OLAV THON GRUPPEN

DIRECTORS' REPORT & FINANCIAL STATEMENTS

2016

KEY FIGURES

Figures in NOK millions	2016	2015	2014
PROFIT			
Operating income	10,172	9,383	8,788
Operating profit	2,775	2,668	2,683
Net interest expenses	1,031	1,011	1,058
Profit before tax	1,784	1,667	1,681
FINANCIAL STRENGTH			
Book equity	14,557	13,382	11,683
Equity ratio	28%	29%	27%
Total assets	52,054	46,764	43,213
LIQUIDITY			
Net cash flow from operations [1)]	2,606	1,998	2,188
Cash reserves [2)]	7,173	6,892	7,783
Amortisation next 12 months	6,928	3,872	6,735
Net interest-bearing debt/Net cash flow from operations	11.3	13.5	11.0
Interest coverage ratio [3)]	3.5	3.3	3.2
FINANCING			
Interest-bearing debt	32,163	28,616	27,224
Share of foreign currency loans	23%	21%	17%
Average duration debt (years)	2.7	3.1	3.0
Interest rate at 31 Dec	3.29%	3.63%	3.94%
Interest rate hedging (> 1 year)	52%	60%	61%
PROPERTY			
Net investments	6,578	3,639	5,433
Annual rental income [4)]	5,275	4,900	4,560
Vacancy rate	2.9%	2.5%	2.4%
Book value of property portfolio	46,684	42,177	38,801
Shopping centre sales [5)]	79,190	74,047	68,746
HOTELS [6)]			
Hotel rooms	11,610	11,482	11,054
RevPAR (revenue per available room)	477	476	461
Room rates	837	835	811
Occupancy rate	57%	57%	57%

[1)] Net cash flow from operating activities – Change in working capital
[2)] Bank deposits, etc. + Undrawn borrowing facilities
[3)] (Operating profit + Depreciation/write-downs) / Net interest expenses
[4)] Includes market rents for vacant premises
[5)] Owned and/or managed shopping centres
[6)] Thon Hotels

DIRECTORS' REPORT 2016

Olav Thon Group posted a solid profit again in 2016 and achieved year-on-year profit growth.

HIGHLIGHTS 2016

OPERATING INCOME

Olav Thon Group's operating income amounted to NOK 10,172 (9,383) million.

PROFIT

Profit before tax was NOK 1,784 (1,667) million.

EQUITY

Book equity increased to NOK 14,557 (13,382) million, while the equity ratio was 28% (29%). 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 5,275 (4,900) million, while the vacancy rate was 3% (2%).

SHOPPING CENTRE SALES

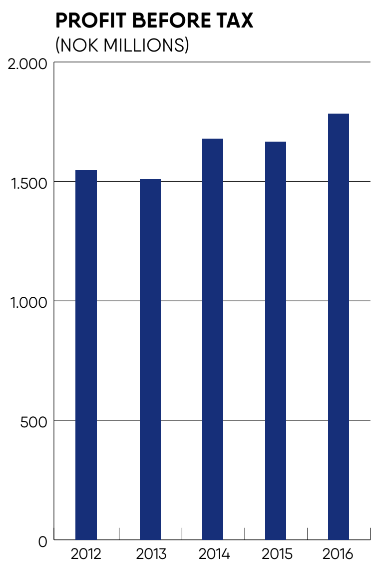
Retail sales for the shopping centre portfolio owned by the Group increased by 7% to NOK 66.0 (61.7) billion. At the end of the year, the Group owned 77 shopping centres and managed 33 for other owners.

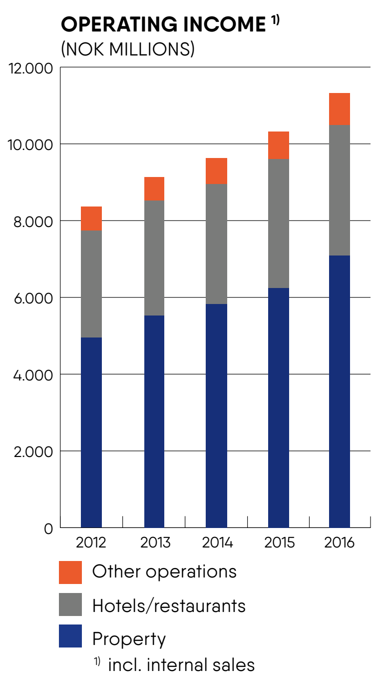
THON HOTELS

At the end of the year, Thon Hotels had 11,610 rooms in 78 hotels in Norway and abroad.

