OLAV THON GRUPPEN

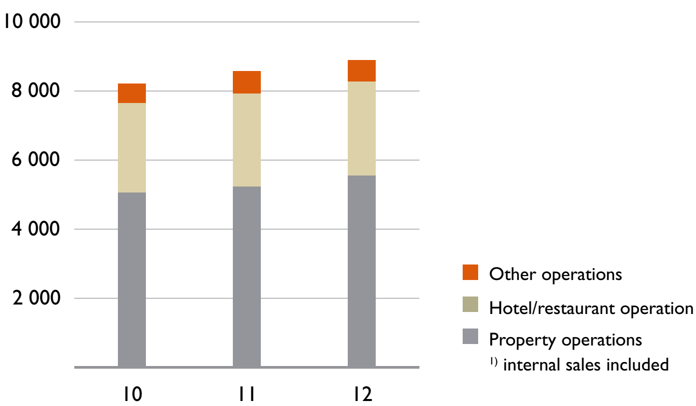
ANNUAL REPORT 2012
THE OLAV THON GROUP

The Olav Thon Group in 2012

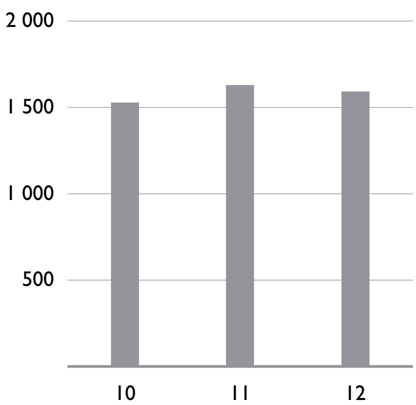
- Pre-tax profit amounted to NOK 1.6 billion. This profit was approximately on a par with that for 2011, which was the highest recorded in the Group's history.
- The Olav Thon Group's book equity increased to NOK 10.9 billion (9.9) and the equity ratio rose to 30% (28). Adjusted equity is considered to be substantially higher.
- The Group's liquidity reserve at the year-end stood at NOK 8.4 billion. (8.8)
- The rental value of the Group's property portfolio rose by 6% to NOK 4 billion, while the vacancy rate remained unchanged (2%).
- Turnover in the shopping centre portfolio increased by 5% to NOK 60.5 billion.
- The company's position as Norway's leading shopping centre player was further strengthened through the expansion of eight shopping centres and the purchase of holdings in three shopping centres. At the year-end, the Group had 90 shopping centres under its ownership and management.
- A sluggish hotel market in the Oslo area contributed to a decline in profits for Thon Hotels. Revenue per available room (RevPAR) was NOK 447 (464). The market position in Brussels was significantly strengthened with the opening of the Thon Hotel EU, which has 405 rooms.

Contents

OPERATING INCOME [1] (NOK MILLION)



RESULT BEFORE TAX (NOK MILLION)



The Olav Thon Group In Brief

The Olav Thon Group is Norway's leading player within the property and hotel management sectors.

The Olav Thon Group is a collective term for all the enterprises and companies in which Olav Thon has a majority shareholding. The Olav Thon Group is primarily involved in the property and hotel sectors.

The turnover of the Olav Thon Group in 2012 amounted to NOK 7.8 billion, and at the year-end the Group employed 3,132 full-time equivalents. The Group is divided into two divisions: Thon Eiendom and Thon Hotels.

Thon Eiendom

The Group owns around 475 properties in Norway and 25 abroad. The Group also has around 40 properties at its disposal on long-term leases. As at 1 January 2013, the rental value was NOK 4,000 million.

The property portfolio is divided as follows, measured according to rent value:

• Retail	63%
• Offices	15%
• Hotels	14%
• Other	8%

The portfolio is distributed geographically as follows:

• Oslo region	58%
• Rest of Norway	18%
• Other Norwegian cities	16%
• Abroad	8%

In 2012, total turnover in the Group's 90 shopping centres (owned/managed) was NOK 60.5 billion, which represents an increase of 5% over the previous year.

Thon Hotels

Thon Hotels is one of Norway's leading hotel chains and at the turn of the year had around 8,700 rooms split between 61 hotels across Norway, in addition to 1,750 rooms split between five hotels and two apartment hotels in Belgium, along with one hotel in the Netherlands and one in Sweden.

Thon Hotels is a dominant player in the Oslo and Bergen city regions, with business travel as its main focus area.

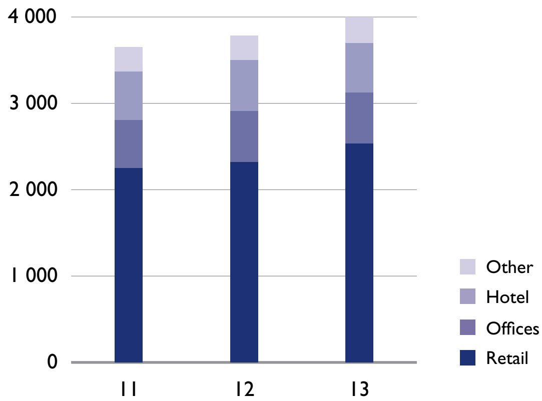
In addition to the hotels' catering services, the Group operates several catering establishments, including the Scotsman, Tre Brødre and Tostrup Utesevering in Oslo.

Other businesses

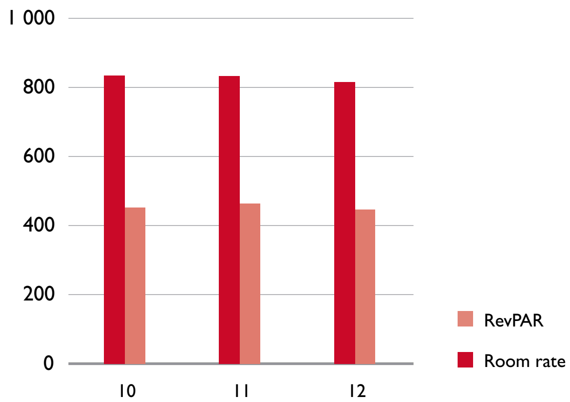
Other businesses account for a minor part of the Group's revenue and profits.

The largest entity is the industrial operation Unger Fabrikker.

