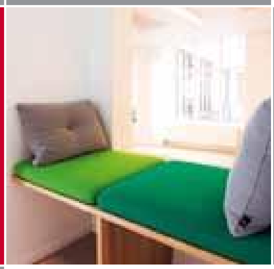
OLAV THON GRUPPEN

ANNUAL REPORT 2011

The Olav Thon Group

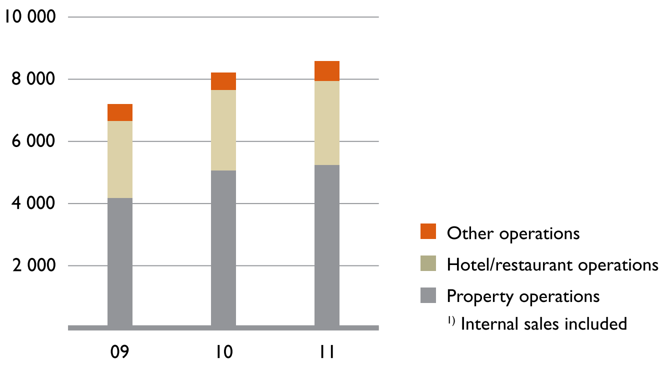


Contents

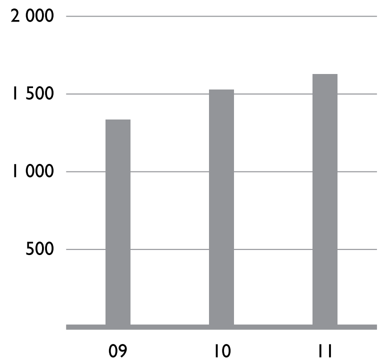
THE OLAV THON GROUP IN 2011

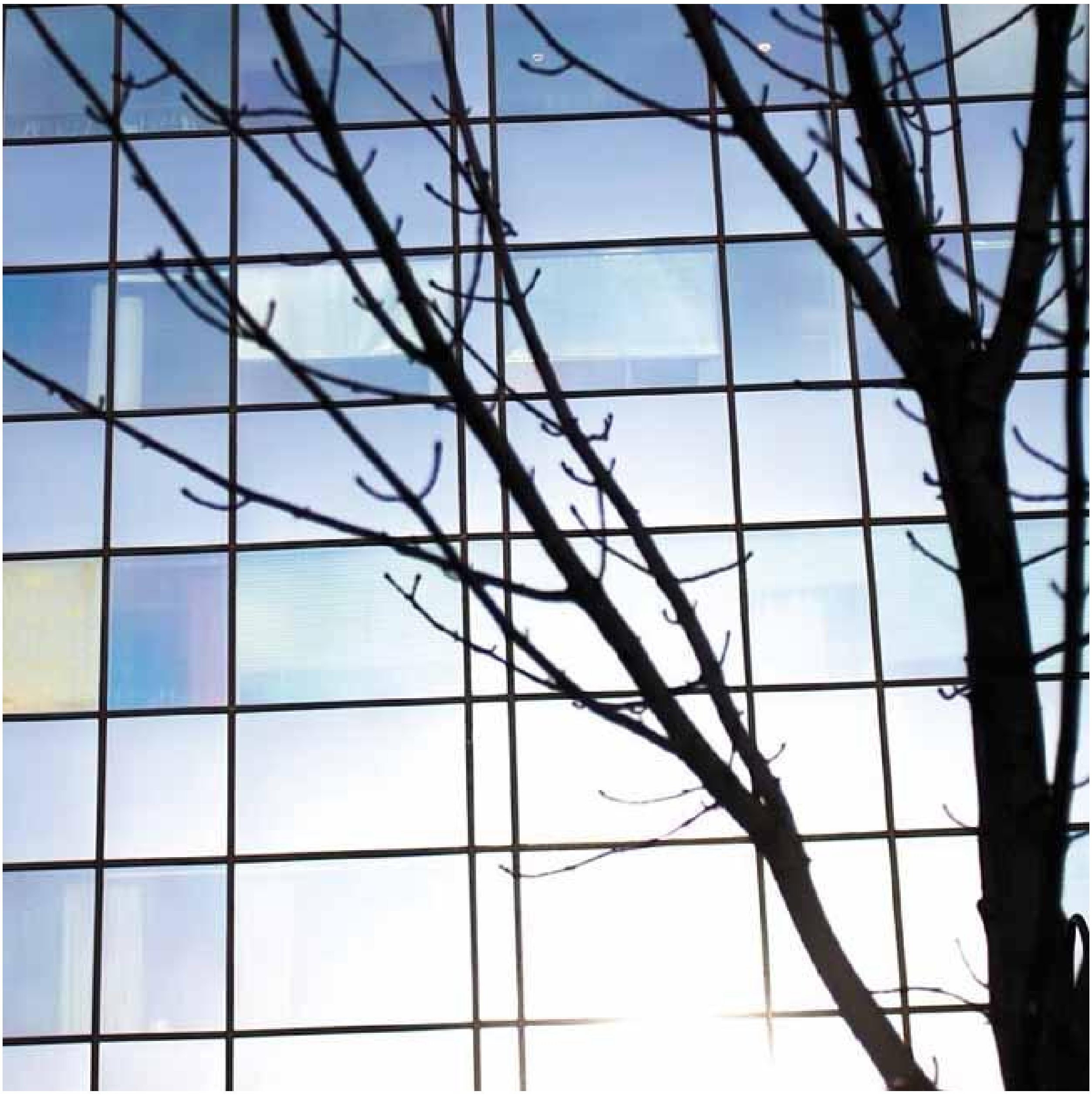
- Pre-tax profits saw an increase of 7 % to NOK 1.6 billion – the highest profits in the Group's history.
- The rental value of the property portfolio rose by 4 % to NOK 3.8 billion, whilst the vacancy rate was unchanged.
- Turnover in the shopping malls in the Group's portfolio increased by 5 % to NOK 58 billion. The organic growth in the Group-owned malls is estimated to be 2 %.
- The Group's position as Norway's leading shopping mall player was further strengthened, partly by the expansion of several malls. At the turn of the year, the Group had 88 shopping malls under its ownership and management.
- Thon Hotels saw an increase in profits and revenue per available room (RevPAR) rose by 3 % to NOK 464.
- The Group's interest-bearing debt was reduced by almost NOK 1 billion to NOK 21 billion, and the average interest rate rose by 0.3 percentage points to NOK 4.7 %.
- Liquidity reserves increased by 22 % to NOK 6.4 billion.

