



**OLAV THON**  
EIENDOMSSKAP ASA

ANNUAL REPORT 2014

## OLAV THON EIENDOMSSKAP IN BRIEF

### HISTORY

Olav Thon Eiendomsselskap ASA was established in 1982, and the company's shares were admitted to trading on the Oslo Stock Exchange in 1983.

The company has undergone significant growth since 1982, with the annual rental value for the company's properties increasing from NOK 27 million originally to NOK 2,320 million at the start of 2015.

The company's market capitalisation has risen from NOK 200 million to NOK 13.4 billion during the same period.

Since the early 1990s, the main focus area has been shopping centre property in Norway, and Olav Thon Eiendomsselskap is currently the largest Norwegian shopping centre player.

In 2014, the Group invested in shopping centre property in Sweden, which meant that Olav Thon Eiendomsselskap was also positioned as a major player in the Swedish shopping centre market.

The company is part of the Olav Thon Group, which is Norway's largest private property player and one of Norway's largest hotel operators. The Olav Thon Group is owned by the Olav Thon Foundation.

### MAIN STRATEGY: ACQUIRE, DEVELOP AND OWN

The company's strategy is to acquire, develop and own properties in central and attractive locations. The company invests in properties with development potential within various property segments.

The company aims to realise the development potential of the property portfolio through active further development, effective management and satisfied tenants.

In a capital-intensive industry, it is important for the company to have an unconditional and strong financial position.

The combination of a high current returns on the properties and value creation as a result of active property development is expected to help maximise growth in value in both the short and long term.

### BUSINESS GOALS

The overall goal for Olav Thon Eiendomsselskap's business is to achieve maximum growth in equity per share so that shareholders will achieve a long-term return that is competitive with comparable investment alternatives.

### BOARD AND SENIOR MANAGEMENT

Olav Thon, Chairman of the Board  
Kristian Leer-Salvesen, Board Member  
Sissel Berdal Haga, Board Member  
Stig O. Jacobsen, Board Member  
Line Norbye, Board Member  
Dag Tangevald-Jensen, CEO

ACQUIRE,  
DEVELOP  
AND OWN



## HIGHLIGHTS 2014

- > Profit before tax was NOK 1,562 million.
- > Profit before tax and value adjustments increased by 14% to NOK 1,280 million.
- > The company's shares were split into 10 and listed at a new nominal value from 11 June 2014.
- > The share price rose by 17% to a closing price of NOK 125.5, which meant that the shares gave a total return (including dividend) of 19%.
- > Equity per share increased by 8% to NOK 131. The triple net asset value per share (EPRA NNNNAV) increased by 8% to NOK 164.
- > Olav Thon Eiendomsselskap positioned itself as a major player in the Swedish shopping centre market by purchasing a property portfolio of five shopping centres in Sweden.
- > The Group's net investments in 2014 amounted to NOK 3,934 million.
- > The value of the Group's property portfolio increased by 18% to NOK 34,661 million, while the annual rental value for the property rose by 15% to NOK 2,320 million. The vacancy rate in the property portfolio was 2.7% at the end of the year.
- > Sales for shopping centres owned by the Group increased by 13% to NOK 44.7 billion. At the end of the year, the Group had 66 shopping centres and managed 26 shopping centres for external owners.
- > Interest-bearing debt increased by 21% to NOK 16.7 billion and the loan to value ratio increased by 1 percentage point to 47%. The Group's average interest rate fell by 0.67 percentage points to 3.95%.



# KEY FIGURES

	<b>31 December 2014</b>	31 December 2013
NOK millions		
Net rental income	<b>1 883</b>	1 759
Fair value adjustments, investment properties and interest rate derivatives <sup>1)</sup>	<b>281</b>	957
Profit before tax	<b>1 562</b>	2 085
Profit before tax and fair value adjustments <sup>1)</sup>	<b>1 280</b>	1 128
Equity per share (NOK)	<b>131</b>	122
Equity ratio	<b>36%</b>	39%
Non-current net asset value per share (NOK) (EPRA NNAV) <sup>2)</sup>	<b>164</b>	151
Liquidity reserve <sup>3)</sup>	<b>3 941</b>	4 042
Amortisation next 12 months	<b>3 936</b>	5 131
Net cash flow from operations <sup>4)</sup>	<b>1 038</b>	924
Interest-bearing debt	<b>16 650</b>	13 733
Interest rate, 31 December	<b>3.95%</b>	4.62%
Loan to value ratio <sup>5)</sup>	<b>47%</b>	46%
Net investments	<b>3 934</b>	1 176
Carrying amount of investment property	<b>34 661</b>	29 327
Annual rental income	<b>2 320</b>	2 010
Net yield	<b>5.91%</b>	6.11%
Sales, owned shopping centres	<b>44 718</b>	38 908
Sales, managed shopping centres	<b>10 715</b>	10 858
Share price, 31 December (NOK)	<b>125.5</b>	107.0

Changes to accounting policies etc. mean that some figures differ from those presented in previous interim and annual reports.