RENTAL VALUE (NOK MILLION)
THON EIENDOM

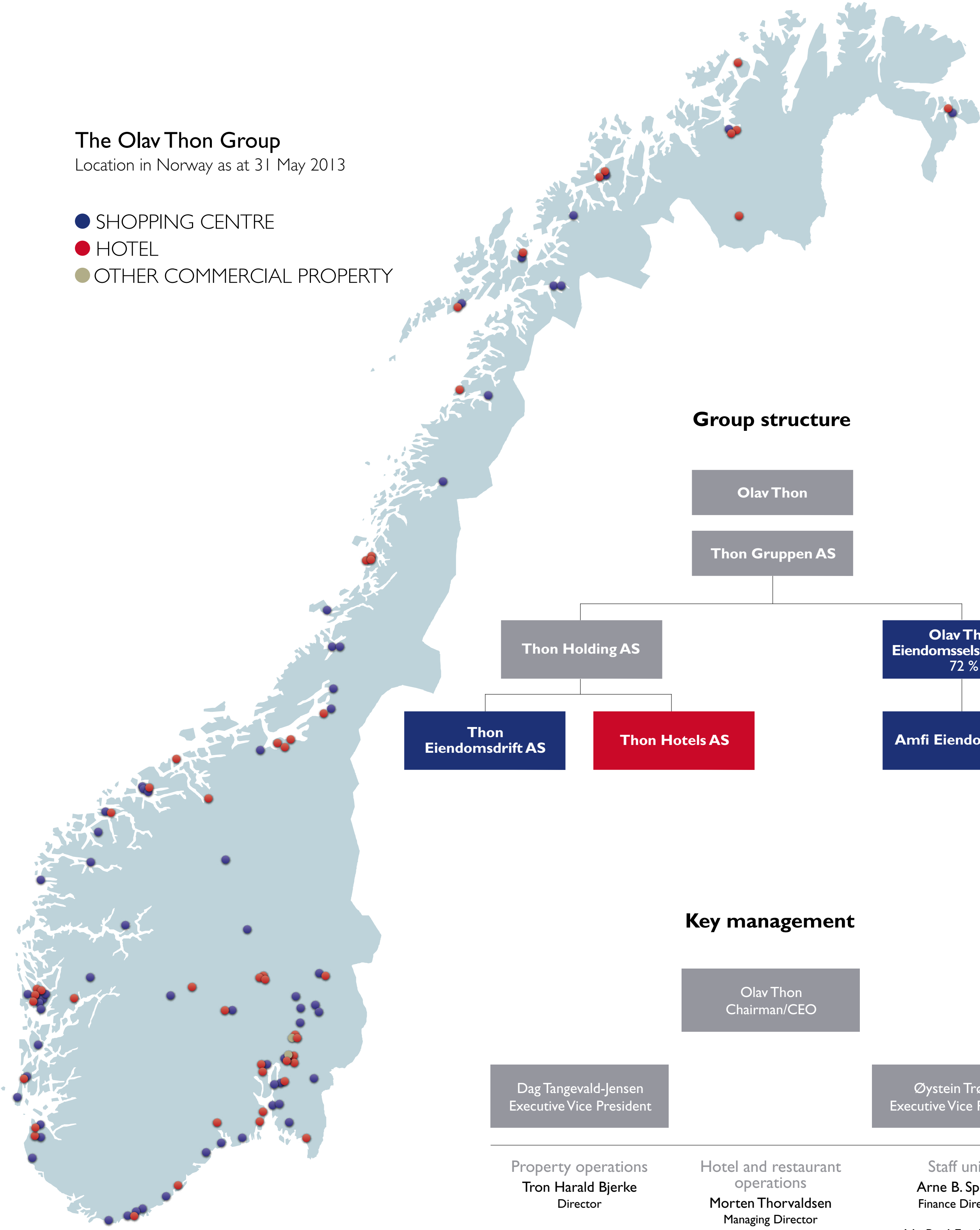


ROOM RATE AND REVENUE
PER AVAILABLE ROOM
THON HOTELS



The Olav Thon Group
Location in Norway as at 31 May 2013

● SHOPPING CENTRE
● HOTEL
● OTHER COMMERCIAL PROPERTY



Group structure

Olav Thon

Thon Gruppen AS

Thon Holding AS

Olav Thon Eiendomsselskap ASA 72 %

Thon Eiendomsdrift AS

Thon Hotels AS

Amfi Eiendom ASA

Key management

Olav Thon
Chairman/CEO

Dag Tangevald-Jensen
Executive Vice President

Øystein Trøseid
Executive Vice President

Property operations
Tron Harald Bjerke
Director

Hotel and restaurant operations
Morten Thorvaldsen
Managing Director
Thon Hotels

Staff units
Arne B. Sperre
Finance Director

Ida Rød Fredriksen
Group Controller

2013 – Olav Thon aged 90

Olav Thon has run a major successful commercial business for over 70 years, now collectively known as the Olav Thon Group.

Ever since its foundation, the Olav Thon Group has been strongly influenced by its visionary, long-term and innovative owner who has developed the Group into its current position as Norway's dominant leading player within the property and hotel business sector.

There have been many high-points and a few selected milestones along the way are illustrated below:

1923

Olav Thon born in Ål in Hallingdal.

1940

Olav Thon came to Oslo carrying fox pelts under his arm. A year later he became the owner of the 'Volvat Pels' fur shop.

1950

Karl Johans gate 7 in Oslo purchased for NOK 1.7 million, becoming Olav Thon's first property investment. This property is now known as the 'Arkaden' shopping centre.

1976

Olav Thon purchased the venerable and traditional Hotel Bristol in Oslo. This marked the start of the hotel business, which has now been built up into one of Norway's largest hotel chains.

Stenersgata 2

Munkedamsveien 45 (Vika Atrium)

1978

Thon purchased the two former factory premises belonging to Strømmen Stål. The area was subsequently developed into the Strømmen Storsenter.

1982

Olav Thon Eiendomsselskap was established, being floated in 1983. The market capitalisation was initially NOK 200 million and passed the NOK 10 billion mark in 2013.

The Olav Thon Group recorded a pre-tax profit of **NOK 52 million.** The annual rental value of the Group's properties was **NOK 100 million.**

1985

Strømmen Storsenter opened as Norway's first large shopping centre or 'Storsenter'

1988

Olav Thon Group established in Brussels through the purchase of office premises in Rue de la Loi.

RAINBOW HOTELS

1989

The Rainbow Hotels hotel chain was established by merging the Olav Thon Group's 11 hotels to form a separate chain.

1992

The Olav Thon Group recorded a pre-tax profit of **NOK 57 million.** The annual rental value of the Group's properties was **NOK 550 million.**

1993

Sandvika Storsenter was opened and, following several expansions, became Norway's largest shopping centre in 2008.

1995

The business operation in Brussels was expanded to encompass hotel management through the purchase of several hotels, including Golden Tulip Brussels Airport and Hotel Bristol Stephanie. The portfolio was expanded with two new hotels in 1996 and 1998.

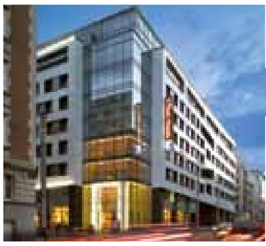
THON HOTELS

2005

Rainbow Hotels renamed Thon Hotels. The hotels were divided into three concepts: Budget, City and Conference.