Operating income[1] **(NOK million)**

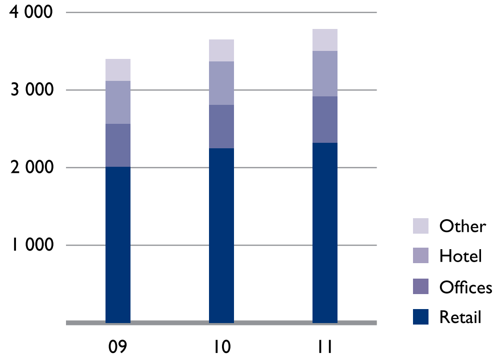


Pre-tax profit **(NOK million)**





Rental value (NOK million)
Thon Eiendom



The Olav Thon Group in brief

The Olav Thon Group is the collective name for all operations and companies where Olav Thon is majority owner. The Group is primarily involved in property and hotel operations.

The Group's operating income in 2011 came to NOK 7.5 billion, and at the turn of the year employed 2 939 person-years. The Group is split into two divisions: Thon Eiendom and Thon Hotels.

Thon Eiendom

The Group owns about 450 properties in Norway and 25 abroad. In addition, about 40 properties are operated on long-term lease agreements. As at 1 January 2012 the (theoretical) rental income value was NOK 3 785 million.

The breakdown of the property portfolio by rental value is as follows

• Retail property	61 %
• Office property	16 %
• Hotel property	16 %
• Other properties	7 %

The geographical breakdown of the portfolio is as follows:

• the Oslo region	59 %
• other cities in Norway	19 %
• other towns in Norway	15 %
• other countries	7 %

In 2011 the total retail turnover in the Group's 88 shopping malls (owned/managed) was NOK 58 billion, an increase of 5 % from the previous year.

Thon Hotels

Thon Hotels is one of Norway's leading hotel chains which at the year-end had 60 hotels almost 8 500 rooms throughout Norway and 1 500 rooms distributed among five hotels in Belgium, one in the Netherlands and one in Sweden.

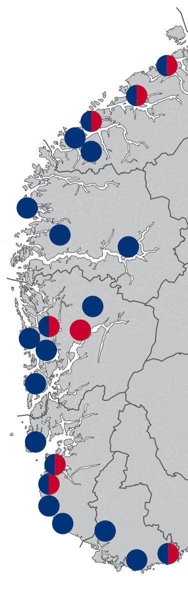
Thon Hotels is market leader in Oslo and Bergen and its primary focus is the business traveller segment.

In addition to the restaurants and bars in the hotels, the Group also runs several other eating establishments, including the Scotsman, Tre Brødre and Tostrup Uteservering in Oslo.

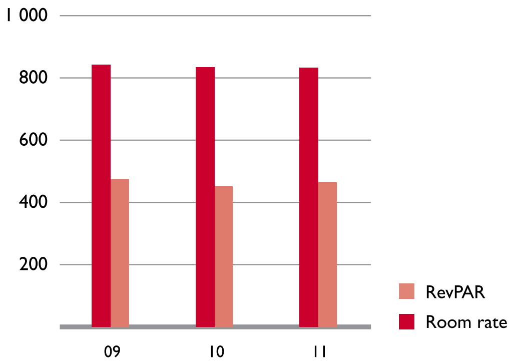
Other operations

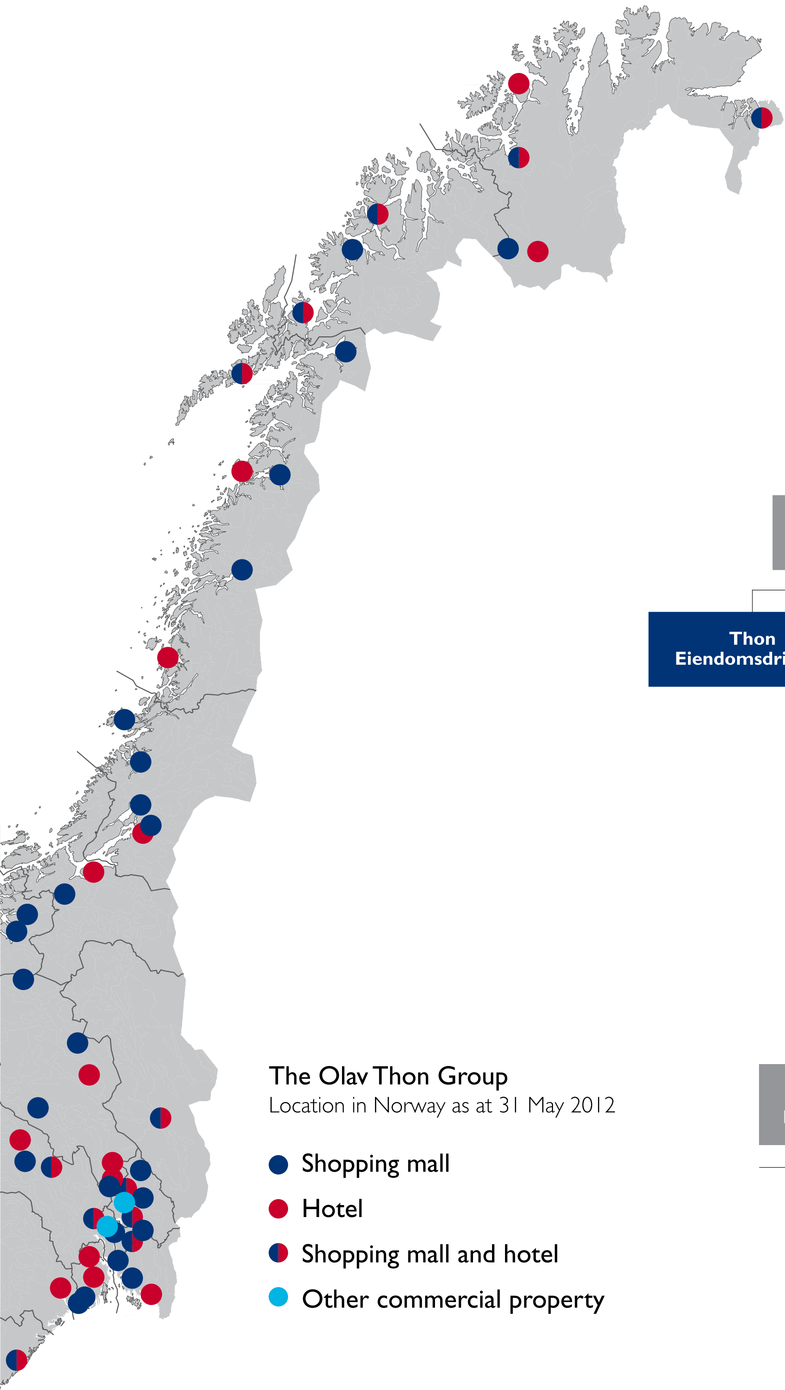
Other operations account for a small part of the Group's income and profits.

The largest units are the industrial enterprise Unger Fabrikker and the wholesale firm Conrad Langaard.



