OLAV THON GRUPPEN

BOARD OF DIRECTORS' REPORT & FINANCIAL STATEMENTS

2019

KEY FIGURES

Figures in NOK millions	31.12.19	31.12.18
Operating income	10 413	11 041
Fair value adjustments investment properties and interest rate derivatives [1)]	1 356	1 885
Profit before taxes	4 211	4 934
Profit before tax and fair value adjustments [1)]	2 856	3 049
Equity	58 795	55 962
Equity ratio	54 %	53 %
Net cash flow from operations [2)]	2 923	3 118
Cash reserves [3)]	9 399	9 572
Amortisation next 12 months	8 820	8 009
Interest-bearing debt [4)]	30 977	30 125
Interest rate as at 31.12	3,13 %	3,07 %
Loan to value ratio [5)]	29 %	30 %
Net investments [6)]	2 549	2 802
Market value properties [7)]	101 548	97 962
Annual rental income properties [8)]	5 685	5 480
Yield properties	4,89 %	4,92 %
Sales, owned shopping centres	66 554	65 107
Revenue per available room (NOK) [9)]	575	563

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

1) Fair value adjustments investment properties + Fair value adjustments financial instruments + Depreciation Right-of-use Owner-occupied properties + Depreciation Owner-occupied properties. Including joint ventures and associated companies

2) Net cash flow from operating activities + Expenced interest - Interest paid - Income tax paid + Change in operating related accruals

3) Bank deposits etc. + Undrawn borrowing facilities

4) Unsecured part of interest-bearing debt NOK 6,374 million (31.12.19) and NOK 6,545 million (31.12.18)

5) (Interest bearing debt - Bank deposits etc.) / Investment properties

6) Property purchase/sale/upgrade costs + purchase/sale of companies + assets + other investments (purchase/sale)

7) Includes market value of investment properties and owner-used properties. In addition, the Group owns through jointly controlled companies / associated companies properties with market value (Group's share) MNOK 6,870 (31.12.19) and 6,941 (31.12.18).

8) Market rent for rented and vacant premises.

9) Thon Hotels

BOARD OF DIRECTORS' REPORT 2019

HIGHLIGHTS IN THE GROUP'S BOARD OF DIRECTORS' REPORT

OPERATING INCOME
Total operating income amounted to NOK 10,413 (11,041) million.

PROFIT
Profit before income tax was NOK 4,211 (4,934) million.

EQUITY
The Group's equity at the end of the year was NOK 58,795 (55,962) million and its equity ratio was 54 % (53 %).

PROPERTY PORTFOLIO
Annual rental income level in the property portfolio as at 1 January 2020 was NOK 5,685 (5,480) million and the vacancy rate was 3.3 % (2.8 %).

SHOPPING CENTRE RETAIL SALES
Retail sales in the shopping centre portfolio owned by the Group amounted to NOK 66.5 (65.1) billion. At the end of the year, the Group owned 72 shopping centres and managed 18 shopping centres for other owners.

THON HOTELS
At the end of the year, Thon Hotels had 12,030 (11,870) rooms in 81 (81) hotels in Norway and abroad.

LIQUIDITY RESERVES
The Group's liquidity reserves amounted to NOK 9,399 (9,572) million.

ANNUAL FINANCIAL STATEMENTS

The Olav Thon Group's consolidated financial statements have been prepared in accordance with section 3-9 of the Norwegian Accounting Act and the Regulation on simplified IFRS as set out by the Ministry of Finance on 3 November 2014.

In accordance with the requirements of the Accounting Act, the Board of Directors confirms that the conditions for continued operation are in place and that the annual financial statements for 2019 have been prepared on an ongoing concern basis.

Reference is made to note 35, events after the balance sheet date, for information concerning the uncertainty surrounding the economic consequences of the coronavirus pandemic. The effects do not affect the Group's results for 2019 and financial position as at 31 December 2019.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

Financial position/balance sheet as at 31 December 2019

The Group's total assets amounted to NOK 109,648 (105,084) million, of which the Group's property portfolio accounted for NOK 98,613 (95,847) million.

The property portfolio consists of investment properties valued at NOK 84,226 (81,501) million and properties for own use valued at NOK 14,387 (14,346) million.

Different policies are applied when recognising the value of the investment properties and the value of properties for own use on the Group's balance sheet. 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 3,947 (3,842) million.

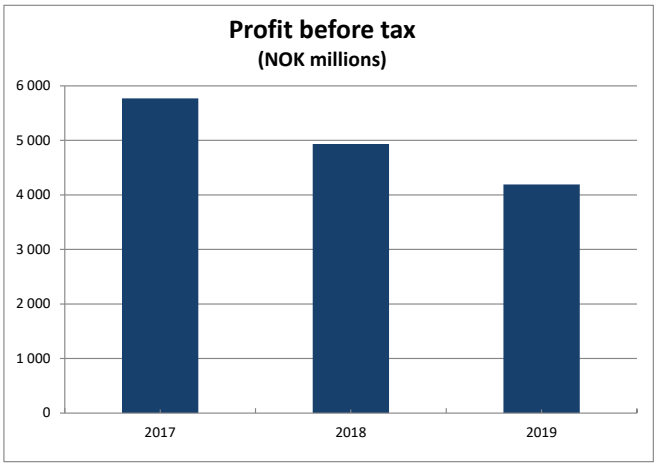
Equity amounted to NOK 58,795 (55,962) million and the equity ratio was 54 % (53 %).

