the shareholder register from VPS as at 31 December 2016.
Any trades via brokers before the closing date which is registered after the closing date is not reflected in the shareholder list.

Shares held by board members		Shares	%
Morten E. Astrup	via Aconcagua Management Ltd and Ørn Norden AS,	4,106,915	22.4 %
Kim Mikkelsen	via Strategic Investments A/S	3,574,919	19.5 %
Stein Aukner	via Banan AS and Aukner Holding AS	501,338	2.7 %
Sum		**8,183,172**	**44.6 %**

NOTE 13 Related party transactions

The Group has an asset management agreement with Storm Capital Management Ltd. on Asset Management services. Board member Morten E. Astrup is sole shareholder of Storm Capital Management Ltd.

According to the management agreement the fee has was earlier split with 25% payable to Storm Capital Partners Ltd and 75% to Storm Capital Management Ltd.From September 2015, the fee was paid in full to Storm Capital Management Ltd.

In December 2015 the Company received a notice of termination of the management agreement from Storm Capital Management Ltd. The agreement expired 21 December 2016, with a termination fee payable. The parties entered into a new management agreement from 21 December 2016 at NOK 750k per quarter.

USD

Transactions with	2016	2015
Storm Capital Management Ltd. - management fee	390	655
Storm Capital Management Ltd. - termination fee	688	0
Storm Capital Partners Ltd	0	123
Sum related party transactions	**1,078**	**778**

The balance againts related parties other than group companies were nil as of 31 December 2015 and 31 December 2016. The parent had the following balances against group companies:

Current receivables	31.12.2016	31.12.2015
Tiberton Yard Finance Ltd	0	32,485
Tiberton Yard Holding 2 Ltd	47	45
Storm Real Estate Ltd	75	72
Gasor Consulting Ltd	23	46
Sum current receivables from related parties	**144**	**32,647**

Non-current receivables	31.12.2016	31.12.2015
Tiberton Yard Finance Ltd (merged in 2016)	0	67,500
Gasor Consulting Ltd	150	0
LLC Martex	4,330	0
Sum non-current receivables from related parties	**4,480**	**67,500**

USD

Current liabilities	31.12.2016	31.12.2015
Tiberton Yard Finance Ltd (merged in 2016)	0	-28,973
Tiberton Yard Holding 2 Ltd	-22	-7
Gasor Consulting Ltd	-212	-289
Liabilities towards group companies, bank cash pooling	-2,518	-10,408
Sum current liabilities towards group companies	**-2,752**	**-39,677**

Non-current liabilities	31.12.2016	31.12.2015
Tiberton Yard Finance Ltd (merged in 2016)	0	-47,411
Sum non-current liabilities towards group companies	**0**	**-47,411**
Net receivables (liabilities) , group companies	**1,872**	**-13,847**

NOTE 14 Sale of subsidiary

USD

In 2015 the Company sold the shares in the subsidiary Pete Ltd.
The result in the parent company include a gain on the sale of the shares as shown below:

Price for the parent company's holding of 99% of the shares in Pete Ltd	495
Carrying amount of the investment at the time of the sale	3
Recognised profit (sales price - book value)	**492**

See note 24 in the consolidated finance statement for more information about the transaction.

NOTE 15 Events after the closing date

The company's lender has in its credit committee on 31/03/2017 granted amended terms to the company's loan agreement.

The amended terms include
- postponement of the maturity date to June 2019
- no amortisation up to and including Q3 2018
- waiving of covenants up to and including Q3 2018
- adjusted covenants for the period Q4 2018 to maturity, adapted to the changed market conditions in Russia

The covenants from Q4 2018 include an Interest Service Ratio on Russia level of 1.1x, and quarterly amortisations at USD 0.3 million. LTV and equity ratio covenants remain at 70% and 20%, respectively.

These amendments are subject to that the company obtains new capital of at least USD 3 million, to be paid to the bank as an extraordinary amortisation within 24/06/2017, and also subject to documentation.

These amended terms provide the company with better visibility and ability to meet its loan obligations. The agreement with the anchor tenant in the Gasfield building expires on 31/05/2017, and the company is in process of sourcing new tenants. The Board will make a proposal for a capital increase to the shareholders in a General Meeting.

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 2016 calendar year as at 31 December 2016.

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 2016. 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 2016.

To the best of our knowledge:

- the consolidated financial statements and the Parent Company financial statements for 2016 have been prepared in accordance with applicable accounting standards;
- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and loss as at 31 December 2016 for the group and the parent company
- 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, 7 April 2017
The Board of Directors and General Manager of Storm Real Estate ASA

Stein Aukner
Chairperson

Morten E. Astrup
Board member

Nini E.H. Nergaard
Board member

Einar Pedersen
General Manager

AUDITOR'S REPORT

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Storm Real Estate ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Storm Real Estate ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2016, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – liquidity risk

We draw attention to Note 4.3 Liquidity risk and Note 25 events after the closing date which indicate that the Company's ability to meet future liabilities is depended on sourcing new tenants and/or fulfilling certain conditions to meet the amended terms in the loan agreement. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investment property

The investment property Gasfield in Moscow is recognized at fair value, amounting to USD 31.2 million or 86 % of the statement of financial position as of 31 December 2016. The Group uses an external appraiser to value the property. The valuation of the Groups investment property in Moscow is dependent on a range of estimates such as rental income, vacancy rates, operating expenses, capital expenditures, discount rate and exit yields, currency exchange rates and property tax. The valuation of the Group's investment property in Moscow is a key audit matter due to its magnitude, the uncertainty of the estimates and the complexity of the calculation.

We evaluated the professional qualifications and objectivity of the appraiser used by management. We obtained an understanding of the nature of the work performed, which included an evaluation of the objectivity and scope, including the methods and assumptions applied. We discussed the estimates and the movements in the fair value of the investment property with management and the external appraiser. We evaluated assumptions used in the valuation (the discount and terminal capitalization rate, expected occupancy rate and rentals, forecasts of rental income, cadastral values and operating expenses) by comparing them to analysts' expectations, the Company's budget and historical performance. We involved our valuation experts to evaluate the assumptions used in estimating the fair value of investment property. Further, we tested the mathematical accuracy of the valuation model.

We refer to the Company's disclosures included in Note 3 Summary of significant accounting principles (section 3.1) and note 6 Investment Properties in the consolidated financial statements about the valuation model, key assumptions and estimation uncertainty.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 statements 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in 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 Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 7 April 2017
ERNST & YOUNG AS

Kristin Hagland
State Authorised Public Accountant (Norway)

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