CASH RESERVES

The Group's cash reserves ended the year at NOK 7,173 (6,892) million.





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 2016 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 at 31 December 2016.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

Olav Thon Group's operating income was NOK 10,172 (9,383) million, while profit before tax amounted to NOK 1,784 (1,667) million.

At the end of the year, the book value of the Group's assets was NOK 52,054 (46,764) million. Book equity was NOK 14,557 (13,382) million, while the equity ratio was 28 % (29%). Interest-bearing debt was NOK 32,163 (28,616) million.

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

OPERATING INCOME AND EXPENSES

In 2016, the Group's operating income increased by 8% to NOK 10,172 (9,383) million.

The growth was due to both higher sales revenue from residential projects and increased rental income.

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

Sales revenue from residential projects rose to NOK 627 (251) million. Production costs for the residential units totalled NOK 448 (200) million, which meant that net gains on residential sales were NOK 178 (51) million.

Payroll costs amounted to NOK 1,505 (1,495) million.

Depreciation amounted to NOK 735 (659) million, while write-downs in the property portfolio amounted to NOK 98 (20) million.

Other operating expenses amounted to NOK 4,267 (3,758) million. The increase was due to both increased production costs for residential projects and the Group's general growth.

The expenses linked to the modernisation of the property portfolio amounted to NOK 716 (767) million.

Total operating expenses amounted to NOK 7,397 (6,715) million, meaning the operating profit amounted to NOK 2,775 (2,668) million.

FINANCIAL ITEMS

The Group's net financial expenses amounted to NOK 991 (1,001) million.

The Group's shares and shareholder loans in Rygge Sivile Lufthavn AS (RSL) were written down by a total of NOK 173 million in 2016 due to the company ceasing trading.

The share of the results in associated companies amounted to NOK -44 (41) million after the shares in RSL were written down by NOK 73 million.

Financial income amounted to NOK 231 (92) million. Net exchange gains amounted to NOK 107 (-72) million. Gains from the sale of shares amounted to NOK 99 (43) million and were primarily linked to the sale of the Group's shares in Thon Reitan Hotell AS (see page 7).

Financial expenses amounted to NOK 1,178 (1,134) million and include a NOK 100 million write-down of the shareholder loans to RSL. Interest expenses amounted to NOK 1,051 (1,041) million. The increase was significantly moderated by a lower average interest rate.

CASH FLOW AND LIQUIDITY

Net cash flow from operations amounted to NOK 2,606 (1,998) million in 2016, while changes in working capital amounted to NOK -60 (-453) million, resulting in net cash flow from operating activities of NOK 2,546 (1,544) million.

Net cash flow from investing activities was NOK -5,389 (-2,871) million, while financing activities generated NOK 2,987 (1,054) million. The net effect of exchange rate fluctuations was NOK -17 (36) million.

Consequently, cash increased by NOK 128 (-236) million.

The Group's cash reserves ended the year at NOK 7,173 (6,892) million and consisted of short-term investments of NOK 991 (852) million and undrawn long-term credit facilities of NOK 6,182 (6,040) million.

PARENT COMPANY'S FINANCIAL STATEMENTS 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 125 (240) million.