The Group's interest-bearing debt was NOK 30,977 (30,125) million, while the loan to value ratio was 29 % (30 %).

Summary of the income statement for 2019

Profit before income tax was NOK 4,211 (4,934) million.

Fair value adjustments for investment properties and interest rate derivatives (including fair value adjustments in joint ventures and associated companies) totalled NOK 1,767 (2,155) million.

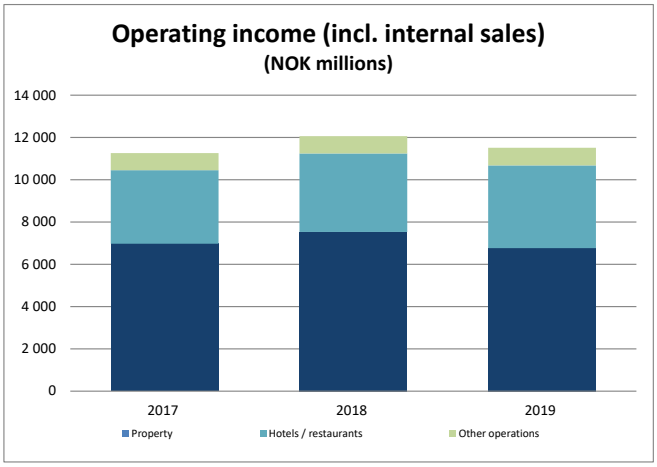


Profit before income tax and fair value adjustments therefore amounted to NOK 2,459 (2,779) million.

Operating income

The Group's total operating income for 2019 was NOK 10,413 (11,041) million and was primarily made up of the following income from the Group's business areas:

All figures in NOK millions	2019	2018
Rental income in Thon Eiendom	4,564	4,332
Accommodation income in Thon Hotels	2,189	2,075
Residential sales in Thon Eiendom	16	1,084
Sales of goods from other operations	968	967
Sales of goods in Thon Hotels	973	926
Other operating income	1,702	1,658
TOTAL	**10,413**	**11,041**



Operating expenses

The Group's total operating expenses were NOK 7,060 (7,479) million in 2019 and can be categorised as follows:

All figures in NOK millions	2019	2018
Payroll expenses	1,716	1,591
Maintenance expenses	972	864
Cost of goods	860	838
Expenses from residential sales in Thon Eiendom	27	755
Ordinary deprecation and write-downs	650	494
Other operating expenses	2,835	2,937
TOTAL	**7,060**	**7,479**

Management result

The Group's management result, which shows the Group's profit before fair value adjustments, financial items and income tax was NOK 3,353 (3,562) million.

Fair value adjustments of investment properties

The value of the Group's investment properties increased by NOK 1,193 (1,410) million. The increase in value was due to both a slight reduction in average yield and the Group's rental income increasing.

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 369 (496) million.

The decrease in the result from the previous year was primarily due to fair value adjustments for investment properties and interest rate derivatives in these companies amounting to NOK 197 million in 2019 compared with NOK 364 million in 2018.

Financial income and expenses

The Group's net financial expenses (excluding fair value adjustments of interest rate derivatives) were NOK 1,065 (915) million.

Net interest expenses amounted to NOK 972 (884) million and include NOK 31 million related to the early cancellation of interest rate derivatives (0). The increase in net interest expenses was also due to higher average interest rates and interest-bearing debt. In addition, interest expenses related to leases in line with IFRS 16 amounted to NOK 52 (0) million.

Fair value adjustments of interest rate derivatives

The fair value of the Group's interest rate derivatives increased by NOK 376 (382) million.

The Group's portfolio of interest rate derivatives consists of interest rate swap agreements, currency swap agreements and listed shares.

The value of the Group's interest and currency agreements increased by NOK 362 (409) million in 2019, while the value of the listed shares increased by NOK 14 (-27) million.

Cash flow and liquidity

Net cash flow from the Group's operations was NOK 2,923 (3,119) million, while net cash flow from operating activities was NOK 1,415 (3,585) million.

Net cash flow from investing activities was NOK -2,223 (-2,799) million, while financing activities increased liquidity by NOK 776 (-919) million.

Exchange rate effects amounted to NOK 143 (100) million in 2019 and liquidity reserves thus increased by NOK 44 (-33) million.

The Group's liquidity reserves ended the year at NOK 9,399 (9,572) million. The liquidity reserves consisted of short-term investments of NOK 1,037 (972) million and undrawn long-term credit facilities of NOK 8,362 (8,600) million.

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

The financial statements of the parent company, Olav Thon Gruppen AS, have been prepared in accordance with Norwegian Generally Accepted Accounting Principles (GAAP).

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

After deducting operating expenses, profit before income tax was NOK 309 (153) million.

