

ANNUAL REPORT 2017



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SUMMARY 2017

(all figures in USD)

2017 continued to be challenging for Storm Real Estate.

The anchor tenant in the Gasfield building vacated at 31 May 2017. The company is now facing a period of vacancy for the first time since 2009. Re-letting of the area has been somewhat slower than expected.

The group renegotiated an updated set of terms and covenants with its lender to ensure a longer financial runway. As a part of this agreement an extraordinary repayment of USD 3 mill was made. A rights issue of USD 3 mill was placed to finance the loan repayment

The group made losses of 4.2 million in 2017, predominately due to a 4.5 million reduction in valuation of the Gasfield building.

Key figures from investment properties

Numbers in USD million	2011	2012	2013	2014	2015	2016	2017
Rental income	11.8	12.6	12.9	12.7	10.4	6.2	3.0
Net operating income from properties	8.7	9.6	10.1	10.3	8.7	5.0	1.8
Net operating income %	74%	76%	78%	82%	83%	81%	60%
Valuation of investment property	99.3	102.7	103.1	70.3	34.7	30.5	26.6

Return on equity

Numbers in USD million	2013	2014	2015	2016	2017	Last 5 years ⁽¹⁾
Total Comprehensive Income	3.1	-34.2	-16.8	-4.8	-4.2	-56.8
Equity, beginning of period	80.7	78.4	38.8	22.0	11.0	80.7
Return on equity	3.9%	-43.6%	-43.3%	-21.9%	-37.9	-70.4

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

(1): Total, not annualised

Total Shareholder Return

Numbers in NOK	2013	2014	2015	2016	2017	Last 5 years ⁽²⁾
Share price 01.01	15.10	17.40	12.50	10.55	1..53	4.61
Dividend date	14/05/13	12/05/14	-	26/05/16	-	multiple
Dividends	1.00	1.60	-	3.80	-	6.40
Share price 31.12	17.40	12.50	10.55	5.00	0.67	0.67
Total Shareholder Return	-8.0%	12.0%	-15.6%	-21.4%	-56.1%	-20.9%

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

(2): Adjusted for share issue 2017.

Return ratios

	Return on equity ⁽¹⁾	Total Shareholder Return ⁽²⁾
Last 1 year	-37.9%	-56.1%
Last 3 years (annualized)	-30.5%	-34.5%
Last 5 years (annualized)	-21.6%	-20.9%

(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.

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.

THIS IS STORM REAL ESTATE

Storm Real Estate ASA is an investment company focusing on real estate. Its strategy comprises ownership and management of commercial property in Russia.

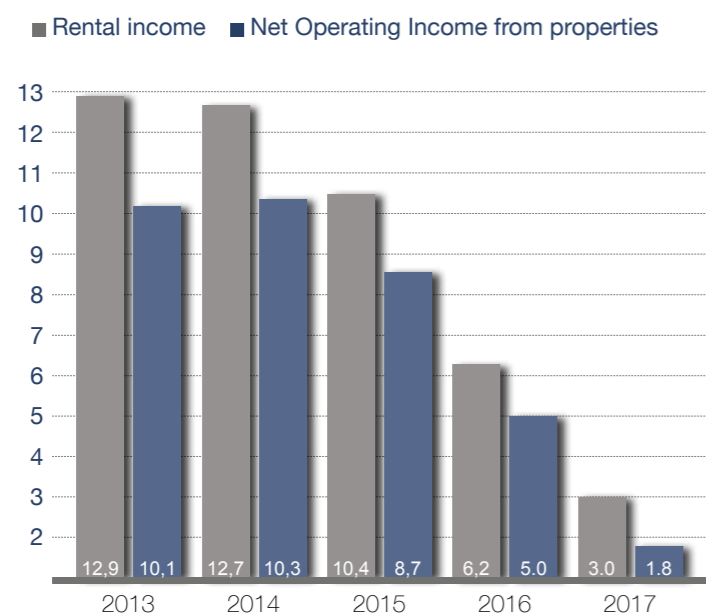
Storm Real Estate ASA was established in 2007.

The company has in the past had multiple investments across several countries, including direct ownership of real estate as well as indirect exposure via stakes in other real estate companies.

Following the earlier sale of Grifon House and shares in TK Development A/S, the company's remaining investment property is the Gasfield building in Moscow. 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 includes offices, a restaurant, fitness center and parking spaces. It has a gross area of 15,000 square meters and a net lettable area of 11,100 square meters. In May 2017 the anchor tenant vacated the building and the company is currently in the process of re-letting the building.

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.

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



MARKET COMMENTARY

In 2016 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. Since then the company has been a focused investment company with one investment in Russia.

Macro snapshot

- Following the recession in 2014-2016 the Russian economy is recovering. Preliminary estimates showed that Russia's gross domestic product expanded by 1.5 percent year-on-year in 2017.
- Inflation rate is at 2.5% at the end of 2017, the lowest inflation rate in the post-Soviet era.
- Unemployment is down from 5.3% at the year-end 2016 to 5.1% at the end 2017.
- The Central Bank has lowered the key rate to 7.75%, a cut of 4.75 percentage points in just over 2 years.

Real Estate Market

- 4.0 billion EUR was invested in commercial properties in 2017. For comparison, the invested volume for 2016 was 3.1 billion EUR, an increase of 27%.
- Prime yields remain unchanged at 10.5% for offices, but market commentators are expecting that yields will eventually respond to the stabilization of the inflation and the significant reduction in the central bank key rate.
- Foreign investments have showed some signs of returning to the Russian market. In 2016 foreign investors accounted only for 6% of the market. In 2017 their share was 14%.
- New supply continues to be low. Only 408,000 sq.m. new construction was delivered to the market in 2017, of which two skyscrapers in Moscow City account for 240,000 sq.m.
- In line with the consistently low new construction and 5-year high transactions level, the vacancy rate began to decline towards the end of the year and is reported at 12.5%. The vacancy in class B buildings is approx. 10.9%. For class A buildings, the vacancy is approx. 17%.
- Registered rent levels have been stable since last year, but at a low level.

Sources market information Russia: Cushman & Wakefield, Tradingeconomics

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 2017 Storm Real Estate ASA had 88,345,623 issued shares.

Each share has a nominal value of NOK 0.40. The Company had no treasury shares as at 31 December 2016 or 31 December 2017.

Shareholder structure

At 31 December 2017 Storm Real Estate ASA had 536 shareholders. The 20 largest shareholders held 82.7% of the shares. The Company's Board Members controlled 56.68% of the shares in the Company at the end of 2017. Morten E. Astrup is in total the largest shareholder in Storm Real Estate.

	31.12.2016		31.12.2017	
	Shares	%	Shares	%
Norwegian	9,108,809	49,7%	32,918,965	37.3%
Foreign	9,236,814	50,3%	55,426,658	62.7%
Total	18,345,623	100.0%	88,345,623	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. 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 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. 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 2017 equity was USD 10.0 million and the equity ratio was 33.7%. This follows several years of 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. 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 2017 and consists of Christopher W. Ihlen (chairman) and Nini Nergaard.

Board of Directors

Storm Real Estate’s Board of Directors consists of five members. 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.

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, 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.



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 London.



Nini Høegh Nergaard, board member (born 1972)

Ms Nergaard is currently chairperson of the board of Dønski Toppidrett 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.



Kim Mikkelsen, board member (born 1968)

Kim Mikkelsen is an investor and member of the board of several financial and internet companies. He invests in small and medium-sized enterprises via his companies Strategic Capital, Strategic Investments and Strategic Venture Capital. Through Strategic Capital he was a majority shareholder and CIO of Nordic Asset Management, a Danish management company that he started in 2003 and that grew to manage funds of GBP 400 million before being acquired in 2009 by PFA Pension, Denmark’s second-largest pension fund. Mr Mikkelsen has held several management positions in investment banks in London and Copenhagen. He is a Danish citizen and is an alternate member of the Board of Directors.



