



OLAV THON GROUP

**BOARD OF DIRECTORS'
REPORT & FINANCIAL
STATEMENTS 2018**

2018

Board of Directors' Report
Income Statement
Balance Sheet
Cash Flow Statement



KEY FIGURES

Figures in NOK millions	2018	2017
PROFIT		
Operating income	11,041	10,067
Fair value adjustments, inv. prop. and int. rate derivatives ¹⁾	2,156	3,113
Profit before tax	4,934	5,769
Profit before tax and fair value adjustments ¹⁾	2,779	2,656
FINANCIAL STRENGTH		
Equity	55,962	51,854
Equity ratio	53%	51%
LIQUIDITY		
Net cash flow from operations ²⁾	3,118	2,979
Cash reserves ³⁾	9,595	12,141
Amortisation next 12 months	8,009	9,906
FINANCING		
Interest-bearing debt ⁴⁾	30,125	30,784
Interest rate as at 31 Dec	3.07%	3.01%
Loan to value ratio ⁵⁾	30%	32%
PROPERTY		
Net investments ⁶⁾	2,904	2,771
Investment properties ⁷⁾	81,501	78,737
Annual rental income ⁸⁾	5,880	5,450
Yield	4.97%	5.05%
SHOPPING CENTRES AND HOTELS		
Sales owned shopping centres	67,797	67,064
RevPAR (revenue per available room) (NOK) ⁹⁾	563	516

Please note that as a result of rounding differences and reclassifications, figures and percentages will not always match the total sum.

¹⁾ Includes fair value adjustments in joint ventures and associated companies.

²⁾ Net cash flow from operating activities - expensed interest + paid interest + paid tax - change in operations related accrual items.

³⁾ Bank deposits, shares and similar + undrawn credit facilities

⁴⁾ Unsecured share of interest-bearing debt: NOK 7,284 million (31 December 2018) and NOK 9,576 (31 December 2017), respectively.

⁵⁾ (Interest-bearing debt - bank deposits and similar) / Book value of investment properties

⁶⁾ Net supply of investment properties with addition for activated improvements.

⁷⁾ Includes fair value of properties for own use.

⁸⁾ Includes market rents for vacant premises.

⁹⁾ Thon Hotels

BOARD OF DIRECTORS' REPORT 2018

Olav Thon Group achieved good results in 2018 as well.

HIGHLIGHTS IN THE GROUP'S BOARD OF DIRECTORS' REPORT

OPERATING INCOME

Operating income amounted to NOK 11,041 (10,067) million.

PROFIT

Profit before tax amounted to NOK 4,934 (5,769) million.

EQUITY

The Group's equity at the end of the year amounted to NOK 55,962 million and its equity ratio was 53% (51%).

PROPERTY PORTFOLIO

Annual rental income level in the property portfolio as at 1 January 2019 was NOK 5,880 million and the vacancy rate was 2.8%.

SHOPPING CENTRE RETAIL SALES

Retail sales in the shopping centre portfolio owned by the Group amounted to NOK 67.8 billion. At the end of the year, the Group owned 78 shopping centres, and managed 21 shopping centres for other owners.

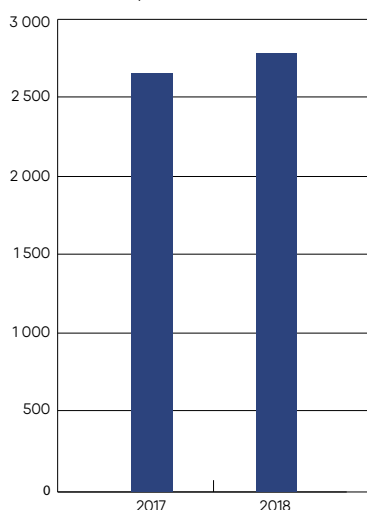
THON HOTELS

At the end of the year, Thon Hotels had 11,870 (11,338) rooms in 80 (80) hotels in Norway and abroad.

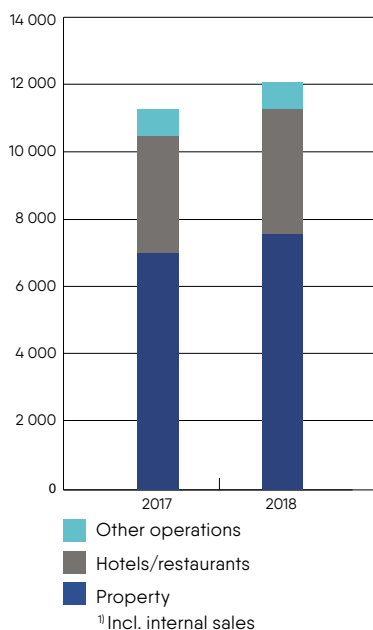
CASH RESERVES

The Group's cash reserves at the end of the year amounted to NOK 9,595 (12,141) million.