Profit after calculated income tax was NOK 305 (152) 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 255 million
Allocated net profit:	NOK 306 million

The book value of the parent company's assets was NOK 1,583 (1,390) million at year end. Book equity was NOK 1,306 (1,050) million, while the equity ratio was 83 % (76 %).

BUSINESS AREAS

The property business area

Total operating income in the property business area amounted to NOK 6,766 (7,529) million (incl. internal sales) in 2019.

The year-on-year decrease was due to a reduction in sales revenue from the Group's residential projects. In 2019, sales revenue amounted to NOK 16 million, compared with NOK 1,084 million in 2018.

The Group's external rental income amounted to NOK 4,564 (4,332) million.

Property portfolio as at 31 December 2019

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 group companies' own use.
- Properties for own use, which are used for group companies' own use.

Investment properties

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

At the end of the year, the Group's investment properties were valued at NOK 84,226 (81,501) million, based on an average yield of 4.96 % (4.97 %).

Properties for own use

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

The fair value of properties for own use was used as the estimated acquisition cost upon the transition to simplified IFRS on 1 January 2017. 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 14,387 (14,346) million.

Annual rental income level as at 31 December 2019

At the end of the year, annual rental income level from the Group's total property portfolio amounted to NOK 5,685 (5,480) million (including market rents for vacant premises).

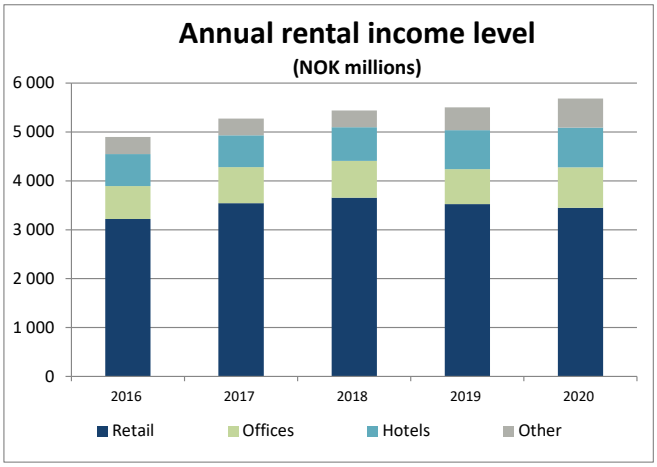
Based on annual rental income, the property portfolio is divided into the following segments:

- 61 % Retail
- 15 % Hotels
- 14 % Offices
- 10 % Other

The rental income comes from the following geographical areas:

- 54 % Oslo area
- 33 % Rest of Norway
- 13 % Abroad

As at 31 December 2019, the vacancy rate in the property portfolio was 3.3 % (2.8 %).



Shopping centres

At the end of the year, the Groups shopping center portfolio comprised 90 shopping centres In Norway and Sweden, 18 of which are managed 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.

The number of shopping centres decreased due to the termination of the partnership with LOT Eiendom AS and the closure of a shopping centre in Sweden (see the section on major property acquisitions and sales).

The comparable figures for retail sales in 2018 have been corrected for retail sales in centres that are no longer owned by the Group or that are closed for redevelopment.

The 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 2 % in 2019 to NOK 2,789 (2,723) million.

Retail sales increased by 2.1 % to NOK 53.4 billion.

Sweden

Annual rental income level from the Group's 11 Swedish shopping centres increased by 0.1 % to SEK 625 (624) million.

Retail sales in the shopping centres increased by 3.4 % to SEK 14.1 billion.

Commercial properties

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

Annual rental income level for this part of the portfolio increased by 7 % to NOK 2,261 (2,113) million.

Property portfolio owned by joint ventures and associated companies

In addition to the property portfolio carried 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 are between 12.5 % and 50 %, and are recognised in line with the equity method. This means that it is the Group's share of the companies' equity that is included on the consolidated balance sheet.

The Group's share of the annual rental income level in these companies at year end was NOK 380 (380) million, and the Group's share of the property values was valued at NOK 6,545 (6,937) million.

HOTELS

The hotel business area

Operating income in the hotel business area (incl. internal sales) amounted to NOK 3,914 (3,725) million, including NOK 122 (130) million in operating income from standalone restaurants.

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

Thon Hotels

Thon Hotels is a hotel chain with 12,030 rooms in 81 hotels in Norway and abroad.

In Norway, Thon Hotels is a nationwide hotel chain with 10,450 rooms in 72 hotels. 54 of the hotels are operated by the Group, while the other 18 are run by external franchisees.