Anna Musiej Aanensen, board member (born 1970)

Anna Musiej Aanensen is employed at Coface, global credit insurance company, heading its activities in Norway. From 2010 till 2017 she worked for Export Credit Norway being responsible for financing the projects within oil & gas industries. Between 1998 and 2010 she worked for Handelsbanken where she kept various positions. Mrs Aanensen has a Master of Science from Warsaw School of Economics and Executive MBA in Maritime Offshore from Norwegian Business School in Oslo. She is a Norwegian citizen and independent board member.

THE WORK OF THE BOARD OF DIRECTORS

Storm Real Estate attaches importance to independence and neutrality in all relations between the Board, management and owners in general. The principles of independence, neutrality and standard business practice also apply in dealings with other stakeholder groups such as customers, suppliers, banks and other business connections.

The relationship between the Board of Directors, the Company and the operational management is regulated by the management agreement in force between Storm Real Estate and Storm Capital Management Ltd. This 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 2016 the Company agreed a new management agreement with Storm Capital Management Ltd on the current 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 had 6 meetings in 2017.

Audit committee

Due to the limited scope of the Company's business and also its financial constraints, the Board does not have a separate audit committee. The board members currently perform the responsibilities previously assumed by the audit committee.

Remuneration and governance committee

Due to the limited scope of the Company's business and also its financial constraints, the Board does not have a remuneration and governance committee. The board members currently perform the responsibilities previously assumed by the remuneration and governance committee.

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. Control measures have been established in connection with the presentation of quarterly and annual financial statements. The board of directors undertake 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 2017, 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. Large shareholders Morten E. Astrup and Kim Mikkelsen do not charge a board fee for their duties as board members.

Remuneration to Storm Capital Management Ltd.

Storm Capital Management Ltd. receives a management fee of NOK 750,000 per quarter (NOK 3 million per annum). This amount includes 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. Key company information made public is 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 2017

2017 was a challenging year for Storm Real Estate where our company was hit by lower rental income on the Gasfield building after 8 years with a stable income from our previous anchor tenant Gazprom. Gazprom vacated the premises in May 2017.

The Group's legal structure and cost base is not sustainable given that we currently own only one income-earning asset. The Board is therefore actively looking for structural opportunities and actions to reduce ongoing operational cost. The Board will recommend to the shareholders that the company is delisted to reduce costs.

Rental rates in Moscow have stabilised on a low level., but with falling vacancy, a growing population in Moscow and more job creation it is possible that rental rates will increase again over the next 12 to 24 months.

Our area has been characterized by many Gazprom companies, and the area has consequently been hit particularly hard by Gazprom's strategic decision to move a number of businesses to St. Petersburg.

As per 31.12.2017 we had re-let 34% of the vacated area and had just below 50% occupancy. Many large companies are seeing cost benefits of moving out of the central business district, and we are positioned to benefit from that.

Due to the low occupancy level and the current market situation, the future liquidity situation is uncertain.

The company therefore made an agreement with the lender in the spring of 2017 to ensure longer visibility of cash flows. The lender agreed to waive covenants and amortisations until Q4 2018, and to extend the maturity of the loan until June 2019. In return, the company agreed to make an extraordinary amortisation of USD 3 million, which was raised by means of a rights issue in June 2017.

The board sees a risk for the current waivers from the bank to be too short, and the company is currently in discussions with the lender to create a longer financial runway. Discussions are also being held with potential investors in order to raise more equity or debt.

The board considers the company's financial constraints one of liquidity rather than solidity. Valuation reports obtained from local market experts indicate that the company's assets exceed the value of its liabilities. However, in today's market environment processes can be long and it might take time to realize assets if needed. The board therefore sees a new agreement with the bank combined with an approach to the shareholders to raise more capital as the most probable outcome. The aim is to ensure sufficient time to be able to see an upturn in the rate levels, increased occupancy in the building and the possibility to carry out an orderly market sale.

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 2017. There is significant uncertainty related to future rental income.

Total comprehensive income for 2017 was USD -4.1 million (2016: USD -4.8 million).

Net operating income from investment properties in Russia was USD 1.8 million, a reduction from USD 5.0 million in 2016.

Fair value of investment property reduced by USD 4.4 million from USD 31.2 million to USD 26.8 million (2016: Down USD 7.7 million from USD 38.9 million to USD 31.2 million). The reduction in fair value given by the appraisers is mainly related to the actual and expected future effect of vacancy in the building.

Borrowing costs, including interest linked to interest rate swaps, were USD 1.9 million in 2017 (2016: USD 2.1 million). Borrowing costs are reduced following extraordinary repayments on the bank loan. In addition, a gain in the value of interest rate hedging derivatives of USD 0.5 million has been included for 2017 connected with an increasing interest rate curve (2016: +USD 0.4 million).

A negative tax expense (tax income) has been recognized, primarily resulting from reduction in the value of the investment property in Russia. Income taxes for the period are USD -0.5 million (2016: USD -1.2 million).

Summary of the balance sheet

The value of investment property totalled USD 26.8 million (2016: USD 31.2 million). Bank deposits totalled USD 2.2 million (2016: USD 4.4 million).

The Group has financed the property in Russia via a bank loan totalling USD 18.1 million (2016: USD 21.1 million).

The Group has recognised a liability of USD 0.5 million linked to hedging derivatives (interest-rate hedging and foreign currency hedging) (2016: USD 1.5 million).

The Company was not in breach of covenants of the bank loan as at 31/12/2017, due to the agreed waivers.

Cash flow statement

The Group had a cash flow before changes in working capital of USD 0.8 million (2016: USD 2.7 million).

Investment activities resulted in a net cash flow of USD +0.1 million. (2016: USD +15.4 million, primarily linked to the sale of the shares in TK Development.)

Financing activities resulted in a net cash flow of USD -1.7 million after net proceeds from rights issue of USD 3.2 million, repayment of bank debt of USD 3.0 million. (2016: USD -14.2 million after dividends of USD 8.4 million and repayment of bank debt of USD 3.6 million). Interests paid was USD 1.9 million (2016: USD 2.1 million).

Financial statements for Storm Real Estate ASA

The parent company loss for the year was 4.1 million compared with a loss of USD 3.5 million in 2016. The Parent Company's main source of income is dividends from investments in subsidiaries. In 2017 this income was USD 0.0 million (2016: USD 2.4 million).

The parent company made a provision for losses of USD 2.7 million on its investments in subsidiaries (2016: USD 1.7 million)

Future outlook

The future of the company will largely depend on the success of re-letting of the Gasfield building. Successful re-letting will not only improve profitability in itself, but also open options for refinancing and other strategic alternatives like realisation, mergers etc.

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 are crystallised, 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. For more information about the group's risks please see 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 2017. There is no material negative environmental impact related to the Company's operations. The Group recorded 44 days of sickness absence in 2017.

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 2017 has been prepared based on the assumption of a going concern. Despite the company's financial constraints, the board considers it likely that the company can continue its operations for the foreseeable future. However, this assumption is at risk and does depend on the outcome of several processes including re-letting of the investment property and reduction of operating expenses. In addition, the company is likely to require additional funding sources. The board will consider multiple sources of funding, including renegotiation with the current lender, refinancing, new loan arrangements and/ or further equity issues.

Distribution of profit

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

- Transferred from other equity USD 4,100k.

