

Q4

Storm Real Estate ASA
Interim report
January – December 2016



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

Highlights

All numbers in mill. USD

	12M 2016	12M 2015
Total Comprehensive Income	-4.8	-16.8

Summary of the largest major items:

NOI from investment property	+5.0	+8,7
Value change investment property	-4.2	-19,0
Value change real estate shares	-3.0	-0,1
Other operating expenses	-2.0	-1,8
Return on funds and other liquid investments	0.0	-0,2
Borrowing costs	-2.1	-3,2
Currency gain / loss	+0.6	-1,1
Value change on contract- and interest derivatives	+0.4	-0,1
Taxes	+1.2	+2,3

Return ratios

	Return on Equity ⁽¹⁾	Total Shareholder Return ⁽²⁾	NAV per share in NOK ⁽³⁾
Last year (1 year)	-21.9%	-21.4%	-19.6%
Last 3 years (annualised)	-34.0%	-15.5%	-30.1%
Last 5 years (annualised)	-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 ratios 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.

Financial information

(all following numbers are in USD)

Summary

- The group had a zero total comprehensive income in Q4 for the second quarter in a row. The total comprehensive income for 2016 was -4.8 million, compared with -16.8 million for 2015.
- Value reduction of the carrying value of the investment property Gasfield totals 2.4 million in Q4 2016, according to valuations by independent appraiser, Cushman & Wakefield. For the year impairments totalled -4.2 million (2015: -19.0 million). In 2015 the group also owned the Grifon building in St Petersburg, which was sold in December 2015.
- In Q4 the group received notice from the anchor tenant in the Gasfield building, LLC Gazprom Tsentrremont, to terminate the lease. The relevant area constitutes 8,756 square metres, approx. 80% of the total lettable area of the Gasfield building. The tenant has requested to vacate by 31 May 2017. The group is actively in the market for new tenants for the building.
- Revenues from the investment property in Russia were 1.6 million in the quarter, totalling 6.2 million for 2016. This compares with 10.4 million for the same period last year. In 2015 the group also had revenues from Grifon, which was sold in December 2015. Revenues for Grifon totalled 3.0 million, hence comparable income from Gasfield in 2015 was 7.3 million.
- From investments in bonds and funds it is recorded approx. nil change in value in both Q4 and year to date 2016. Storm Real Estate ASA had earlier this year sold the company's entire holdings in Storm Bond Fund.
- Borrowing costs were 2.1 million in 2016 (2015: 3.2 million), including interest rate swaps. The company has over the last few years made significant downpayments on the bank loan in line with falling building valuations.

Accounting for value change on investment property:

In accordance with international accounting standards (IFRS) the movement in value of investment property are split over two separate posts, explained by the following: Our Russian subsidiaries which own the buildings have Russian roubles as functional currency. According to IFRS, only the part of the fair value adjustment which can be attributed to RUB is presented over the Income Statement. The effect of currency exchange movements between RUB and USD is presented as Other Comprehensive Income and is included in term Total Comprehensive Income. We see Total Comprehensive Income as the most relevant profit measure for the group. In every quarter we present an explanatory statement of the fair value adjustment:

Change in value, million USD	12M 2016	12M 2015
Over income statement	-10.2	-7.5
Translation difference over Other Comprehensive Income	+6.0	-11.5
Sum value adjustments properties	-4.2	-19.0

Balance sheet

- The investment property Gasfield is recorded at 31.2 million. The building's valuation in accordance with valuation obtained from an independent valuer is 30.5 million. In addition, values of contract derivatives and land leases are recognised with 0.7 million.
- On the closing date, the group had a cash balance of 4.4 million. All other liquid investments have been realised.
- The group has made provisions of 0.8 million in deferred tax. The vast majority of deferred tax relates to the value adjustment on the investment property Gasfield, after acquisition date and measured in Russian roubles. The deferred tax could become payable on a potential realisation of the building, while a potential realisation of shares in the property-owning subsidiaries could result in lower tax or no taxes.
- The group has in Q4 undertaken an intra-group merger. The effect on equity was 2.2 million. This was as a result of elimination of deferred taxes related to unrealized foreign exchange gains on intercompany loans between the merging companies. In addition, the parent company has a non-recognised deferred tax asset of 2.9 million.
- The group's equity ratio is 30.4%. The bank loan has a covenant of minimum 20% equity ratio.
- The Company's NAV per share in NOK 31 December 2016 is 5.15. The company paid dividends of NOK 3.80 per share earlier this year.

The company's risk is considered very high. The situation in Russia is very demanding. Large vacancy in the market combined with expiring leases could lead to a shortfall on future cash flow. 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 company is working on various solutions to address the liquidity constraints.

For other business risks than described above, please refer to the company's annual report for 2015.

Oslo, 13 February 2016,

The Board of Directors, Storm Real Estate ASA

The Company's Investment areas

Earlier this year the company realized both 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.