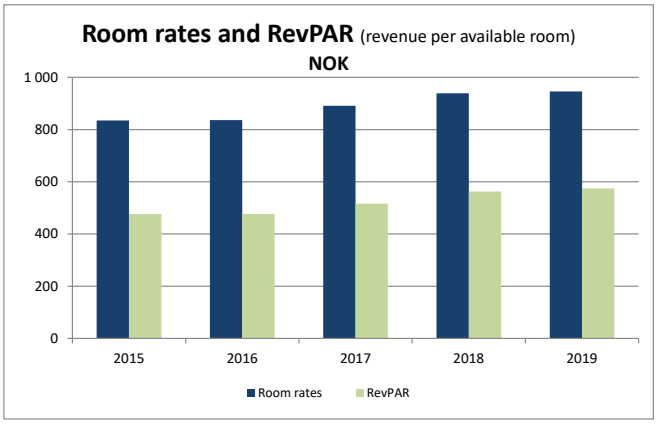
The hotel portfolio primarily consists of city centre hotels, most of which were constructed or have been refurbished in the last few years. Thon Hotels is a dominant player in the metropolitan regions of Oslo and Bergen.

Internationally, Thon Hotels has 1,580 rooms in 5 hotels and 3 apartment hotels in Brussels, Belgium, and 1 hotel in Rotterdam, the Netherlands.

Distributed by geographical segments, Thon Hotels achieved the following key figures in 2019:

	Average room rate	Occupancy rate	RevPAR
Thon Hotels Norway (NOK)	921	60.1	554 (+0.7%)
Thon Hotels Brussels (EUR)	111	65.1	73 (+9.0%)
Total Thon Hotels (NOK)	946	61.0	575 (+2.1%)

Thon Hotels' operations developed well in 2019 as well, with growth in room rates and occupancy rates both in Norway and in Brussels.



Restaurants

The Olav Thon Group owns and operates five restaurants outside the hotels. In 2019, total sales amounted to NOK

122 (130) million and the business area's results were satisfactory.

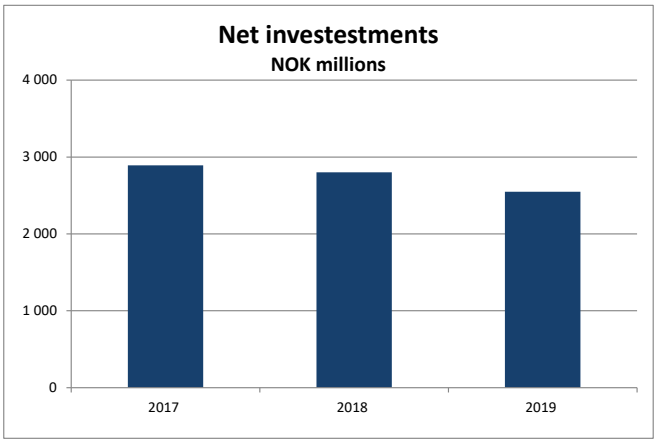
OTHER OPERATIONS

Companies not included in the property and hotels business areas are included in other operations. These companies reported total operating income of NOK 838 (823) million in 2019.

The largest company, Unger Fabrikker AS, also achieved very good results in 2019. Operating income amounted to NOK 606 (602) million and profit before income tax was NOK 68 (62) million.

INVESTMENTS

The Group's total net investments in 2019 amounted to NOK 2,549 (2,802) million and included property acquisitions, investments in property projects under construction, and refurbishing the existing property portfolio.



Major property acquisitions and sales

Strömstad Köpcentrum, Sweden (55 %)

4,700-sq. m. shopping centre centrally located in Strömstad next to the Group's 3,900-sq. m. retail property.

Snøporten Hotell, Lørenskog

A plot next to the SNØ all-year arena in Lørenskog. The plan is to construct a hotel with 300 rooms and conference facilities on the property.

Oscar Hansensvei 1,3,5,7 and Sofus Jørgensens Veg 5, Molde

A retail and office property totalling 10,500 sq. m. near the Group's shopping centres in Molde was acquired and taken over in 2019 and Q1 2020.

Portfolio changes in jointly owned companies

The collaboration in the jointly owned company LOT Eiendom AS (50 % stake), which owned stakes in eight Norwegian shopping centres, was terminated in April.

As a result, the Group's stake in the Amfi Orkanger and Amfi Oti shopping centres in Orkanger increased from 25 % to 50 %, while the Group's stakes in the following six shopping centres were sold:

- Amfi Svolvær in Nordland County
- Amfi Ørsta in Møre og Romsdal County
- Amfi Førde and Amfi Nordfjord in Vestland County
- Dombås Senter in Innlandet County
- Amfi Mandal in Agder County

PROPERTY DEVELOPMENT

Major property projects

Property development is an important part of the Group's operations and there was also a relatively high level of activity in this area in 2019.

Completed

Major projects completed during the year included the following:

- The final phases of the expansions of four Norwegian shopping centres that added as further 10,000 sq. m. of retail space.
- The final construction phase of the Storotunet project involving a further 89 flats was completed for rent.
- Two residential properties in the Oslo region with a total of 170 residential units for rent.
- The shopping centre in Töcksfors in Sweden was expanded by
  9,000 sq. m. of retail space.
- 6,800 sq. m. of office/retail property at Youngstorget in Oslo city centre.
- Several hotel properties were upgraded and refurbished.