Room rate and Revenue
Per Available Room
Thon Hotels





The Olav Thon Group
Location in Norway as at 31 May 2012

- Shopping mall
- Hotel
- Shopping mall and hotel
- Other commercial property

Group structure

Olav Thon

Thon Gruppen AS

Thon Holding AS

Olav Thon Eiendomsselskap ASA 71 %

Thon Eiendomsdrift AS

Thon Hotels AS

Amfi Eiendom ASA

Key management

Olav Thon
Chairman/CEO

Dag Tangevald-Jensen
Executive Vice President

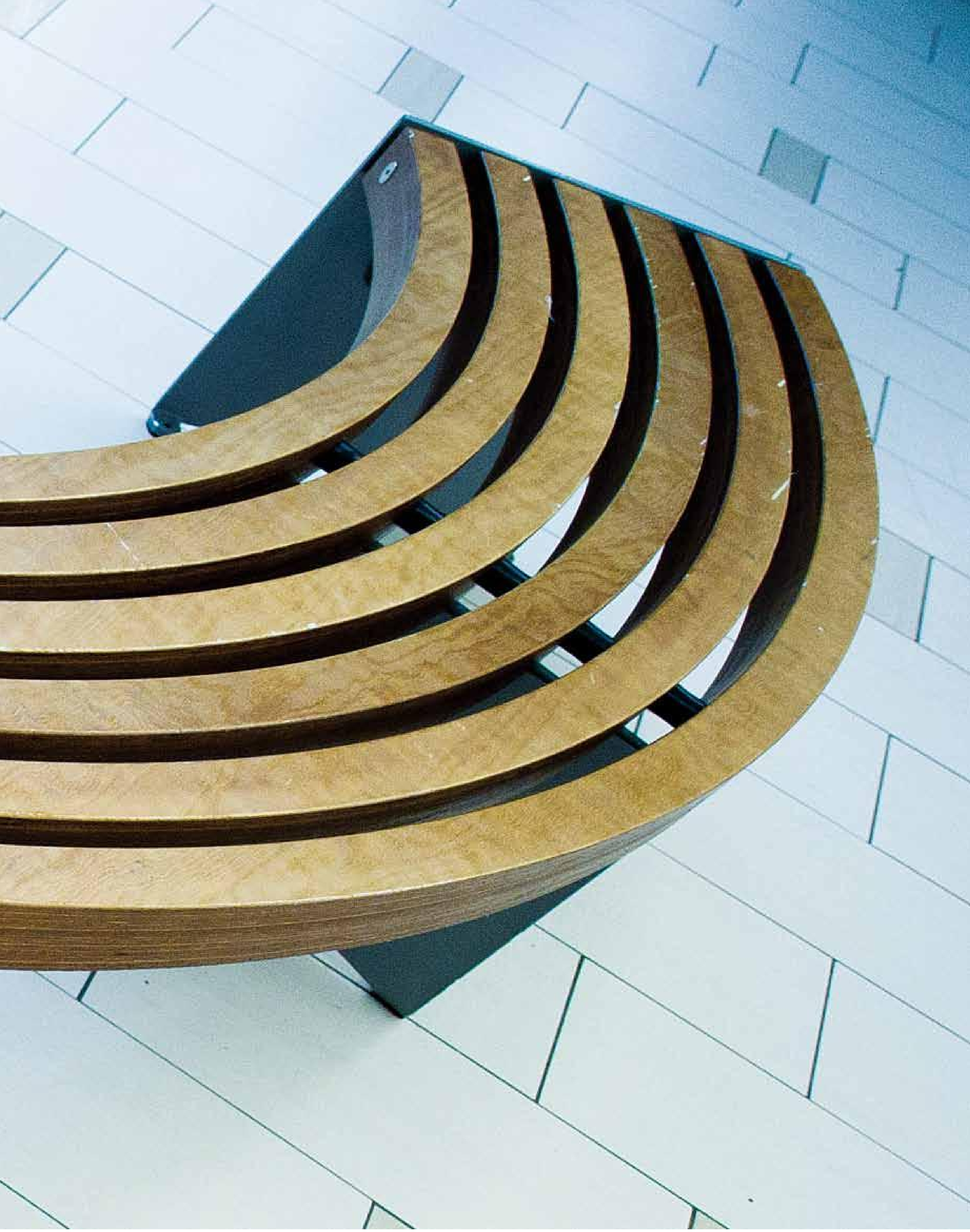
Øystein Trøseid
Executive Vice President