Real Estate in Russia (Gasfield, Moscow)

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

- 1.1 billion USD was invested in commercial properties in Q4 2016, totalling 5.1 billion USD for the year. For comparison, the invested volume for 2015 was 2.8 billion USD.
- Of the investments made this year, 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.

Sources market information Russia: Cushman & Wakefield, Trading Economics, Ministry of Economic Development, Oxford Economics

Consolidated Statement of Comprehensive Income

All numbers in 000 USD	Note	Unaudited Q4 2016	Unaudited Q4 2015	Unaudited 12M 2016	Audited 2015
Continuing operations:					
Rental income	3	1,610	2,229	6,197	10,365
Total Income		1,610	2,229	6,197	10,365
Property related Expenses	3	-383	-465	-1,169	-1,710
Personnel Expenses		-102	-127	-435	-451
Other Operational Expenses		-142	-312	-1,607	-1,385
Total Operational Expenses		-627	-905	-3,212	-3,546
Operating Profit (Loss) Before Fair Value Adjustments		983	1,324	2,985	6,819
Fair Value Adjustments on Investment Property	3	-3,786	4,116	-10,394	-7,461
Total Operating Profit (Loss)		-2,803	5,441	-7,409	-643
Finance Revenues	5	952	-119	511	264
Finance Expenses	5	-502	-65	-2,084	-3,746
Sale of subsidiary		0	-1,810	0	-1,810
Currency Exchange Gains (Losses)	5	386	365	-69	351
Net Financial Gains (Losses)		835	-1,629	-1,643	-4,942
Earnings before Tax (EBT) continuing operations		-1,967	3,812	-9,051	-5,584
Income Tax Expenses	7	-677	888	-1,160	-2,339
Profit (Loss) for the Period from continuing operations		-1,291	2,923	-7,891	-3,246
Discontinued operations:					
Profit (Loss) from discontinued operations	11	0	-492	-2,268	-1,549
Profit (Loss) for the Period		-1,291	2,431	-10,160	-4,794
Other Comprehensive Income:					
<i>Items that are reclassified from Equity to earnings in subsequent periods:</i>					
Translation differences, continuing operations		1,319	-5,189	5,352	-11,993
Sum other income and expenses after tax, continuing operations		1,319	-5,189	5,352	-11,993
Sum other income and expenses after tax, discontinued operations	11	0	0	0	0
Sum other income and expenses after tax		1,319	-5,189	5,352	-11,993
Total Comprehensive Income for the Period		28	-2,759	-4,807	-16,787
Average Number of Shares (Excluding Treasury Shares)		18,345,623	18,345,623	18,345,623	18,345,623
Earnings per share (USD)		-0.07	0.13	-0.55	-0.26
Earnings per share (USD) from continuing operations		-0.07	0.16	-0.43	-0.18
Total Comprehensive Income per share (USD)		0.00	-0.15	-0.26	-0.92

Consolidated Statement of Financial Position

All numbers in 000 USD	Note	Unaudited 31.12.2016	Audited 31.12.2015
Investment Property	3	31,215	38,950
Financial Investments	4	0	12,641
PP&E		18	20
Sum Fixed Assets		31,233	51,611
Financial investments	4	0	4,651
Other Receivables	10	473	387
Cash and Cash Equivalents	4	4,371	1,703
Total Current Assets		4,844	6,741
Total Assets		36,078	58,352
Share Capital		1,236	1,236
Share Premium		21,036	21,036
Other Paid-in Equity		56,763	56,763
Total Paid-in Equity		79,035	79,035
Other equity		-68,069	-57,036
Total other equity		-68,069	-57,036
Total Equity		10,966	22,000
Loans From Credit Institutions	4	18,716	0
Deferred Tax Liabilities		864	4,513
Financial Derivative Liabilities	4	1,006	817
Other Long-term Liabilities		213	321
Total non-current liabilities		20,799	5,651
Trade Payables		84	58
Financial Derivative Liabilities		529	4,450
Loans from Credit Institutions	4	2,366	24,707
Other Short-term Payables	9	1,334	1,486
Total Current liabilities		4,312	30,700
Total Liabilities		25,111	36,351
Total Equity and Liabilities		36,078	58,352