Under construction/ refurbishment:

At the start of 2020, the following property project were under construction:

- The Torp Uddevalla shopping centre in Sweden is being expanded by 23.000 sq. m. of retail space.
- Lørenskog Storsenter shopping centre in the Oslo region is being expanded by 26,000 sq. m. of retail space.
- Three residential projects in the Oslo region with a total of 270 residential units for sale.

- One new building in Oslo city centre with 46 residential units for rent.
- One residential project in Tromsø with 74 residential units for sale.
- Hotel with 200 rooms in Svolvær.
- Major remodelling and refurbishment projects are being carried out at several of the Group's hotels.

In addition to the major property projects, smaller upgrading and refurbishments projects are taking place at several of the Group's shopping centres.

FINANCING

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.

At the end of the year, the Group had interest-bearing debt of NOK 30,977 (30,126) million.

Total credit facilities were NOK 39,339 (38,726) million at year end and NOK 8,362 (8,600) million of this amount was undrawn.

The capital markets in Norway and Sweden are important sources of financing and a substantial proportion of the Group's financing is raised in these financing markets.

At year end, the outstanding certificate and bond debt amounted to NOK 15,210 (16,750) million, distributed as follows:

Norway:	NOK 12,080 (13,385) million
Sweden:	SEK 3,315 (3,365) million

The proportion of interest-bearing debt raised in the capital markets was therefore 49 % (56 %).

At the end of the year, the debt had an average remaining term of 2.4 (2.2) years, with 28 % (27 %) of the debt due for repayment within 1 year.

ORGANISATION AND WORKING ENVIRONMENT

The 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 beliefs.

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

The Group is working to ensure its general facilities comply with universal design requirements so they can also be used by people with impaired functional ability.

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

At the end of 2019, there were 3,257 (3,173) FTEs in the 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: 2,768 in Norway, 372 in Belgium, 28 in the Netherlands and 89 in Sweden. 48 % of the Group's employees are women and 52 % are men.

The Group's sick leave rate in 2019 was 5.8 % (5.3 %).

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

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

ENVIRONMENTAL STATUS

The Olav Thon Group has formulated guidelines on sustainable value creation and eco-friendly business operations.

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

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

The operations satisfy the requirements for limiting pollution of the external environment.

Further information on environmental and sustainable value creation can be found on the Group's website: olavthon.no.

CORPORATE SOCIAL RESPONSIBILITY

The Olav Thon Group is a member of the UN Global Compact, and works systematically in the areas of human rights, working conditions, the 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.

Further information on corporate social responsibility work can be found on the company's website: olavthon.no.

CORPORATE GOVERNANCE

The Olav Thon Group strives to ensure it practises good corporate governance to maintain a high level of confidence among lenders, tenants and society in general.

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).

THE 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 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 2019
Continued good growth in the Norwegian economy meant that 2019 was, overall, a good year for commercial property, with generally high demand for commercial property and increased renal prices.

The Group's property segments developed differently, with high demand for centrally located office and combination properties and less interest in shopping centre properties.

The transaction market
There was a very high level of activity in the Norwegian market for commercial property in 2019, with the total transaction volume amounting to around NOK 100 billion.

The sales volume represented the second highest annual sales ever and reflects a very active property market. The high demand for commercial property contributed to a positive development in the value of central office and warehouse properties, while the trend for the value of retail properties was stable or slightly downwards during 2019.

The rental market
Rental prices for shopping centres generally exhibited a stable or slightly downwards trend.

In the office rental market in the Oslo region, rental prices rose for the third year in a row, while the vacancy rate fell further. There are

significant differences in rental prices and vacancy rates between the different areas of the city.

The Group's market risk
Property sector risk is primarily related to the fact that lower rents and/or increased vacancy 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.

Going forward, private consumption is expected to be significantly impacted by the Coronavirus pandemic and there is a great deal of uncertainty surrounding the economic consequences of the measures introduced to limit the pandemic. However, there is reason to expect a relatively weak trend in private consumption in the coming period. The trend of increasing differences between different segments and actors in the retail trade is expected to persist going forward.

Online shopping is expected to continue growing faster than the physical retail trade, although it still accounts for a small proportion of the retail trade.

The Group's shopping centres are gradually being adapted to changing consumer spending patterns and digitalisation of the retail trade. The changes being made involve expanding the range of goods and services offered in the shopping centres and making use of new technology in customer communications.

15% of the rental income comes from hotel properties, which are leased on long-term leases to Thon Hotels, the Group's hotel chain. The risk of a significantly higher vacancy rate in the hotel property portfolio is considered low.

Market risk in the hotel market is discussed in later sections.

14 % of rental income comes from commercial properties in the Oslo region, with office properties representing the largest proportion. The properties are leased to a large number of tenants and the lease contracts also have a balanced maturity structure in this segment.

The risk of a substantially higher vacancy rate and a fall in the Group's rental income is considered moderate. A sensitivity analysis of what effects any changes to the yield and rental income would have on property values can be found in note 15.

The Norwegian hotel market in 2019
The Norwegian hotel market developed positively in 2019. The number of overnight stays at Norwegian hotels increased by 5 % to 25.0 million, while Norwegian hotel capacity, measured by the average number of rooms, also increased by 4 % from 2018.