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

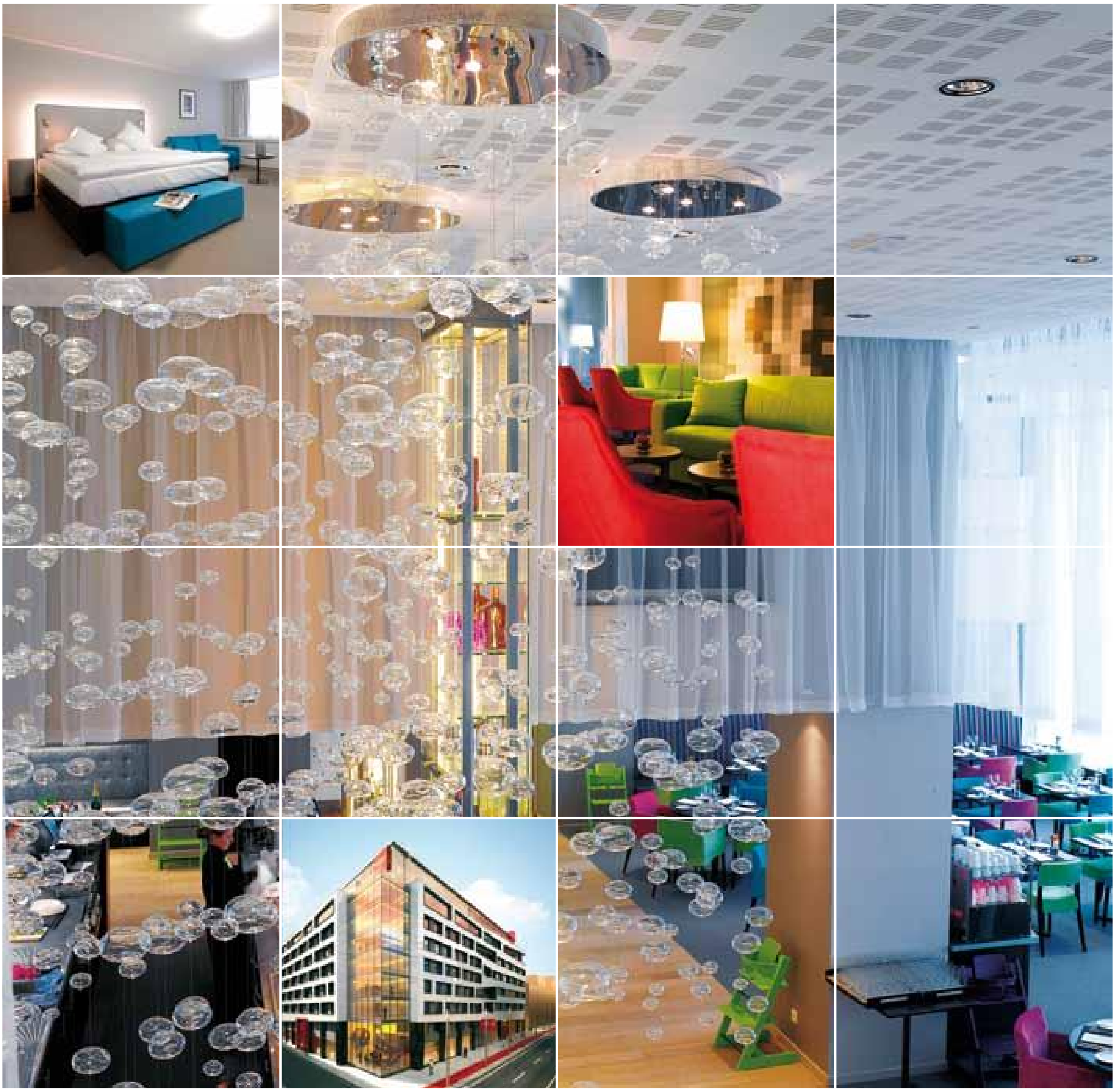


Key figures

(NOK million)	2011	2010	2009
Operations			
Rental income (external)	3 070	2 869	2 640
Operating income	7 499	7 291	6 510
Operating profit	2 571	2 393	2 054
Net interest expense	960	881	814
Profit before taxes	1 629	1 527	1 334
Capital structure			
Book value of equity	9 922	8 990	8 130
Equity ratio	28 %	26 %	25 %
Total assets	34 941	34 335	32 217
Liguidity			
Liquidity reserves [1]	6 361	5 231	4 463
Amortization next 12 months	1 838	315	556
Cash flow from operating activities	1 786	1 665	1 569
Net interest-bearing debt / Cash flow from operating activities	11,3	12,0	12,3
Interest coverage ratio [2]	3,2	3,3	3,0
Debt portfolio			
Interest-bearing debt (ex.loan from shareholder)	20 868	21 751	20 622
Foreign exchange loan	10 %	9 %	8 %
Average duration debt (years)	4,9	6,1	6,6
Average interest rate (including margin)	4,8 %	4,5 %	4,3 %
Hedged interest-bearing debt (> 1 year)	67 %	60 %	57 %
Propert portfolio			
Net investments	1 628	2 575	2 502
Annual rental value	3 785	3 650	3 400
Vacancy rate	2 %	2 %	3 %
Book value property portfolio	30 761	29 727	28 000
Implicit gross yield	12 %	12 %	12 %
Turnover shopping malls [3]	57 863	55 017	44 048
Hotel [4]			
Number of rooms	9 784	9 986	9 482
Revenue per available room	464	452	473
Room rates	833	834	842
Occupancy rate	56 %	54 %	56 %

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

[1] Cash, bank deposits and short-term investments + Committed credit lines
[2] (Operating profit + Depreciation and amortization expenses) / Net interest expenses
[3] Owned and/or managed by the group
[4] Thon Hotels



A GEM OF A HOTEL IN A PRIME LOCATION

Stylish, modern and designed for the future – the recently opened THON HOTEL EU in Brussels is set like a jewel in the heart of Europe.

The Twelve Bar and Restaurant is furnished in a contemporary style and a large picture in black and white adorns its end wall.

The hotel has 405 rooms distributed over seven floors. A long desk illuminated by LED lights dominates the reception area.

ABOUT THE THON HOTEL EU

- A four-star hotel which was officially opened on 26 April 2012, and is situated at Rue de la Loi 75 in Brussels.
- The hotel has seven floors with a total of 405 spacious rooms and its own restaurant and bar. The restaurant has been named The Twelve after the twelve stars on the EU flag.
- The building also houses a shopping arcade, indoor parking facilities, an outdoor terrace which seats 60, meeting and conference rooms offering space for 300 people, and 37 rental apartments.
- The hotel is located close to the European Parliament, public transport and the Schuman and Maelbeck metro stations. The airport bus stops by the hotel and there is a taxi rank just outside the main entrance.
- The partners in the hotel project were Altiplan Architects and construction company Jacques Delens.
- Read more about the Thon Hotel EU on our web page www.thonhotels.no/eu.

The Thon Hotel EU lies within walking distance of the European Parliament and other major EU offices and institutions. The sun and sky are reflected in its glass facade, and, once through its doors, guests will find the reception area and a luxuriant atrium garden with designer furniture, trees and greenery. This four-star hotel has 405 rooms distributed over seven floors, and among its many amenities are a restaurant, bar, fitness centre, meeting room facilities, indoor parking facilities and its own shopping arcade of almost 1000sqm.

Recently 400 people attended the official opening, an event that marked the importance of the European capital as a priority area for Thon Hotels.

– With the opening of the Thon Hotel EU, Thon Hotels has become one of the three largest hotel players in Brussels. We can now offer our clients a hotel that enjoys a very strategic location in the so-called EU district, says Area Director Nils Hauge in Thon Hotels BeNeLux. He has great expectations of development and further growth.

– After the opening of the latest hotel, Thon Hotels can boast of five hotels and two apartment complexes in Brussels. I expect and believe that the Thon Hotel EU will be a market leader in the EU district and that it will help to increase focus on and interest in Thon Hotels in Brussels. Obviously, the opening will strengthen awareness of Thon Hotels as a brand, says Nils Hauge.

Huge conversion project

Morten Thorvaldsen, managing director of Thon Hotels agrees and stresses the importance of making Europe a priority area.

– Opening a new hotel is always a great experience, but I must admit there is something especially exciting about opening the doors of our fifth hotel in Brussels. It supplements what we already offer and strengthens our presence, he says.

In addition to ordinary hotel rooms, the new EU hotel also has 37 rental apartments. Earlier the building was used as office premises and parts of the block were let to an embassy. The hotel project called for a complete remodelling and the building has undergone a major transformation to become what it is today.

Group Managing Director Øystein Troseid in the Olav Thon Group has been project manager for Thon Hotel EU, and describes the project thus:

The rooms are furnished in soft colours and offer all modern facilities, including free internet access.

Colourful furniture and high glass windows give the hotel a stylish and elegant ambiance. The atrium garden can be glimpsed in the background.

– We purchased the office block in several phases from the mid 1980s, and work on its conversion into a hotel started in 2009. Brussels already has an excess of office space but, in our view, the need for a central and modern hotel is great. It was only natural that we should concentrate on recycling existing buildings and producing a hotel where the focus is on the environment and green values. The atrium garden, a large roof-top terrace and extensive use of solar energy reflect our environmental commitment.

Fantastic city

The Olav Thon Group's focus on hotels in Brussels started as early as 1995 with the opening of the Thon Hotel Bristol Stephanie. In the years that followed, several other hotels were added to the portfolio, including the majestic five-star Stanhope Hotel close to the Royal Palace.

