OLAV THON GRUPPEN

DIRECTORS' REPORT & FINANCIAL STATEMENTS

2017

KEY FIGURES

Key figures in NOK millions	2017	2016	2015
OPERATIONS			
Operating income	10,935	10,172	9,383
Operating profit	3,213	2,775	2,668
Net interest expense	1,003	1,031	1,011
Profit before tax	2,314	1,668	1,667
CAPITAL STRUCTURE			
Book value of equity	16,173	14,557	13,382
Equity ratio	30 %	28 %	29 %
Total assets	54,713	52,054	46,764
LIGUIDITY			
Cash flow from operating activities [1)]	3,037	2,606	1,998
Liquid reserves [2)]	12,284	7,173	6,892
Amortization next 12 months	10,682	6,928	3,872
Net interest-bearing debt / Cash flow from operating activities	10,4	11,3	13,5
Interest coverage ratio [3)]	4,1	3,5	3,3
DEBT PORTFOLIO			
Interest-bearing debt	32,817	32,163	28,616
Foreign exchange loan	22 %	23 %	21 %
Average duration debt (years)	2,6	2,7	3,1
Average interest rate (debt in NOK)	3,00 %	3,29 %	3,63 %
Hedged interest-bearing debt (> 1 year)	56 %	52 %	60 %
PROPERTY PORTFOLIO			
Net investments	2,892	7,294	4,406
Annual rental income [4)]	5,500	5,275	4,900
Vacancy rate	3 %	3 %	2 %
Book value property portfolio	48,720	46,684	42,177
Implicit gross yield	11 %	11 %	12 %
Shopping centre turnover [5)]	80,179	79,190	74,047
HOTEL [6)]			
Number of rooms	11,338	11,610	11,482
Revenue per available room	516	477	476
Room rates	891	837	835
Occupancy rate	58 %	57 %	57 %

A change in accounting principles etc. means that some figures differ from those given in previous Annual Reports.

[1)] (Operating profit + Depreciation and amortization expenses) / Net interest expenses
[2)] Cash, bank deposits and short-term investments + Committed credit lines
[3)] (Operating profit - Depreciation - Share of results of associated companies) / Net interest expenses
[4)] Includes market rent vacant premises
[5)] Owned and/or managed shopping centres
[6)] Thon Hotels

DIRECTORS' REPORT 2017

Olav Thon Group posted a solid profit again in 2017 and achieved considerable year-on-year profit growth.

HIGHLIGHTS 2017:

OPERATING INCOME

Olav Thon Group's operating income amounted to NOK 10,935 (10,172) million.

PROFIT

The profit before tax was NOK 2,314 (1,668) million.

EQUITY

Book equity increased to NOK 16,173 (14,557) million, while the equity ratio was 30% (28%). The net asset value is considered to be significantly higher.

PROPERTY PORTFOLIO

The property portfolio's rental income at the end of the year was NOK 5,450 (5,275) million, while the vacancy rate was 2.5% (3.0%).

SHOPPING CENTRE SALES

Retail sales for the shopping centre portfolio owned by the Group increased by 1.5% to NOK 67.0 (66.0) billion. At the end of the year, the Group owned 79 shopping centres and managed 30 for other owners.