Oslo, 16 April 2018

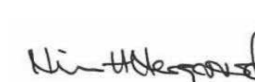
The Board of Directors and General Manager of Storm Real Estate ASA



Stein Aukner
Chairperson



Morten E. Astrup
Board member



Nini E.H. Nergaard
Board member



Kim Mikkelsen
Board member



Anna Muisej Aanensen
Board member



Einar Pedersen
General Manager

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Storm Real Estate group

All numbers in 000 USD	Note	2017	2016
Continuing operations:			
Rental income	6	3,034	6,197
Total income		3,034	6,197
Property related expenses	6	-1,242	-1,169
Personnel expenses	16	-251	-435
Other operating expenses	15	-749	-1,607
Total operating expenses		-2,242	-3,212
Operating profit before fair value adjustments		792	2,985
Gain/loss from fair value adjustments on investment property	6	-5,398	-10,394
Total operating profit		-4,606	-7,409
Finance revenues	14	575	573
Finance expenses	14	-1,999	-2,146
Currency exchange gains (losses)	14	29	-69
Net financial gains (losses)		-1,395	-1,643
Earnings before tax		-6,001	-9,051
Income tax expense	18	-477	-1,160
Profit (Loss) for the Period from continuing operations		-5,524	-7,891
Discontinued operations:			
Profit (Loss) from discontinued operations	14.23	0	-2,268
Profit (loss), attributable to owners of parent		-5,524	-10,160
Profit (loss), attributable to non-controlling interests		0	0
Other comprehensive income:			
<i>Items that are reclassified from Equity to earnings in subsequent periods:</i>			
Translation differences from foreign operations		1,370	5,352
Sum other income and expenses after tax, continuing operations		1,370	5,352
Sum other income and expenses after tax, discontinued operations		0	0
Other comprehensive income, net of tax		1,370	5,352
Comprehensive income, attributable to owners of parent		-4,154	-4,807
Comprehensive income, attributable to non-controlling interests		0	0
Weighted average number of shares *		54,208,636	18,345,623
Basic and diluted earnings per share (USD)	20	-0.10	-0.55
Basic and diluted earnings per share (USD) from continuing operations		-0.10	-0.43
Total Comprehensive Income per share (USD)	20	-0.08	-0.26

* Weighted average calculated with issue of 70.000.000 shares on 27.06.2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

per 31 December

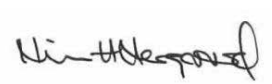
Storm Real Estate group

All numbers in 000 USD	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Investment property	6	26,760	31,215
Property, Plant and Equipment (PP&E)		10	18
Total non-current assets		26,770	31,233
Current assets			
Pre-paid income tax	18	352	72
Other receivables	13	265	401
Cash and cash equivalents		2,247	4,371
Total current assets		2,865	4,844
TOTAL ASSETS		29,634	36,078
EQUITY AND LIABILITIES			
Paid-in equity			
Ordinary shares		4,575	1,236
Share premium		21,036	21,036
Other paid-in equity		56,605	56,763
Total paid-in equity		82,216	79,035
Other equity			
Other equity		-72,222	-68,069
Total other equity		-72,222	-68,069
TOTAL EQUITY		9,994	10,966
Liabilities			
Non-current liabilities			
Loans from credit institutions	12	17,836	18,716
Deferred tax liabilities	19	284	864
Financial derivative liability	10	528	562
Other long-term liabilities		287	213
Total non-current liabilities		18,936	20,355
Current liabilities			
Trade liabilities	11	37	84
Financial derivative liability	10	0	973
Loans from credit institutions	12	300	2,366
Other short-term liabilities	17	367	1,334
Total current liabilities		705	4,756
TOTAL LIABILITIES		19,640	25,111
TOTAL EQUITY AND LIABILITIES		29,634	36,078

Oslo, 16 April 2018
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


Kim Mikkelsen
Board member


Anna Muisej Aanensen
Board member


Einar Pedersen
General Manager

CONSOLIDATED STATEMENT OF CASH FLOWS

Storm Real Estate group

All numbers in 000 USD	Note	2017	2016
Cash Flow from operational activities			
Earnings before Tax, continuing operations		-6,001	-9,051
Earnings before Tax, discontinued operations		0	-2,268
Earnings before Tax		-6,001	-11,320
<i>Adjusted for:</i>			
depreciations	8	4	6
value adjustment on investment property	6	5,398	10,394
finance income	14	-97	2,774
finance expenses	14	1,522	1,774
net currency gains	14	-7	-958
Cash flow before changes in working capital		818	2,670
<i>Change in working capital:</i>			
trade receivables and other receivables		208	-86
trade payables and other payables		-1,005	-49
paid taxes		-461	-1,154
Net cash flow from operational activities		-440	1,381
Cash Flow from investment activities			
Inflows from financial investments		0	15,225
Interest received		79	151
Net cash flow from investment activities		79	15,376
Cash flow from financing activities			
Share issue	22	3,181	0
Repayment on loans	12	-3,000	-3,637
Dividends paid		0	-8,420
Interest paid		-1,932	-2,113
Net cash flow from financing activities		-1,751	-14,170
Net change in cash and cash equivalents		-2,111	2,587
Carried forward cash and cash equivalents		4371	1,703
Currency exchange variation on cash and cash equivalents		-12	82
Cash and cash equivalents at end of period		2,247	4,371
Of which restricted Cash and Cash Equivalents		237	237

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 1 January - 31 December

Storm Real Estate group

	Note	Paid-in equity			Other equity		Total equity
		Share capital	Share premium	Other paid-in equity	Retained earnings/ losses	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	7				2,194		2,194
31 December 2016		1,236	21,036	56,763	5,220	-73,288	10,966
1 January 2017		1,236	21,036	56,763	5,220	-73,288	10,966
Profit (loss) for the period					-5,524		-5,524
Other comprehensive income						1,370	1,370
Sum		0	0	0	-5,524	1,370	-4,154
Share issue	22	3,339		-158			3,181
Sum other capital changes		3,339	0	-158	0	0	3,181
31 December 2017		4,575	21,036	56,605	-304	-71,918	9,994

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 real estate 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 had investments 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 16 April 2018. The final financial statements will be put forward for approval by the general meeting on 15 May 2017.

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 1.1.2017 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. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has carried out an 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 recognising, 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 recognise 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. Lessees are required to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17, but that is not expected to be material for the Group. Either a full retrospective application or a modified retrospective application is required 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. Either a full retrospective application or a modified retrospective application is required 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.

IAS 7 Statement of Cash Flows

Disclosure Initiative: The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 24.

(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 recognised at fair value at the acquisition date. Non-controlling interests in the acquiree are measured on a case-by-case basis either at fair value or at their share of the acquiree's net assets.

In the case of a step acquisition, equity interests from previous acquisitions are remeasured at the control date to fair value through profit and loss. Any contingent consideration is recognised at fair value at the acquisition date. In accordance with IAS 39, subsequent changes to the fair value of the contingent consideration are recognised in the income statement or as a change to other comprehensive income if the contingent consideration is classified as an asset or liability. Contingent considerations classified as equity are not remeasured, and subsequent settlement is entered against equity.

Intra-company transactions, balances, and 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. 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.

All currency translation differences are recognised in the income statement.

The assets and liabilities of foreign entities are translated into the presentation currency at the rate on the reporting date, and related income statement items are translated at average exchange rates per quarter. Currency translation differences arising on the translation are recognised as other comprehensive income. In the consolidated financial statements, currency translation differences linked to net investments in foreign operations are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement.

NOTE 2.5 Segment information

The Company has up until 2016 operated within different operating segments as per the definitions in IFRS 8. For the financial year 2017 the company has only one operating segment following the realisation of shares in real estate companies in 2016. The business areas are separate segments that follows how they are managed by the board of directors as the chief operating decision maker body (CODM). See note 23 for detailed segment information.

NOTE 3. Summary of significant accounting policies

3.1 Investment property

Investment property comprises completed property held to generate rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is recognised initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net selling price and the carrying amount of the asset 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.

Costs incurred after the asset has been taken into use are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the acquisition will

flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is written down to zero. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

NOTE 3.3 Operating leases

(a) Where a Group company is the lessee

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

(b) Where a Group company is the lessor

Properties leased under operating leases are included in investment property in the Company's statement of financial position. Rental income is recognised over the term of the lease on a straight-line basis.