2009

Against the backdrop of the financial crisis, the Olav Thon Group recorded a pre-tax profit of **NOK 1.3 billion.** The result was 'the highest ever' at the time.



2012

The Thon Hotel EU opened in Brussels, and with 1,500 rooms, Thon Hotels became one of the largest hotel chains in the Belgian capital.

OLAV THON GRUPPEN

2012

The Olav Thon Group recorded a pre-tax profit of **NOK 1.6 billion.** The annual rental value of the Group's properties was **NOK 4 billion.**

1996

Olav Thon Eiendomsselskap became a joint owner of Amfi Eiendom AS, and subsequently became majority shareholder. In 2008, the company became a wholly owned subsidiary and fully-fledged family member.

2001

Thon Hotel Opera opened as the first building in Oslo's newest district, Bjørvika.

2002

The Olav Thon Group recorded a pre-tax profit of **NOK 600 million.**
The annual rental value of the Group's properties was **NOK 1.6 billion.**

2004

Shopping centre operations were established in Sweden with the purchase and construction of three shopping centres close to the border with Norway: Nordby Shoppingsenter (2004), Töcksfors (2005) and Charlottenberg (2006). The centres recorded a turnover of NOK 6.5 billion in 2012.

Karl Johans gate 25 (Tostrupgården)

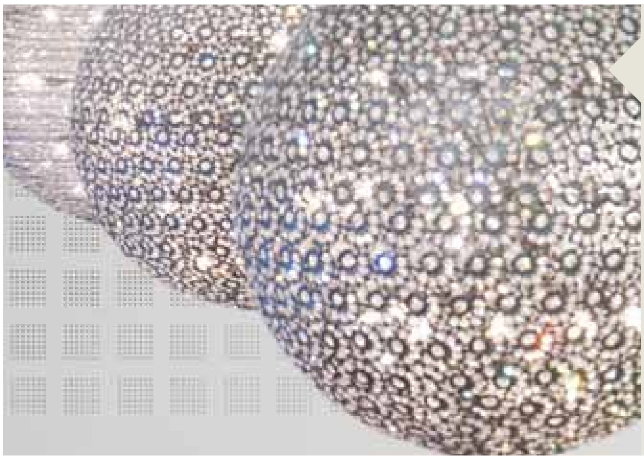
Key figures

(NOK million)	2012	2011	2010
Net income			
Rental income (external)	3 197	3 070	2 869
Operating income	7 822	7 499	7 291
Operating profit	2 520	2 571	2 393
Net interest expenses	961	960	881
Pre-tax profit	1 590	1 629	1 527
Capital structure			
Book equity	10 905	9 922	8 990
Book equity ratio	30 %	28 %	26 %
Total assets	36 830	34 941	34 335
Liquidity			
Liquidity reserves [1]	8 419	8 836	6 781
Amortisation next 12 months	3 681	4 313	1 865
Net cash flow from operations [2]	1 912	1 949	1 665
Net interest-bearing liabilities/Cash flow from operations	10.8	10.1	12.0
Interest coverage ratio [3]	3.2	3.2	3.3
Financing			
Interest-bearing debt	21 650	20 868	21 751
Proportion of foreign currency loans	10 %	10 %	9 %
Remaining life of loans (years)	3.7	4.5	5.8
Interest rate as of 31 December (loans in NOK)	4.8 %	4.8 %	4.5 %
Interest rate hedging (over one year)	69 %	67 %	60 %
Property			
Net investments	2 576	1 628	2 575
Annual rental value [4]	4 000	3 785	3 650
Vacancy rate	2 %	2 %	2 %
Book value of property portfolio	32 431	30 761	29 727
Implicit gross yield	12 %	12 %	12 %
Turnover, shopping centres [5]	60 485	57 863	55 017
Hotels [6]			
Number of rooms	10 434	9 784	9 986
RevPAR (revenue per available room)	447	464	452
Room rate	816	833	834
Occupancy rate	55 %	56 %	54 %

A change in accounting policies, etc. has meant that some figures differ from those given in previous annual reports.

[1] Bank deposits, etc. + Committed credit lines
[2] Net cash flow from operating activities – Change in working capital and other accruals
[3] (Operating profit + Ordinary depreciation/write-downs)/Net interest expenses
[4] Including share of rental income from associated companies
[5] Owned and/or managed shopping centres
[6] Thon Hotels

Annual Report 2012



The Group´s operating income in 2012 amounted to NOK 7 822 million (7 499)

During 2012, the rate of growth in Norway was relatively high and most areas of the Norwegian economy developed positively.

Looking at the year as a whole, the commercial property market was positive, while the Norwegian hotel market developed weakly.

The Olav Thon Group again recorded a good year in 2012 and achieved a profit roughly on a par with last year, which was the highest in the Group's history.

THE KEY POINTS IN THE FINANCIAL STATEMENTS ARE AS FOLLOWS:

- The Group's operating income amounted to NOK 7,822 million (7,499).
- The Group's pre-tax profits totalled NOK 1,590 million (1,629)
- The Group's book equity rose to NOK 10,905 million (9,922) and the equity ratio to 30% (28). Adjusted equity is considered to be substantially higher.
- At the year-end, the rental value of the Group's property portfolio was NOK 4,000 million (3,785), and the vacancy rate was 2% (2).
- Turnover in the Group's shopping centre portfolio rose by 5% to NOK 60.5 billion.
- Thon Hotels achieved "Income per available room" (RevPAR) of NOK 447 (464).
- The Group's liquidity reserve at the year-end was NOK 8,419 million (8,836).

Results and balance sheet summary

The Olav Thon Group's pre-tax profit amounted to NOK 1,590 million (1,629).

At the year-end, the Group's assets had a book value of NOK 36,830 million (34,941). Book equity amounted to NOK 10,905 million (9,922) and the equity ratio was 30% (28).

Rental income from property operations indicates a gross rate of return (gross yield) on book values of 12%, and adjusted equity is therefore considered to be substantially higher than book equity.

Operating income and expenses

The Group's operating income in 2012 amounted to NOK 7,822 million (7,499). This growth is explained an increase in operating income in both the hotel and property sectors.

See the later sections for more details about the various areas of operation.

Total operating expenses amounted to NOK 5,302 million (4,928). Expenses attributable to the maintenance and refurbishment of the property portfolio amounted to NOK 471 million (441).

Sales income from residential property projects totalled NOK

228 million (114). Production costs attributable to these projects amounted to NOK 184 million (54).

Ordinary depreciation amounted to NOK 542 million (511), while write-downs came to NOK 50 million (0). Based on downwardly adjusted expectations concerning future energy prices, the Group has decided to write down the value of the Follo district heating plant.

Salary expenses amounted to NOK 1,191 million (1,104) and rose as a result of a tariff-based salary supplement and an increase in the number of full-time equivalents.

The Olav Thon Group's operating profit in 2012 thus amounted to NOK 2,520 million (2,571).