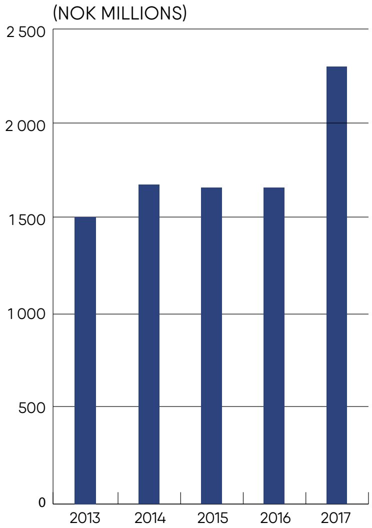
THON HOTELS

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

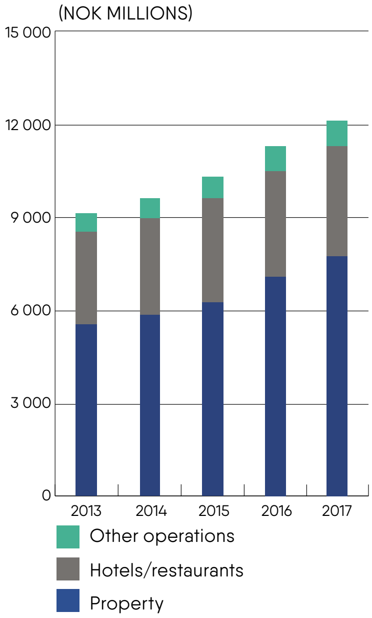
CASH RESERVES

The Group's cash reserves ended the year at NOK 12,283 (7,173) million.

PROFIT BEFORE TAX
(NOK MILLIONS)



OPERATING INCOME [1]
(NOK MILLIONS)



[1] incl. internal sales

ANNUAL FINANCIAL STATEMENTS

Olav Thon Group's consolidated financial statements have been prepared in accordance with Norwegian GAAP, and the accounting policies have been applied consistently for all periods presented.

The Board of Directors confirms fulfilment of the conditions for a going concern assumption in accordance with the requirements of the Norwegian Accounting Act. The 2017 financial statements have been prepared on the basis of this assumption.

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 2017.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

GRAPH: "Profit before taxes" is described in this section.

Olav Thon Group's operating income was NOK 10,935 (10,172) million, while profit before tax amounted to NOK 2,314 (1,668) million.

At the end of the year the Group's assets had a book value of NOK 54,713 (52,054) million. Book equity amounted to NOK 16,173 (14,557) million, while the equity ratio was 30% (28%). Interest-bearing debt was NOK 32,697 (32,163) million.

Rental income from the properties indicates a gross yield of approx. 12% on book values, and the net asset value is considered to be significantly higher than equity.

OPERATING INCOME AND EXPENSES

In 2017, the Group's operating income increased by 8% to NOK 10,935 (10,172) million.

The growth was due to both higher sales revenue from residential projects, increased rental income in the property business area, as well as increased operating income in the hotel business area.

Further information about the Group's business areas is provided below.

Payroll costs amounted to NOK 1,510 (1,505) million.

Depreciation amounted to NOK 862 (735) million, while write-downs in the property portfolio amounted to NOK 5 (98) million.

Other operating expenses amounted to NOK 4,515 (4,267) million. The increase can be attributed to increased production costs for residential projects and the Group's general growth.

The expenses linked to the modernisation and maintenance of the property portfolio amounted to NOK 877 (952) million.

Total operating expenses amounted to NOK 7,722 (7,397) million, meaning the operating profit amounted to NOK 3,213 (2,775) million.

FINANCIAL ITEMS

The Group's net financial expenses amounted to NOK 898 (1,107) million.

The share of the profits of associated companies amounted to NOK 65 (-44) million.

Financial income amounted to NOK 94 (142) million. Net foreign exchange gains amounted to NOK 48 (-10) million and capital gains on shares amounted to NOK 14 (99) million

Total financial expenses amounted to NOK 1,058 (1,188) million. The decrease from 2016 was largely due to write-downs of shareholder loans to an associated company in the previous year.

Ordinary interest expenses amounted to NOK 1,027 (1,051) million and lower average interest rates contributed to the decrease, despite increased interest-bearing debt.

CASH FLOW AND LIQUIDITY

Net cash flow from operations amounted to NOK 3,036 (2,606) million in 2017, while changes in working capital amounted to NOK -664 (-60) million. Net cash flow from operating activities was therefore NOK 2,373 (2,546) million.

Net cash flow from investing activities amounted to NOK -2,477 (-5,389) million, while financing activities contributed NOK 242 (2,987) million. The net effect of exchange rate fluctuations was NOK 95 (-17) million.