Consolidated Statement of Cash Flow

	Unaudited 12M 2016	Audited 2015
All numbers in 000 USD		
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
<i>Adjusted for:</i>		
Depreciations	6	8
Value Adjustments on Investment Property	10,394	7,461
Financial Income	2,836	87
Financial Expenses	1,712	3,490
Gain/Loss on disposal of subsidiary	0	1,810
Net Currency Gains	-958	1,337
Cash Flow Before Changes in Working Capital	2,670	7,061
<i>Changes in Working Capital:</i>		
Trade Receivables and Other Receivables	-86	123
Trade Payables and Other Payables	-49	-577
Paid Taxes	-1,154	-2,339
Net Cash Flow From Operating Activities	1,381	4,268
Cash Flow From Investment Activities		
Outflows from Investments in Financial Securities	0	-3,179
Inflows from Investments in Financial Securities	15,225	5,365
Sale 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		
Repayments of Loans	-3,637	-17,822
Changes in Other Long-term Liabilities	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
FX movements on opening balance	82	174
Cash and Cash Equivalents on Closing Date	4,371	1,703
Of which restricted Cash and Cash Equivalents	238	238

Consolidated Statement of Changes in Equity

All numbers in 000 USD	Paid-in Equity			Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings	Translation Differences on Foreign Operations	
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

	Paid-in Equity			Other Equity		Total Equity
	Share Capital	Share Premium	Other Paid-in Equity	Retained Earnings	Translation Differences on Foreign Operations	
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				2,194		2,194
31 December 2016	1,236	21,036	56,763	5,220	-73,288	10,966

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENT

(Unaudited)

1. Company Information

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

2. Basis of Preparation and Accounting Policies

Basis of Preparation

The interim financial statements for the period ending 31 December 2016 are prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement of 2015. The interim financial statements are unaudited. The interim financial statement was approved by the Board of Directors on 13 February 2017.

Accounting principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for 2015. All notes are in '000 USD, except where otherwise indicated.



3. Investment property

	31.12.2016	31.12.2015
Value as valued by an independent valuer:		
As at 1 January	34,700	69,900
Value Adjustment Investment *	-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 embedded derivatives contract ***	-3,567	4,054
Value per Closing Date	715	4,250
Carrying value 01.01	38,950	70,343
Carrying value per Closing date	31,215	38,950

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

The fair value changes has two elements:

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

The two effects are presented separately below:

	12M 2016	12M 2015
Change in RUB over Income Statement	-10,394	-7,461
Translation Differences over Comprehensive Income	6,194	-11,539
Net Change in Fair Value	-4,200	-19,000

NOI from Properties	12M 2016	12M 2015
Rental Income	6,197	10,365
Direct Property Related Expenses	1,170	1,710
NOI from Properties	5,027	8,654

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

*** ** In 2015 The Company signed an agreement on a lease reduction with the anchor tenant in Moscow.

Reduction is in practice done by agreeing a ceiling on exchange rate USD/RUB = 45. This arrangement shall in accordance with IFRS be treated as a financial derivative. This derivative is related to the investment property.

The company has recognised a financial liability when USD/RUB at the reporting date was unfavourable.

A recognition of this currency derivative has no effect on the net asset value, when the size of the asset and liability are equal (see liability in note 4).

Variables for Independent Valuations	31.12.2016	31.12.2015
Discount Rate	12.50%	12.50%
Yield (cap. rate)	11.50%	11.50%
Market rates, \$/sq.m (net of VAT and op.ex)	300	300

The investment property is valued according to Level 3 of the fair value analysis (see note 4).

4. Financial Assets and Liabilities

Investments in financial securities:	31.12.2016	31.12.2015
Value as at 1 January	17,291	22,490
Additions	0	3,175
Disposals	-15,214	-5,402
Change in Fair Value	-2,949	-320
Change in Currency *	871	-2,653
Value at closing date	0	17,291

* The Investment in TK Development A/S (DKK) was not currency hedged.

Investments in other currencies than USD was largely hedged against USD on the reported balance dates.

Other Financial Assets and Liabilities	31.12.2016	31.12.2015
Cash and Cash Equivalents	4,371	1,703
Financial Investments	0	17,291
Foreign currency forward contracts	0	35
Interest Rate Swaps	-1,006	-1,401
Bank Loan	-21,081	-24,707
Embedded derivatives *)	-529	-4,054
Land plot lease agreements	-186	-154
Total Financial Assets and Liabilities	-18,432	-11,287

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

Bank loan

The parent company has one loan to finance its property. The loan is secured with pledge in investment property, Gasfield and is repaid in quarterly instalments. The loan started in September 2008.

The loan matures in September 2018 (nominal balance per 31.12.2016 was 21.143 USDk).

Amortisation for the loan is USD 591k per quarter until maturity, when the remaining balance is due.

The company's ability to repay loan instalments and bullet on maturity is contingent on either re-letting the upcoming vacancy, refinancing or alternative source of liquidity.

Reference is made to the risks specified on page 4.