PROFIT BEFORE TAX (NOK MILLIONS)



OPERATING INCOME ¹⁾ (NOK MILLIONS)



ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with section 3-9 of the Norwegian Accounting Act and the regulations on simplified IFRS established by the Ministry of Finance on 3 November 2017. Simplified IFRS means that the accounting policies and measurements comply with International Financial Reporting Standards (IFRS), while the presentation and note disclosures comply with the Norwegian Accounting Act and good accounting practice.

The Group implemented simplified IFRS as its accounting language in 2018 and this is the first time the financial statements have been prepared in accordance with simplified IFRS.

Changes in accounting followed by the transition to simplified IFRS please read note 36.

In accordance with the requirements of the Accounting Act, the Board of Directors confirms that the conditions for a ongoing business operation is still present, and the annual financial statements for 2018 have been prepared - in line with the requirements.

No events have occurred after the reporting date that would materially affect the assessment of the Group's position and results as at 31 December 2018.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

Financial position/balance sheet as at 31 December 2018

The Group's total assets amounted to NOK 105,084 (101,708) million, of which the Group's property portfolio accounted for NOK 95,847 (92,192) million. The property portfolio consists of investment properties valued at NOK 81,501 (78,737) million and properties for own use valued at NOK 14,346 (13,455) million. The value of the investment properties and the value of properties for own use in the Group's balance sheet are recognised using different policies. Please refer to the section on these property categories later in the Board of Director's Report.

The Group's share of the equity in joint ventures and associated companies was NOK 3,842 (3,480) million.

Book equity amounted to NOK 55,962 (51,854) million, while the equity ratio was 53% (51%).

The Group's interest-bearing debt was NOK 30,125 (30,784) million, while the loan to value ratio was 30% (32%).

Summary of the income statement for 2018

Profit before tax was NOK 4,934 (5,769) million.

Fair value adjustments for investment properties and interest rate derivatives (including fair value adjustments in joint

ventures and associated companies) totalled NOK 2,156 (3,113) million.

Profit before tax and fair value adjustments therefore amounted to NOK 2,778 (2,656) million.

OPERATING INCOME AND EXPENSES

Operating income

The Group's total operating income was NOK 11,041 (10,067) million in 2018 and was primarily made up of the following:

All figures in NOK millions	2018	2017
Rental income in Thon Eiendom	4,332	4,280
Accommodation income in Thon Hotels	2,075	1,971
Residential sales in Thon Eiendom	1,084	333
Property service charges, received from tenants	1,080	1,065
Sales of goods from other operations	967	961
Sales of goods in Thon Hotels	926	889
Other operating income	577	568
TOTAL	11,041	10,067

Operating expenses

The Group's total operating expenses were NOK 7,479 (6,511) million in 2018 and can be split into the following:

All figures in NOK millions	2018	2017
Payroll costs	1,591	1,510
Property service charges for property portfolio	1,262	1,207
Maintenance expenses	864	626
Goods expenses in Thon Hotels	838	804
Expenses from residential sales in Thon Eiendom	755	287
Ordinary depreciation and write-downs	494	522
Other operating expenses	1,675	1,555
TOTAL	7,479	6,511

Income from property management

The Group's management result, which shows the Group's profit before fair value adjustments, financial items and tax was NOK 3,562 (3,556) million.

Fair value adjustments of investment properties

The value of the Group's investment properties increased by NOK 1,410 (2,909) million. The increase in value was due to both rental income growth and the average yield in the valuation being reduced from 5.05% to 4.97%.

For more details please refer to the section on property activities later in the report and to note 15 to the annual financial statements.

Share of the results of joint ventures and associated companies

The Group's share of the results of joint ventures and associated companies amounted to NOK 496 (231) million.

The increase is mainly due to value adjustments for investment properties and interest rate derivatives in these companies which amounted to NOK 364 million compared to NOK 31 million last year.

Financial income and expenses

The Group's net financial expenses were NOK 915 (1,099) million.

Net interest expenses amounted to NOK 884 (957) million.

The reduction was due to both a lower average interest rate and lower interest-bearing debt.

In 2018, the Group's average interest rate was 3.06% (3.14%) and the average interest-bearing debt was NOK 30,455 (30,782) million.

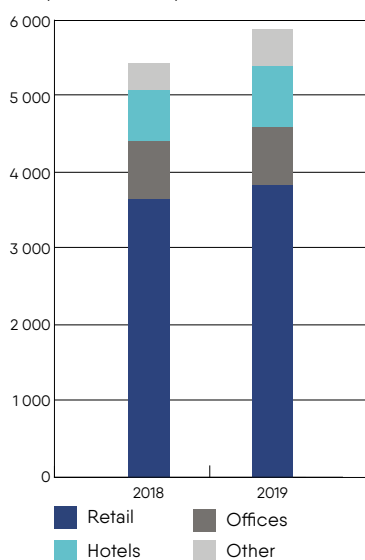
Net foreign exchange losses amounted to NOK -23 (-139) million.