Consequently, cash increased by NOK 233 (128) million.

The Group's cash reserves ended the year at NOK 12,283 (7,173) million and consisted of short-term investments of NOK 1,237 (991) million and undrawn long-term credit facilities of NOK 11,046 (6,182) million.

PARENT COMPANY ACCOUNTS AND ALLOCATION OF PROFIT FOR THE YEAR

The accounts of the parent company Olav Thon Gruppen AS have also been prepared in accordance with Norwegian GAAP.

The parent company's income consists of net financial income associated with loans and dividends from subsidiaries. After deducting operating expenses, profit before tax was NOK 139 (125) million.

Profit after calculated tax was NOK 137 (124) 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 87 million
Allocated net profit:	NOK 137 million

The parent company's assets had a book value of NOK 1,257 (1,219) million. Book equity was NOK 949 (861) million, while the equity ratio was 75% (71%).

BUSINESS AREAS

Property

The property business area

Operating income in the property business area was NOK 7,738 (7,087) million (incl. internal sales).

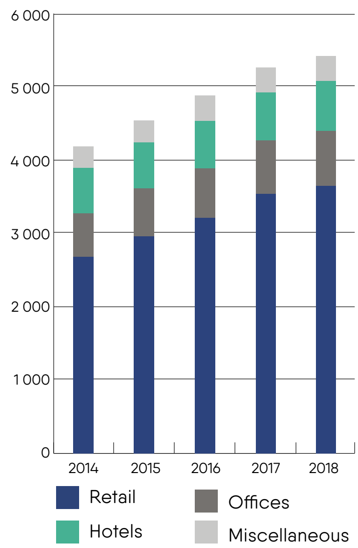
The year-on-year increase was due to both increased sales revenue from the Group's residential projects and higher rental income.

Sales revenue from residential projects amounted to NOK 820 (627) million.

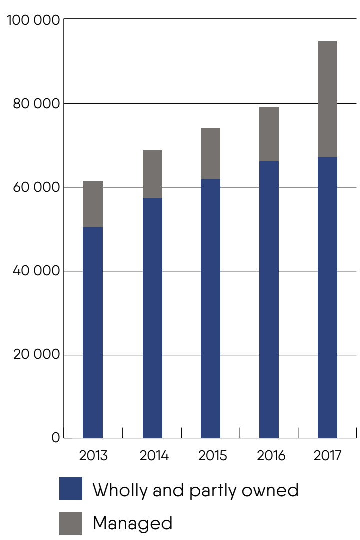
The Group's external rental income increased by 7% to NOK 4,541 million. The increase was due to both completed property projects and a general increase in rents in the property portfolio.

At the end of the year, the property portfolio's annual rental income amounted to NOK 5,450 (5,275) million and the vacancy rate was 2.1% (2.9%).

ANNUAL RENTAL INCOME
(NOK MILLIONS)



SHOPPING CENTRE SALES
(NOK MILLIONS)



The property portfolio is divided into the following segments (based on rental income level):

• Retail	67 %
• Offices	14 %
• Hotels	12 %
• Other	7 %

The geographical distribution of the portfolio is as follows:

• Oslo area	50 %
• Rest of Norway	36 %
• Outside Norway	14 %

The leases have an average remaining term of approx. 4 years.

Shopping centres
At the end of the year, the Group owned 78 shopping centres in Norway and Sweden and managed 31 shopping centres for external owners.

The Group has 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
Rental income level in the Group's Norwegian shopping centres increased by 2 % to 2.800 (2,750) million in 2017. Retail sales increased by 1.0% to NOK 54.0 billion, while the organic growth in sales from 2016 was estimated at approx. 2%.

Sweden
Annual rental income from the Group's ten shopping centres in Sweden increased by 9 % to SEK 630 (579) million.

Retail sales in the shopping centres increased by 4.7% to SEK 13.3 billion.