4. Financial Assets and Liabilities (continues)

Fair value hierarchy

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

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

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

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

Financial liabilities measured at fair value	Level 1	Level 2	Level 3	Sum
Interest rate swaps	-1,006			-1,006
Forward currency contract	0			0
Embedded derivatives on leases	-529			-529
Land plot lease agreements	-186			-186
Sum financial liabilities measured at fair value	-1,721	0	0	-1,721

Comparison per class

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

	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Financial assets				
Accounts receivable	3	3	3	3
Other receivables	470	384	470	384
Derivative financial assets at fair value	0	35	0	35
Held-for-trading financial investments	0	17,291	0	17,291
Cash and cash equivalents	4,371	1,703	4,371	1,703
Sum	4,844	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
Derivative financial liabilities at fair value	529	0	529	0
Interest rate swaps and FX forward contracts	1,006	5,455	1,006	5,455
Land plot lease agreements	186	154	186	154
Other current liabilities	1,147	1,656	1,147	1,656
Sum	24,034	32,030	24,096	32,103

5. Finance income and costs

Finance income and costs from continuing operations:

	12M 2016	12M 2015
Currency		
Currency Gain	43	3,150
Currency Loss	-112	-2,798
Net Currency Gain (Loss)	-69	351
Finance Revenues		
Interest Revenue	178	263
Fair Value Adjustment, Financial Investments	23	0
Fair Value Adjustment, Derivatives	395	0
Other Financial Revenues	-85	1
Sum	511	264
Finance Costs		
Interest Costs	-2,081	-3,240
Disposal of subsidiary	0	-1,810
Fair Value Adjustment, Derivatives	0	-113
Fair Value Adjustment, Financial Investments	0	-256
Other Finance Gains (Loss)	-3	-137
Sum	-2,084	-5,557
Net Finance Gains (Losses) continued operations	-1,643	-4,942

Finance income and costs from discontinued operations:

Net Currency Gain (Loss)	706	-1.454
Fair Value Adjustment, Financial Investments	-2.975	-95
Net Finance Gains (Losses) discontinued operations	-2.268	-1.549

6. Shareholder information

The 20 largest shareholders as at 31.12.2016:

Shareholder	Type *	Country	Shares	%
ACONCAGUA MANAGEMENT LTD		LUXEMBOURG	3,928,855	21.42%
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SVERIGE	3,574,919	19.49%
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	STORBRITANNIA	852,091	4.64%
QVT FUND LP		BELGIA	637,817	3.48%
PACTUM AS		NORGE	579,675	3.16%
BANAN II AS		NORGE	476,338	2.60%
FINANSFORBUNDET		NORGE	416,650	2.27%
AUBERT VEKST AS		NORGE	373,304	2.03%
TDL AS		NORGE	182,250	0.99%
THORE HYGGEN		NORGE	181,250	0.99%
MOTOR-TRADE EIENDOM OG FINANS AS		NORGE	180,000	0.98%
ØRN NORDEN AS		NORGE	178,060	0.97%
INGRID MARGARETH LANGBERG		NORGE	173,750	0.95%
ALBION HOLDING AS		NORGE	155,250	0.85%
SVENSKA HANDELSBANKEN SA	NOM	NORGE	150,000	0.82%
INVESTERINGSHUSET DA		NORGE	95,159	0.52%
THE BANK OF NEW YORK MELLON N.V.	NOM	BELGIA	71,942	0.39%
KIKUT EIENDOM AS		NORGE	68,750	0.37%
NINVEST A/S		NORGE	67,500	0.37%
BACHE AS		NORGE	65,250	0.36%
SUM 20 LARGEST			12,408,810	67.64%
OTHER SHAREHOLDERS			5,936,813	32.36%
SUM			18,345,623	100.00%

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

The list is as per the shareholders registered in VPS as 31.12.2016

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

Shares controlled 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 %

7. Tax Expenses

Tax Expense for period	12M 2016	12M 2015
Current Tax	877	1,662
Deferred Tax	-2,037	-4,001
Total Tax Expense for Period	-1,160	-2,339

8. Transactions with Related Parties

	12M 2016	12M 2015
Storm Capital Management Ltd. - management fee	390	655
Storm Capital Management Ltd. - termination fee	688	0
Storm Capital Partners Ltd	0	123
Sum	1,078	778

9. Other current liabilities

	31.12.2016	31.12.2015
Taxes and duties due	314	657
Advance rents paid by tenants	840	709
Other	180	120
Sum	1,334	1,486

10. Other Current Receivables

	31.12.2016	31.12.2015
Taxes and Duties receivable	218	164
Other Current receivable	256	223
Sum	473	387

11. Segment information and Discontinued operations

	Property shares	Investment property	Other	Sum Group
Total comprehensive income 2016	-2,269	-1,756	1,486	-2,539
Assets	0	31,873	4,204	36,077
Liabilities	0	24,892	220	25,111
Net asset value per 31.12.2016	0	6,981	3,984	10,966

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".

Net profit from discontinued operations:	12M 2016	12M 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
Earnings per share, discontinued operations.	-0.12	-0.08

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

12. Intra-group merger

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. The effect on the accounts was USD 2,194k.