Value adjustments of interest rate derivatives

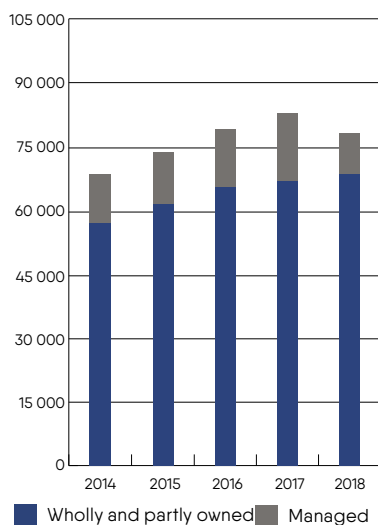
The value of the Group's interest rate derivatives increased by NOK 382 (173) million in 2018.

The Group's portfolio of interest rate derivatives consists of interest rate swap agreements and listed shares. In 2018, the value of the Group's interest rate swaps increased by NOK 409 (183)

ANNUAL RENTAL INCOME LEVEL
(NOK MILLIONS)



SHOPPING CENTRE SALES
(NOK MILLIONS)



million, while the value of the listed shares decreased by NOK 27 (-10) million.

Cash flow and liquidity

Net cash flow from the Group's operations was NOK 3,118 (2,979) million, while net cash flow from operating activities was NOK 3,585 (2,915) million.

Net cash flow from investing activities was NOK -2,799 (-2,393) million, while financing activities reduced cash by NOK 919 (47) million.

Exchange rate effects amounted to NOK 100 (-361) million in 2018 and the Group's cash thereby decreased by NOK 33 (207) million.

The Group's cash reserves ended the year at NOK 9,595 (12,141) million and consisted of short-term investments of NOK 994 (1,095) million and undrawn long-term credit facilities of NOK 8,600 (11,046) million.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The accounts of the parent company Olav Thon Gruppen AS have been prepared in accordance with Norwegian General Accepted Accounting Principles (NGAAP).

The parent company's income consists of net financial income and share dividends from subsidiaries.

After deducting operating expenses, profit before tax was NOK 153 (139) million.

Profit after calculated tax was NOK 152 (137) million, and the Board proposes the following allocation of the parent company's profit for the year:

Dividend: NOK 50 million
 To other equity: NOK 102 million
 Allocated net profit: NOK 152 million

The book value of the parent company's assets was NOK 1,390 (1,257) million at year end. Book equity was NOK 1,050 (949) million, while the equity ratio was 76% (75%).

BUSINESS AREAS

The property business area

Total operating income in the property business area amounted to NOK 7,529 (6,525) million (incl. internal sales) in 2018. The increase from 2017 was primarily due to increased sales revenue from the Group's residential projects. Sales revenue from residential projects amounted to NOK 1,089 (333) million.

The Group's external rental income amounted to NOK 4,398 (4,334) million.

Property portfolio as at 31 December 2018

The Group's property portfolio is divided into the following main categories, which are treated differently in the Group's accounts:

- investment properties, which are not used for own use by the Group
- properties for own use, which are used for own use by the Group

Investment properties

The portfolio of investment properties is carried at fair value. For information on the valuation model and the variables used in the valuation, please refer to note 15.

At the end of the year, the Group's investment properties were valued at NOK 81,501 (78,737) million, based on an average yield of 4.97% (5.05%).

Properties for own use

The Group's portfolio of properties for own use consists of properties that are used in the Group's operations, primarily hotel properties operated by the Group's hotel chain, Thon Hotels.

Upon the transition to simplified IFRS on 1 January 2017 the fair value of properties for own use was at estimated acquisition cost. In subsequent periods, the properties have been recognised using the costs method and the capitalised value is depreciated over the expected lifetime.

At the end of the year, the capitalised value of the Group's properties for own use was NOK 14,526 (13,455) million.

Property portfolio as at 31 December 2018

At the end of the year, the annual rental income level from the Group's total property portfolio amounted to NOK 5,880 (5,450) million.

(This includes the proportion of rental income from properties in joint ventures and associated companies, as well

as assessed market rents for vacant premises.)

Based on annual rental income level, the property portfolio is divided into the following segments:

• Retail	65%
• Offices	14%
• Hotels	13%
• Other	8%

The geographical distribution of the portfolio is as follows:

• Oslo area	50%
• Rest of Norway	37%
• Abroad	13%

As at 31 December 2018, the vacancy rate in the property portfolio was 2.8% (3.0%).

Shopping centres

At the end of the year, the Group owned 78 shopping centres in Norway and Sweden, and managed 21 shopping centres for external owners.

The Group enjoys a strong market position and the shopping centre portfolio includes nine of the ten largest shopping centres in Norway in terms of retail sales.

Olav Thon Group is the largest owner of shopping centre properties in both Norway and Sweden.

Shopping centres owned by the Group

Norway
Annual rental income level from the Group's Norwegian shopping centres increased by 6% in 2018 to NOK 2,960 (2,800) million. Retail sales increased by 1.6% to NOK 54.9 billion.

Sweden

Annual rental income level from the Group's ten shopping centres in Sweden increased by 2% to SEK 645 (630) million. Retail sales in the shopping centres increased by 3.8% to SEK 13.8 billion.