Commercial properties
This part of the portfolio includes the Group's portfolio of commercial and residential properties that are located outside the shopping centres. Rental income for this part of the portfolio increased by 2 % to NOK 1.320 (1.300) million in 2017.

For further information about the property activities, please visit the Group's website: www.olavthon.no

The hotel business area
Operating income in the hotel business area (inclusive of internal sales) amounted to NOK 3,546 (3,397) million, including operating income of NOK 137 (158) million from individual restaurants.

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

Thon Hotels
Thon Hotels is a hotel chain with 11,338 rooms in 80 hotels in Norway and abroad.

In Norway, Thon Hotels is a nationwide hotel chain with 9,757 rooms in 72 hotels. The Group operates 54 of the hotels, 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 dominant player in the metropolitan regions of Oslo and Bergen.

Outside of Norway, Thon Hotels has 1,581 rooms in five hotels and two apartment hotels in Brussels, Belgium and one in Rotterdam, Netherlands.

Distributed by geographical segments, Thon Hotels achieved the following key figures in 2017:

	Average room rate	Occupancy rate	Rev PAR
Thon Hotels Norway	877	57,7%	506 (+7,7 %)
Thon Hotels Brussel (EURO)	105	59,1%	62 (+10,7 %)
Totalt Thon Hotels (NOK)	891	57,9%	516 (+8,2 %)

With higher room rates and increased occupancy in both Norway and Brussels, Thon Hotels experienced significant profit growth in 2017.

Restaurant and pub operations
Olav Thon Group owns and operates seven restaurants beside the hotels.

In 2017, total sales amounted to NOK 137 (158) million and the business area's results were satisfactory.

Other operations
Other business areas encompass all of the companies that fall outside the business areas of property and hotels. These companies reported total operating income of NOK 833 (837) million in 2017.

The largest company, Unge Fabrikker, also developed well in 2017. Operating income amounted to NOK 625 (567) million and profit before tax was NOK 90 (93) million.

INVESTMENTS

The Group's total net investments in 2017 amounted to NOK 2,892 (7,294) million and included property acquisitions, investments in property projects under construction, and upgrading the existing property portfolio.

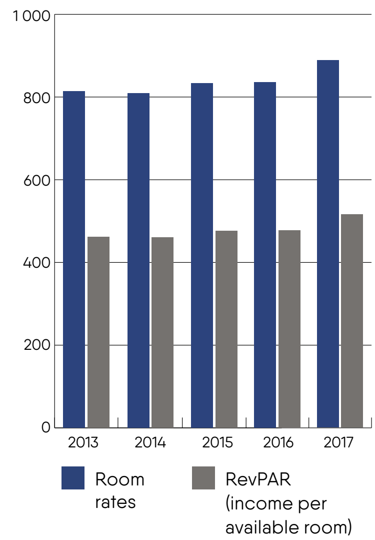
MAJOR PROPERTY ACQUISITIONS

Norway
No major property acquisitions were made in Norway in 2017.

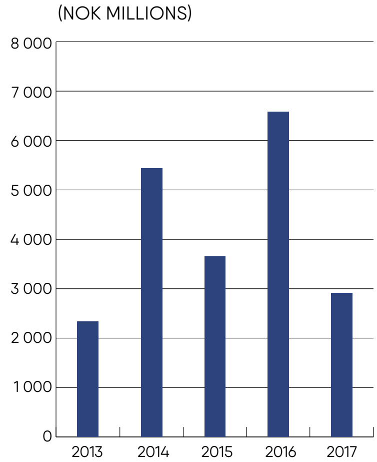
Sweden
Tanum Shoppingcenter, Tanumshede Sweden (55%)

Tanum Shoppingcenter is located on the E6 at Bohuslen in Sweden and was opened in 2014. The shopping centre is approximately 40,000 sq. m

ROOM RATES AND PEVPAR
(NOK MILLIONS)



NET INVESTMENTS
(NOK MILLIONS)



in size and was purchased by Orvelin Shoppingcenter AB (55%) in April.