Area Director Nils Hauge is most satisfied with the location, design and size of the new EU hotel. Despite the economic downturn in many European countries, he believes in the future.

– The Olav Thon Group's hotel presence in Brussels is very strong. Our natural target group for the Thon Hotel EU consists of travellers on business in the EU district. But many people do not realise that Brussels is also a fantastic city for a weekend break and shopping. Our guests definitely have something to look forward to, says Nils Hauge, and adds that he expects the Thon Hotel EU to become market leader in the EU district.

> **I expect and believe that the Thon Hotel EU will be a market leader in the EU district.**
>
> Nils Hauge, Area Director

MAJOR PLAYER IN BRUSSELS

The Olav Thon Group has had a presence in Brussels since the middle of the 1980s, and the first hotel was purchased back in 1995. Today, Thon Hotels has five hotels and two apartment complexes in Brussels.

Timeline:

- **1995:** Started operations in Brussels with the Golden Tulip Hotel Brussels Airport and the Hotel Bristol Stephanie (Thon Hotel Brussels Airport and Thon Hotel Bristol Stephanie). The Thon Residence Parnasse and Thon Residence Florence apartment complexes were added to the chain at the same time.
- **1996:** Olav Thon purchased the Summit Stanhope Hotel in Brussels (Stanhope Hotel).
- **1998:** Purchased the Tulip Inn Brussels Boulevard (Thon Hotel City Centre).
- **2012:** The Thon Hotel EU opened in April.

Hotel facts:

- **The Stanhope Hotel:** a five-start hotel with 125 rooms and good meeting room facilities.
- **The Thon Hotel EU:** a four-star hotel with 405 rooms and good meeting room facilities.
- **The Thon Hotel Bristol Stephanie:** a four-star hotel with 142 rooms and good meeting room facilities.
- **The Thon Hotel Brussels City Centre:** a four-star hotel with 454 rooms and large course and conference facilities.
- **The Thon Hotel Brussels Airport:** a three-star hotel with 100 rooms and meeting room facilities.
- The apartment complexes: **Thon Residence Florence**, **Thon Residence Parnasse** and **Thon Residence EU.**

Altogether, Thon Hotels has more than 1220 hotel rooms and 250 long-term rental apartments in Brussels, making the chain one of the biggest players in the city.

Thon Hotels is a part of the Olav Thon Group and has, in addition to the hotels in Brussels, 60 hotels in Norway, one hotel in Sweden and one in the Netherlands. Thon Hotels in the third largest hotel chain in Norway and is divided into three concepts: Budget, City and Conference.



Annual Report 2011

In 2011, growth in Norway was relatively high and most areas of the Norwegian economy performed well.

For the year as a whole, the market for commercial property was positive whilst the hotel market showed moderate growth.

The Olav Thon Group had another good year in 2011, and achieved the highest financial results in the Group's history.

The key points in the accounts are as follows:

- **The Group's operating income amounted to NOK 7 499 million (NOK 7 291 million).**
- **Pre-tax profits saw an increase of 7 % to NOK 1 629 million (NOK 1 527 million).**
- **Book equity rose to NOK 9 922 million (NOK 8 990 million), with the equity ratio rising to 28 % (26 %). Adjusted equity is estimated to be substantially higher.**
- **The rental value of the property portfolio at the turn of the year was NOK 3 785 million (NOK 3 650 million) and the vacancy rate was 2 % (2 %).**
- **Turnover in the shopping malls in the Group's portfolio rose by 5 % to NOK 57.9 billion.**
- **Thon Hotels' "revenue per available room" (RevPAR) saw a 3 % increase to NOK 464 (NOK 452).**
- **At the year-end, the Group's liquidity reserves stood at NOK 6 361 million (NOK 5 231 million).**

Results and balance sheet summary

The Olav Thon Group's pre-tax profit amounted to NOK 1 629 million (NOK 1 527 million).

At the turn of the year, the Group's assets had a recorded value of NOK 34 941 million (NOK 34 335 million). Book equity was NOK 9 922 million (NOK 8 990 million) and the equity ratio was 28 % (26 %).

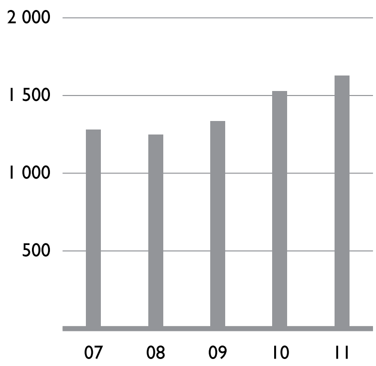
Rental income from property operations indicates a gross rate of return (gross yield) on recorded values of 12 %, and adjusted equity is therefore estimated to be substantially higher than book equity.

Operating income and expenses

The Group's operating income in 2011 came to NOK 7 499 million (NOK 7 291 million). The growth is attributable to increased operating income from hotel operations and higher rental income, but is dampened by lower sales revenues from dwellings produced for sale of NOK 114 million (NOK 334 million).

Reference is made to later sections for more details about the different areas of operation.

Pre-tax profit (NOK million)



Pre-tax profit rose to NOK 1 629 million.

Total operating expenses came to NOK 4 928 million (NOK 4 898 million). Production costs for dwellings for sale amounted to NOK 54 million (NOK 225 million).

Ordinary depreciation and write-downs amounted to NOK 511 million (NOK 479 million), whilst operating expenses in general showed a stable trend.

The Olav Thon Group's operating profit in 2011 was thus NOK 2 571 million (NOK 2 393 million).

Financial expenses

The Group's net financial items (excluding the results of associated companies) have been charged against income in the amount of NOK 918 million (NOK 878 million).

Financial expenses rose from the preceding year as a result of both a somewhat larger interest-bearing debt in the period (NOK 100 million) and a slightly higher average interest rate (0.2 percentage points).

The financial results of associated companies came to - NOK 23 million (+NOK 12 million), and are ascribable to a substantial write-off of a fixed asset in one of the associated companies.

Cash flow and liquidity

Net cash flow from operations in 2011 was NOK 1 786 million (NOK 1 665 million), and the change in working capital was NOK 816 million (- NOK 173 million). Net cash flow from operational activities was therefore NOK 2 601 million (NOK 1 492 million).

Investment activities generated a net cash flow of - NOK 1 407 million (- NOK 1 568 million), whilst financing activities, partly in the form of debt repayment, put a burden of NOK 1 173 million (NOK 94 million) on liquidity.

The Group's liquid holdings thus rose by NOK 21 million (NOK 18 million) in 2011.

At the turn of the year, the Group's liquidity reserves stood at NOK 6 361 million (NOK 5 231 million), and consisted of short-term investments of NOK 1,205 million (NOK 1 211 million) and committed long-term credit lines of NOK 5 155 million (NOK 4 020 million).

Assumption of continued operation

The Olav Thon Group is mainly involved in property and hotel operations but also has ownership and is active in several different business sectors. Operations are run primarily in Norway, but the Group also has activities in Sweden, Belgium and the Netherlands.