The average room rate in Norway increased by 2.5 % to NOK 984, while the average occupancy rate rose by 0.5 percentage points to 55.8 %. The key figure RevPAR (Revenue Per Available Room) therefore increased by 3.3 % to NOK 549.

The development in Oslo and Akershus was weaker than the national average and RevPAR fell by 1.8 % to NOK 685 in these markets.

The hotel market is divided into the following three main segments, which developed somewhat differently in 2019:

Segment	Share of total market in 2019	Change from 2018 (percentage points)
Holiday and leisure market	52.7 %	+1.1 %
Individual business travellers	36.1 %	-0.4 %
Course and conference market	11.2 %	-0.7 %

Source: Statistics Norway

The hotel market in Brussels
2019 was a good year for hotel operations in Brussels, and the RevPAR for the hotels increased by 6% to EUR 95.

Market risk associated with the hotel business area
As a major player in the market, Thon Hotels is affected by developments in the Norwegian hotel market.

The Norwegian economy has been significantly impacted by the coronavirus pandemic and the hotel market is expected to be particularly weak going forward.

FINANCIAL RISK

The Olav Thon Group's financial risk is considered to mainly derive from 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 risk is mitigated by maintaining a low loan to value ratio, a balanced debt portfolio and significant liquidity reserves.

The price of financing depends on market interest rates and the specific credit margin the Group must pay. The credit margin is in turn linked to the Group's creditworthiness and developments in the credit markets.

Development of the financial markets
The competitive situation in the Nordic banking sector was relatively stable in 2019 and both the offer and price of bank financing remained relatively unchanged throughout the year.

The capital markets in both Norway and Sweden developed positively and investor demand for capital market loans increased gradually throughout the year.

Interest rate developments
In 2019, Norges Bank raised its key policy rate by 0.75 % to 1.50 %, and the short-term Norwegian money market interest rate (3-month NIBOR) rose to 1.86 % (1.27 %) at year end. The long-term money market rate (10-year swap rate) varied throughout the year and was quoted as 2.06 % (2.10 %) at year end. end.

The Swedish Central Bank raised its key policy rate by 0.25 % to 0 % in December and the short-term money market interest rate (3-month STIBOR) rose to 0.20 % (-0.13 %) at year end. The long-term money market interest rate (10-year swap) fell from 1.13 % to 0.67 % at year end.

The European Central Bank (ECB) cut its policy rate in the eurozone by 0.1 % to -0.1 %, and the short market rate (3-month EURIBOR) fell to -0.38 % (-0.31 %) at year end. The long-term market interest rate (10-year swap) fell from 0.88 % to 0.14 %.

The credit market
The Olav Thon Group's borrowers in the capital market are Olav Thon Eiendomsselskap ASA and Thon Holding AS.

The credit spread indicated for new loans issued by the Group fell gradually during the second half of the year after developing stably during the first half.

At year end, the credit spread for 5-year unsecured bond issues in Norway for Olav Thon Eiendomsselskap was indicated at 0.85 % (1.25 %), while 12-month unsecured commercial papers were indicated at 0.32 % (0.55 %).

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

The Group's financial risk

Financial risks can be divided into:

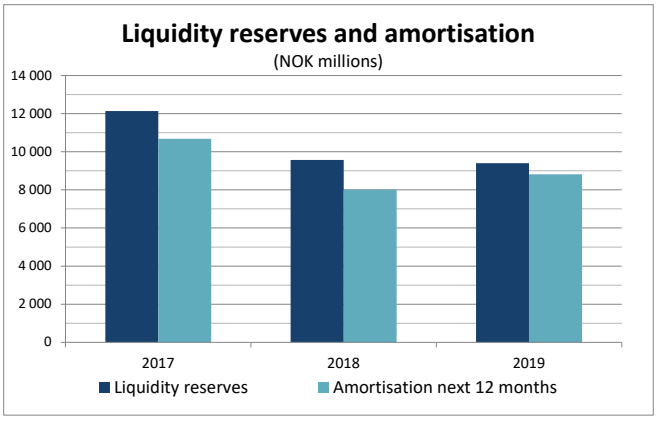
- Liquidity risk
- Interest rate and currency risk
- Credit risk

Descriptions of financial risk factors and financial management can be found in note 20 to the annual

financial statements. Below is the status of the different risk groups at the end of the year.

Liquidity risk

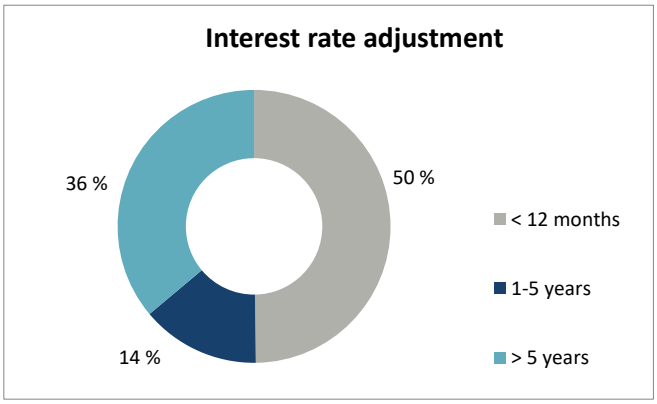
The Group's total liquidity reserves at the end of the year amounted to NOK 9,399 (9,572) million.