PROPERTY DEVELOPMENT

Property development represents an important part of Olav Thon Group's operations and 2017 was a busy year.

Completed property projects:

Major projects completed during the year included the following:

- Two wholly/partly-owned shopping centres were upgraded and expanded with a total of 24,000 sq. m. of new retail space.
- Residential property with 171 residential units in Lillestrøm.
- Several larger hotel properties were upgraded and refurbished.

Major property projects under construction/ refurbishment:

At the start of 2018, the following property project were under construction:

- Four wholly or partly owned shopping centres at different locations in Norway are being expanded with a total of approx. 80,000 sq. m of new retail space and substantial parking space.
- The shopping centre in Töcksfors in Sweden is being expanded with approx. 9,000 sq. m of new retail space.
- New building near Storo Storsenter in Oslo with total space of approx. 60,000 sq. m.
- Two large properties - "Diagonal buildings" at Bjørvika in Oslo (50%), with total space of 38,000 sq. m.
- 6,800 sq. m office/retail property at Youngstorget in Oslo city centre.
- Six residential properties in the Oslo region with a total of 550 residential units.
- Remodelling and refurbishment projects at several of the Group's hotels.

For more information about property projects please see pages 20-27 of the 2017 Annual Report.

FINANCING

An 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.

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.

Access to financing is regarded as very good and the credit margins in the capital markets showed a downward trend throughout 2017. The margin trend in the banking market was stable.

Total credit facilities amounted to NOK 43,864 (38,345) million at the end of the year and NOK 11,047 (6,182) million of this amount was undrawn. Interest-bearing debt therefore amounted to NOK 32,697 (32,163) million.

The capital markets in Norway and Sweden are becoming steadily more important sources of financing and an increasing proportion of the Group's financing is raised in these financial markets. At year end, the outstanding certificate and bond debt amounted to NOK 18,159 (12,513) million, distributed between Norway and Sweden as follows:

Norway: NOK 14.410 (10.230) million.
Sweden: SEK 3.750 (2.400) million.

The proportion of interest-bearing debt raised in the capital markets was therefore 56% (39%).

The Group's debt had an average remaining term of 2.6 (2.7) years at the end of the year. 33% (22%) of the debt matures in 2017 and it will be possible to cover the need for refinancing with existing cash reserves.

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 general working environment to be satisfactory.

At the end of 2017, there were 3,160 (3,243) 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: 2,719 in Norway, 339 in Belgium, 29 in the Netherlands and 73 in Sweden.

49% of the Group's employees are women and 51% are men.

The Group's sick leave rate in 2017 was 5.5% (4.5%).

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 consists of six men and one woman.

ENVIRONMENTAL STATUS

The Olav Thon Group has formulated guidelines for sustainable value creation and environmentally-friendly management of business activities.

The Group has a focus on environmental efficiency, with energy management and sorting of waste for recycling being important areas.

The environmental work is therefore an integrated part of operations in Olav Thon Group and environmental initiatives are implemented for the benefit of both its operations and the tenants' use of the properties.

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

For further information about environmental and sustainable value creation, please visit the Group's website: www.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 our work with corporate social responsibility please visit our website: www.olavthon.no.

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 it practises good corporate governance.

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 market for commercial real estate in 2017
With the increased growth in the Norwegian economy, 2017 was a good year for commercial property.

The transaction market
There was a high level of activity in the Norwegian market for commercial property and the total transaction volume (with a value over NOK 50 million) amounted to around NOK 90 billion. The volume of sales increased from NOK 80 billion in 2016 and the number of transactions was the highest ever.

The volume of sales of NOK 90 billion in 2017 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 for the shopping centres are largely stable or rising.

The vacancy rate in the office rental market in the Oslo area is showing a slight downward trend and rental prices are rising.

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.

67% of the Group's rental income comes from leading shopping centres and retail properties in Norway and Sweden.