The Group has a strong financial position, a high-quality property portfolio and a robust position in the Norwegian hotel market. Consequently, the annual accounts are presented on the assumption of continued operation.

No matters or circumstances have arisen since the end of the accounting year which significantly affect the assessment of the Group's position and results as at 31 December 2011.

Organisation and the 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 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 person-years employed by the Olav Thon Group at the end of 2011 was 2,939 (2 576), and they were distributed as follows: 2 643 in Norway, 254 in Belgium, 27 in the Netherlands and 15 in Sweden. Of the Group's employees, 53 % are women and 47 % are men.

Sickness absence in 2011 was 5.5 % (4.2 %).

During the year there was a serious workplace accident at the subsidiary Unger Fabrikker A/S. However, apart from this incident, there were no serious injuries or accidents in the period that were due to conditions associated with operations. Moreover, no weaknesses have been identified with respect to staff safety or the working environment in general.

Operating income [1] (NOK million)

[1] Internal sales included

> The Group's operating income in 2011 amounted to NOK 7 499 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 running 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 environment-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 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 several of its shopping malls are certified as "eco-lighthouses". This involves the implementation of many environmental measures, such as waste reduction, environment-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 rehabilitation, maintenance and new construction work.

All operations satisfy the prescribed requirements as regards limiting pollution of the external environment.

The Group's operations

Property operations

Total operating income from property operations was NOK 5 240 million (NOK 5 063 million) (including internal sales). The increase is largely ascribable to higher rental income as a result of new properties, the completion of property projects and also a general rise in portfolio rents. However, lower income from residential projects under construction had a slight dampening effect.

The rental value of the Group's property portfolio rose by 4 % in 2011 to NOK 3 785 million (NOK 3 650 million), and the vacancy rate was 2 % (2 %).

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

- 61 % retail
- 16 % office
- 16 % hotel
- 7 % other

The rental income comes from the following geographical areas:

- 59 % the Oslo region
- 34 % other parts of Norway
- 7 % outside Norway

The lease agreements have a balanced expiry structure and a remaining life of about four years.

Shopping mall property

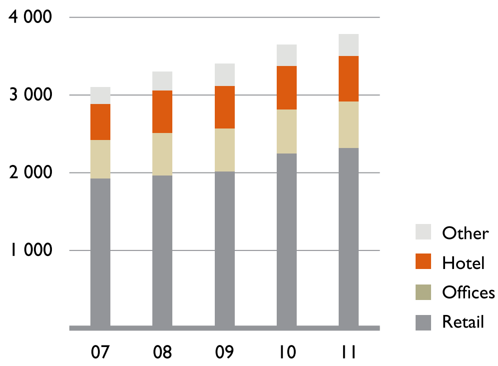
The rental value of the Group's own-owned shopping malls rose in 2011 to about NOK 2,120 million (NOK 2 050 million).

At the year-end, the Group had 64 (60) shopping malls under its ownership and 24 (21) under management for external owners. The Group's market position in the Norwegian shopping mall market is strong, and the portfolio includes Norway's six largest malls on the basis of turnover.

In 2011, the whole shopping mall portfolio had a turnover of NOK 57.9 billion (NOK 55.0 billion), including NOK 12.8 billion (NOK 11.7 billion) in malls managed for external owners.

The total turnover of the 88 Norwegian malls was NOK 52.5 billion (NOK 50.1 billion). In the Group-owned shopping malls, the organic growth in turnover is estimated to be

Rental value **(NOK million)**



> The rental value of the Group's property portfolio rose in 2011 by 4 % to NOK 3 785 million.

about 2 %. In the three Swedish malls, located just by the border with Norway, turnover increased by 6 % to SEK 6.1 billion (SEK 5.8 billion).

Other commercial property
The rental value of the Group's other commercial property (including dwellings to let) rose to NOK 1 665 million (NOK 1 600 million).

Hotel operations
Turnover from hotel operations (including internal sales) was NOK 2,692 million (NOK 2,590 million). This figure includes operating income from freestanding café and restaurant businesses totalling NOK 162 million (NOK 149 million).

The turnover reflects market developments in the Norwegian hotel market, and the growth in turnover from the previous year is also attributable to new hotels.

Thon Hotels
Thon Hotels is a nationwide hotel chain with about 8 500 rooms in 60 hotels in Norway. The group runs 52 of these hotels whilst eight are operated by external franchisees.

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

In addition to the hotels in Norway, Thon Hotels also has more than 1,700 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 recent years Thon Hotels has developed into a nationwide chain, and in the last three years it has been expanded by about 1 500 new rooms distributed over 11 hotels, most in towns and villages where the chain is a new presence. Experience has shown that the occupancy and room rates achieved in the establishment phase of new hotels in new geographical regions are lower than in existing hotels in the cities.

Thon Hotels Norway had an average room rate in 2011 of NOK 844 (NOK 842) whilst the occupancy rate rose to 55 % (54 %). This means that the key figure of revenue per available room (RevPAR) rose by 2 % to NOK 461 (NOK 451).

In Brussels, Thon Hotels achieved an average room rate of EUR 96 (EUR 96) whilst the occupancy rate rose to 66 % (61 %). RevPAR in Brussels thus grew by 8 % to EUR 63 (EUR 58).

For Thon Hotels, the rise in RevPAR and stable expenses led to profit improvements from the previous year both in Norway and in Brussels.

Restaurant operations
The Thon Holding group owns and runs ten cafes or restaurants outside the hotels. The total turnover in 2011 was NOK 162 million (NOK 149 million). Overall, restaurant operations showed a growth in profits from the previous year.

Other operations
Other operations include all activity outside the two main areas of property and hotel operations. Total operating income from other operations in 2011 was NOK 647 million (NOK 562 million).

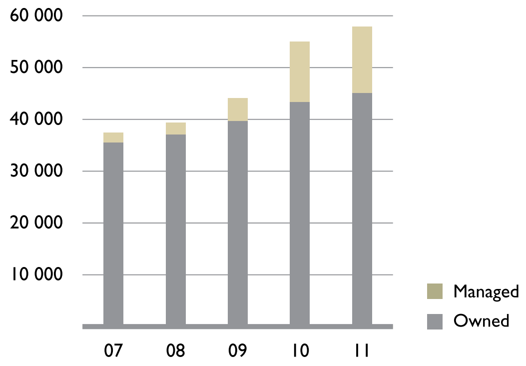
In 2011, the largest entity, Unger Fabrikker, had a turnover of NOK 453 million (NOK 378 million), and a pre-tax profit of NOK 8 million (NOK 29 million).

Investments
The Group' total net investments in 2011 came to NOK 1,628 million (NOK 2,575 million) and relate to property purchases, investments in property projects under construction and rehabilitation of the existing property portfolio.