Commercial properties

This part of the portfolio includes the Group's commercial and residential properties that are located outside the shopping centres, including hotel properties.

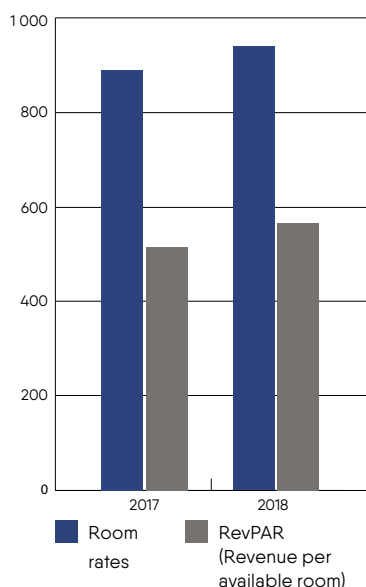
Annual rental income level from this part of the Group's portfolio increased by 12% to NOK 2,320 (2,070) million.

Property portfolio owned by joint ventures and associated companies

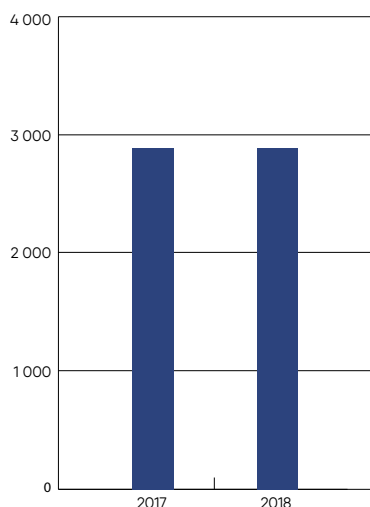
In addition to the property portfolio that is recognised directly on the Group's balance sheet, the Group owns stakes in shopping centres, hotels, residential properties and other commercial properties through joint ventures and associated companies. The stakes in these companies vary between 12.5% and 50%, and these are recognised using the equity method. This means only the Group's share of the company's equity is recognised on the Group's balance sheet.

The Group's share of the annual rental income in these companies at year end was NOK 380 (360) million, and the Group's share of the property values was valued at NOK 6,937 (6,213) million.

ROOM RATES AND REVPAR (NOK MILLIONS)



NET INVESTMENTS (NOK MILLIONS)



HOTELS

The hotel business area

Operating income in the hotel business area (incl. internal sales) amounted to NOK 3,725 (3,546) million, including operating income of NOK 130 (137) million from separate restaurants.

Operating income showed an upwards trend in both Norway and abroad.

Thon Hotels

Thon Hotels is a hotel chain with 11,870 rooms in 80 hotels in Norway and abroad.

In Norway, Thon Hotels is a nationwide hotel chain with 10,290 rooms in 72 hotels. 54 of the hotels are operated by the Group, while the other 18 are operated by external franchisees.

The hotel portfolio primarily consists of city centre hotels, most of which were constructed or have been refurbished in the last few years. Thon Hotels is a leading player in the metropolitan regions of Oslo and Bergen.

Abroad, Thon Hotels has 1,580 rooms in five hotels and two apartment hotels in Brussels, Belgium, and one hotel in Rotterdam, the Netherlands.

Distributed by geographical segments, Thon Hotels achieved the following key figures in 2018:

	Average room rate	Occupancy rate	RevPAR
Thon Hotels Norway (NOK)	924	59.6%	550 (+7.2%)
Thon Hotels Brussels (EUR)	107	62.2%	67 (+8.1%)
Total Thon Hotels (NOK)	939	60.0%	563 (+7.9%)

Thon Hotels' financial performance improved significantly in 2018 with growth in room rates and occupancy rates both in Norway and Brussels.

Restaurants

Thon Holding ASA owns and operates five restaurants outside the hotels. Total sales in 2018 amounted to NOK 130 (137) million and the business area achieved a moderate profit.

OTHER OPERATIONS

In 2018, total operating income from business outside the property and hotels areas amounted to NOK 847 (833) million. The largest company, Unger Fabrikker AS, achieved a very good result again. Operating income amounted to NOK 602 (625) million and profit before tax was NOK 62 (90) million.

INVESTMENTS

The Group's total net investments in 2018 amounted to NOK 2,802 (3,127) million and included property acquisitions, investments in property projects under construction, and upgrades of the existing property portfolio.

MAJOR PROPERTY ACQUISITIONS

Rosenkrantzgate 5, Bergen Commercial property with space of 1,200 sq. m. next to Thon Hotel Rosenkrantz in Bergen containing an apartment hotel and premises for a restaurant or bar.

Kaikanten, Svolvær

A land property in the harbour in Svolvær next to Thon Hotel Lofoten. A hotel with around 200 rooms is being planned for the property.

Fannestrandveien 51, Molde

Retail and office property with space of 3,300 sq. m. close to the Group's shopping centre in Molde.

Klokkergårdsveien 32, Sarpsborg

Retail and office property with space of 5,000 sq. m. close to the Group's AMFI Borg shopping centre.