Private consumption in both Norway and Sweden is expected to increase in the coming years and retail trade is also expected to develop positively in the time ahead. The growth in online commerce is expected to be higher than physical retail trading, but online commerce still only makes up a small proportion of retail trading.

Projects have been initiated to adapt the Group's shopping centres to digitalisation of wholesale and retail trade, and the services offered at the centres are also being further developed. Overall, the framework conditions for the Group's shopping centres and centrally located retail properties are considered satisfactory.

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

12% 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 significant increase in vacancy in the hotel property portfolio is considered to be very low.
Market risk in the hotel market is discussed in later sections.

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

The Norwegian hotel market in 2017
The Norwegian hotel market developed positively in 2017 and the number of overnight stays at Norwegian hotels increased by 3% to 23.3 million. Measured in terms of number of rooms, hotel capacity in Norway decreased by 0.6% from 2016.

The average room rate in Norway increased by 4.7% to NOK 945, while the average occupancy rate rose by 1.4 percentage points to 55.9%. The key figure RevPAR (revenue per available room) therefore increased by 7.6% to NOK 529.

The development in Oslo and Akershus was more positive than the national average and RevPAR increased by 11.8% to NOK 741 in these markets.

The hotel market is normally divided into the following three main segments, which showed somewhat different trends in 2017:

Segment	Share of total market in 2017	Change in number of overnight stays from 2016
Holiday and leisure market	51 %	Unchanged
Individual business travellers	37 %	+8 %
Course and conference market	12 %	- 1 %

The hotel market in Brussels
2017 was again a good year for the hotels in Brussels after a weak hotel market caused by the March terror attacks in 2016

The average room rate increased by 2% to EUR 113 in 2017 and the average occupancy rate rose by 11 percentage points to 69%. RevPAR for the hotels in Brussels thereby increased by 22% to EUR 78.

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.

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

Following growth in the Norwegian economy, there is reason to expect a positive hotel market in 2018, with a higher number of overnight stays in both the holiday and leisure market, and the business market.

FINANCIAL RISK
The most significant financial risks 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 margins are in turn linked to the Group's creditworthiness and developments in the credit market.

Development of the financial markets
Competition in the Nordic banking sector increased slightly in 2017, with the result being reduced credit margins and increased willingness to lend.

The financing opportunities in the Norwegian capital market in 2017 were excellent.

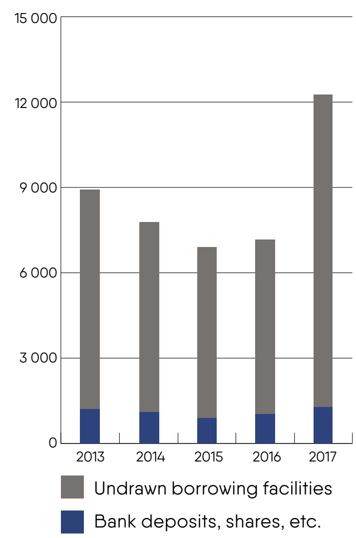
The credit market
Olav Thon Group's borrowers in the capital market are Olav Thon Eiendomsselskap ASA and Thon Holding AS.

The credit margin indicated for new loans issued by the Group dropped gradually during the year.

At year end, the credit spread for Olav Thon Eiendomsselskap's 5-year secured bond issues was indicated at 0.75% (0.90%), while 12-month unsecured certificates were indicated at 0.35% (0.50%).

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

CASH RESERVES
(NOK MILLIONS)



Interest rate developments
The short-term money market interest rate in Norway (3-month NIBOR) fell during the year to 0.81% (1.17%) at year-end. The long-term money market interest rate (10-year swap) was relatively stable during the year and was listed at 1.94% (1.95%) at year-end.

In Sweden, both the short and long-term money market interest rates were relatively stable, but with a slight upward trend. The short-term money market interest rate (3-month STIBOR) increased from -0.59% to -0.48%, while the long-term Swedish money market interest rate (10-year swap) increased from 1.10% to 1.20%.