Profit after calculated tax was NOK 124 (238) million, and the Board proposes the following allocation of the parent company's profit for the year:

Dividend:	NOK 100 million
To other equity:	NOK 24 million

Allocated net profit: NOK 124 million

The parent company`s assets had a book value of NOK 1,219 (1,162) million. Book equity was NOK 861 (838) million, while the equity ratio was 71% (72%)

BUSINESS AREAS

PROPERTY

Property business area

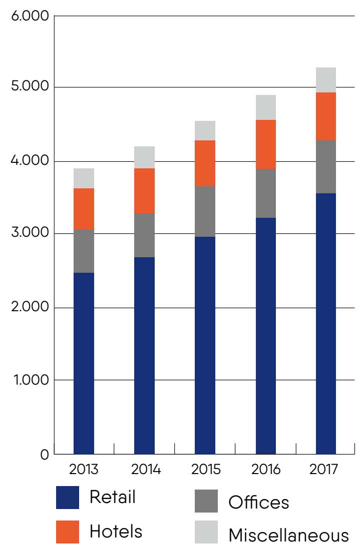
Operating income in the property business area amounted to NOK 7,087 (6,248) million (inclusive of internal sales). The year-on-year increase was due to both increased sales revenue from the Group's residential projects and higher rental income.

Sales revenue from residential projects amounted to NOK 627 (251) million.

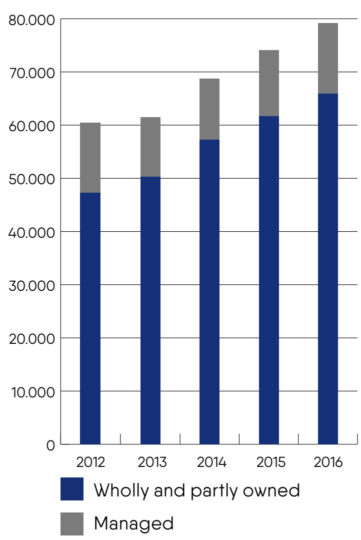
The Group's external rental income increased by 9% to NOK 4,247 million, primarily due to new properties and completed property projects.

At the end of the year, the property portfolio's annual rental income amounted to NOK 5,275 (4,900) million and the vacancy rate was 3% (2%).

ANNUAL RENTAL INCOME
(NOK MILLIONS)



SHOPPING CENTRE SALES
(NOK MILLIONS)



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

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

Geographically, the portfolio is distributed as follows:

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

The leases' average remaining term is approximately 4 years.

The shopping centre business area
At the end of the year, the shopping centre portfolio comprised 110 shopping centres in Norway and Sweden, 33 of which are managed for external owners (including two centres owned by Olav Thon).

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

Olav Thon Group became the largest owner of shopping centre properties in Sweden in 2016.

Shopping centres owned by the Group

Norway
Annual rental income from the Group's Norwegian shopping centres increased by 15% in 2016 to NOK 2,750 (2,400) million.

Retail sales increased by 6% to NOK 53.5 billion, while the organic growth in sales from 2015 was estimated to be 3%.

Sweden
Annual rental income from the Group's eight shopping centres increased by 13% to SEK 579 (511) million.

Retail sales in the shopping centres increased by 9% to NOK 12.7 billion.

HOTELS

The hotel business area
Operating income in the hotel business area (inclusive of internal sales) amounted to NOK 3,397 (3,351) million, including operating income of NOK 158 (148) million from separate bars and pubs.

Operating income in Norway rose, while the hotels outside Norway saw slightly lower operating income compared with the year before.

Thon Hotels
Thon Hotels is a hotel chain with 11,610 rooms in 78 hotels in Norway and abroad.

In Norway, Thon Hotels is a nationwide hotel chain with 9,880 rooms in 69 hotels. 55 of the hotels are operated by the Group, while the other 14 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 significant player in the metropolitan regions of Oslo and Bergen.

Abroad, Thon Hotels has around 1,730 rooms in five hotels and two apartment hotels in Brussels, one in Rotterdam and one in Sweden.

Distributed by geographical segments, Thon Hotels achieved the following key figures in 2016:

	Average room rate	Occupancy rate	RevPAR
Thon Hotels Norway (NOK)	812	57.9%	470 (+2,2%)
Thon Hotels Brussels (EURO)	102	55.1%	56 (-14,5%)
Total Thon Hotels (NOK)	837	57.5%	477 (+0,2%)

The hotel market in Brussels was heavily affected by the terrorist attacks in March 2016 and this, combined with a stable hotel market in Norway, resulted in a slight downturn in results for Thon Hotels in 2016.

The bar and pub business area

Olav Thon Group owns and operates seven bars and pubs outside the hotels. In 2016, total sales amounted to NOK 158 (148) million. The business area's results were on a par with last year's results.