MAJOR PROPERTY SALES

Vinterbro, Akershus

46,000 sq. m. land property .

AMFI Kragerø

The Group's 50% stake in AMFI Kragerø shopping centre.

PROPERTY DEVELOPMENT – MAJOR PROPERTY PROJECTS

Property development is an important part of the Group's operations and 2018 was another busy year.

Completed property projects

Major projects completed during the year as following:

- Four wholly and partly owned shopping centres in various locations in Norway have been expanded by a total of 70,000 sq. m. of retail space and substantial spaces for parking.
- New building near Storo Storsenter in Oslo with total space of 60,000 sq. m.
- "Diagonale byggene" in Bjørvika (50% stake) with total space of 38,000 sq. m.
- Three residential properties in the Oslo region with a total of 230 residential units.
- Several hotel properties were upgraded and refurbished.

Major property projects under construction/ refurbishment:

At the start of 2019, the following property projects were under construction:

- Shopping centre in Töcksfors in Sweden is being expanded by 9,000 sq. m. of retail space.
- Torp Uddevalla shopping centre in Sweden is being expanded by 23,000 sq. m. of retail space.
- Two residential properties in the Oslo region with a total of 170 residential units.
- One residential property in Tromsø with 74 residential units.
- Office/retail property with space of 6,800 sq. m. next to Youngstorget in the centre of Oslo.
- Several of the Group's hotels are

undergoing major renovation and refurbishment.

FINANCING

One important element of the Group's financial strategy is the goal of maintaining a solid financial position, characterised by a high equity ratio and substantial long-term cash reserves.

At the end of the year, the Group's had interest-bearing debt of NOK 30,126 (30,919) million.

The Group's debt portfolio consists of long-term credit facilities with Nordic banks and direct borrowing in the capital markets in Norway and Sweden.

Total credit facilities were NOK 38,726 (41,965) million at the end of the year and NOK 8.600 (11,046) million of this amount was undrawn. Interest-bearing debt at the end of the year thus amounted to NOK 30,126 (30,919) million.

The capital markets in Norway and Sweden are important sources of financing.

At the end of the year the Group had outstanding certificate and bond debt amounting to NOK 16,750 (18,159) million split between Norway and Sweden.

Norway: NOK 13,385 (14,410) million
Sweden: SEK 3,365 (3,750) million

The proportion of interest-bearing debt raised in the capital markets was therefore 56% (59%).

The debt had an average remaining term

of 2.2 (2.6) years at the end of the year.

27% (33%) of the debt falls due for repayment within 1 year.

ORGANISATION AND WORKING ENVIRONMENT

Olav Thon Group practises equality and has zero tolerance for any form of discrimination or harassment of employees.

All employees are entitled to equal and fair treatment regardless of age, ethnic origin, disability, skin colour, nationality, political views and religion or other belief.

Olav Thon Group has defined equal pay for men and women with comparable positions as a goal in the gender equality work. No systematic differences in pay between men and women have been revealed at Olav Thon Group.

Work is in progress to promote universal design of the Group's general facilities, so that they can also be used by persons with impaired functional ability.

The Board considers the above-mentioned conditions and the general working environment to be satisfactory.

At the end of 2018, there were 3,222 (3,140) FTEs in Olav Thon Group. The parent company, Olav Thon Gruppen AS, had no employees at the same point in time.

The FTEs were distributed as follows: 2,777 in Norway, 351 in Belgium, 28 in the Netherlands and 66 in Sweden. 49% of the

Group's employees are women and 51% are men.

The Group's sick leave rate in 2018 was 5.3% (5.5%).

No significant injuries or accidents were registered related to its operations during the period. No deficiencies in other areas of employee safety or the working environment have been identified.

The company's Board consists of six men and one woman.

ENVIRONMENTAL STATUS

Olav Thon Group has complied with guidelines for sustainable value creation and environment-friendly operation on its business activities.

Environmental work is an integral part of business operations in Olav Thon Group and environmental initiatives are implemented for both its own operations and the tenants' use of the properties.

The Group focuses on environmental efficiency with energy management and waste recycling as key areas.

The business operations satisfy the requirements that have been set to limit pollution to the external environment.

For further information about environmental and sustainable value creation, please visit the Group's website at olavthon.no.

CORPORATE SOCIAL RESPONSIBILITY

Olav Thon Group is a member of the UN Global Compact, and works systematically in the areas of human rights, working conditions, environment, anti-corruption and social responsibility.

This work is followed up through goals and measures pursuant to the Global Reporting Initiative (GRI) framework and is documented in an annual corporate social responsibility report.

For further information about the work on corporate social responsibility please visit the Group's website.

CORPORATE GOVERNANCE

Olav Thon Group wants to maintain a high degree of confidence among lenders, tenants and society in general and therefore strives to ensure good corporate governance practice.

The management of the Group is based on the principles set forth in the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES).

OLAV THON GROUP'S RISK FACTORS

The Group's risk factors can be divided into the following main categories:

- Market risk
- Financial risk
- Operational risk

MARKET RISK

The Group's most significant market risk is related to developments in the Norwegian property and hotel markets, which in turn are closely tied to the performance of the Norwegian economy.