Financial expenses

The Group's net financial items (excluding the financial results of associated companies) have been charged against income in the amount of NOK 952 million (918).

Financial expenses show a stable trend, while the absence of share profits contributes to a fall in financial income.

In 2012, net currency gains of NOK 24 million (21) were recognised as income, while no share profits were realised (21).

The financial results of associated companies amounted to NOK 22 million (-23) and are largely explained by a substantial rise in profits in one associated company.

Cash flow and liquidity

During 2012, net cash flow from operations was NOK 1,912 million (1,949), while the change in working capital amounted to NOK -227 million (569). Net cash flow from operational activities was therefore NOK 1,685 million (2,518).

Investment activities generated a net cash flow of NOK -2,375 million (-1,522), while financing activities contributed NOK 504 million (-1,098).

During 2012, the Group's liquid assets were therefore reduced by NOK 169 million (+21).

The Group's liquidity reserve at the year-end was NOK 8,419 million (8,836). The liquidity reserve consisted of short-term investments of NOK 1,042 million (1,205) and committed long-term credit lines of NOK 7,378 million (7,630).

Going concern assumption

The Olav Thon Group is primarily involved in the property and hotel management sectors, but also has holdings and engagements within a number of other sectors. The operation is primarily carried out in Norway, but the Group also has operations in Sweden, Belgium and the Netherlands.

The Group has a strong financial position, a high-quality property portfolio and a strong presence in the Norwegian hotel market. The annual financial statements have consequently been prepared under the assumption of a going concern.

No circumstances have arisen since the end of the financial year that are considered to be of significance to the assessment of the Group's position and financial results as of 31.12.12.

Organisation and working environment

The Olav Thon Group is a workplace that practises equality and does not tolerate any form of discrimination or harassment of employees.

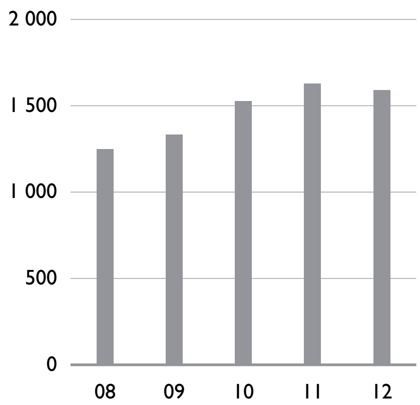
All employees have the right to equal and fair treatment regardless of age, ethnic origin, functional ability, skin colour, nationality, political standpoint and religion or other belief.

Work is in progress to establish a universal design throughout the Group's facilities so that they can be used by persons with reduced functional ability.

The conditions mentioned above and the working environment in general are considered to be satisfactory.

The number of full-time equivalents employed by the Olav Thon Group at the end of 2012 was 3,132 (2 939). These full-time equivalents were distributed as follows: 2,743 in Norway, 323 in Belgium, 26 in the Netherlands and 40 in Sweden. Of the Group's employees, 51% are women and 49% are men. Absence due to illness during 2012 amounted to 5.3% (5.5%). No accidents or injuries occurred during the period as a result of circumstances linked to the operation. In addition, no weaknesses associated with the employees' safety or the working environment in general have been identified.

PRE-TAX PROFIT (NOK MILLION)



» The Group´s pre-tax profits totalled NOK 1 590 million

Environmental status

The Group causes little pollution of the external environment, and endeavours to minimise the damage that its various operations cause by following environment-friendly procedures in the management of its operational activities. Environmental efforts are a natural and integral part of all operations run by the Olav Thon Group.

There is a focus on environmental measures in connection with the Group's own activities and the lessees' use of the properties. Examples of such measures include energy-saving programmes for the Group's properties and environmentally friendly waste management.

The Group has implemented extensive energy-saving projects under the auspices of the Norwegian energy agency Enova, which has resulted in significant savings being made in energy consumption.

As an element of the Group's work focused on health, safety and the environment (HSE), most of the Group's hotels and many of its shopping centres are certified as "eco-lighthouses". This involves the implementation of many environmental measures, such as waste reduction, environmentally friendly waste management, purchasing focus on environmentally beneficial products, the provision of organic food at the hotels and major energy savings.

The Olav Thon Group manages a significant number of properties and is thus involved in shaping the local environment in which the properties are located. Major contributions to the development of the public space are made through refurbishment, maintenance and new construction work.

All operations satisfy applicable requirements that are imposed with the aim of limiting pollution of the external environment.

Business areas

Property

Total operating income from property operations was NOK 5,550 million (NOK 5,240 million) (including internal sales).

The increase over last year is explained by both a rise in rental income and higher income from residential property projects under construction.

The Group's rental income rose by 4% to NOK 3,197 million (3,070) (excluding intragroup rental income from the hotel business). This growth is explained by new properties, the completion of property projects and a general growth in rent within the property portfolio.

Sales income from residential property projects amounted to NOK 228 million (114).

The rental value of the Group's property portfolio rose by 6% in 2012 to NOK 4,000 million (3,785), and the vacancy rate was 2% (2%).

A segment breakdown of the rental value of the property portfolio is as follows:

- 63% retail
- 15% office
- 14% hotel
- 8% other

The rental income originates from the following geographic areas:

- 58% Oslo region
- 34% Rest of Norway
- 8% Outside Norway

The lease agreements have a balanced expiry structure with an average remaining life of about four years.

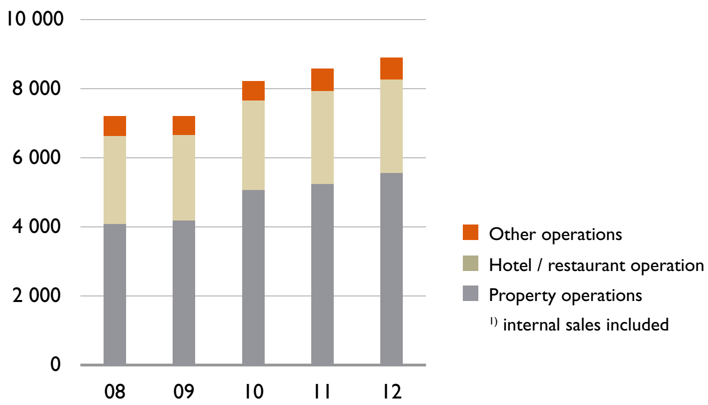
Shopping centre property

The rental value of the Group's own shopping centres rose in 2012 to approx. NOK 2,300 million (2,120).

At the year-end, the Group had 66 (64) shopping centres under its ownership and 24 (24) under management for external owners.

The Group's market position in the Norwegian shopping centre market is strong, and the portfolio includes Norway's six largest centres on the basis of turnover.