OTHER BUSINESS AREAS

These companies reported total operating income of NOK 837 (722) million in 2016. The largest company, Unge Fabrikker, developed extremely well in 2016. Operating income amounted to NOK 567 (531) million and profit before tax was NOK 93 (72) million.

INVESTMENTS

The Group's net investments in 2016 amounted to NOK 6,578 (3,639) million and included property acquisitions, investments in property projects under construction, and upgrading the existing property portfolio.

MAJOR PROPERTY SALES

Britannia Hotell, Trondheim (50%)

The Group's share in the hotel with 247 rooms was sold in the first half of the year and Thon Hotels' operating agreement for the hotel ended on 1 July 2016.

MAJOR PROPERTY ACQUISITIONS

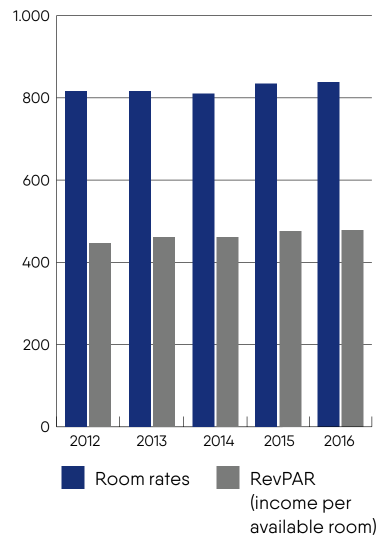
Norway

In January, the Group increased its 50% stake to 100% in a shopping centre company that owns three shopping centres in the Moss region and one in Kristiansand. The total annual rental income for the shopping centres was NOK 160 million in 2016.

In November, the Group took over the Åsane Storsenter shopping centre to the north of Bergen city centre. Shopping centre, with retail space of approximately 46,000 sq. m., saw

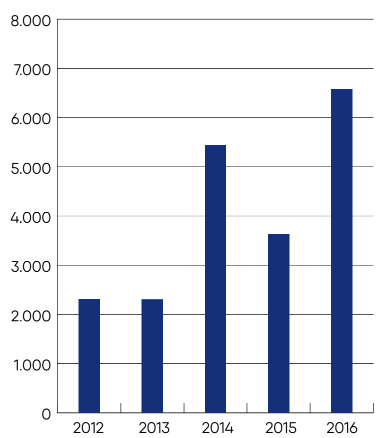
ROOM RATES AND REVPAR

(NOK MILLIONS)



NET INVESTMENTS

(NOK MILLIONS)



retail sales of around NOK 1.4 billion in 2016 and annual rental income of approximately NOK 115 million.

Sweden

67% of Torp Köpcentrum in Uddevalla in Sweden. Following the acquisition, the Group owns the entire shopping centre with its retail space of approximately 40,000 sq. m. In 2016, the shopping centre saw retail sales of around SEK 1.6 billion and the annual rental income was around SEK 75 million.

PROPERTY DEVELOPMENT

Property development represents a significant part of Olav Thon Group's operations and 2016 was another busy year.

Completed property projects:

Major projects completed during the year included the following:

- Two shopping centres were upgraded and expanded by a total of 9,700 sq. m. of new retail space.
- Office and retail property in the centre of Oslo with space of 14,000 sq. m.
- An office property in Stavanger was converted into a hotel with 157 rooms.
- Several large hotel properties were upgraded and refurbished.

Major property projects under construction/ refurbishment:

At the start of 2017, the following projects were under way:

- Remodelling and expanding three shopping centres in different locations in Norway will add 74,000 sq. m. of new retail space and substantial parking space.
- Construction of a new building near Storo Storsenter in Oslo with total space of 50,000 sq. m.
- Construction of two larger properties in Bjørvika in Oslo (50%) with space of 38,000 sq. m.
- Construction of four residential properties in the Oslo region with a total of 480 residential units.
- Major remodelling and refurbishment projects at several of the Group's hotels.

For more information about property projects please see pages 26-27 of the Annual Report 2016.

FINANCING

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

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 2016. The margin trend in the banking market was stable.