The commercial property market in 2018

With the increasing growth in the Norwegian economy, 2018 was a good year for commercial property, with generally high demand for commercial property and good rental prices.

The transaction market

There was a high level of activity in the Norwegian commercial property market in 2018 and the total transaction volume amounted to around NOK 90 billion.

The sales volume of NOK 90 billion in 2018 ranks as the second highest annual sales ever and reflects a very active property market. The high demand for commercial properties as investment objects contributed to a general increase in the value of commercial property within most segments.

The rental market

Rental prices in shopping centres were mainly stable or rising.

The office rental vacancy rate in the Oslo area is falling slightly and rental prices are rising.

The Group's market risk

Property sector risk is primarily related to the fact that lower rental prices and/or higher vacancy rates in the property portfolio would contribute to a decline in rental income.

61% of the Group's rental income comes from leading shopping centres and centrally located retail properties in Norway and Sweden. Private consumption is expected to rise going forward and the retail trade is also expected to develop positively. Online commerce is expected to grow faster than the physical retail trade, although online commerce still only accounts for a small proportion of the total retail trade.

The Group's shopping centres are adapting to the digitalisation of the retail trade by both expanding the range of products and services available in the shopping centres and by using new technology in customer services. Overall, the framework conditions for the Group's shopping centres and centrally located retail properties are considered satisfactory.

25% of the rental income comes from commercial properties, with office properties in the Oslo area representing the largest proportion. This segment also includes the Group's portfolio of rental housing. The properties are leased to a large number of tenants, and the lease contracts have a balanced maturity structure.

14% of the rental income comes from hotel properties, which are leased on long-term leases to Thon Hotels, the Group's own hotel chain. The risk of a substantially higher vacancy rate in the hotel property portfolio is considered to be very low.

Market risk in the hotel market is discussed further below.

The risk of a substantially higher vacancy rate and a large decline in rental income in the property portfolio is considered to be moderate.

The Norwegian hotel market in 2018

The Norwegian hotel market developed stably in 2018. The number of overnight stays at Norwegian hotels increased by 1% to 23.7 million, while Norwegian hotel capacity measured in terms of the average number of rooms also increased by 1% compared with the year before.

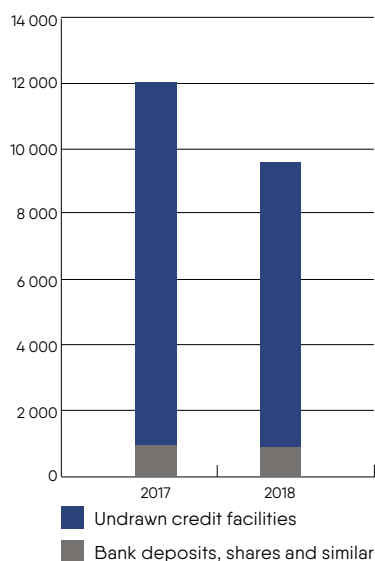
The average room rate in Norway increased by 1.6% to NOK 960, while the average occupancy rate fell by 0.6 percentage points to 55.3%. The key figure RevPAR (revenue per available room) therefore increased by 0.4% to NOK 531.

The development in Oslo and Akershus was weaker than the national average and RevPAR decreased by 5.8% to NOK 698 in these markets.

The hotel market is normally divided into the following three main segments, which showed somewhat different trends in 2018:

Segment	Share of total market in 2018	Change in number of overnight stays from 2017
Holiday and leisure market	51.6%	+3%
Individual business travellers	36.5%	+1.6%
Course and conference market	11.9%	-1.4%

CASH RESERVES
(NOK MILLIONS)



The hotel market in Brussels

2018 was a good year for the hotels in Brussels. The average room rate increased by 5% to EUR 119 and the average occupancy rate rose by 5 percentage points to 74%. RevPAR for the hotels in Brussels thereby increased by 13% to EUR 88.

Market risk in the hotel business area

As a major player in the market, Thon Hotels is affected by developments in the Norwegian hotel market.

Demand for hotel rooms is closely linked to the performance of the economy and the competitive situation in the market. The competitive situation also depends on the supply of new hotel capacity.

Given the high growth in the Norwegian economy, the demand for hotel overnight stays is expected to rise going forward, although increased hotel capacity in the largest cities is expected to contribute to a moderate hotel market in Norway in 2019.

Due to its solid market position and a modern hotel portfolio, Thon Hotels has developed better than the general hotel market in the last few years. Thon Hotels is considered to be well positioned to achieve a satisfactory financial performance going forward.

FINANCIAL RISK

The most significant financial risks for Olav Thon Group are considered to be the Group's access to financing in the banking and capital markets and the price of that financing.

Access to financing depends on both developments in the financial markets and the Group's creditworthiness.

The price of financing depends on market interest rates and the specific credit margin the Group has to pay.

The credit margin is in turn linked to the Group's creditworthiness and developments in the credit markets.