At the start of a lease agreement tenants pay a security deposit. This is treated as an advance payment from the tenants. The tenants then continue to pay in advance for the term of their lease, such that the level of the security deposit is maintained.

NOTE 3.4 Financial assets

NOTE 3.4.1 Classification

Financial assets within the scope of IAS 39 Financial Instruments are classified either (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 recognised on the trade date – the date on which the Group commits to purchase or sell the asset. All financial assets not carried at fair value through profit or loss are initially recognised at fair value with the addition of transaction costs. Financial assets carried at fair value through profit and loss are initially recognised at fair value. Subsequent measurement is at fair value through profit and loss.

Loans and receivables are initially recognised at fair value plus directly attributable transaction expenses. Loans and

receivables are subsequently measured at amortized cost using the effective interest method. The effective interest is the same for the entire lifetime of the instruments.

NOTE 3.4.3 De-recognition

A financial instrument is derecognised 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. Financial liabilities classified at fair value through profit or loss are subsequently measured at fair value. Gains or losses are recognised in the income statement.

NOTE 3.5.3 De-recognition

A financial liability is derecognised 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 recognised in the income statement.

NOTE 3.6 Trade receivables

Trade receivables are recognised 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 recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity/ other contributed equity. Voting rights related to treasury shares are 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 recognised 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 recognised in income over the period of the lease. Revenue arising from expenses recharged to tenants is recognised in the period in which the expenses can be contractually recovered.

NOTE 3.12 Interest income

Interest income is recognised in income as it is earned using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the effective interest rate.

NOTE 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 profit by the weighted average number of outstanding shares in the Group 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 focuses on the unpredictability of markets and seeks to identify and, if possible, minimise the potential adverse effects on the Group's financial performance. The Group has attempted to maintain a policy of having solid tenants, 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 some of this risk by continuing to require deposits from tenants, typically equivalent to 2-3 months' rent. The situation has also changed, from having one anchor tenant in the past to currently having several smaller tenants.

(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 and RUB. Currency risk

arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The rental lease contracts are exposed to the risks of changes in RUB/USD exchange rates. Up to around 2014-2015 rental agreements were in US dollar. Following the recession and geo-political situation with sanctions against Russia, there has been a "de-dollarization" of the Russian real estate market and currently most lease agreements are denominated in Russian roubles. As such the building is a Russian rouble asset, and the bank loan is in US Dollar. A hedge between RUB and USD has been considered, however hedging the Russian rouble comes at a significant cost, and the Company has to date not considered it sufficiently attractive.

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% appreciation in USD	+179	-436	-257
1% depreciation in USD	-179	+436	+257

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.

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 2017
1% rent increase	+30
1% rent decrease	-30

The effect is deemed to be linear, so that a 5% change is five times larger than a change of 1%. Price changes can also affect the valuation of the buildings.

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

The Company has financed properties with bank loans totalling USD 18.1 million. To reduce the interest rate risk, the Company has entered into interest rate swaps totalling 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 3.2 years from 31 December 2017. 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	-195	+265	+70

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	+70	+794	+864

The group operations across 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 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. 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. Vacancy in the group's building as well as vacancy in the market could lead to a shortfall on future cash flow, and the company's ability to meet future liabilities is at risk. Following the termination from the anchor tenant in the Gasfield building in 2017, future cash flow and ability to meet future liabilities is dependent on sourcing new tenants and / or refinancing or restructuring of borrowing terms.

The Group has agreed covenant waivers until and including Q3 2018, and an updated set of covenants with the lender starting from Q4 2018, adjusted to the current market situation in Russia. Covenants including loan-to-value, equity covenants, liquidity covenants and service ratio. The Group has small margins to these covenants.

The company is working on various solutions to address the liquidity constraints; including cost reductions.

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

As at 31 December 2017	0-1 yr.	1-5 yrs.	>5 yrs.	Total
Repayments of interest-bearing debt *	300	17,843	0	18,143
Advance payments from tenants	183	0	0	183
Interest rate swaps (undiscounted)	266	265	0	531
Trade payables and other short-term debt	222	0	0	222
Interest on loans	1,389	679	0	2,067
Total	2,360	18,787	0	21,146

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

* Nominal (actual) value, not amortised cost (accounting value).

Due to the company's liquidity situation, below are the major financial liabilities broken down into 3-month periods:

As at 31 December 2017	0-3 m.	3-6 m.	6-9 m.	9-12 m.	Sum
Repayments of interest-bearing debt	0	0	0	300	300
Interest on loans	344	348	348	348	1,398
Interest rate swaps (undiscounted)	88	71	58	49	266
Sum first year loan and swaps	432	419	406	697	1,955

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 appropriate capital structure. In order to maintain or adjust the capital structure, the Group may adjust the level of the dividend paid 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 Group has an acceptable equity ratio. The equity ratio was 33.7% at 31 December 2017 (2016: 30.4%). The equity covenant at 20% was waived as of the reporting date, but the company would not have been in breach of this covenant.

The Group is a challenging financial situation. Although the value of assets exceeds the value of liabilities, the liquidity constraints continue to be a challenge. Despite the company's financial constraints, the board considers it likely that the company can continue its operations for the foreseeable future. However, this assumption is at risk and does depend on the outcome of several processes including re-letting of the investment property and reduction of operating expenses. In addition, the company is likely to require additional funding sources. The board will consider multiple sources of funding, including renegotiation with the current lender, refinancing, new loan arrangements and/ or further equity issues.

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.

The board and management acknowledge that uncertainty remains over the ability of the Group to meet its liabilities timely, and to refinance or repay its banking facilities as they fall due. However, the board and management has a reasonable expectation that the Group will be able to secure adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

NOTE 5.1 Use of accounting estimates and judgment

Fair value of investment property (estimate)

Investment property is recognised 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 recognised 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

	2017	2016
Value as valued by an independent valuer:		
As at 1 January	30,500	34,700
Value Adjustment Investment Property *	-3,920	-4,200
Value per Closing date	26,580	30,500
Other assets recognised as part of Investment Property:		
As at 1 January	715	4,250
Changes in carrying value of land plot lease agreements **	-6	32
Changes in carrying value of embedded derivatives contract ***	-529	-3,567
Value per Closing date	180	715
Carrying value of Investment Property IFRS 01.01	31,215	38,950
Carrying value of Investment Property IFRS 31.12	26,760	31,215

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

	2017	2016
Change in RUB over income statement	-5,398	-10,394
Translation Differences over comprehensive Income	943	6,194
Net movement in fair value	-4,455	-4,200

** 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. Following the termination from said anchor tenants, the embedded derivative was de-recognised on 31 May 2017. On the closing date, the group did not have any such embedded derivative (see liabilities in note 10).

The valuation of investment property as 31 December 2016 and 2017 has been performed by an independent expert valuer, Cushman & Wakefield in Moscow. The variables used for valuation are both company specific and market derived. Company specific variables include contractual rental income and expenses. Market derived variables include, inter alia, market rent rates, market discount rates and market capitalisation rates. Also see note 5 for critical accounting estimates and assumptions.

NOTE 6 Investment property (continued)

Independent valuer's valuation parameters	31.12.2017	31.12.2016
Discount rates	14.5 %	12.5 %
Capitalisation rates	10.5 %	11.5 %
Market rates, RUB/sq.m (net of VAT and op.ex), main office areas	18,000	18,000

Sensitivity analysis at 31 December 2017, million USD	31.12.2017	31.12.2016
Effect of an increase in discount rates of 1%	-1.0	-1.0
Effect of an increase in capitalisation rates of 1%	-1.7	-1.7

Summary of significant contracts

In the Gasfield building in Moscow, the anchor tenant until 31 May 2017 was LLC Gazprom Tsentrremont who rented approx 78% of the area. As at 31 December 2017 the group had rented out 5,220 sq.m. across 44 different tenants.

