ANNUAL REPORT 2017

OLAV THON
EIENDOMSSELSKAP ASA

OLAV THON EIENDOMSSELSKAP IN BRIEF

HISTORY
Olav Thon Eiendomsselskap ASA was founded in 1982 and its shares were listed on the Oslo Stock Exchange in 1983.

The company has grown significantly since its start-up, with its annual rental income from properties having risen from NOK 27 million originally to NOK 2,910 million at the start of 2018. In the same period, the company's market capitalisation has increased from NOK 200 million to NOK 17,4 billion.

Since the early 1990s, its main focus area has been shopping centre properties and Olav Thon Eiendomsselskap is today the largest shopping centre actor in Norway and also an important 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 (Thon Hotels). The Olav Thon Group is owned by the Olav Thon Foundation.

MAIN STRATEGY:
ACQUIRE – DEVELOP – OWN
The company's strategy is to invest in properties with development potential within various property segments.

The company aims to realise the development potential of the property portfolio through active 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 return on the property portfolio and value creation through active property development is expected to help maximise growth in value in both the short- and long-term.

BUSINESS OBJECTIVES
The overall goal for Olav Thon Eiendomsselskap's business is to achieve maximum growth in equity per share so that shareholders 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

HIGHLIGHTS 2017

> Profit before tax amounted to NOK 4,193 million.

> Profit before tax and fair value adjustments increased by 19% to NOK 1,755 million.

> The share price rose by 2% to NOK 163 and provided a total return (inclusive of the dividend) of 3%.

> Equity per share increased by 16% to NOK 228 and the "long-term net asset value per share" increased by 15% to NOK 276.

> The Group's net investments amounted to NOK 1,875 million.

> The value of the Group's property portfolio increased by 8% to NOK 51,435 million, while rental income level increased by 2% to NOK 2,910 million.

> Retail sales in the shopping centre portfolio owned by the Group increased by 1% to NOK 50.8 billion. At year end, the portfolio consisted of 68 wholly and partly owned shopping centres and 30 shopping centres that are managed for external owners.

> As far as finance is concerned, interest-bearing debt increased by 2% to NOK 21,713 million, while the loan to value ratio fell by 2% to 42%. The Group's average interest rate fell by 0.26 percentage points to 2.98%.


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KEY FIGURES

(Figures in NOK millions)	**31.12.17**	31.12.16
Net rental income	**2 460**	2 243
Fair value adjustments in investment properties and interest rate derivatives [1]	**2 438**	2 984
Profit before taxes	**4 193**	4 465
Profit before tax and fair value adjustments [1]	**1 755**	1 481
Equity per share (NOK)	**228**	197
Equity ratio	**44%**	41%
Non-current net asset value per share (NOK) [2]	**276**	240
Net cash flow from operations	**1 635**	1 350
Cash reserves [3]	**8 137**	4 950
Amortisation next 12 months	**7 578**	4 669
Interest-bearing debt [4]	**21 713**	21 252
Interest rate as at 31.12	**2.98%**	3.24%
Loan to value ratio [5]	**42%**	44%
Net investments [6]	**1 875**	4 239
Investment properties	**51 435**	47 695
Annual rental income [7]	**2 910**	2 850
Yield	**5.17%**	5.32%
Sales, owned shopping centres	**50 768**	50 380
Sales, managed shopping centres	**13 273**	12 551
Share price as at 31.12 (NOK)	**163.0**	160.0

Please note that as a result of rounding differences and reclassifications, figures and percentages will not always match the total sum.

[1] Including value adjustments in joint ventures and associated companies.
[2] (Majority share of equity + deferred tax liabilities - fair value of debt (deferred tax 7%)) / Number of shares.
[3] Bank deposits etc. + Undrawn borrowing facilities.
[4] Unsecured part of interest-bearing debt NOK 6,399 million (31.12.2017) and NOK 3,460 million (31.12.2016), respectively.
[5] (Interest bearing debt - Bank deposits etc.) / Investment properties.
[6] Net supply of investment properties with addition for activated upgrades and maintenance.
[7] Includes market rent for vacant premises.

URBAN DEVELOPMENT IN STORO

Total space of around 60,000 sq. m. is being built next to Storo Storsenter. This will house Norway's largest cinema complex, new restaurants, a conference hotel, two apartment buildings and a kindergarten.

– Olav Thon has demonstrated incredible stamina and motivation with respect to achieving his vision for the area and we are now seeing the results. There will be a new cinema, a new hotel and new homes here. We are also building great premises for rent at street level and there has been a great deal of interest, says Thon Eiendom's head of development, Jørgen Sollie.

14-SCREEN, IMAX CINEMA

Norway's largest cinema complex, ODEON Oslo, opened in March 2018.
– Each of the 14 screens will give the audience a first-class film experience. The new cinema is one of the largest attractions in the city of Oslo in terms of visitor numbers. The quality of the films is completely different to what we are used to. Getting to Norway's largest cinema complex is easy whether you are travelling by car, bike, tram, bus, metro or walking, says Ivar Halstvedt, CEO of SF Kino.