The short-term market interest rate in the Eurozone was very stable and was listed at -0.33% (-0.32%) at year-end. The long-term market interest rate (10-year swap) increased from 0.67% to 0.88%.

The Group's financial risk
The Group's financial risks can be divided into:

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

Liquidity risk
Liquidity risk is linked to the Group's ability to service debt obligations as they fall due. The risk is mitigated by having substantial available cash reserves, a moderate loan to value ratio, long-term loan agreements and different financing sources and markets.

The Group's cash reserves ended the year at NOK 12,284 (7,173) million.

The debt portfolio had an average remaining term of 2.6 (2.7) years at the end of the year. 33% (22%) of the debt matures within one year and the need for refinancing can be covered by existing liquidity reserves.

Interest rate and currency risk
Interest rate risk is associated with the risk of changes in the Group's cash flow, earnings and equity as a result of changes in the short-term and long-term interest rate markets.

The risk is managed partly by having a large proportion of long-term fixed-rate agreements. Interest rate hedging in the Group is normally undertaken at portfolio level, which enables more efficient and flexible management of the Group's interest rate profile.

At the end of the year, the Group's average interest rate was 3.00% (3.29%) and the proportion of fixed-rate agreements longer than one year was 56% (52%).

The Group's interest- bearing debt amounts to NOK 32,817 (32,163) million and is distributed by currency as follows:

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 %
EURO	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 point change in the average interest rate within three to six months. Such an increase in interest rates will increase annual finance expenses by approx. NOK 150 million.

Olav Thon Group is 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 results and the equity in the foreign subsidiaries are affected by NOK/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.

As a quality assurance measure, the Group's auditor also conducts systematic risk assessments of various aspects of the Group's operations and management.

Outlook

The development in the Norwegian economy is positive and most areas of the economy are developing well. Growth in Norway is expected to remain at a relatively high level in the coming years. Norges Bank has signalled that interest rates will be gradually increased in the next few years, but at a moderate pace.

Private consumption is expected to increase in the coming years and retail trading is also expected to develop positively in the future. The growth in online commerce is expected to be higher than physical retail trading, but online commerce still only makes up a small proportion of retail trading.

Projects have been initiated to adapt the Group's shopping centres to digitalisation of wholesale and retail trade, and the services offered at the centres are also being further developed. Overall, the framework conditions for the Group's shopping centres are considered satisfactory.

The vacancy rate in the Oslo area office market is now showing a slight downwards trend 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.

Following growth in the Norwegian economy, there is reason to expect a positive hotel market in 2018, with a higher number of overnight stays in both the business market and holiday, and leisure market.

The Group's solid market position and financial position is expected to contribute to a satisfactory financial performance in the period ahead.

Oslo, 24 May 2018

Olav Thon
Chairman of the Board

Tron Harald Bjerke
Board member

Sissel Berdal Haga
Board member

Ole-Christian Hallerud
Board member

Lars Løseth
Board member

Dag Tangevald-Jensen
Deputy Chairman of the Board/CEO

Øystein Trøseid
Board member

PROFIT AND LOSS

	PARENT COMPANY		GROUP	
Amounts in NOK millions	2017	2016	2017	2016
Rental income	0	0	4 541	4 236
Room Revenue	0	0	2 006	1 833
Sale of goods	0	0	1 883	1 843
Other operating income	0	0	2 505	2 260
Operating income	**0**	**0**	**10 935**	**10 172**
Cost og goods	0	0	-829	-792
Payroll costs	0	-1	-1 510	-1 505
Ordinary depreciation	0	0	-862	-735
Write-downs	0	0	-5	-98
Other operating expences	-1	-1	-4 515	-4 267
Operating expences	**-2**	**-2**	**-7 722**	**-7 397**
Operating profit/loss	**-2**	**-2**	**3 213**	**2 775**
Share of results of associated companies	0	0	65	-44
Financial income	144	130	94	124
Financial expenses	-4	-3	-1 058	-1 188
Net financial items	**140**	**127**	**-898**	**-1 107**
Profit before taxes	**139**	**125**	**2 314**	**1 668**
Taxes	-1	-1	-426	-338
Profit for the year	**137**	**124**	**1 888**	**1 330**
Attributable to:				
Shareholders of the parent company			1 517	1 100
Non-controlling interests			371	230