Specification of tenants representing more than 10% of the group's income	2017	2016
LLC Gazprom Tsentrremont	2,180	5,577

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 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 merger.

NOTE 8 Property, plant & equipment

000 USD

	Computers and telephony	Sum	Computers and telephony	Sum
Historic cost	2017	2017	2016	2016
At 1 January	156	156	138	138
Additions	0	0	18	18
Disposals	0	0	0	0
At 31 December	156	156	156	156
Depreciation and impairment				
At 1 January	-138	-138	-118	-118
Depreciations this period	-4	-4	-6	-6
Translation differences of depreciations and write-downs	-4	-4	-14	-14
At 31 December	-146	-146	-138	-138
Net book value 31 December	10	10	18	18

There are no fixed assets in the parent company. Exchange differences have been included in disposals and depreciations. PP&E are recognised at historic cost. Computers & telephony is computers and telephony equipment, depreciated straight line over the lifespan of the assets (3 years for computers and 7 years for telephone equipment).

NOTE 9 Tenancy agreements

000 USD

	31.12.2017	GROUP 31.12.2016
Future minimum rents receivable under non-cancellable contracts are as follows:		
Within 1 year	1,109	2,557
Between 1 and 5 years	822	478
Over 5 years	6	0
Sum	1,938	3,035

NOTE 10 Other financial assets and liabilities

000 USD

	31.12.2017	31.12.2016
Derivative liabilities not designated as hedges		
Interest rate swaps	-528	-1,006
Embedded derivatives	0	-529
Land plot leases	-180	-186
Sum derivative liabilities not designated as hedges	-708	-1,721

Total other financial liabilities	-708	-1,721
--	-------------	---------------

	31.12.2017	31.12.2016
Interest bearing loans		
Interest bearing loans	18,136	21,081
Total interest bearing loans	18,136	21,081

Embedded derivatives

Embedded financial derivatives occur as a result of currency fluctuations between RUB and USD. Previously, many tenancy lease agreements were in USD, and included a clause with a minimum and maximum exchange rate for the conversion and payment in RUB. In 2015 an agreement was signed with the anchor tenant on a maximum exchange rate of USD/RUB = 45. Roubles had depreciated by the reporting date 31.12.2016, hence a negative value was recognized on the embedded derivatives on that date. As at 31.12.2017, the group did not have any such embedded derivative. The grossed-up presentation of this currency derivative has not had an effect on the company's equity. Also see note 6 regarding the recognition of an identical amount associated with investment property.

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	26,760	26,760
Sum	0	0	26,760	26,760

Financial liabilities measured at fair value / where fair value must be presented	Level 1	Level 2	Level 3	Sum
Interest bearing loans	0	18,136	0	18,136
Land plot leases	0	180	0	180
Interest rate swaps	0	528	0	528
Sum	0	18,844	0	18,844

(*) 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Financial assets				
Trade receivables	37	3	37	3
Other receivables	228	470	228	470
Derivative financial assets at fair value through profit or loss	0	0	0	0
Held-for-trading financial investments	0	0	0	0
Cash and short-term deposits	2,247	4,371	2,247	4,371
Sum	2,512	4,884	2,512	4,844
Financial liabilities				
Interest-bearing loans and borrowings	18,136	21,081	18,143	21,143
Trade liabilities	37	84	37	84
Other short-term liabilities	367	1,250	367	1,250
Land plot leases	180	186	180	186
Derivative financial liabilities at fair value through profit or loss	0	1,535	0	1,535
Sum	18,721	24,136	18,727	24,198

Cash and cash equivalents include restricted cash of 238 (2016: 238).

NOTE 12 Bank loan

000 USD

Interest bearing borrowings at amortised cost	Interest	Maturity	31.12.2017	GROUP 31.12.2016
Secured bank loan	LIBOR + margin	June 2019	18,136	21,081
Sum interest bearing borrowings at amortised cost			18,136	21,081

Nominal value:

The nominal value of the bank loan as of 31 December 2016 was 21,143 and as of 31 December 2017 was 18,143.
No fair value adjustment to the bank debt has been made as the value of the investment property exceeds the loan value.

Security:

The investment property Gasfield in Moscow is pledged as security for the bank loan, book value 26,580.

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%

In 2017 the company's agreed amended terms to the 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. Liquidity covenant of USD 0.7 million.

These amendments were subject to that the company obtained new capital of at least USD 3 million, to be paid to the bank as an extraordinary amortisation. The company did raise USD 3 million in June 2017 and repaid this the required extraordinary amortisation in July 2017.

NOTE 13 Other receivables

000 USD

Other receivables	31.12.2017	31.12.2016
Taxes receivable *	50	218
Other receivables	215	256
Sum other receivables	265	473

No trade receivables were overdue as of 31 December 2016 or 31 December 2017.

*) The Russian entities have income tax and VAT receivable related to previous years.

NOTE 14 Finance income and costs

000 USD

	2017	GROUP 2016
Finance income		
Interest income	76	178
Changes in fair value, held-for-trading financial investments	0	0
Changes in fair value, financial derivatives over profit and loss	478	395
Other finance income	0	0
Sum finance income	575	573
Finance costs		
Interest costs from loans measured at amortised cost	-1,942	-2,075
Sale of subsidiary	0	0
Changes in fair value, financial derivatives over profit and loss	0	0
Changes in fair value, held-for-trading financial investments	0	23
Other finance costs	-57	-93
Sum finance costs	-1,999	-2,146
Foreign exchange gains and losses		
Foreign exchange gains	645	46
Foreign exchange losses	-617	-115
Sum foreign exchange gains and losses	29	-69
Net finance gains (losses), continuing operations	-1,395	-1,643

	2017	2016
Finance income and costs from discontinued operations:		
Net Currency Gain (Loss)	0	706
Fair Value Adjustment, Financial Investments	0	-2,975
Sum other operating expenses	0	-2,268

NOTE 15 Other operating expenses

000 USD

	2017	2016
Other operating expenses		
Management fees (*)	364	1,012
Legal, agency and consultancy fees	111	138
Auditors	118	239
Other operating expenses	153	212
Depreciation	4	6
Sum other operating expenses	749	1,607

(*) see further details about management fees in notes 16 and 21.

	2017	2016
Auditor fees (auditor fees are quoted excl. vat)		
Audit fees	71	94
Other services	47	146
Sum auditor expenses	118	239

NOTE 16 Personnel costs

000 USD

	2017	2016
Personnel costs		
Salaries and bonuses	162	289
Board fees	48	75
Social security taxes	41	71
Sum personnel costs	251	435
Number of employees	5	5
Average number of employees	5	5

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

	2017	2016
Taxes payable	56	314
Advance rents received	183	840
Other current liabilities	128	180
Sum other current liabilities	367	1,334

NOTE 18 Income tax

000 USD

Tax recognised over consolidated income statement	2017	2016
Current income tax	142	918
Movement in deferred tax	-619	-2,078
Sum income tax	-477	-1,160

The tax on the group's profit before tax differs from the theoretical amount as follows	2017	2016
Profits before tax	-8,775	1,946
Tax at domestic tax rates applicable to respective countries	-1,866	527

Tax effects of:		
FX variations between functional currency and tax currency	399	241
Income not subject to tax	-558	-2,543
Expenses not deductible for tax purposes	796	803
Withholding tax from foreign entities at different tax rate	30	187
Tax losses for current year not recognised	258	-519
Recognition of earlier years' non-recognised deferred tax expense	463	0
Recognition of earlier years' non-recognised deferred tax assets	0	0
Changes in deferred tax due to changed tax rate	0	143
Effect of tax merger	0	0
Sum income tax	-477	-1,160