<sup>1)</sup> Including value adjustments in joint ventures and associated companies.

<sup>2)</sup> EPRA, European Public Real Estate Association, is an organisation for listed property companies and investors in Europe, which prepares recommendations for financial reporting. This report uses EPRA NNAV, which indicates the net asset value (majority share of equity) per share. This is calculated as majority share of equity + deferred tax liabilities - fair value of debt (deferred tax 8 %).

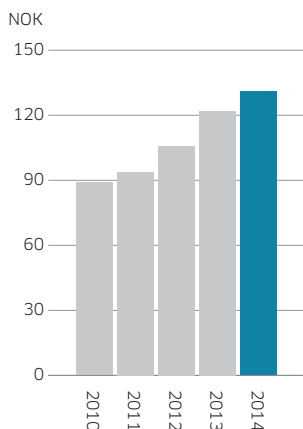
<sup>3)</sup> Bank deposits etc. + Undrawn borrowing facilities.

<sup>4)</sup> Net cash flow from operating activities - Change in operating-related accruals - Difference between interest expensed and interest paid.

<sup>5)</sup> (Interest bearing debt - Bank deposits etc)/Book value of investment property

# BOARD OF DIRECTORS' REPORT 2014

## Equity per share



Olav Thon Eiendomsselskap was able to report another year of solid results in 2014, with growth in rental income and stable financial expenses.

The highlights of the Group's annual report are as follows:

- > Gross rental income amounted to NOK 2,092 (1,922) million, while net rental income was NOK 1,883 (1,759) million.
- > Fair value adjustments to investment properties and interest rate derivatives (including joint ventures and associated companies) amounted to NOK 281 (957) million.
- > Profit before tax amounted to NOK 1,562 (2,085) million.
- > Net cash flow from operations was NOK 1,038 (924) million.
- > Equity per share increased by 8% to NOK 131 (122) in 2014, while the equity ratio was 36% (39%) at the end of the year.
- > The Group's liquidity reserve ended the year at NOK 3,941 (4,042) million.

## THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies have been applied consistently to all periods presented.

The new standard IFRS 11 Joint Arrangements has been implemented in the consolidated financial statements with effect from 2014. More information can be found in note 32 to the consolidated financial statements in Norwegian.

The Board of Directors confirms fulfilment of the conditions for the going concern assumption in accordance with the requirements of the Norwegian Accounting Act.

No events have occurred after the reporting date that would significantly affect the assessment of the Group's position and results at 31 December 2014.

## SUMMARY OF STATEMENT OF FINANCIAL POSITION AND INCOME

### Statement of financial position, 31 December 2014

The Group's total assets were NOK 38,880 (33,165) million, with investment properties accounting for NOK 34,661 (29,327) million of the figure.

Total equity was NOK 14,035 (13,067) million, while the equity ratio was 36% (39%).

Equity per share (majority share) was NOK 131 (122). The triple net asset value per share was calculated at NOK 164 (151) (EPRA NNNNAV) 1).

The Group's interest-bearing debt amounted to NOK 16,650 (13,733) million.

The loan to value ratio, which shows net interest-bearing debt in relation to property values, was 47 % (46%).

### Earnings for 2014

The Group's operating profit amounted to NOK 3,233 (2,548) million. The improvement is largely due to a fair value increase of NOK 1,343 million in the property portfolio, compared with NOK 698 million in 2013.

Profit before tax for the year was NOK 1,562 (2,085) million, and after provisions for taxes, profit for the year was

<sup>1)</sup> See page 4 for definitions.

NOK 1,172 (1,744) million. The decline is largely due to fair value adjustments to interest rate derivatives of NOK -1,050 (+177) million.

Comprehensive income was NOK 1,188 (1,744) million.