At the end of the year, the Group's interest-bearing debt had an average remaining term of 2.4 (2.2) years, with 28 % (27 %) of the debt due for repayment within 1 year.

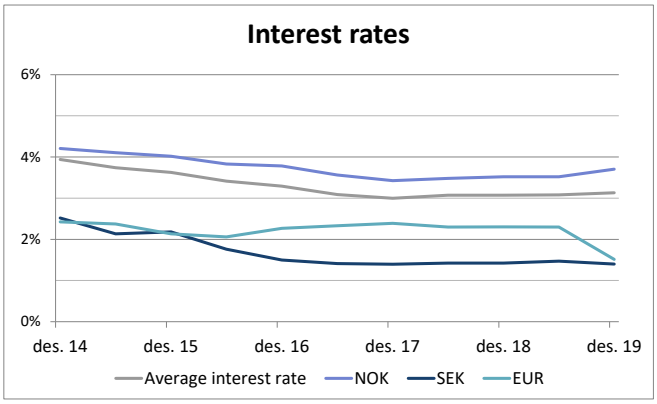
Interest rate and currency risk

At the end of the year, the Group had a fixed-rate ratio with a fixed-rate period exceeding 1 year of 50 % (56 %), with an average fixed-rate period of 3.5 (3.7) years.



At year end, the Group's average interest rate was 3.13 % (3.07 %) and the interest-bearing debt of NOK 30,977 (30,126) million was in the following currencies:

Currency	Share of debt	Average interest rate as at 31.12.2019	Average interest rate as at 31.12.2018
NOK	74 %	3.7 %	3.3 %
SEK	21 %	1.4 %	2.2 %
EUR	5 %	1.5 %	2.3 %



The Group primarily uses interest rate derivatives (interest rate swaps) in order to achieve long-term fixed-rate periods.

At year end, the portfolio of interest rate swaps entered into to achieve long-term fixed-rate periods was NOK 16,382 (16,531) million and had a fair value of NOK -1,964 (-2,223) million.

The fair value of interest rate swaps is affected by changes in long-term interest rates and volatility in the financial markets. It is estimated that a change of one percentage

point in interest rates would change the fair value of the portfolio by approximately NOK 1,000-1,100 million.

It is estimated that a one percentage point change in short-term interest rates would result in a 0.5 percentage point change within three to six months. Such an increase in interest rates would increase annual finance expenses by approximately NOK 135- 145 million.

The Olav Thon Group is also exposed to financial risk related to exchange rate movements in its countries of operation. Because the consolidated annual financial statements are prepared in NOK, both the Group's profit and equity are affected by the NOK/local currency exchange rate.

The Group mitigates 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 tenants failure 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 administering leases and 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 robust.

OUTLOOK

The Norwegian economy is now in a deep recession caused by the coronavirus pandemic and the extensive infection control measures that have been introduced both in Norway and abroad.

These are the most invasive measures that have been taken in Norway in peacetime and large sections of society have been closed down. This has resulted in a significant downturn in the Norwegian economy, which has been exacerbated by a fall in oil prices.

The Norwegian authorities have implemented a series of economic measures to mitigate the economic effects of the pandemic and Norges Bank has cut its policy rate from 1.50 % to 0 %.

The pandemic and the measures implemented have had major consequences for the Norwegian economy in general and for the Olav Thon Group in particular. Future developments will depend on factors such as the course of the pandemic and the infection control measures duration both in Norway and abroad, as well as how companies and the public will adapt when the measures are gradually de-escalated.

The potential consequences for the Olav Thon Group are described in note 35 in the annual report.

Given the Group's financial position with its high equity ratio and solid liquidity reserves, the Group is considered well equipped to deal with the financial consequences of the coronavirus pandemic.