NOTE 19 Deferred tax

000 USD

Deferred tax reversal	2017	2016
Deferred tax liabilities reversed in less than 12 months	0	0
Deferred tax liabilities reversed after more than 12 months	284	864
Net deferred tax liability	284	864

Deferred tax expense	2017	2016
Per 1 January	864	4,513
Charged over income statement in the period	-1,082	-2,078
Use of non-recognised deferred tax	0	0
Charged over comprehensive income in the period	39	624
Recognition of earlier years' non-recognised deferred tax	463	0
Effect of intra-group merger	0	-5,646
Current year tax losses not recognised	0	3,451
Deferred tax liability as per 31 December	284	864

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 2015	1,288	0	0	358	1,646
Period movement	0	0	0	-18	-18
Period movement (non-recognised)	-1,288	0	0	-340	-1,628
31 December 2016	0	0	0	0	0
Period movement (recognised)	0	0	0	0	0
Period movement (non-recognised)	0	0	0	0	0
31 December 2017	0	0	0	-0	-0

Deferred tax					
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
Period movement	0	0	580	0	580
Period movement (non-recognised)	0	0	0	0	0
31 December 2017	0	-2,569	-300	2,586	-284
Net deferred tax liabilities 2016	0	-2,569	-880	2,586	-864
Net deferred tax liabilities 2017	0	-2,569	-300	2,586	-284

NOTE 20 Earnings per share

000 USD

Ordinary earnings per share	2017	2016
Net profit attributable to ordinary equity holders of parent company (000 USD)	-5,524	-10,160
Weighted average number of shares	54,208,637	18,345,623
Net profit per share attributable to ordinary equity holders (1 USD)	-0,10	-0,55

Total comprehensive income per share	2017	2016
Total comprehensive income (000 USD)	-4,154	-4,807
Weighted number of shares	54,208,637	18,345,623
Total comprehensive income per share (1 USD)	-0,08	-0,26

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.

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	2017	2016
Storm Capital Management Ltd. - management fee	364	324
Storm Capital Management Ltd. - termination fee	0	688
Storm Capital Management Ltd. - accounting services	30	66
Total related party transactions	393	1,078

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.

	Real estate shares	Property Russia	Other	Sum
000 USD				
Segment profits 2017				
Operating income	0	3,034	0	3,034
Direct property related expenses	0	-1,246	4	-1,242
Indirect administration costs	0	-266	-734	-1,000
Value change investment property measured in local currency RUB	0	-5,398	0	-5,398
Operating profit	0	-3,876	-730	-4,606
Finance income	0	68	507	575
Finance costs	0	-1,921	-79	-1,999
Net currency income / costs	0	-18	47	29
Earnings before tax	0	-5,747	-254	-6,001
Tax	0	249	228	477
Annual profit	0	-5,497	-27	-5,524
Other comprehensive income	0	1,370	0	1,370
Total Comprehensive Income	0	-4,127	-27	-4,154
Assets and Liabilities	Real estate shares	Property Russia	Other	Sum
Assets	0	27,831	1,804	29,635
Liabilities	0	19,225	415	19,640
Net asset values	0	8,606	1,389	9,994

	Real estate shares	Property Russia	Other	Sum
000 USD				
Segment profits 2016				
Operating income	0	6,197	0	6,197
Direct property related expenses	0	-1,175	6	-1,169
Indirect administration costs	0	-415	-1,628	-2,043
Value change investment property measured 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)

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".

	2017	2016
000 USD		
Net profit from discontinued operations:		
Value change	0	-2,975
Currency fluctuations (*)	0	706
Result before tax	0	-2,268
Tax cost	0	0
Net profit	0	-2,268
Other Revenues and Costs	0	0
Net profit, discontinued operations	0	-2,268
Shares	0	18,345,623
Earnings per share, discontinued operations.	0,00	-0.12

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

	2017	2016
000 USD		
Cash flows from discontinued operations		
Net Cash Flow From Operating Activities	0	0
Net Cash Flow From Investment Activities	0	10,372
Net Cash flow From Financing Activities	0	0
Net Cash flows from discontinued operations	0	10,372

NOTE 24 Changes in liabilities arising from financing activities

Pursuant to amendments to IAS 7, the group is from 2017 required to disclose changes in liabilities arising from financing activities.

	31.12.2016	Cash flows	Other	31.12.2017
Interest bearing loans - non-current	18,716	-3,000	2,120	17,836
Interest bearing loans - current	2,366	0	-2,066	300
Accrued interest	78	-78	51	51
Total liabilities from financing activities	21,159	-3,078	105	18,186

	31.12.2015	Cash flows	Other	31.12.2016
Interest bearing loans - non-current	0	-3,637	22,353	18,716
Interest bearing loans - current	24,707	0	-22,342	2,366
Accrued interest	91	-91	78	78
Total liabilities from financing activities	24,798	-3,729	90	21,159

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, and the effect of non-cash flow amortisation of borrowing costs.

STATEMENT OF COMPREHENSIVE INCOME

Storm Real Estate ASA

for the period 1 January - 31 December

All numbers in 000 USD	Note	2017	2016
Other income		0	0
Total income		0	0
Personnel expenses	8	-56	-84
Other operating expenses	7	-590	-1,491
Total operating expenses		-646	-1,545
Operating profit (loss) before fair value adjustments		-646	-1,575
Finance revenues	6	1,089	3,532
Finance expenses	6	-4,797	-6,784
Currency exchange gains (losses)	6	283	1,338
Net financial gains (losses)		-3,425	-1,915
Earnings before tax (EBT)		-4,070	-3,490
Income tax expense	10	30	41
Profit (loss) for the period		-4,100	-3,531
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		-4,100	-3,531

STATEMENT OF FINANCIAL POSITION

Storm Real Estate ASA

per 31 December

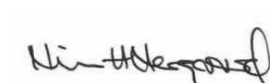
All numbers in 000 USD

	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Investment in subsidiaries	2	24,444	27,147
Loans to subsidiaries	13	4,566	4,480
Total non-current assets		29,010	31,627
Current assets			
Receivables from group companies	13	360	144
Other receivables	5	91	87
Cash and cash equivalents		1,891	4,117
Total current assets		2,343	4,348
TOTAL ASSETS		31,353	35,976
EQUITY AND LIABILITIES			
Paid-in equity			
Ordinary shares	12	4,575	1,236
Share premium		21,036	21,036
Other paid-in equity		56,605	56,763
Total paid-in equity		82,216	79,035
Other equity			
Other equity		-72,177	-68,077
Total other equity		-72,177	-68,077
TOTAL EQUITY		10,039	10,958
Liabilities			
Non-current liabilities			
Loans from credit institutions	4	17,836	18,716
Financial derivatives	3	528	562
Total non-current liabilities		18,364	19,278
Current liabilities			
Trade liabilities		4	40
Corporate tax payable	10	0	0
Loans from credit institutions	4	300	2,366
Financial derivatives		0	444
Payables to group companies		2,542	2,752
Other short-term liabilities	9	103	138
Total current liabilities		2,950	5,740
TOTAL LIABILITIES		21,314	25,018
TOTAL EQUITY AND LIABILITIES		31,353	35,976

Oslo, 16 April 2018

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

Kim Mikkelsen
Board member

Anna Muijej Aanensen
Board member

Einar Pedersen
General Manager

STATEMENT OF CASH FLOWS

Storm Real Estate ASA

All numbers in 000 USD	Note	2017	2016
Cash Flow from operational activities			
Earnings before tax		-4,070	-3,490
adjusted for :			
finance income	6	-1,089	-3,532
finance expenses	6	4,797	6,784
net currency gains		-261	-1,659
Cash Flow before changes in working capital		-624	-1,896
<i>Change in working capital:</i>			
trade receivables and other receivables		-4	-75
trade payables and other payables		-137	-114
paid taxes		0	-192
Net cash flow from operational activities		-765	-2,277
Net cash flow from investment activities			
Net payments in/out from intra-group loans		0	1,625
Payments in for financial investments		0	15,225
Dividends received		0	2,375
Interest received		280	574
Net cash flow from investment activities		280	19,799
Cash flow from financing activities			
Share issue		3,181	0
Repayment of loans	4	-3,000	-3,637
Dividends paid		0	-8,420
Interest paid		-1,932	-2,095
Net cash flow from financing activities		-1,751	-14,152
Net change in cash and cash equivalents		-2,236	3,370
Carried forward cash and cash equivalents		4,117	1,021
Currency exchange variation on cash and cash equivalents		11	-273
Cash and cash equivalents at end of period		1,891	4,117
Including restricted cash and deposits		237	237