Profit before tax and fair value adjustments 1) amounted to NOK 1,280 (1,128) million.

#### RENTAL INCOME AND PROPERTY-RELATED EXPENSES

The Group's rental income was NOK 2,092 (1,922) million, with the increase from the previous year being due to completed property projects, purchases of new properties and general increase in rents.

Other property income amounted to NOK 748 (688) million and was largely related to payments from the Group's tenants to cover property service charges.

Property-related expenses amounted to NOK 957 (851) million, including the above-mentioned service charges of NOK 679 (627) million, which meant that the Group's net rental income was NOK 1,883 (1,759) million.

#### FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTIES

A net upward adjustment of NOK 1,343 (698) million was made to the fair value of the Group's investment properties in 2014. The increased market value of the Group's properties is mainly attributable to a decrease in the properties' net yield.

#### SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of results of joint ventures and associated companies amounted to NOK 113 (155) million.

Condensed income statements and balance sheets for joint ventures and associated companies can be found in notes 3 and 4 to the consolidated financial statements for 2014 in Norwegian.

#### OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to NOK 164 (172) million, the majority of which was income from property management for external owners and sales revenue from other activities.

Other operating and administrative expenses and scheduled depreciation amounted to NOK 272 (235) million. The increase from the previous year is largely due to the Group's growth.

#### FINANCIAL INCOME AND EXPENSES

The Group's financial expenses amounted to NOK 659 (661) million. A decline in the Group's average interest rate has contributed to financial expenses being in line with the previous year, even with increased interest bearing debt.

Financial income amounted to NOK 38 (22) million. The increase from 2013 is due to an exchange gain of NOK 22 million related to property acquisitions in Sweden.

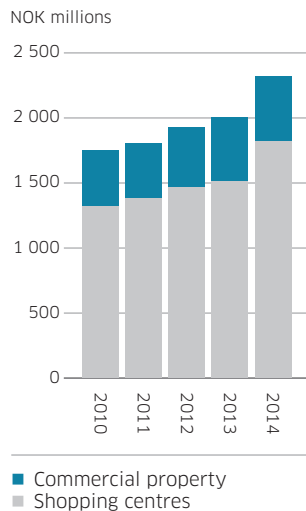
Net financial expenses before fair value adjustments to interest rate derivatives were NOK 621 (639) million.

The average interest rate for 2014 was 4.3% (4.6%).

The value of the Group's interest rate derivatives fell by NOK 1,050 (+177) million following a decline in long-term interest rates of about 1.5 percentage points.

Consequently, total financial expenses were NOK 1,671 (462) million.

## Annual rental income



## Cash flow and liquidity

Net cash flow from operations in 2014 was NOK 1,038 (924) million.

Changes in working capital amounted to NOK 144 (-272) million, resulting in net cash flow from operating activities of NOK 1,182 (652) million. Net cash flow from investing activities was NOK -3,934 (-1,176) million, while financing activities generated NOK 2,743 (321) million.

Consequently, the Group's cash and cash equivalents declined by NOK 8 (-203) million in 2014.

The Group's liquidity reserve amounted to NOK 3,941 (4,042) million at the end of the year.

The liquidity reserve consisted of short-term investments of NOK 283 (291) million and undrawn long-term credit facilities of NOK 3,658 (3,751) million.

## PARENT COMPANY ACCOUNTS AND DISTRIBUTION OF PROFIT FOR THE YEAR

The parent company Olav Thon Eiendomsselskap ASA's accounts have been prepared in accordance with Norwegian accounting rules (NGAAP).

The parent company's operating income amounted to NOK 886 (874) million, while profit before tax was NOK 181 (104) million.

Profit after tax for the year was NOK 133 million (-8).

The Board of Directors recommends that the parent company's profit for the year be distributed as follows:

Dividend, NOK 1.60 per share	NOK 170.3 million
Transferred from other equity	NOK -37.8 million
	NOK 132.6 million
Allocated net profit	

The book value of the parent company's assets was NOK 17,726 (11,037) million at the end of the year.

Book equity was NOK 1,018 (1,055) million and the equity ratio was 6% (10%).

## PROPERTY OPERATIONS

### The property portfolio as at 31 December 2014

At the end of the year, the value of the property portfolio was estimated at NOK 34,661 (29,327) million, based on an average net yield of 5.91% (6.11%).