Oslo, 17 June 2020
Board of Directors
Olav Thon Gruppen AS

Olav Thon
Chairman of the Board

Sissel Berdal Haga Thon
Board member

Ole-Christian Hallerud
Board member

Thomas E. Rønning
Board member

Dag Tangevald-Jensen
Deputy Chairmen/CEO

Geir Thorvaldsen
Board member

OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(Figures in NOK millions)	2019	2018
Rental income	4 564	4 332
Room revenue	2 189	2 075
Sale of goods	1 958	2 976
Other operating income	1 702	1 658
Operating income	**10 413**	**11 041**
Cost of goods	-877	-1 593
Payroll costs	-1 716	-1 591
Ordinary depreciation	-650	-494
Other operating expenses	-3 817	-3 802
Operating expenses	**-7 060**	**-7 479**
Net income from property management	**3 353**	**3 562**
Fair value adjustments, investment property	1 193	1 410
Fair value adjustments, right-of-use investment property	-14	-
Results from joint ventures and associates	369	496
Operating profit	**4 900**	**5 467**
Financial income	46	63 *)
Financial expenses	-1 111	-978 *)
Fair value adjustments, financial instruments	376	382
Net financial items	**-689**	**-533**
Profit before income tax	**4 211**	**4 934**
Change in deferred tax	-444	-113
Income tax payable	-293	-374
Income tax	**-738**	**-488**
Profit	**3 474**	**4 446**
Other Comprehensive income		
Items to be reclassified to P&L in subsequent periods:		
Exchange differences from foreign operations	-46	-43
Hedging of net investment	-42	42
Income taxes on other comprehensive income	-8	-9
Total comprehensive income	**3 378**	**4 436**
Profit attributable to:		
Shareholders of the parent	2 958	3 678
Non-controlling interests	515	768
Total comprehensive income attributable to:		
Shareholders of the parent	2 878	3 684
Non-controlling interests	499	752

*) Interest income and interest expenses are changed, due to a reclassification since year-end presentation.
Net financial items as per 31.12.2018 are not changed.

OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Figures in NOK millions)	2019	2018
ASSETS		
Deferred tax asset	442	437
Investment properties	84 226	81 501
Owner-occupied properties	14 387	14 346
Right-of-use assets	800	-
Other fixed assets	1 031	1 005
Investments in joint ventures and associates	3 947	3 842
Non-current financial assets	641	643
Total non-current assets	**105 474**	**101 774**
Inventories	828	270
Trade and other receivables	2 300	2 041
Current financial assets	109	108
Bank deposits and cash	936	892
Total current assets	**4 174**	**3 310**
Total assets	**109 648**	**105 084**
EQUITY AND LIABILITIES		
Share capital	410	410
Share premium	86	86
Other equity	49 349	46 888
Non-controlling interests	8 951	8 578
Total equity	**58 795**	**55 962**
Deferred tax liabilities	13 592	13 166
Lease liabilities	758	-
Non-current liabilities	23 991	24 244
Total non-current liabilities	**38 342**	**37 410**
Income tax payable	270	362
Interest-bearing current liabilities	8 820	8 027 *)
Trade payables and other current liabilities	3 422	3 323 *)
Total current liabilities	**12 511**	**11 712**
Total liabilities	**50 853**	**49 122**
Total equity and liabilities	**109 648**	**105 084**

*) The classification of short term liabilities is changed as per 31.12.2018, after the year-end presentation. Total short term liabilities are not changed.

Oslo, 17 June 2020

Board of Directors
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Chairman of the Board

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Board member

Ole-Christian Hallerud
Board member

Thomas E. Rønning
Board member

Dag Tangevald-Jensen
Deputy Chairmen/CEO

Geir Thorvaldsen
Board member

OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOW

(Figures in NOK millions)	2019	2018
Profit before income tax	4 211	4 934
Fair value adjustments, investment property	-1 193	-1 410
Fair value adjustment, interest rate derivatives	-362	-409
Fair value adjustment, investments	-14	27
Expensed interest	996	933
Paid interest	-1 000	-938
Paid income tax	-382	-217
Share of profit from joint ventures and associated companies	-369	-496
Depreciation of fixed assets	650	472
Change in operating related accruals	-1 122	688
Net cash flow from operating activities	**1 415**	**3 585**
Proceeds from sale of property, plant and equipment	3	22
Purchase of investment properties and property, plant and equipment	-2 277	-2 592
Payments linked to acquisition of subsidiaries	-281	-77
Other investment	265	-151
Net cash flow from investment activities	**-2 290**	**-2 799**
Proceeds from interest-bearing liabilities	22 503	20 708
Repayment of interest-bearing liabilities	-21 523	-21 233
Payment on leasing liabilities	-45	-
Dividends paid	-159	-395
Net cash flow from financing activities	**776**	**-919**
Currency translation effects	**143**	**100**
Net change in cash and cash equivalents	**44**	**-33**
Cash and cash equivalents as at 1 January	892	925
Cash and cash equivalents as at 31 December	936	892
Unutilized overdrafts and other credit facilities	8 362	8 600

OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

(NOK million)	Share capital	Share premium	Currency translation differences	Other Equity	Hedging reserve	Majority share of equity	Non-controlling interests	Total
Equity 31 Dec 2017	**410**	**86**	**358**	**42 739**	**26**	**43 619**	**8 236**	**51 854**
Profit			-	3 678	-	3 678	768	4 446
Other comprehensive income			-26	-	32	6	-16	-10
Dividends paid			-	-50	-	-50	-176	-226
Redemption of non-controlling interests				-	-	-	-138	-138
Other changes			-	131	-	131	-96	36
Equity 31 Dec 2018	**410**	**86**	**331**	**46 499**	**58**	**47 384**	**8 578**	**55 962**
Profit			-	2 958	-	2 958	515	3 474
Other comprehensive income			-29	-	-50	-80	-16	-96
Dividends paid			-	-	-	-	-159	-159
Other changes			-	-418	-	-418	32	-386
Equity 31 Dec 2019	**410**	**86**	**302**	**49 039**	**8**	**49 845**	**8 951**	**58 795**

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