OPERATING INCOME [1] (NOK MILLION)



The Group´s operating income in 2012 amounted to NOK 7 822 million

In 2012, the shopping centre portfolio recorded a turnover of NOK 60.5 billion (57.9), including NOK 12.9 billion (12.8) in centres that are managed on behalf of external owners.

The total turnover of the Norwegian centres was NOK 54.9 billion (52.5).

In the three Swedish shopping centres, located just by the border with Norway, turnover rose by 6% to SEK 6.5 billion (6.1).

Other commercial property

The rental value of the Group's other commercial property (including residential property to let) rose to NOK 1,700 million (1,665).

Hotels

Turnover from hotel operations (including internal sales) was NOK 2,719 million (2,692). This figure includes operating income from independent café and restaurant businesses totalling NOK 154 million (162).

The turnover reflects the relatively weak development of the Norwegian hotel market, and the growth over the previous year is largely attributable to the opening of the Thon Hotel EU in Brussels.

Thon Hotels

Thon Hotels is a nationwide hotel chain with about 8,700 rooms in 61 hotels in Norway.

The hotel portfolio consists primarily of centrally located city hotels, most of which have either been constructed or refurbished in recent years. Thon Hotels is a dominant player in the major city regions of Oslo and Bergen and focusses mainly on the business traveller segment.

Of the hotels, 53 are managed by the Group, while eight are managed by external franchisees. In addition to the hotels in Norway, Thon Hotels also has more than 1,750 rooms in other countries.

These rooms are distributed over five hotels and two apartment hotels in Brussels, one hotel in Rotterdam and one in Sweden.

In 2012, Thon Hotels Norge had an average room price of NOK 830 (844), while the occupancy rate fell to 54% (55). This resulted in the key figure of revenue per available room (RevPAR) falling by 3% to NOK 446 (461) The relatively weak trend is partly explained by Thon Hotels having a dominant position in the Oslo region, which developed sluggishly during 2012.

The hotel operation in Brussels increased turnover from 2011 by approx. 23%, as a result of the Thon Hotel EU opening in April.

In Brussels, Thon Hotels achieved an average room price of EUR 97 (96), while the occupancy rate fell to 62% (66). RevPAR in Brussels fell by 5% to EUR 60 (63).

The decrease in RevPar in both Norway and Brussels resulted in a fall in profits from the previous year for Thon Hotels.

Restaurants

The Olav Thon Group owns and runs ten cafés or restaurants outside the hotels. The total turnover in 2012 was NOK 154 million (162). Overall, restaurant operations developed satisfactorily.

Other operations

Other operations include all activity outside the two main areas of property and hotel operations. Total operating income from other operations in 2012 was NOK 624 million (647).

In 2012, the largest entity, Unger Fabrikker, recorded a turnover of NOK 411 million (453) and a pre-tax profit of NOK 11 million (8).

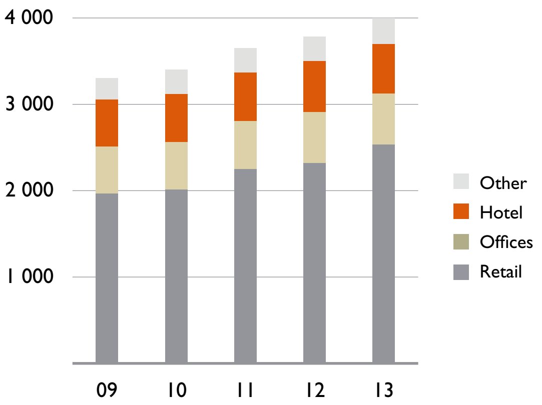
Investments

The Group' total net investments in 2012 came to NOK 2,576 million (NOK 1,628 million) and relate to property purchases, investments in property projects under construction and refurbishment of the existing property portfolio.

Property acquisitions

- Åsane Senter 51, Bergen
- The Group has acquired a 12,500 sq. m. retail property in Åsane, Bergen.
- Amfi Kragerø (50%)
- Shopping centre with 10,000 sq. m. of retail space in Kragerø, Telemark.

RENTAL VALUE (NOK MILLION)



» The rental value of the Group´s property portfolio rose by 6% in 2012 to NOK 4 000 million

- Dombås Senter (25%)
- Shopping centre with 9,000 sq. m. of retail space in Dombås, Oppland.

- Amfi Orkanger (25%)
- Shopping centre with 11,000 sq. m. of retail space in Orkanger, Sør-Trøndelag.

Property development

Property development is a major part of the Olav Thon Group's property operations, and 2012 was an active year.

During the year, a new hotel with 405 rooms was completed in Brussels, a 2,700 sq. m. combined commercial and residential building was erected in Oslo city centre and extensions to eight shopping centres were carried out which added approx. 70,000 sq. m. of new retail space.

At the start of 2013, alterations and extensions were being carried out to a further five shopping centres, along with the refurbishment and erection of a number of properties in Oslo city centre. In addition, three residential properties are under construction at Strømmen and Lørenskog, with a total of 190 apartments.

Financing

A key element in the Group's financial strategy is the policy of maintaining a sound financial position, characterised by a high equity ratio and substantial liquidity reserves. A strategy of this kind is intended to reduce the financial risk and provide the financial preparedness to capitalise quickly on interesting investment opportunities.

At the year-end, the Group had interest-bearing debt of NOK 21,650 million (20,868).

The Group's debt portfolio consists of long-term credit lines arranged with Nordic banks and loans raised directly within the Norwegian capital market. Total loans and credit lines at the year-end were NOK 29,028 million (28,498). The capital market is an increasingly important source of financing and, at the year-end, the Group had outstanding certificate and bond debts of NOK 5,185 million (4,180).

At the end of the year, the Group's debt had an average remaining life of 3.7 years (4.5) 17% of the debt falls due for payment during 2013, and the refinancing need could be covered in its entirety by existing liquidity reserves.

Risk factors facing the Olav Thon Group

The Olav Thon Group's risk factors can be divided into the following main categories:
- Market risk
- Financial risk
- Operational risk

Market risk

The Group's largest market risk is linked to developments in the Norwegian property and hotel markets, which in turn are closely related to developments in the Norwegian economy.

The commercial property market

In 2012, growth in Norway was relatively strong and most areas of the Norwegian economy developed positively.

Demand for commercial property was high, and the transaction volume in the Norwegian property market was the highest since 2006.

2012 was therefore a good year for commercial property in Norway.

The rental market

Rental prices in the shopping centres largely showed a stable or slightly falling tendency.

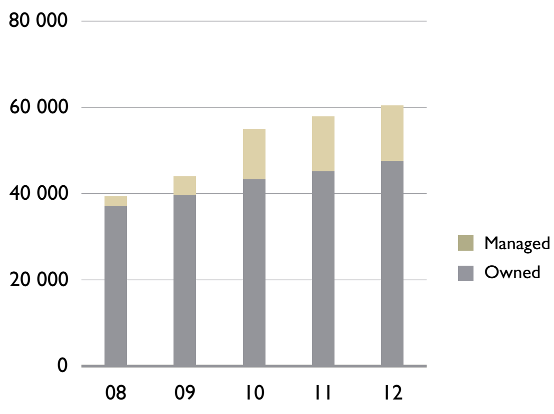
The vacancy rate in the office market in the Oslo area exhibited a slightly falling tendency, whilst rental prices showed a weak rising tendency.