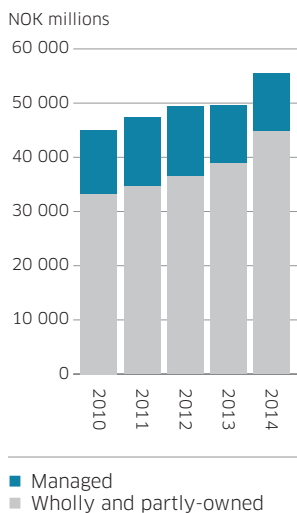
The property portfolio is divided into the following property segments:

SEGMENT	VALUE	NET YIELD
Shopping centres	79%	5,85%
Other commercial property	21%	6,15%

Investment property is carried at fair value (market value). Information on the valuation model and the variables used in the valuations can be found in note 16 to the 2014 consolidated financial statements.

The annual rental value of the property portfolio increased by NOK 310 to NOK 2,320 million in 2014. The increase is mainly attributable to new properties, although completed property projects and a general increase in rents also contributed to the increase.

## Shopping centre sales



### SHOPPING CENTRES

At the end of the year, the shopping centre portfolio comprised 92 shopping centres, 26 of which are managed for external owners.

The market position in the Norwegian shopping centre market is strong, and the portfolio includes Norway's two largest shopping centres, and as many as six of the country's ten largest shopping centres in 2014.

### SHOPPING CENTRES OWNED BY THE GROUP Norway

The rental value for shopping centre properties increased by 19% to NOK 1,822 million in 2014. Retail sales for the shopping centres increased by 6% to NOK 41.4 billion.

In line with the general trend in the Norwegian retail sector, growth in sales showed an upward trend throughout the year. Organic growth in sales during 2014 was 3.5%.

### Sweden

As previously mentioned, the Group signed an agreement in June to purchase a property portfolio containing five shopping centres in Sweden. The shopping centres were taken over in Q3 and their retail sales for the full year 2014 were SEK 3.6 billion.

### COMMERCIAL PROPERTY

The rental value of the Group's commercial property (excluding shopping centre property) increased by 4% to NOK 498 million in 2014.

Further information on property operations can be found on the company's website [www.olt.no](http://www.olt.no).

### Investments

The Group's net investments in 2014 amounted to NOK 3,934 (1,176) million

and concerned property acquisitions, investments in property projects under construction and upgrading of the existing property portfolio.

### MAJOR PROPERTY ACQUISITIONS

In 2014, the Group established itself as a major player in the Swedish shopping centre market by purchasing a property portfolio consisting of the following five shopping centres:

- > Sollentuna, Stockholm
- > Mitt i City, Karlstad
- > Mirum, Norrköping
- > Etage, Trollhättan
- > Familia, Hyllinge

The shopping centres have a total retail space of approx. 122,000 sq. m. and were taken over in Q3.

In addition, an agreement was signed in Q4 for the purchase of a property with retail space of 10,000 sq. m. in Överby in Trollhättan, Sweden. The property is in close proximity to the above-mentioned Etage shopping centre and takeover is scheduled for the first half of 2015.

In close proximity to Norway's third-largest shopping centre, Amfi Moa in Ålesund, the Group has acquired properties with lettable space of 8,000 sq. m. and has entered into a further agreement to purchase a plot of 13,000 sq. m.

In 2014, the Group's ownership share in the Amfi Geilo shopping centre increased from 50% to 100%.

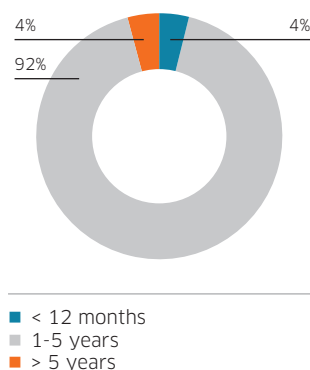
### PROPERTY DEVELOPMENT

Property development is a significant part of the Group's operations and there was a high level of activity in this area in 2014.

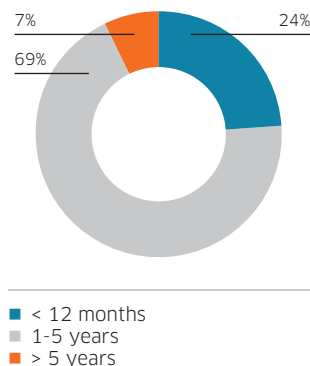
Five wholly and partly-owned shopping centres were upgraded and extended



### Credit facilities



### Repayment structure



during the year, resulting in approx. 38,000 sq.m. of new retail space as well as substantial parking space.