Major property purchases

- Lillehammer Strandpark
  The Group has purchased a 90 % interest in Lillehammer Strandpark ANS, which owns a building complex of about 15 700sqm in Lillehammer. This property is located next to the Strandtorget shopping mall, and there are plans to extend it by some 36 000sqm.

Turnover shopping malls
(NOK million)



> In 2011 the total turnover of the shopping malls was NOK 57,9 billion.

- **The Geilosenteret and Tunet shopping malls**
  The Group has acquired 50 % of the shares in Geilosenteret AS. The company owns the Tunet and Geilosenteret (80 %) shopping malls in Geilo in the Municipality of Hol. The malls have a total retail area of about 9 000sqm and are managed by the Group.

Property development

Property development is a major part of the Olav Thon Group's property operations, and in 2011 a new office building was completed in the centre of Oslo. In addition, extensions were made to three shopping malls and two hotels.

At the start of 2012, work commenced on the renovation and extension of nine malls and one hotel in Brussels, and on the rehabilitation and construction of several properties in the centre of Oslo.

Finances and 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 freedom of action to be able to capitalise quickly on interesting investment opportunities.

At the turn of the year, the Group had an interest-bearing debt of NOK 20 868 million (NOK 21 751 million). The loan portfolio is composed of long-term credit lines arranged with Nordic banks and loans raised directly in the Norwegian capital market. Total loans and credit lines at the year-end were NOK 26 023 million (NOK 25 771 million). The capital market is an increasingly important source of financing, and at the turn of the year the Group had outstanding certificate and bond debts of NOK 4 180 million (NOK 3 255 million).

The Group's debt had, at the year-end, an average remaining life of 4.9 years (6.1 years). Nine percent of the debt falls due for repayment in 2012, and the refinancing need can be covered in its entirety by existing liquidity reserves.

Risk factors facing the Olav Thon Group

The 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

Growth in the Norwegian economy was rising in 2011. The demand for commercial property was relatively high, but the financial turbulence in the second half of the year contributed to a lower transaction volume than previously expected. All in all, 2011 is nevertheless regarded as a positive year for commercial property in Norway.

The rental market
Rental prices in the shopping malls were mainly stable or slightly rising.

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

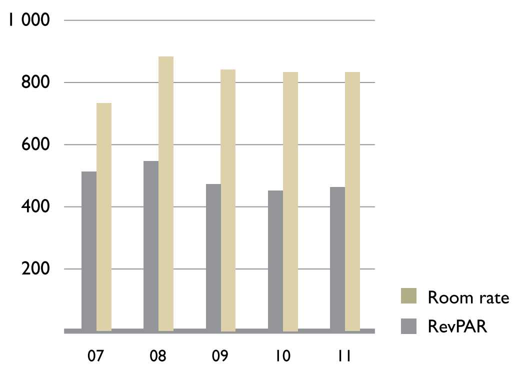
The transaction market
The total volume of transactions in the commercial property market (with a value of more than NOK 50 million) in 2011 was roughly at the same level as in 2010, and prices for the most attractive properties tended to move upwards.

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

The hotel market

In 2011 the demand for hotel rooms rose and the number of bed-nights increased by 4 % to 19.2 million. Hotel capacity in Norway was also expanded, and the number of hotel rooms rose by 3 %.

Room rate and Revenue Per Available Room



For Thon Hotels, the rise in RevPAR and stable expenses led to profit improvements from the previous year both in Norway and in Brussels.

Average occupancy rose by one percentage point to 52 %, whilst the average room rate rose by 1 % to NOK 866.

This means that the key figure RevPAR (revenue per available room) was NOK 450, an increase of 3 % from the preceding year.

The hotel market can be divided into three main segments, each with the following share of the total market in 2011:

• The hotel and leisure market	49 %	(48 %)
• The individual business traveller market	38 %	(38 %)
• The course and conference market	13 %	(14 %)

The turnover in the Norwegian holiday and leisure market rose by 5 % from the previous year, whilst the individual business traveller segment and the course and conference segment saw an increase of 4 % and 1 %, respectively.

The hotel market in Brussels performed well, and the average room rate rose by 7 % to EUR 110. Average occupancy went up by two percentage points to 70 %, which means that RevPAR for the Brussels hotels increased by 10 % to EUR 77.

The Group's market risk

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

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

Growth in consumer spending in Norway was relatively low in 2011, but it is expected to increase in the future. The operating conditions for shopping mall property and retail properties in central locations are therefore regarded as positive.

Office property, located mainly in the Oslo area, accounts for 16 % of the rental income. 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 16 % of the rental income comes 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 substantial increase in vacancy and large drop in income in this part of the property portfolio is regarded as moderate.

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

The demand for hotel rooms is closely related to general economic conditions and the competitive situation in the market. Market competition is affected by both the demand and the supply of new hotel capacity.

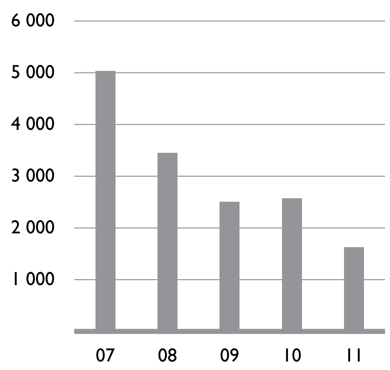
Growth in the Norwegian economy is increasing. Despite the improvement, however, there is still uncertainty surrounding the Norwegian and international economies. In view of this, moderate growth is expected in the hotel market both in Norway and in Brussels in the future.

Financial risk

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

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

Net investment **(NOK million)**



The Group's total net investments came to NOK 1 628 million.

Interest rate developments
The short and long-term market rates developed differently in 2011. The short-term market interest rate (3 month NIBOR) rose to 2.89 % (2.60 %), whereas the long-term market rate (10 year swap) fell sharply to 3.54 % (4.40 %).

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 1.40 % (1.25 %), whilst the credit margin for certificate loans with a 12-month term fell to 0.00 % (0.05 %). 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 turn of the year, the Group's liquidity reserves stood at NOK 6 361 million (NOK 5 231 million) and consisted of short-term investments of NOK 1 205 million (NOK 1 211 million) and committed credit lines of NOK 5 155 million (NOK 4 020 million).

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 should the certificate market fail to work in a satisfactory manner.

The Group's long-term interest-bearing debt of NOK 20,868 million (NOK 21,751 million) has the following repayment profile:

• Repayment in 2012:	9 %	(1 %)
• Repayment between 2013 and 2016:	56 %	(49 %)
• Repayment in 2017 or later:	35 %	(50 %)

At the turn of the year, the loan portfolio had an average remaining term to maturity of 4.9 years (6.1 years).

Interest rate 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.