STATEMENT OF CHANGES IN EQUITY

for the period 1 January - 31 December

Storm Real Estate ASA

	Note	Paid-in equity			Other equity	Total equity
		Share capital	Share premium	Other paid-in equity	Retained earnings	
1 January 2016		1,236	21,036	56,761	-58,148	20,887
Profit (loss) for the period					-3,531	-3,531
Dividends paid					-8,420	-8,420
Merger with subsidiary	2				2,021	2,021
Sum		0	0	0	-9,929	-9,929
31 December 2016		1,236	21,036	56,761	-68,077	10,958
1 January 2017		1,236	21,036	56,761	-68,077	10,958
Profit (loss) for the period					-4,100	-4,100
Capoital increase	12	3,339		-158		3,181
Sum		3,339	0	-158	-4,100	-919
31 December 2017		4,575	21,036	56,603	-72,177	10,039

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 31.12.2017	Book value SRE ASA 2017	Book value SRE ASA 2016
Gasor Consulting Ltd *	Cyprus	2015	100%	2,642	24,444	27,144
Tiberton Yard Holding 2 Ltd	Cyprus	2015	100%	-11	0	2
Storm Real Estate Ltd	Cyprus	2009	100%	1	0	1
Sum				2,632	24,444	27,147

The parent company has in 2017 made an impairment provision due to the reduced value of the underlying investment property.

NOTE 3 Other financial assets and liabilities

000 USD

Derivative liabilities not designated as hedges	31.12.2017	31.12.2016
Interest rate swaps	528	1,006
Sum derivative liabilities not designated as hedges	528	1,006
Total other financial liabilities	528	1,006
Interest bearing loans	31.12.2017	31.12.2016
Interest bearing loans	18,136	21,081
Total interest bearing loans	18,136	21,081

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 liabilities measured at fair value

/ where fair value must be presented	Level 1	Level 2	Level 3	Sum
Interest bearing borrowings	0	18,136	0	18,136
Interest rate swaps	0	528	0	528
Sum	0	18,664	0	18,664

Interest bearing borrowings at amortised cost

	Interest	Maturity	31.12.2017	31.12.2016
Secured bank loan	LIBOR + margin	June 2019	18,136	21,081
Sum interest bearing borrowings at amortised cost			18,136	21,081

Nominal value:

The nominal value of the bank loan as of 31 December 2016 was 21,143 and as of 31 December 2017 was 18,143.

Security:

The investment property Gasfield in Moscow is pledged as security for the bank loan, book value 26,580.

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%

In 2017 the company's agreed amended terms to the 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. Liquidity covenant of USD 0.7 million.

These amendments were subject to that the company obtained new capital of at least USD 3 million, to be paid to the bank as an extraordinary amortisation. The company did raise USD 3 million in June 2017 and repaid this the required extraordinary amortisation in July 2017.

NOTE 5 Trade and other receivables

000 USD

	31.12.2017	31.12.2016
Other receivables		
Taxes receivable	0	0
Other receivables	91	87
Sum other receivables	91	87

NOTE 6 Finance income and costs

000 USD

	2017	2016
Finance income		
Interest income	8	154
Changes in fair value, held-for-trading financial investments	0	0
Interest gains from group companies	603	607
Dividends from subsidiaries	0	2,376
Gains from the disposal of shares in subsidiaries	0	0
Changes in fair value, financial derivatives over profit and loss	478	395
Reversal of provision for loss on group companies	0	0
Other finance revenues	0	0
Sum finance income	1,089	3,532

	2017	2016
Finance costs		
Interest costs from loans measured at amortised cost	-1,963	-2,075
Changes in fair value, financial derivatives over profit and loss	0	0
Changes in fair value, held-for-trading financial investments	0	-2,952
Interest costs from group companies	0	0
Impairment of investment in group companies	-2,804	-1,695
Other finance costs	-30	-62
Sum finance costs	-4,797	-6,784

	2017	2016
Foreign exchange gains and losses		
Foreign exchange gains	881	1,338
Foreign exchange losses	-598	0
Sum foreign exchange gains and losses	283	1,338

Net finance gains (losses)	-3,425	-1,915
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NOTE 7 Other operating expenses

000 USD

	2017	2016
Other operating expenses		
Management fees	364	1,012
Legal, agency and consultancy fees	33	98
Auditors	84	199
Other operating expenses	110	182
Sum other operating expenses	590	1,491

Auditor fees	2017	2016
Audit fees	37	53
Other services	47	146
Sum auditor expenses	84	199

(auditor fees are quoted excl. vat)

NOTE 8 Personnel costs

000 USD

	2017	2016
Personnel costs		
Board fees	48	75
Social security taxes	8	9
Sum personnel costs	55	84

The parent company did not have any employees in 2016 or 2017 and therefore no pension scheme.

000 NOK

	2017	2016
Board fees (incl fees for board committees) paid out in the year		
Stein Aukner, chairman of the board	250	290
Morten E. Astrup	0	0
Kim Mikkelsen	0	165
Nini H. Nergaard	125	125
Christopher W Ihlen (former board member)	43	125
Silje Augustson (former board member)	0	125
Sum board fees	418	830

Board fees for 2016-2017:

Chairman of the board: 250.000 NOK

Board members: 125.000 NOK

Board fees for 2017-2018 are subject to approval by the Annual General Meeting in May 2018.

The Audit Committee has been discontinued from 2016-2017.

NOTE 9 Other current liabilities

000 USD

	2017	2016
Accrued expenses	90	45
Other current liabilities	13	93
Sum other current liabilities	103	138

NOTE 10 Income tax

000 USD

	2017	2016
Income statement		
Current income tax (withholding tax from other jurisdictions)	30	41
Movement in deferred tax	0	0
Sum income tax	30	41

	2017	2016
Basis for taxation, parent company		
Earnings before tax in functional currency USD	-4,070	-3,490
FX variations between functional currency and tax currency	1,664	381
Income and expenses not subject to taxation	1,224	3,956
Movement in temporary differences	-1,979	-2,924
Basis for taxation	-3,161	-2,740
Tax payable	0	0

NOTE 11 Deferred tax

000 USD

Temporary differences, parent company	31.12.2017	31.12.2016	Change
Financial liabilities	521	951	-429
Receivables *	5,213	6,895	-1,682
Tax losses carried forward	9,011	6,432	2,578
Sum temporary differences	14,745	14,278	467
Tax rate	23%	24%	23%
Deferred tax asset (liability)	3,391	3,427	-35
Recognised deferred tax asset (liability)	0	0	0
Non-recognised deferred tax asset (liability)	3,391	3,427	-35

(*) 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	31.12.2017	31.12.2016
Shares issued	88,345,623	18,345,623
Nominal amount	0,40	0,40
Share capital	35,338,249	7,338,249