In addition, a warehouse/office building in Gardermoen Park was also extended. Conversion and extension work was carried out on a further five shopping centres and three properties at the beginning of 2015.

Further information on the Group's projects can be found on the company's website [www.olt.no](http://www.olt.no).

### FINANCING

The Group's debt portfolio consists of long-term credit facilities set up with Nordic banks and direct loans from the Norwegian capital market.

There was very good access to financing in the banking and capital markets in 2014, with credit spreads declining significantly in both of these markets.

Total loans and credit facilities were NOK 20,309 (17,483) million at the end of the year, and NOK 3,658 (3,751) million of this amount was undrawn.

The debt had an average remaining term of 3.3 (3.6) years, with 24% (38%) due for repayment within 1 year.

The Norwegian capital market has become an increasingly important source of financing, and an increasing proportion of the Group's financing comes directly from the capital market.

Outstanding commercial paper and bonded debt totalled NOK 7,380 (5,015) million at the end of the year.

Further information on financial matters can be found on the company's website [www.olt.no](http://www.olt.no).

### ORGANISATION AND WORKING ENVIRONMENT

Olav Thon Eiendomsselskap is a workplace that practises equality and does not tolerate 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 the general working environment to be satisfactory.

At the end of 2014, there were 380 (381) FTEs in the Group. 42% of the Group's employees are women and 58% are men.

The company's Board of Directors consists of two women and three men.

Sickness absence in 2014 was 3.5% (3.7%).

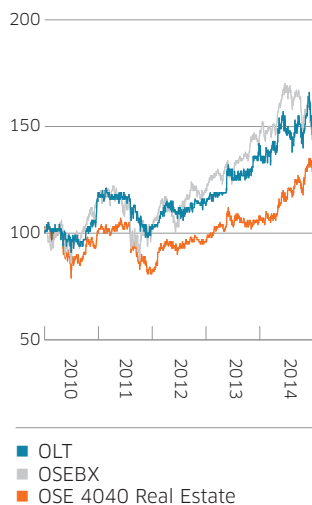
There were no significant operational-related injuries or accidents during the period. No deficiencies in other areas of employee safety or the working environment have been identified.

### ENVIRONMENTAL STATUS

The Group's pollution of the external environment is minimal. 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 is a natural and integral part of Olav Thon

### Share price and index development last 5 years



Eiendomsselskap's operations.

Emphasis is placed on environmentally friendly measures in the Group's own activities and tenants' use of the properties.

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

This means that many specific environmental measures have been implemented. These include waste reduction, environmentally responsible waste management and significant energy savings.

As Olav Thon Eiendomsselskap manages a substantial property portfolio, it has an influence on the local environment in which the properties are situated. Major contributions to the development of public space are made through refurbishment, maintenance and new construction.

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

### CORPORATE SOCIAL RESPONSIBILITY

Olav Thon Eiendomsselskap follows the Olav Thon Group's guidelines on corporate social responsibility.

The Olav Thon Group is a member of the UN Global Compact, and works systematically in the areas of human rights, working conditions, environment, anti-corruption and social responsibility.

This work is followed up through goals and measures within the Global Reporting Initiative (GRI) framework and is documented in an annual corporate social responsibility report.

Further information on corporate social responsibility work can be found on the company's website [www.olt.no](http://www.olt.no).

### CORPORATE GOVERNANCE

Olav Thon Eiendomsselskap aims to maintain a high level of confidence among investors, lenders, tenants and society in general, and therefore strives to achieve good corporate governance.

Governance of the company is based on the principles contained in the Norwegian Code of Practice for Corporate Governance issued by NUES (the Norwegian Corporate Governance Board).

A supplementary report on corporate governance can be found on the company's website [www.olt.no](http://www.olt.no).

The Board of Olav Thon Eiendomsselskap ASA held five meetings in 2014.

### SHARES AND SHAREHOLDERS

#### Share price development

The price of the Olav Thon Eiendomsselskap share increased by 17% in 2014, with a closing price of NOK 125.5 on 30 December 2014.

The company's shares therefore generated a total return (including dividend) of 19% in 2014, while the main index of the Oslo Stock Exchange rose by 5%.

At the end of the year, Olav Eiendomsselskap ranked among the Nordic region's largest listed property companies, with a market capitalisation of 13.4 billion.