The transaction market

The total volume of transactions in the commercial property market (with a value of more than NOK 50 million) increased by over 50% from 2011, and at NOK 55 billion was at its highest level since 2006.

Prices for the most attractive properties showed a rising tendency.

TURNOVER SHOPPING CENTRES (NOK MILLION)



» In 2012 the shopping centre portfolio recorded a turnover of NOK 60.5 billion

The major factor behind the price rise for the most attractive objects was a slight drop in the market's required rate of return (yield) for this type of property.

The hotel market
Demand for hotel rooms in Norway also rose in 2012 and the number of bed-nights increased by 3% to 19.8 million. Hotel capacity in Norway also increased, and the number of hotel rooms rose by 2%.

Both average room price and average occupancy rose by 1%, to NOK 874 and 53% respectively.

The key figure RevPAR (revenue per available room) also increased by 1% from the previous year to NOK 460.

In the Oslo market, however, the trend was negative, and RevPAR fell during 2012 by 5% to NOK 593.

The hotel market can be divided into three main segments, each with the following share of the total market in 2012:

- Hotel and leisure market 48% (49)
- Individual business traveller market 38% (38)
- Course and conference market 14 % (13)

The trends within the segments varied to some extent during 2012. The business market, subdivided into the segments "individual business traveller" and "course and conference traveller", increased by 5% and 2% respectively, while the Norwegian "hotel and leisure market" increased by 2% over the previous year.

The hotel market in Brussels developed solidly during 2012 and the average room price was EUR 108 (109). The occupancy rate was 67% (67), which means that RevPAR for the hotels in Brussels collectively amounted to EUR 73 (74).

The Group's market risk

Property
The risk associated with the property portfolio is basically linked to the fact that lower rental prices in the market and/or higher vacancy rates in the property portfolio will contribute to lower rental income.

Sixty three percent of the group's rental income comes from leading shopping centres and centrally located retail properties in Norway and from shopping centres in Sweden, primarily aimed at cross-border shopping. Many of the lessees are international and national chains in the retail sector, and the lease agreements have a balanced expiry structure.

Growth in consumer spending in Norway remained relatively low in 2012, but further growth is expected in the future. The operating conditions for the Group's shopping centres and retail properties in central locations are therefore regarded as positive.

Commercial property in the Oslo area accounts for 15% of the rental income, with office property being responsible for the majority. The properties are let to a large number of lessees from different business sectors, and in this segment too the lease agreements have a balanced expiry structure.

Another 14% of the rental income originates from hotel properties, which are mainly let on long-term lease agreements to Thon Hotels, the Group's own hotel chain. The lease agreements with Thon Hotels are turnover-based, which means that a stable hotel turnover will lead to stable rental income within this property segment. The risk of a substantial rise in vacancy rate for the portfolio of hotel properties is considered to be extremely low.

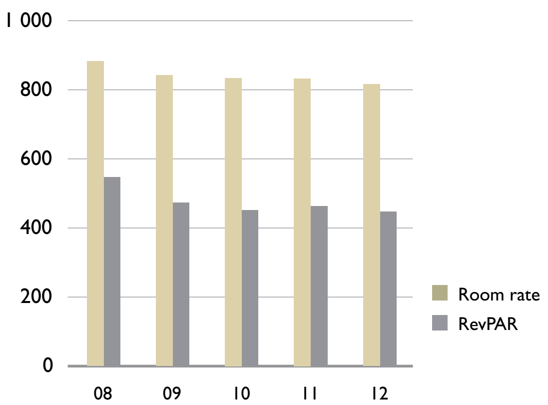
The market risk in the hotel market is discussed below. The risk of a considerable increase in vacancy rates and a substantial drop in income in this part of the property portfolio is regarded as moderate.

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

Demand for hotel rooms is closely related to general economic conditions and the competitive situation in the market. Market competition is also affected by the supply and demand of new hotel capacity Growth in the Norwegian economy remains high, but is decreasing. Developments in the Norwegian and international economies remain uncertain, and considerable new capacity has been added to the Norwegian hotel market in recent years. A challenging hotel market in Norway is therefore anticipated in the future.

Due to the persisting uncertainty in the euro zone, the hotel market in Brussels is expected to remain relatively sluggish.

ROOM RATE AND REVENUE PER AVAILABLE ROOM



» The decrease in RevPAR in both Norway and Brussels resulted in a fall in profits from the previous year for Thon Hotels

Financial risk

The greatest financial risk for Olav Thon Eiendomsselskap is linked to the Group's access to and the price of financing in the banking and capital markets.

The price of financing depends on the short- and long-term market interest rates and the specific credit margin that the Group must pay. The credit margins are linked to the Group's credit rating and the general supply and demand for credit.

Interest rate developments

Both the short- and long-term market interest rates fell considerably in 2012. The short-term market rate (3-month NIBOR) fell to 1.83% (2.89), whereas the long-term market rate (10-year swap) dropped to 3.13% (3.54).

The credit market

In the capital market, the Olav Thon Group's borrowers are the listed company Olav Thon Eiendomesselskap ASA and the privately owned Thon Holding AS.

The indicated credit margin for Olav Thon Eiendomsselskap's five-year bond loan rose to approx. 1.5% (1.4), while the credit margin for certificate loans with a 12-month term increased to 0.3% (0).

The credit margins for Thon Holding in the capital market are normally between 0.05-0.10 percentage points higher than for Olav Thon Eiendomsselskap.

The Group's financial risks can be divided into:

- Liquidity risk
- Interest and exchange rate risk
- Credit risk

Liquidity risk/refinancing risk

Liquidity risk is related to the Group's ability to service payment and other debt obligations as they fall due.

This risk is mitigated by having substantial liquidity reserves, a moderate loan-to-value ratio and long-term loan agreements, and by using different financing sources and markets. The liquidity reserves are tailored to future financing needs in both a short-term and a medium-term perspective.

At the year-end, the Group's liquidity reserve stood at NOK 8,419 million (8,836) and consisted of short-term investments of NOK 1,042 million (1,205) and committed long-term credit lines of NOK 7,378 million (7,630).

The risk associated with refinancing of the short-term certificates issued in the capital market is curbed by the establishment of long-term credit facilities in the bank market which the Group can use as and when necessary.