Total credit facilities amounted to NOK 38,267 (34,626) million at the end of the year and NOK 6,182 (6,040) million of this amount was undrawn. Interest-bearing debt therefore amounted to NOK 32,163 (28,616) 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 12,513 (9,533) million, distributed between Norway and Sweden as follows:

Norway: NOK 10,230 (8,430) million
Sweden: SEK 2,400 (900) million

The proportion of interest-bearing debt raised in the capital markets was therefore 39% (33%).

The Group's debt had an average remaining term of 2.7 (3.1) years at the end of the year. 22% (14%) of the debt matures in 2017 and it will be possible to cover most of 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.

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 2016, there were 3,243 (3,364) 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: 2,778 in Norway, 337 in Belgium, 18 in the Netherlands and 110 in Sweden.

50% of the Group's employees are women and 50% are men.

The Group's sick leave rate in 2016 was 4.5% (4.8%).

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 Group's causes minimal pollution of the external environment. The Group works to minimise the impact of its operations on the external environment – for example, by following environmentally friendly procedures when carrying out its operations.

Environmental work forms an integral 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.

Parts of the property portfolio have been certified under the Eco-Lighthouse scheme as part of the Group's targeted work on health, safety and the environment (HSE).

Certification entails the implementation of environmental measures for waste reduction, waste management, purchasing environmentally friendly products, and saving energy.

As Olav Thon Group manages a substantial property portfolio, it has an influence on the local environment in which the properties are situated. It makes major contributions to the development of public spaces through refurbishment, maintenance and new construction.

The operations satisfy the requirements for limiting pollution of the external environment. Please also see 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 this work 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 otherwise 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 market risk is related to developments in the Norwegian property and hotel markets, which in turn are closely tied to the performance of the Norwegian economy.

The commercial property market in 2016
In spite of continued low growth in the Norwegian economy, 2016 was a good year for commercial property.

The transaction market
The total transaction volume in the Norwegian market for commercial property (with a value over NOK 50 million) amounted to around NOK 80 billion. The decrease in the volume of sales from NOK 120 billion in 2015 is significant, but the number of transactions was almost on a par with 2015.

Nevertheless, the volume of sales in 2016 still ranks among the highest annual sales ever and reflects a very active property market, especially in the major cities.

Demand for commercial properties as investment objects remained high and contributed to fair value adjustments in commercial property in most segments.

The rental market
Rental prices in the shopping centres showed an upward trend in the largest centres and a stable development in the rest of the portfolio.

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

Market risk in the property business area
The risk in the property business area 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 rental income comes from leading shopping centres and retail properties in Norway and Sweden. Private consumption is expected to rise moderately in both Norway and Sweden going forward and the framework conditions for the Group's shopping centres and retail properties are therefore considered to be positive.

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 in this segment as well.

12% of the rental income comes from hotel properties, which are mainly 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 large rental income decline in the property portfolio is considered to be moderate.

The Norwegian hotel market in 2016
The Norwegian hotel market was affected by a four-week, nationwide strike in the spring of 2016, which contributed to the cancellation of travel and conferences in Norway.

In spite of the strike, the Norwegian hotel market developed positively and the number of overnight stays increased by 4% to 22.6 million. Measured in terms of total rooms, hotel capacity in Norway increased by 3% compared with 2015.

The average room rate increased by NOK 6 to NOK 903 million, while the average occupancy rate rose by 0.8 percentage points to 54.5%. The key figure RevPAR (revenue per available room) increased by 2% to NOK 492.

Segment	Share of total market in 2016	Change in number of overnight stays from 2015
Holiday and leisure market	52%	+6%
Individual business travellers	35%	+2%
Course and conference market	13%	+5%

The growth seen in Oslo and Akershus was on a par with the national average and RevPAR also increased by 2% in these markets.

The hotel market is divided into the following main segments:

Market risk in the hotels 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 general performance of the economy and the competitive situation in the market. Competition in the market is also related to the supply of new hotel capacity. Thanks to the increasing growth in the Norwegian economy, there is reason to expect a positive hotel market in 2017, with a higher number of overnight stays in both the holiday and leisure market and the business market.

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

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
The competition situation in the Nordic banking sector was stable in 2016, with credit margins and the willingness to lend unchanged.