#### Share split and share turnover

After a resolution adopted by the company's annual general meeting in May, the company's shares were split into 10 and listed at a new nominal value from 11 June 2014.

A total of 3,987 (2,025) trades of the Olav Thon Eiendomsselskap share were conducted in 2014. The highest and lowest prices in 2014 were NOK 129 (110) and NOK 100 (88).

#### **Dividend**

At the annual general meeting in May, it was decided to pay a dividend of NOK 1.40 per share (NOK 14 per share before the split) for 2013.

The Board proposes that the dividend will be increased to NOK 1.60 per share for 2014.

Further information on shares and shareholders can be found on the company's website [www.olt.no](http://www.olt.no).

#### **OLAV THON EIENDOMSSKAP'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 market.

The Norwegian property market is affected by macroeconomic factors in Norway and general demand for commercial property as an investment object.

Changes in the market's yield used in the sale of property and market rents for the properties have a direct effect on property values .

#### **THE COMMERCIAL PROPERTY MARKET**

Growth in the Norwegian economy is slowing and Norway now finds itself in a recession.

In spite of slower growth in the Norwegian economy, 2014 was another good year for commercial property. Among the reasons were significantly better access to external capital and considerably lower market interest rates.

#### The rental market

Rental prices for shopping centres showed a largely stable trend.

The main trend for the Oslo office rental market was stable market rental levels, but a slight increase in the vacancy rate.

For the last three years as a whole, office rental prices in the Oslo area have increased by about 20-30%, with the highest price growth in the most central office areas.

#### The transaction market

The total transaction volume in the Norwegian market for commercial property (with a value over NOK 50 million) increased by approx. 25% to NOK 55 billion during the year. There was strong demand for commercial property as an investment object from both Norwegian and international investors.

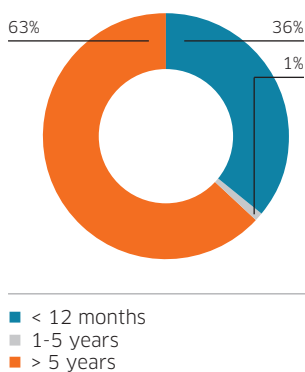
Prices showed an increasing tendency and commercial property within most segments showed an increase in value.

The main factor behind the increase was a declining yield, primarily due to lower market interest rates.

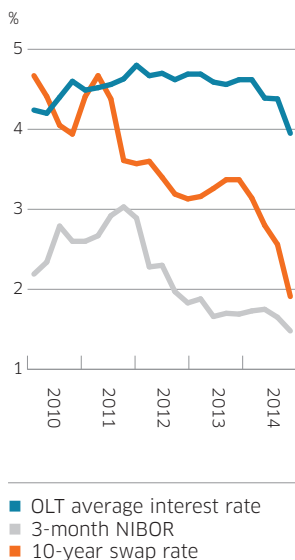
#### **THE GROUP'S MARKET RISK**

Shopping centres, primarily in the large towns and cities of Norway, generate 79% of the Group's rental income. A significant proportion of the tenants are international and national retail chains, and the lease contracts have a balanced maturity structure.

### Interest rate maturity structure



### Interest rates last 5 years



Norway's growth in private consumption remained low in 2014, although the Norwegian retail sector showed an upward trend throughout the year. The Group's owned shopping centres reported sales growth in excess of general growth in the retail sector.

Growth in private consumption in Norway and Sweden is expected to remain stable or increase moderately in the future. The framework conditions for the Group's shopping centre properties are therefore considered positive.

21% of 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 in various sectors, and the lease contracts in this segment also have a balanced maturity structure.

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

A sensitivity analysis of what effects any changes to the yield and rental income would have on property values and the equity ratio can be found in note 16 to the consolidated financial statements in Norwegian and on the company's website [www.olt.no](http://www.olt.no).

### Financial risk

The largest financial risk for Olav Thon Eiendomsselskap concerns the Group's access to financing and the price of such financing in the banking and capital markets.

The price of financing is dependent on short-term and long-term market interest rates and the specific credit margin the Group has to pay. The credit margin is related to the Group's credit rating

and general credit supply and demand.

### INTEREST RATES

Both short-term and long-term market interest rates fell in 2014. The short-term market rate (3-month NIBOR) fell to 1.48% (1.69%), while the long-term market rate (10-year swap) fell to 1.91% (3.37%).