The Group's long-term interest-bearing debt of NOK 21,650 million (20,868) has the following repayment profile:

- Repayment in 2013: 17% (21)
- Repayment between 2014 and 2017: 63% (44)
- Repayment in 2018 or later: 20% (35)

At the year-end, the loan portfolio had an average remaining life of 3.7 years (4.5).

Interest and exchange rate risk

The interest rate risk is related to changes in cash flow, profits and shareholders' equity as a result of rate changes in the short- and long-term interest rate markets.

One of the ways in which the risk is managed is through the use of financial instruments which are adjusted to the Group's rate expectations and defined objectives for interest rate risk. For example, the earnings impact of rate changes in the short-term interest rate market is reduced by having a substantial proportion of long-term interest rate guarantees.

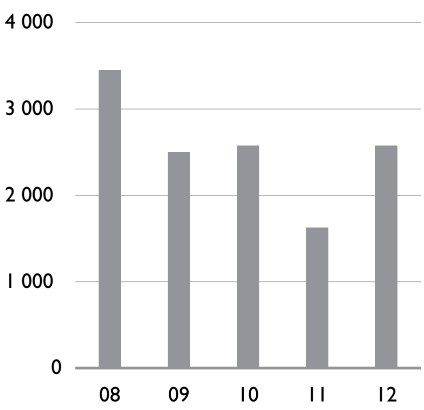
At the year-end, the Group had the following interest rate maturity structure:

- Interest rate maturity in 2013: 31% (33)
- Interest rate maturity between 2014 and 2017: 5% (4)
- Interest rate maturity in 2018 or later: 64% (63)

At the year-end, the weighted average interest rate guarantee period was 5.6 years (5.7), and the average interest rate was 4.7% (4.7).

The Group's total portfolio of loans and undrawn credit lines was NOK 29,028 million at the year-end and is composed of the following currencies:

NET INVESTMENTS (NOK MILLION)



The Group´s total net investments in 2012 came to NOK 2 576 million

- Norwegian krone 92%, with an average interest rate of 4.8% (4.8)
- Swedish krona 5%, with an average interest rate of 4.6% (4.2)
- Euro: 3%, with an average interest rate of 1.9% (2.7)

The Olav Thon Group is exposed to a financial risk related to exchange rate developments in the countries in which the Group operates, as both the financial results and equity are affected by the exchange rate between the Norwegian krone and the local currency.

The operations abroad are managed through subsidiaries established in the countries concerned. External capital financing is carried out in local currency, whilst foreign exchange exposure related to shareholders' equity in the subsidiaries is hedged by means of currency hedging instruments.

Credit risk

The Group's credit risk relates primarily to the risk of losses as a result of lessees failing to pay the agreed rent or hotel clients failing to pay their obligations.

The properties are let to a large number of lessees from different business sectors, and it is believed that the Olav Thon Group has reliable, creditworthy lessees. In addition, good routines have been established for the follow-up of receivables.

In recent years, the Group has incurred relatively low losses on rent claims and receivables, and the risk of the Group suffering significant losses as a result of bankruptcies among lessees or hotel clients is regarded as moderate.

Operational risk

The Group's operational risk is primarily related to the risk of staff and operation management systems failing to function as expected.

Management is organised in such a way that the risk related to the activities and absence of individuals is relatively low, and the Group's management systems are considered to be robust.

Moreover, as a quality assurance measure, the Group's auditor conducts systematic risk assessments of various aspects of the Group's operation and management.

Outlook

Growth in the global economy remains at a relatively low level, and there is continuing uncertainty associated with future growth.

Most areas of the Norwegian economy are developing positively, but growth is now declining. Uncertainty in the international economy is contributing towards Norges Bank's decision to maintain the interest rate at 1.50%.

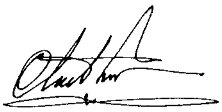
A further rise in consumer spending is anticipated in Norway during the coming period and the operating conditions for the Group's shopping centres and centrally located retail properties are therefore regarded as positive.

The vacancy rate in the office market is falling slightly and rental prices show a stable or slightly rising trend. The office rental market is considered to be cyclically sensitive, and with the continued satisfactory development of the Norwegian economy, the positive development is expected to be maintained in the future.

As a result of the macroeconomic uncertainty, a relatively sluggish hotel market is anticipated in both Norway and Brussels in the future. Due to its sound market position and attractive hotel portfolio, Thon Hotels is however considered to be well placed to continue generating strong financial results in the future.

Overall, it is believed that the Group's solid market position in the property and hotel market and its strong financial position will contribute to further satisfactory results in the future.