Development of the financial markets

Competition in the Nordic banking sector increased in 2018, which resulted in reduced credit margins and an increased willingness to lend.

The capital markets in both Norway and Sweden gradually weakened in the second half of the year and the demand from investors for capital market loans decreased.

The credit market

Olav Thon Group's borrowers in the capital market are Olav Thon Eiendomsselskap ASA and Thon Holding AS. The credit margin indicated for new bonds issued by the Group gradually rose in the second half of the year after a stable first 6 months.

At year end, the credit margin for Olav Thon Eiendomsselskap's 5-year secured bond issues was indicated at 1.20% (0.80%), while 12-month unsecured certificates were indicated at 0.50% (0.40%).

The credit margins in the capital markets for Thon Holding AS are normally around 0.03-0.05 percentage points higher than for Olav Thon Eiendomsselskap ASA.

Interest rate developments

Norges Bank increased the key rate by 0.25 percentage points to 0.75% in September, and the Norwegian short-term money market rate (3-month NIBOR) rose to 1.27% (0.81%) at the end of the year. The long-term money market rate

(10-year swap) rose slightly during the year and was listed at 2.10% (1.94%) at the end of the year.

Riksbanken in Sweden increased its repo rate by 0.25 percentage points to -0.25% in December, and the short-term money market rate (3-month STIBOR) rose to

-0.13% (-0.48%) at the end of the year. The Swedish long-term money market rate (10-year swap) fell from 1.20% to 1.13% at the end of the year.

The European Central Bank (ECB) kept its key rate unchanged in the eurozone, and interest rates were stable. The short-term market interest rate (3-month EURIBOR) was listed at -0.31% (-0.33%) at the end of the year, while the long-term market rate (10-year swap) fell from 0.88% to 0.81%.

The Group's financial risk

The Group's financial risks can be divided into:

- Liquidity risk
- Interest rate and currency risk
- Credit risk

A description of financial risk factors and financial management can be found in note 18 in the annual financial statements. The various risk categories' status at the end of the year is described below.

Liquidity risk

The Group's total cash reserves at year end was at NOK 9,595 (12,141) million and consisted of short-term investments of NOK 995 (1,095) million and undrawn long-term credit facilities of NOK 8,600 (11,046) million.

The Group's interest-bearing debt had an average remaining term of 2.2 (2.6) years, with 32% (28%) of the debt falls due for repayment within 1 year.

Interest rate and currency risk

At the end of the year, the Group's average interest rate was 3.07% (3.00%) and the proportion of fixed-rate

agreements longer than 1 year was 56% (56%).

The Group's interest-bearing debt amounts to NOK 32,817 (32,163) million and consists of the following currencies:

Currency	Share of debt	Average interest rate as at 31.12.2017	Average interest rate as at 31.12.2016
NOK	78%	3.4%	3.8%
SEK	21%	1.4%	1.5%
EUR	1%	2.4%	2.3%

It is estimated that a one percentage point change in short-term interest rates would result in a 0.5 percentage points change in the average interest rate within 3-6 months. Such an increase in interest rates would increase annual financial expenses by around NOK 75-80 million.

The Group is exposed to financial risk related to exchange rate movements in countries it operates. As the consolidated annual financial statements are prepared in NOK, both the Group's results and equity are affected by NOK and the local currency exchange rate.

The Group reduces its currency risk through foreign currency borrowing and currency hedging agreements.

Credit risk

The Group's credit risk is primarily linked to the risk of losses as a result of the failure of tenants to pay the agreed rent or hotel customers to pay their obligations.

The properties are leased to a large number of tenants in different sectors and the Group's routines for following up trade receivables are considered to be good.

Operational risk

The Group's operational risk is primarily associated with the failure of employees and operational management systems to function as expected.

Management is organised so that the risk arising from the activities and absence of an individual is relatively low, and the Group's management systems are considered to be robust.

OUTLOOK

The Norwegian economy is developing well and is expected to achieve a relatively high growth rate in the next few years. Since September 2018, Norges Bank has increased the key rate from 0.50% to 1.25%. The central bank is signalling that the key rate will gradually be increased in the next few years, albeit at a moderate tempo.

Personal consumption is expected to rise over the next few years and the retail trade is also expected to develop positively going forward. Online commerce is expected to grow faster than the physical retail trade, although online commerce still only accounts for a small proportion of the total retail trade.

The Group's shopping centres are adapting to the digitalisation of the retail

trade by both using new technology and by expanding the range of products and services available in the shopping centres.

The vacancy rate in the Oslo area office market is falling and rental prices are developing positively in most areas of the city. A low level of new construction and high demand for office premises are expected to contribute to a continued positive office market.

Given the high growth in the Norwegian economy, the demand for hotel overnight stays is expected to rise going forward, although increased hotel capacity in the largest cities is expected to contribute to a moderate hotel market in Norway in 2019.

Due to its solid market position and a modern hotel portfolio, Thon Hotels has developed better than the general hotel market in the last few years. Thon Hotels is considered to be well positioned

to achieve a satisfactory financial performance going forward.