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

20 largest shareholders as of 31 December 2016	Type	Country	Shares	%
ACONCAGUA MANAGEMENT LTD		LUXEMBOURG	23,880,399	27.0 %
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	SWEDEN	22,177,036	25.1 %
J.P. MORGAN BANK LUXEMBOURG SA	NOM	UK	6,560,151	7.4 %
BANAN II AS			2,895,281	3.3 %
PACTUM AS			2,791,494	3.2 %
AUBERT VEKST AS			2,495,907	2.8 %
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	UK	2,326,118	2.6 %
ØSTLANDSKE PENSJONISTBOLIGER AS			1,909,578	2.2 %
ØRN NORDEN AS			1,082,286	1.2 %
SAMSØ AS			1,003,419	1.1 %
THORE HYGGEN			931,250	1.1 %
MOTOR-TRADE EIENDOM OG FINANS AS			866,811	1.0 %
INGRID MARGARETH LANGBERG			850,000	1.0 %
ALBION HOLDING AS			747,625	0.8 %
SVENSKA HANDELSBANKEN AB	NOM		722,343	0.8 %
TDL AS			476,250	0.5 %
FINANSFORBUNDET			416,650	0.5 %
BLAKSTAD MASKIN AS			338,162	0.4 %
EILERTSEN			303,911	0.3 %
REAL VALUE AS		NORWAY	303,911	0.3 %
Sum 20 largest shareholders			73,078,582	82.7%
OTHER SHAREHOLDERS			15,267,041	17.3%
Sum			88,345,623	100.0 %

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

The shareholder list shows the shareholder register from VPS as at 31 December 2017.

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,	24,962,685	28.3 %
Kim Mikkelsen via Strategic Investments A/S	22,177,036	25.1 %
Stein Aukner via Banan II AS and Aukner Holding AS	3,047,235	3.4 %
Sum	50,186,956	56.8 %

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.

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	2017	2016
Storm Capital Management Ltd. - management fee	364	324
Storm Capital Management Ltd. - termination fee	0	688
Storm Capital Management Ltd. - accounting services	30	66
Sum related party transactions	393	1,078

The balance againts related parties other than group companies were nil as of 31 December 2016 and 31 December 2017.

The parent had the following balances against group companies:

Current receivables	31.12.2017	31.12.2016
Tiberton Yard Holding 2 Ltd	50	47
Storm Real Estate Ltd	0	74
LLC Martex	311	23
Sum current receivables from related parties	360	144

Non-current receivables	31.12.2017	31.12.2016
Gasor Consulting Ltd	0	150
LLC Martex	4,566	4,330
Sum non-current receivables from related parties	4,566	4,480

USD

Current liabilities	31.12.2017	31.12.2016
Tiberton Yard Holding 2 Ltd	-26	-22
Gasor Consulting Ltd	-34	-212
Liabilities towards group companies, bank cash pooling	-2,482	-2,518
Sum current liabilities towards group companies	-2,542	-2,752
Net receivables (liabilities) , group companies	2,384	1,872

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 2017 calendar year as at 31 December 2017.

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 2017. 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 2017.

To the best of our knowledge:

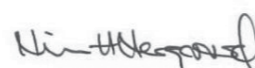
- the consolidated financial statements and the Parent Company financial statements for 2017 have been prepared in accordance with applicable accounting standards;
- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and loss as at 31 December 2017 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, 16 April 2018

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


Kim Mikkelsen
Board member


Anna Muisej Aanensen
Board member


Einar Pedersen
General Manager

AUDITOR'S REPORT



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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 2017, 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 2017, 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 2017, and of its financial performance and its cash flows for the year then 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 2017 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 and the Group 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.

Material uncertainty related to going concern

According to note 4.3 Liquidity risk and 4.4 Capital risk management in the financial statements and the Board of Directors' Report, the Company is in a challenging financial situation due to liquidity constraints. In order to be able to meet future liabilities the Company is dependent on sourcing new tenants and/or refinancing or restructuring of borrowing terms. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. 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 for 2017. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit



matters to be communicated in our report. 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.

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 kUSD 26 760 or 90 % of the statement of financial position as of 31 December 2017. The Group uses an external appraiser to value the property. The valuation of the Group's 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 General Manager (management) are 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.

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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

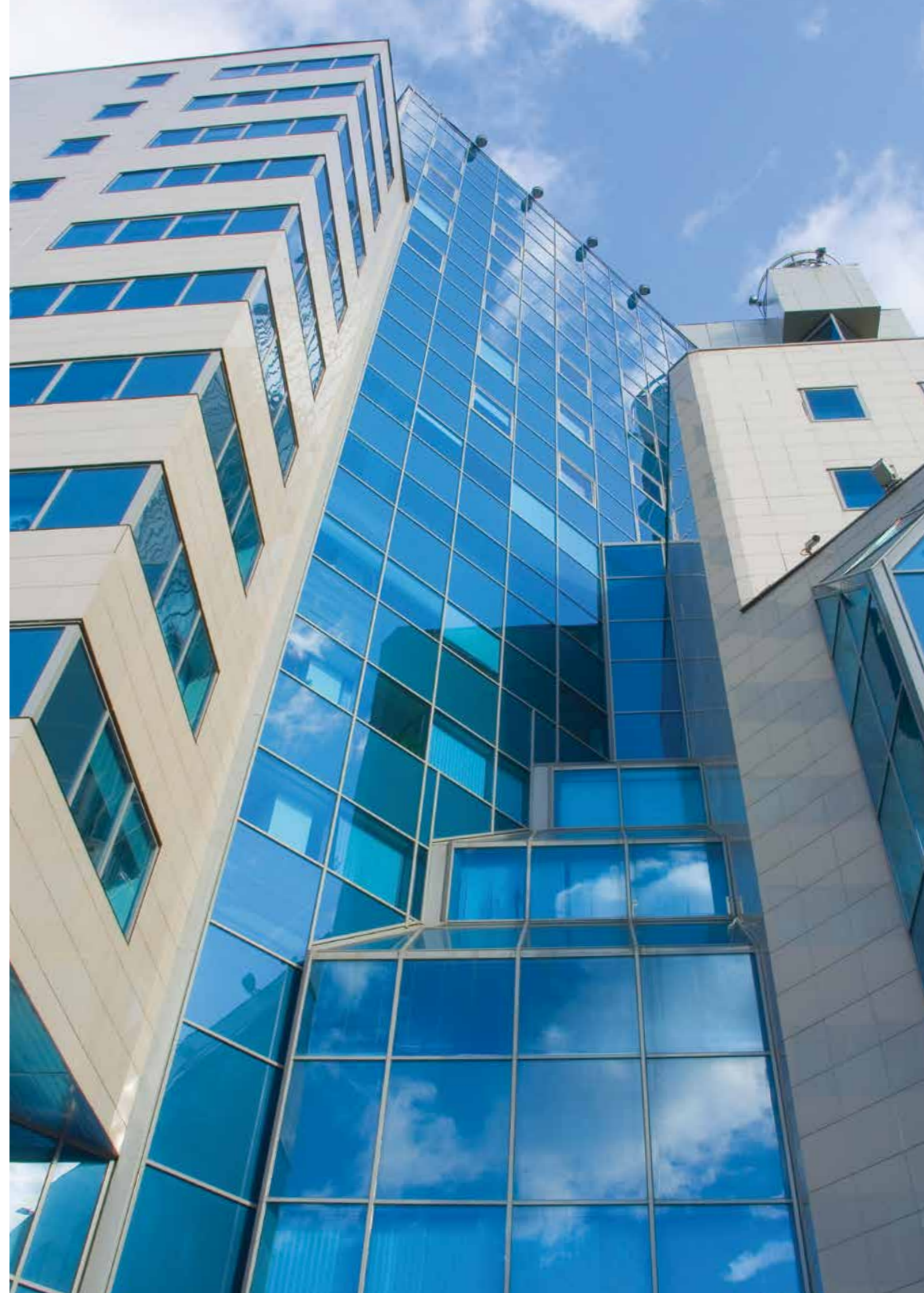
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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, 16 April 2018
ERNST & YOUNG AS

Kristin Hagland
State Authorised Public Accountant (Norway)





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