The supply of liquidity in the Norwegian and Swedish capital markets steadily improved during the year and in 2016 the Group issued its first certificate in Sweden.

Interest rate developments
The short-term market interest rate in Norway (3-month NIBOR) fell until June, but had risen to 1.17% (1.13%) at year end. The long-term market interest rate (10-year swap) fell significantly the first half of the year, but had risen to 1.95% (1.86%) at 31 December 2016.

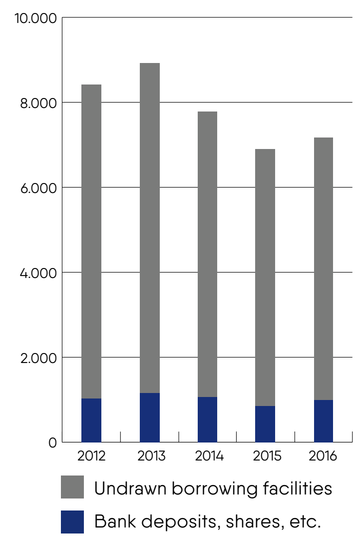
In Sweden, the short-term market interest rate (3-month STIBOR) fell throughout 2016 to -0.59% (-0.29%) at year end.

The long-term Swedish market interest rate (10-year swap) fell heavily until August, but then rose to 1.10% (1.66%) by year end.

The trend for market interest rates in the eurozone was downwards. The short-term market interest rate (3-month EURIBOR) fell to -0.32% (-0.13%) at the end of the year, while the long-term market interest rate (10-year swap) fell to 0.67% (1.00%).

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

CASH RESERVES
(NOK MILLIONS)



The credit margin indicated for new loans issued by the Group dropped during the year. At year end, the credit spread for Olav Thon Eiendomsselskap's 5-year secured bond issues was indicated at 0.90% (1.35%), while 12-month unsecured certificates were indicated at 0.50% (0.85%).

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.

The Group's financial risk
The Group's financial risk 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 discharge its payment and other 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 7,173 (6,892) million.

The debt portfolio had an average remaining term of 2.7 (3.1) years at the end of the year. 22% (14%) of debt is due within 1 year and the need for refinancing in the coming year will mainly be covered by existing cash reserves.

Interest rate and currency risk
Interest rate risk is associated with 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.

At the end of the year, the Group's average interest rate was 3.29% (3.63%) and the proportion of fixed-rate agreements longer than 1 year was 52% (58%).

The Group's interest- bearing debt amounts to NOK 32,163 (28,616) million and is distributed by currency as follows:

- NOK 77%, with an average interest rate of 3.78% (4.02%)
- SEK 20%, with an average interest rate of 1.5% (2.18%)
- EUR 3%, with an average interest rate of 2.27% (2.14%)

It is estimated that a change of 1 percentage point in short-term interest rates would result in a change in the average interest rate of approximately 0.5 percentage points in the space of 3-6 months. It is estimated that such an increase in interest rates would increase annual finance expenses by around 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
Growth in the Norwegian economy remains low, but higher growth is expected in 2017. The fall in oil prices is contributing to relatively weak growth prospects for the next few years and Norges Bank is indicating that interest rates will be kept low for a long time.

With growth in private consumption in Norway expected to rise moderately, the framework conditions for the Group's shopping centres are considered positive.

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. Thanks to the increasing growth in the Norwegian economy, there is reason to expect a positive outlook for the hotel market in 2017, with growth in both the holiday, leisure market and the business market.