### THE CREDIT MARKET

The indicated credit margin for Olav Thon Eiendomsselskap's 5-year bond loans fell to 0.65% (1.15%), while the credit margin for 12-month commercial papers fell to 0.35% (0.45%).

### THE GROUP'S FINANCIAL RISK

Financial risks can be divided into:

- > Liquidity risk
- > Interest rate risk
- > 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 liquidity reserves, a moderate loan-to-value ratio, long-term loan agreements and different financing sources and markets.

The Group's liquidity reserve was NOK 3,941 (4,042) million at the end of the year and consisted of short-term investments of NOK 283 (291) million and undrawn long-term credit facilities of NOK 3,658 (3,751) million.

The debt portfolio had an average residual maturity of 3.3 (3.6) years at the end of the year. 24% (38%) of debt is due within one year, and the refinancing requirement will be covered for the most part by existing liquidity reserves.

Interest rate risk

Interest rate risk is associated with changes in the Group's cash flow, earnings and equity as a result of interest rate 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 interest rates.

The average fixed-interest period was 5.0 (5.2) years at the end of the year and the average interest rate for the Group's portfolio of loans and interest rate derivatives was 3.95% (4.62%).

The Group's financial instruments (interest rate swaps) are recognised at fair value at the reporting date.

Interest rate swaps are primarily used to hedge the Group's long-term fixed interest rates and ensure a predictable cash flow.

If the agreed fixed interest rate deviates from the market interest rate on the reporting date, the resulting change in value is recognised as income or expense in the income statement.

At the end of the quarter, the Group's portfolio of interest rate swaps entered into for this purpose was NOK 10,625 (10,150) million and had a fair value of NOK -2,154 (-1.102) million.

It is estimated that a change of 1 percentage point in long-term interest rates would change the fair value of the interest rate swaps by approx. NOK 750-800 million.

Further information on the Group's financial conditions can be found on the company's website [www.olt.no](http://www.olt.no).

Currency risk

Following the acquisition of the property portfolio in Sweden, Olav Thon Eiendomsselskap is exposed to financial risk associated with the NOK/SEK exchange rate. Both earnings and equity in the Swedish subsidiaries are affected by the exchange rate, as the consolidated financial statements are presented in Norwegian kroner.

Olav Thon Eiendomsselskap seeks to reduce the currency risk through foreign currency borrowing and currency hedging agreements.

Credit risk

The Group's credit risk is primarily linked to the risk of losses as a result of tenants' failure to pay the agreed rent.

The properties are leased to a large number of tenants from various sectors, and good practices have been established in connection with signing and monitoring leases.

In recent years, the Group has had relatively low losses on lease claims, and the risk of the Group incurring substantial losses due to payment defaults by tenants is considered moderate.

**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 is slowing and Norway has entered an economic downturn. As a result of the sharp decline in oil prices, there is reason to expect continued low growth over the next few years. This prompted Norges Bank to lower its key policy rate by 0.25 percentage point to 1.25 % in December 2014 and market analysts believe that the central bank will cut the rate further.

In Sweden, the private economic outlook is considered relatively good, although the Swedish Central Bank has set its key policy rate down at -0.10%.

The Norwegian retail sector has shown a rising trend through 2014.

Growth in private consumption in Norway is expected to remain stable or increase moderately in the future. The framework conditions for the Group's shopping centres are therefore considered positive.

The vacancy rate in the Oslo area office market is showing a slightly rising tendency, while rental prices are showing a stable or slightly falling trend. There is also reason to expect that the trend will continue in the period ahead.

The Board considers that the Group's solid market position in the property market and its strong financial position will contribute to a satisfactory financial performance in the period ahead.

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# STATEMENT OF COMPREHENSIVE INCOME