All in all, the Group's solid market position and financial position is expected to contribute to good financial performance in the period ahead.

Oslo, 25 June 2019
Board of Directors
Olav Thon Gruppen AS



Sissel Berdal Haga
Board member



Thomas E. Rønning
Board member



Olav Thon
Chairman of the Board



Dag Tangevald-Jensen
Deputy Chairman/CEO



Ole-Christian Hallerud
Board member



Geir Thorvaldsen
Board member

Every effort has been made to ensure that this translation of the Norwegian text and the report is a true translation. However, in case of any discrepancy, the Norwegian version takes place.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

(Figures in NOK millions)	2018	2017
Rental income	4 332	4 280
Room revenue	2 075	1 971
Sale of goods	2 976	2 183
Other operating income	1 658	1 633
Net rental income	11 041	10 067
Cost of goods	-1 593	-1 091
Payroll costs	-1 591	-1 510
Ordinary depreciation	-494	-522
Other operating expenses	-3 802	-3 388
Operating expenses	-7 479	-6 511
Net income from property management	3 562	3 556
Fair value adjustments, investment property	1 410	2 909
Results from joint ventures and associates	496	231
Operating profit	5 467	6 696
Financial income	158	43
Financial expenses	-1 073	-1 143
Fair value adjustments, financial instruments	382	173
Net financial items	-533	-927
Profit before tax	4 934	5 769
Change in deferred tax	-113	-571
Income tax payable	-374	-238
Tax	-488	-809
Profit for the period	4 446	4 960
Other Comprehensive income		
<i>Items to be reclassified to P&L in subsequent periods:</i>		
Exchange differences from foreign operations	-43	386
Hedging of net investment	42	-72
Income taxes on other comprehensive income	-9	16
Total comprehensive income	4 436	5 291
Profit for the period attributable to:		
Shareholders of the parent	3 678	3 786
Non-controlling interests	768	1 174
Total comprehensive income attributable to:		
Shareholders of the parent	3 684	4 089
Non-controlling interests	752	1 202

FINANCIAL POSITION

(Figures in NOK millions)	2018	31.12.2017	1.1.2017
ASSETS			
Intangible assets	64	46	49
Deferred tax asset	437	509	550
Investment properties	81 501	78 737	73 690
Owner-occupied properties	14 346	13 455	13 370
Other fixed assets	941	1 071	948
Investments in joint ventures and associates	3 842	3 480	3 214
Non-current financial assets	643	361	277
Total non-current assets	101 774	97 659	92 099
Inventories	270	1 077	889
Trade and other receivables	2 041	1 943	2 007
Current financial assets	108	103	90
Bank deposits and cash	892	925	717
Total current assets	3 310	4 049	3 704
Total assets	105 084	101 708	95 802
EQUITY AND LIABILITIES			
Share capital	410	410	410
Share premium reserve	86	86	86
Other equity	46 888	43 123	39 157
Non-controlling interests	8 578	8 236	7 143
Total equity	55 962	51 854	46 797
Deferred tax liabilities	13 166	13 106	12 526
Non-current liabilities	24 244	23 322	26 734
Long term liabilities	37 410	36 428	39 260
Income tax payable	362	202	130
Interest-bearing current liabilities	7 261	9 292	6 169
Trade payables and other current liabilities	4 088	3 931	3 447
Short term liabilities	11 712	13 425	9 746
Total liabilities	49 122	49 853	49 006
Total equity and liabilities	105 084	101 708	95 802

Oslo, 25 June 2019


Sissel Berdal Haga
Board member

Olav Thon
Chairman of the Board

Ole-Christian Hallerud
Board member

Thomas E. Rønning
Board member

Dag Tangevald-Jensen
Deputy Chairman/CEO

Geir Thorvaldsen
Board member

CONSOLIDATED CASH FLOW STATEMENT

(Figures in NOK millions)	2018	2017
Profit before tax	4 934	5 769
Fair value adjustments, investment property	-1 410	-2 909
Fair value adjustment, interest rate derivatives	-409	-183
Fair value adjustment, investments	27	10
Expended interest	933	977
Interest paid	-938	-977
Income tax paid	-217	-140
Share of results of joint ventures and associated companies	-496	-231
Deprecitation of fixed assets	472	522
Change in operating related accruals	688	75
Net cash flow from operating activities	3 585	2 915
Proceeds from sale of property, plant and equipment	22	25
Purchase of investment properties and property, plant and equipment	-2 592	-2 131
Payments linked to acquisition of subsidiaries	-77	-155
Other investment	-151	-132
Net cash flow from investing activities	-2 799	-2 393
Proceeds from interest-bearing liabilities	20 708	16 217
Repayment of interest-bearing liabilities	-21 233	-16 074
Dividends paid	-395	-96
Net cash flow from financing activities	-919	47
Exchange rate effects	100	-361
Net change in bank deposits and cash	-33	207
Bank deposits and cash as at 1 January	925	717
Bank deposits and cash as at 31 December	892	925
Unutilized overdrafts and other credit facilities	8 600	11 046