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

Oslo, 26 April 2017

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/CEO

Øystein Trøseid
Board member

INCOME STATEMENT

		PARENT COMPANY		GROUP	
Figures in NOK millions	**Note**	**2016**	**2015**	**2016**	**2015**
Rental income		0	0	4,247	3,913
Room revenue		0	0	1,833	1,826
Sale of goods		0	0	1,843	1,758
Other operating income	2,5	0	0	2,249	1,887
Operating income		**0**	**0**	**10,172**	**9,383**
Cost of goods		0	0	-792	-782
Payroll costs	3	-1	0	-1,505	-1,495
Ordinary depreciation	7	0	0	-735	-659
Write-downs	7	0	0	-98	-20
Other operating expenses	3,4,5	-1	-1	-4,267	-3,758
Operating expenses		**-2**	**-1**	**-7,397**	**-6,715**
Operating profit		**-2**	**-1**	**2,775**	**2,668**
Share of profits of associated companies		0	0	-44	41
Financial income	6	130	244	231	92
Financial expenses	6	-3	-3	-1,178	-1,134
Net financial items		**127**	**241**	**-991**	**-1,001**
Profit before tax		**125**	**240**	**1,784**	**1,667**
Taxes	15	-1	-2	-366	-272
Profit for the year		**124**	**238**	**1,418**	**1,395**
Attributable to:					
Shareholders of the parent company	17			1,164	1,158
Non-controlling interests	17			255	237

BALANCE SHEET AT 31 DEC

		PARENT COMPANY		GROUP	
Figures in NOK millions	Note	2016	2015	2016	2015
ASSETS					
Intangible assets	7	0	0	51	38
Deferred tax asset	15	0	0	0	97
Fixed assets	7	0	0	47,582	42,993
Investments in subsidiaries	1	366	366	0	0
Other financial assets	8	0	0	574	711
Total non-current assets		366	366	48,207	43,839
Inventories	9	0	0	670	379
Trade and other receivables	5,10,14	854	796	2,248	1,746
Investments	11	0	0	24	24
Bank deposits and cash		0	0	905	777
Total current assets		854	796	3,847	2,925
Total assets		**1,219**	**1,162**	**52,054**	**46,764**
EQUITY AND LIABILITIES					
Share capital	16,17	410	410	410	410
Other paid-in capital		86	86	0	0
Other equity	17	366	342	12,167	11,086
Non-controlling interests	17	0	0	1,980	1,886
Total equity		861	838	14,557	13,382
Deferred tax	15	0	0	1,980	1,768
Other liabilities		0	0	1	2
Non-current liabilities	12,18	0	30	28,830	26,139
Current liabilities	13,14,15	358	294	6,685	5,473
Total liabilities		358	324	37,497	33,382
Total equity and liabilities		**1,219**	**1,162**	**52,054**	**46,764**

Oslo, 26 April 2017

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/CEO

Øystein Trøseid
Board member

CASH FLOW ANALYSIS

	PARENT COMPANY		GROUP	
Figures in NOK millions	**2016**	**2015**	**2016**	**2015**
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	125	240	1,784	1,667
Income tax paid	-2	-2	-177	-282
Share of results of associated companies	0	0	44	-41
Change in pension funds	0	0	-1	10
Losses/(- gains) on sale of non-current assets	0	0	122	-35
Ordinary depreciation	0	0	730	659
Write-downs	0	0	104	20
Changes in inventories	0	0	-292	-150
Changes in trade receivables	0	0	-100	-466
Changes in trade payables	0	0	123	58
Changes in other accruals	-43	-125	209	104
Net cash flow from operating activities (A)	**80**	**113**	**2,546**	**1,544**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets and intangible assets	0	0	-2,711	-1,441
Net payments on acquisition of subsidiaries and joint ventures	0	0	-2,847	-1,605
Sale of fixed assets and intangible assets	0	0	15	24
Net proceeds from acquisition of subsidiaries and joint ventures	0	0	140	46
Net cash flow from other investments	0	0	14	105
Net cash flow from investing activities (B)	**0**	**0**	**-5,389**	**-2,871**
CASH FLOW FROM FINANCING ACTIVITIES				
New interest-bearing debt	0	0	16,279	10,425
Repayment of interest-bearing debt	-30	-50	-12,994	-9,533
Dividends paid	-50	-50	-117	-118
Net effect of other changes in equity	0	-13	-180	280
Net cash flow from financing activities (C)	**-80**	**-113**	**2,987**	**1,054**
Net effects of exchange rate changes (D)	**0**	**0**	**-17**	**36**
Net change in cash flow (A+B+C+D)	**0**	**0**	**128**	**-236**
Bank deposits and cash at 1 Jan	0	0	777	1 013
Bank deposits and cash at 31 Dec	0	0	905	777
Undrawn overdrafts and other credit facilities	0	0	6,471	6,347