## GROUP

	Note	2014	2013
(NOK millions)			
Rental income	1, 16, 29, 30	2 092	1 922
Other property-related income	1, 6, 16	748	688
Property-related expenses	8, 9, 16, 29, 30	-957	-851
<b>Net rental income</b>		<b>1 883</b>	<b>1 759</b>
Fair value adjustments, investment property	16	1 343	698
Share of results of joint ventures and associated companies	4	113	155
Other operating income	7	164	172
Other operating expenses	8, 10	-151	-128
Administrative expenses	8, 11	-107	-95
Depreciation		-14	-12
<b>Operating profit</b>		<b>3 233</b>	<b>2 548</b>
Financial income	12	38	22
Fair value adjustments, interest rate derivatives	14	-1 050	177
Financial expenses	13	-659	-661
<b>Profit before tax</b>		<b>1 562</b>	<b>2 085</b>
Change in deferred tax	26	-233	-223
Income tax payable	26	-157	-118
<b>Tax</b>		<b>-389</b>	<b>-341</b>
<b>Profit for the year before other comprehensive income</b>		<b>1 172</b>	<b>1 744</b>
Exchange differences, foreign operations		16	0
<b>Comprehensive income</b>		<b>1 188</b>	<b>1 744</b>
<b>Attributable to:</b>			
Shareholders		1 186	1 711
Non-controlling interests		2	33
Earnings per share (NOK)	28	11.14	16.07
Earnings per share, diluted (NOK)	28	11.14	16.07

# STATEMENT OF FINANCIAL POSITION

## GROUP

	Note	2014	2013
(NOK millions)			
<b>ASSETS</b>			
Deferred tax asset	26	668	319
Investment properties	16	34 661	29 327
Property, plant & equipment	15	86	64
Investments in joint ventures and associated companies	4	2 572	2 556
Other financial assets	17, 29	179	212
<b>Total non-current assets</b>		<b>38 166</b>	<b>32 479</b>
Trade and other receivables	18	431	395
Bank deposits, cash and cash equivalents	19	283	291
<b>Total current assets</b>		<b>714</b>	<b>686</b>
<b>Total assets</b>		<b>38 880</b>	<b>33 165</b>
<b>EQUITY AND LIABILITIES</b>			
Majority share of equity	21	13 920	12 935
Non-controlling interests		115	132
<b>Total equity</b>		<b>14 035</b>	<b>13 067</b>
Deferred tax	26	5 034	4 468
Non-current liabilities	20, 21, 22, 23	14 674	8 494
Current liabilities	24, 25, 29	5 137	7 135
<b>Total liabilities and debt</b>		<b>24 845</b>	<b>20 098</b>
<b>Total equity and liabilities</b>		<b>38 880</b>	<b>33 165</b>



# CASH FLOW STATEMENT

## GROUP

	Note	2014	2013
(NOK millions)			
Profit before tax		1 562	2 085
Fair value adjustments, investment property		-1 343	-698
Fair value adjustments, interest rate derivatives		1 050	-177
Expensed interest	13	-642	-641
Interest paid		635	644
Share of results of associated companies	4	-113	-155
Income tax paid		-124	-148
Depreciation	15	14	12
Change in operating-related accruals		144	-272
<b>Net cash flow from operating activities</b>		<b>1 182</b>	<b>652</b>
Proceeds from sale of property, plant & equipment	16	2	80
Purchase of investment properties and property, plant & equipment	15, 16	-866	-651
Proceeds from other investments		81	10
Other investments	5	-3 151	-614
<b>Net cash flow from investing activities</b>		<b>-3 934</b>	<b>-1 176</b>
Proceeds from interest-bearing liabilities	23	11 898	5 135
Repayment of interest-bearing liabilities	23	-9 006	-4 684
Dividends paid	27	-149	-130
<b>Net cash flow from financing activities</b>		<b>2 743</b>	<b>321</b>
Net change in cash and cash equivalents		-8	-203
Cash and cash equivalents, 1 January	19	291	494
<b>Cash and cash equivalents, 31 December</b>	19	<b>283</b>	<b>291</b>
Unutilised overdrafts and other credit facilities		3 772	3 775

# STATEMENT OF CHANGES IN EQUITY

## GROUP

		Attributable to shareholders of the parent company			Non-controlling interests	Total
		Share capital	Share pre- mium reserve	Retained earnings		
(NOK millions)						
	Note					
<b>Equity, 31 December 2012</b>		<b>106</b>	<b>318</b>	<b>10 874</b>	<b>253</b>	<b>11 552</b>
Comprehensive income				1 711	33	1 744
Dividend				-131		-131
Acquisition of non-controlling interests	5			56	-154	-98
<b>Equity, 31 December 2013</b>		<b>106</b>	<b>318</b>	<b>12 510</b>	<b>132</b>	<b>13 067</b>
Comprehensive income				1 186	2	1 188
Dividend				-149		-149
Acquisition of non-controlling interests	5			-52	-19	-71
<b>Equity, 31 December 2014</b>		<b>106</b>	<b>318</b>	<b>13 496</b>	<b>115</b>	<b>14 035</b>

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