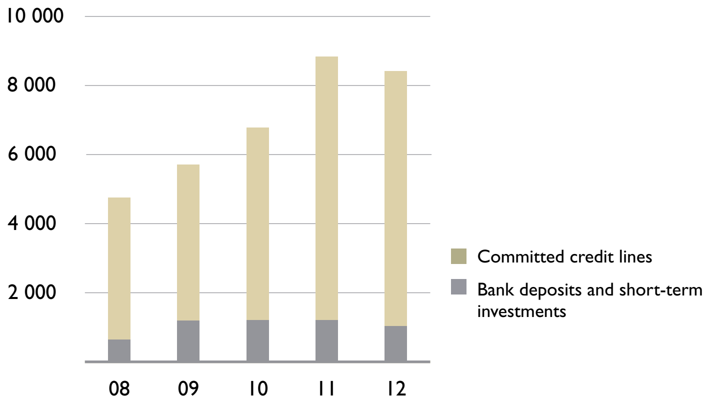
Oslo, 31 May 2013



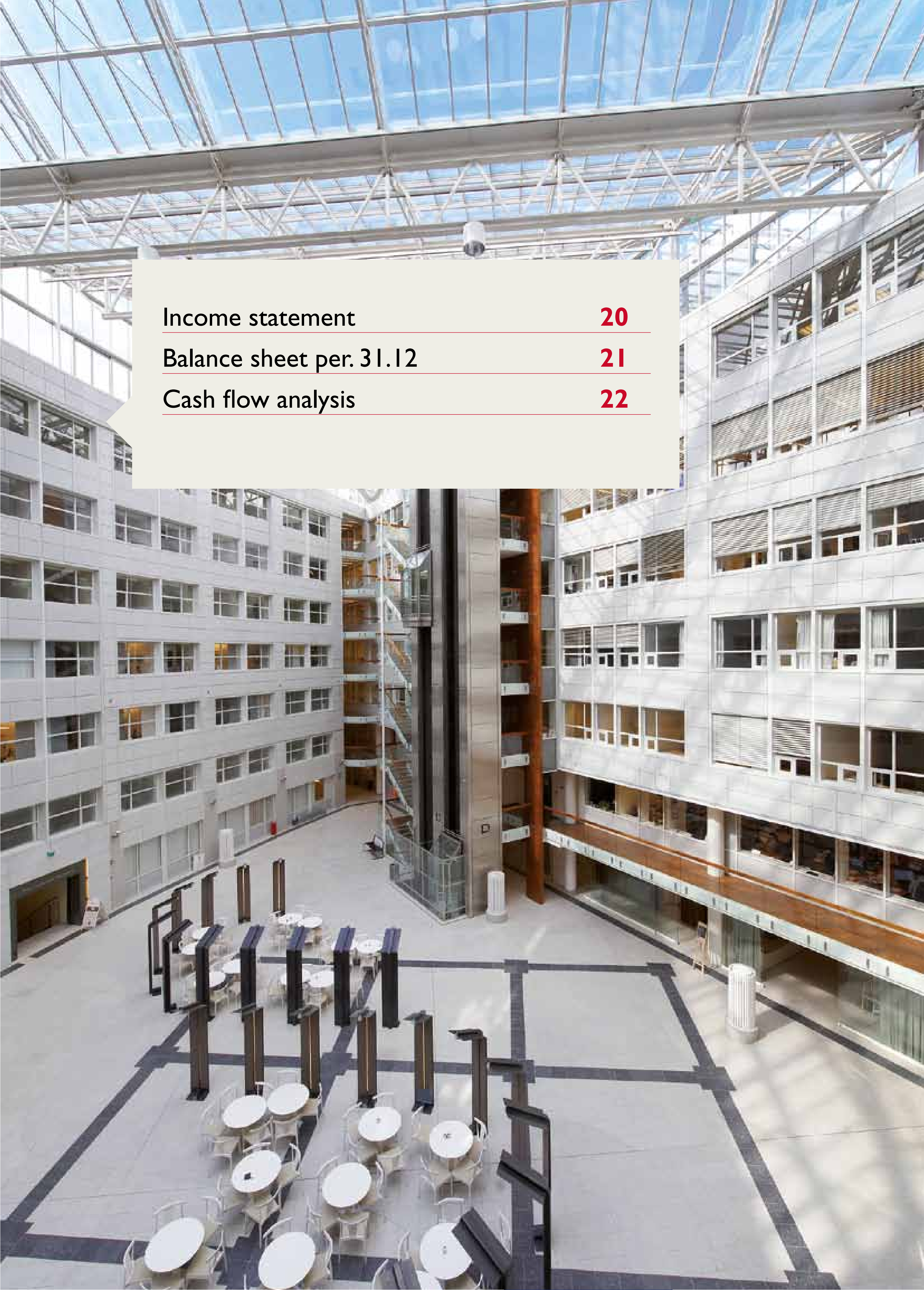
Olav Thon

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

LIQUIDITY RESERVES (NOK MILLION)



The Group´s liquidity reserve at the year-end stood at NOK 8 419 million



Income statement

(Figures in NOK 1000)	Note	2012	2011
Rental income		3 196 605	3 070 009
Room revenue		1 598 852	1 562 688
Sales of goods		1 442 746	1 427 884
Other operating income	**2,5**	1 583 685	1 438 080
Operating income		**7 821 888**	7 498 661
Cost of goods sold	**9**	-658 961	-678 306
Salary costs	**3**	-1 191 075	-1 104 354
Ordinary depreciation	**7**	-542 364	-510 566
Write-down	**7**	-50 000	
Other operating expenses	**3,4,5**	-2 859 888	-2 634 919
Operating expenses		**-5 302 287**	-4 928 144
Operating profit		**2 519 600**	2 570 517
Share of net income of associated companies		22 486	-22 842
Financial income	**6**	75 411	93 200
Financial expenses	**6, 17**	-1 027 392	-1 011 519
Net financial items		**-929 494**	-941 161
Pre-tax profit and extraordinary items		**1 590 107**	1 629 356
Tax on ordinary result	**15**	-551 450	-560 903
Net profit for the year	**16**	**1 038 657**	1 068 452
Majority's share of profit		844 978	909 210
Minority's share of profit		193 679	159 242

Balance sheet per. 31.12

(Figures in NOK 1000)	Note	2012	2011
ASSETS			
Intangible assets	**7**	26 817	19 637
Deferred tax assets	**15**	70 206	63 271
Tangible fixed assets	**7**	33 152 633	31 435 393
Other financial assets	**3,8,14**	528 906	455 675
Fixed assets		**33 778 562**	31 973 976
Stocks	**9**	179 599	212 780
Receivables	**5,10**	1 889 038	1 601 753
Investments	**11**	42 215	42 232
Cash and cash equivalents		940 628	1 109 863
Current assets		**3 051 480**	2 966 628
Total assets		**36 830 042**	34 940 604
EQUITY AND LIABILITIES			
Majority's share of equity		9 872 599	9 025 528
Minority's share of equity		1 032 283	896 606
Total equity	**16**	**10 904 882**	9 922 135
Pension liabilities	**3**	6 028	10 544
Deferred tax	**15**	1 530 755	1 361 890
Non-current liabilities	**12**	18 773 154	18 344 979
Non-current liabilities and provisions for obligations		20 309 937	19 717 412
Current liabilities	**13**	5 615 223	5 301 057
Total liabilities		**25 925 160**	25 018 469
Total equity and liabilities		**36 830 042**	34 940 604

Cash flow analysis

(Figures in NOK 1 000)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Pre-tax profit	1 590 107	1 629 356
Tax paid	-246 253	-223 600
Share of net income of associated companies	-22 486	22 842
Change in pension liabilities	-7 464	-12 570
Gain (loss) on sale of non-current assets	5 861	22 686
Depreciation of fixed assets	542 364	508 876
Write-down of fixed assets	50 000	1 689
Change in stocks	33 181	-55 079
Change in trade debtors	-20 524	-11 425
Change in trade creditors	-86 861	141 482
Change in other accruals	-153 311	493 821
Net cash flow from operating activities (A)	**1 684 614**	2 518 079
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of depreciable and intangible assets	-2 206 290	-1 654 376
Acquisition of subsidiaries and joint ventures, net of cash acquired	-315 398	-82 330
Proceeds from sale of depreciable and intangible assets	15 400	26 117
Net cash flow from other investments	131 378	188 485
Net cash flow from investment activities (B)	**-2 374 910**	-1 522 104
CASH FLOWS FROM FINANCING ACTIVITIES		
New interest-bearing liabilities	6 052 275	5 273 638
Repayment of interest-bearing liabilities	-5 475 916	-6 274 155
Dividend paid	-36 542	-
Net effect of other capital changes	-35 877	-97 948
Net cash flow from financing activities (C)	**503 940**	-1 098 465
Net effects of exchange rate fluctuations (D)	**17 122**	123 472
Net change in cash flow (A+B+C+D)	**-169 234**	20 982
Cash and cash equivalents as of 1 January	**1 109 863**	1 088 881
Cash and cash equivalents as of 31 December	**940 628**	1 109 863
Unused overdraft and other drawing rights	**7 438 000**	7 690 000

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