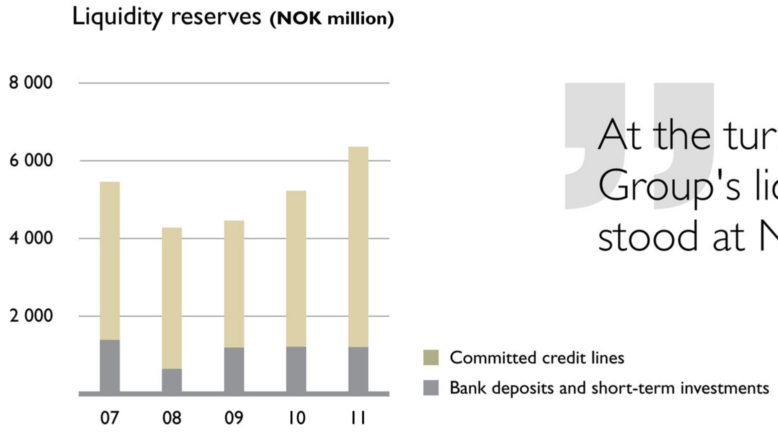
At the turn of the year, the Group had the following interest rate maturity structure:

• Interest rate maturity in 2012:	33 %	(39 %)
• Interest rate maturity between 2013 and 2016:	4 %	(14 %)
• Interest rate maturity in 2017 or later:	63 %	(47 %)

The weighted average interest rate guarantee period at the year-end was 5.7 years (4.5 years), and the average interest rate for the Group's portfolio of loans and financial instruments was 4.7 % (4.4 %).

The Group's total portfolio of loans and undrawn credit lines was NOK 26,023 million at the year-end and is composed of the following currencies:

• Norwegian krone 92 %, with an average interest rate of	4.8 %	(4.5 %)
• Swedish krona 5 %, with an average interest rate of	4.2 %	(4.0 %)
• Euro 3 %, with an average interest rate of	2.7 %	(2.4 %)



At the turn of the year, the Group's liquidity reserves stood at NOK 6 361 million.

The Olav Thon Group has a financial risk related to exchange rate developments in the countries where the Group has activities, inasmuch 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 run 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 had 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 is slowing down, and substantial uncertainty surrounds future macroeconomic developments. There is a risk that the government debt crisis will lead the industrialised countries into long-term economic decline.

In Norway growth is still relatively high and most areas of the Norwegian economy are performing well. However, international developments are also eroding the economic prospects of this country, and the Central Bank of Norway therefore lowered the interest rate to 1.75 % in December, and then lowered it again to 1.50 % in March this year.

It is expected that consumer spending in Norway will continue to see relatively high growth in the future, and therefore the operating conditions for the group's shopping malls are regarded as positive.

The vacancy rate in the office market in Oslo fell last year and rental prices showed a rising tendency. However, the office rental market is considered to be cyclically sensitive, which means that there is an increased risk of a slow-down in the positive trend in the future.

Despite the macroeconomic uncertainty, moderate growth is expected in the hotel market in both Norway and Brussels in the time ahead. However, on the basis of its sound market position and the attractive hotel portfolio, Thon Hotels is considered to have good prospects for generating sound financial results in the future.

Overall, the Group's sound market position in the property and hotel markets market and its strong financial position will contribute to continued satisfactory profit developments in the future.

Oslo, 31 May 2012

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.

Income statement

(Figures in NOK 1000)	Note	2011	2010
Rental Income		3 070 009	2 868 691
Room Revenue		1 562 688	1 497 126
Sales of goods		1 427 884	1 311 704
Other income	**2,5**	1 438 080	1 613 373
Total operating income		7 498 661	7 290 894
Raw materials and consumables used	**9**	-678 306	-578 069
Payroll expences	**3**	-1 104 354	-1 049 491
Depreciation expences	**7**	-510 566	-478 718
Other operating expences	**3,4,5**	-2 634 919	-2 791 233
Total operating expences		-4 928 144	-4 897 511
Operating profit		**2 570 517**	2 393 383
Income from associates		-22 842	12 053
Financial Income	**6**	126 584	88 475
Financial Expences	**6, 17**	-1 044 903	-966 602
Net financial items		-941 161	-866 074
Profit before taxes and extraordinary items		**1 629 356**	1 527 309
Tax on ordinary result	**15**	-560 903	-550 313
Net profit for the year	**16**	**1 068 452**	976 996
Majority interests		909 210	847 221
Minority interests		159 242	129 775

Balance sheet per. 31.12

(Figures in NOK 1000)	Note	2011	2010
FIXED ASSETS			
Intangible fixed assets	**7**	19 637	22 583
Deffered tax benefit	**15**	63 271	51 571
Tangible fixed assets	**7**	31 435 393	30 411 981
Other financial assets	**8,14**	455 675	483 137
Total fixed assets		**31 973 976**	30 969 273
Inventories	**9**	212 780	157 701
Debtors	**5,10**	1 601 753	2 077 228
Investments	**11**	42 232	41 947
Cash and bank deposits		1 109 863	1 088 881
Total current assets		**2 966 628**	3 365 757
Total assets		**34 940 604**	34 335 029
EQUITY AND LIABILITIES			
Majority interest		9 025 528	8 203 177
Minority interests		896 606	786 635
Total equity	**16**	**9 922 135**	8 989 812
Pension liabilities	**3**	10 544	16 197
Deffered tax	**15**	1 361 890	1 160 602
Other long term liabilities	**12**	20 819 979	21 723 918
Other long term liabilities and provisions		22 192 412	22 900 717
Current liabilities	**13**	2 826 057	2 444 500
Total liabilities		**25 018 469**	25 345 218
Total equity and liabilities		**34 940 604**	34 335 029

Cash flow analysis

(Figures in NOK 1000)	2011	2010
Cash flows from operating activities [1]	1 785 760	1 665 478
Changes in current assets and current liabilities	75 264	-55 915
Changes in accruals and other working capital	740 394	-117 483
Net cash provided by operating activities (A)	**2 601 418**	1 492 080
Investment in tangible fixed assets	-1 466 923	-1 604 813
Sales of tangible fixed assets	26 116	103 623
Change in other investments	34 042	-66 400
Net cash flow used in investing activities (B)	**-1 406 765**	-1 567 590
New short-/long term debt	5 273 368	2 547 410
Repayment of short-/long term debt	-6 274 155	-2 201 288
Net effect on other capital changes	-172 886	-252 181
Net cash flow provided by financing activities (C)	**-1 173 673**	93 941
Net change in cash and bank deposits (A+B+C)	20 980	18 432
Cash and bank deposits as at 01.01.	1 088 881	1 070 449
Cash and bank deposit as at 31.12.	**1 109 861**	1 088 881
Undrawn credit lines within established certificate and credit facilities	5 217 000	4 080 000
[1] Cash flow arising from operations:		
Net profit for the year	909 210	847 221
+ Net profit to minority interests	159 242	129 775
+/- Change in deffered tax	189 710	221 710
-/+ Gain (loss) on sale of assets	22 686	-17 284
+ Depreciation and write-down of fixed assets	510 566	478 718
+/- Change in pension liabilities	-5 654	5 339
	1 785 760	1 665 479

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