BALANCE SHEET

	PARENT COMPANY		GROUP	
Amounts in NOK millions	2017	2016	2017	2016
NON CURRENT ASSETS				
Intangible assets	0	0	47	51
Deffered tax asset	0	0	98	0
Fixed assets	0	0	49 642	47 582
Investments in subsidiaries	366	366	0	0
Financial assets	0	0	619	574
Total non-current assets	**366**	366	50 406	48 207
Inventories	0	0	378	670
Trade and other receivables	891	854	2 767	2 248
Investments	0	0	24	24
Bank deposits and cash	0	0	1 138	905
Total current assets	**891**	854	4 307	3 847
Total assets	**1 257**	**1 219**	**54 713**	**52 054**
EQUITY AND LIABILITIES				
Share capital	410	410	410	410
Other paid-in capital	86	86	0	0
Other equity	453	366	13 504	12 167
Non-controlling interests	0	0	2 259	1 980
Total equity	**949**	861	16 173	14 557
Deffered tax	0	0	2 203	1 980
Other liabilities	0	0	1	1
Non-current liabilities	0	0	26 467	28 830
Current liabilities	308	358	9 868	6 685
Total liabilities	**308**	358	38 540	37 497
Total equtiy and liabilities	**1 257**	**1 219**	**54 713**	**52 054**

Oslo, 24 May 2018

Olav Thon
Chairman of the Board

Tron Harald Bjerke
Board member

Sissel Berdal Haga
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Øystein Trøseid
Board member

CASH FLOW ANALYSIS

	PARENT COMPANY		GROUP	
Figures in NOK millions	**2017**	**2016**	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before taxes	139	125	2 314	1 784
Income tax paid	-1	-2	-134	-177
Share of profit (loss) of associated companies	0	0	-65	44
Change in pension liabilities	0	0	0	-1
Gains (losses) on sale of non-current assets	0	0	54	122
Ordinary depreciation	0	0	862	730
Write-downs	0	0	5	104
Changes in inventories	0	0	293	-292
Changes in trade receivables	0	0	-69	-100
Changes in trade payables	0	0	85	123
Changes in other accruals	-136	-43	-972	209
Net cash flow from operating activities (A)	**1**	**80**	**2 373**	**2 546**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	0	0	-2 397	-2 711
Net payments on aquisition of subsidiaries and joint ventures	0	0	-154	-2 847
Sale of fixed assets and intangible assets	0	0	25	15
Net proceeds from acquisition of subsidiaries and joint ventures	0	0	0	140
Net cash flow from other investments	0	0	49	14
Net cash flow from investing activities (B)	**0**	**0**	**-2 477**	**-5 389**
CASH FLOWS FROM FINANCING ACTIVITIES				
New interest-bearing debt	45	0	16 593	16 279
Repayment of interest bearing debt	-46	-30	-16 264	-12 994
Payment due to incrase in ownership interests in subsidiaries	0	0	-3	0
Divident	0	-50	-84	-117
Net effect of other changes in equity	**0**	**0**	**0**	**-180**
Net cash flows from financing activities (C)	**-1**	**-80**	**242**	**2 987**
Net effects of exchange rate changes (D)	**0**	**0**	**95**	**-17**
Net change in cash flow (A+B+C+D)	**0**	**0**	**233**	**128**
Cash and bank deposits 1 Jan	0	0	905	777
Cash and bank deposits 31 Dec	0	0	1 138	905
Undrawn overdrafts and other credit facilities	0	0	11 046	6 471