NEW CONFERENCE HOTEL

Thon Hotel Storo will open its doors for the first time in autumn 2018. It will be a modern conference hotel with 321 rooms and suites. The hotel will have a restaurant and bar with outdoor serving, a gym and a modern conference centre with a heavy emphasis on technology.

CENTRALLY LOCATED HOMES

Storotunet is the name of the 149-apartment housing project.
– Storotunet offers apartments of different sizes and they will thus suit people in different phases of life who want to live in a new, pulsating district of Oslo. The top apartments will have private roof terraces and fantastic views of Oslo. There will also be a large communal green space between the apartment blocks, says Torill Larsen who heads the apartment rental department at Thon Eiendom.

Olav Thon is pleased with the transformation that has taken place in Storo:
– Nydalen's transformation from an industrial area to a modern city district is unique in its diversity and modern creativity, he says.

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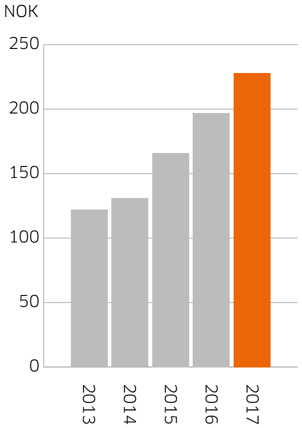
Olav Thon

BOARD OF DIRECTORS' REPORT 2017

Equity per share



Olav Thon Eiendomsselskap was able to report another year of good results in 2017, with growth in rental income, an increase in the value of the Group's investment properties, and stable financial expenses.

Highlights of the annual financial statements for 2017:

> The Group's rental income was NOK 2,770 (2,590) million.

> Profit before tax amounted to NOK 4,193 (4,465) million.

> Total fair value adjustments in investment properties and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 2,438 (2,984) million.

> Profit before tax and fair value adjustments amounted to NOK 1,755 (1,481) million.

> Net cash flow from operations was NOK 1,635 (1,350) million.

> Equity per share increased in 2017 by 15% to NOK 228 (197) and the equity ratio at the end of the year was 44% (41%).

> Cash reserves at the end of the year amounted to NOK 8,137 (4,951) million.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), which are issued by IASB and approved by the EU. The accounting policies have been applied consistently to all periods presented.

The Board of Directors confirms that the conditions for a going concern assumption in accordance with the requirements of the Norwegian Accounting Act are met. The annual financial statements for 2017 have been prepared on the basis of this assumption. No events have occurred after the reporting date that would materially affect the assessment of the Group's position and results as at 31 December 2017.

SUMMARY OF STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Statement of financial position as at 31 December 2017

The Group's total assets were NOK 56,493 (52,529) million, with investment properties accounting for NOK 51,435 (47,695) million of that figure.

Equity amounted to NOK 24,580 (21,397) million and the equity ratio was 44% (41%).

Equity per share (majority share) was NOK 228 (197), while the "long-term net asset value per share" was calculated at NOK 276 (241).

Interest-bearing debt was NOK 21,713 (21,252) million, with a loan to value ratio of 42% (44%).

The Group's investments in joint ventures and associated companies was NOK 2,838 (2,646) million.

Summary of the income statement for 2017

Profit before tax amounted to NOK 4,193 (4,465) million.

Fair value adjustments in investment properties and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 2,443 (2,984) million.

Profit before tax and fair value adjustments therefore amounted to NOK 1,761 (1,481) million.

RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income amounted to NOK 2,770 (2,590) million with the increase since last year attributable to both new properties and completed property projects.

Other property-related income amounted to NOK 845 (847) million and consisted mainly of payments from the Group's tenants to cover property service charges and operation of shopping centre associations.

Property-related expenses amounted to NOK 1,155 (1,183) million, including the above-mentioned service charges of NOK 763 (750) million. Maintenance expenses for the property portfolio amounted to NOK 87 (121) million.

Net rental income amounted to NOK 2,460 (2,243) million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The value of the Group's investment properties increased by NOK 2,216 (2,651) million.

The increase in market value was due to both a lower average yield and increased rental income in the property portfolio.

The lower yield was primarily due to the high demand for commercial properties as investment objects.

SHARE OF RESULTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of the results of joint ventures and associated companies amounted to NOK 199 (315) million.

The decrease since last year was largely attributable to somewhat lower fair value adjustments than in the year before for investment properties in this part of the property portfolio. A summary of the income statements and balance sheets for these companies can be found in notes 3 and 4.

OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to NOK 170 (153) million, the majority of which was income from property management for external owners and sales revenue from other activities.

Fees for property management for external owners amounted to NOK 53 (46) million.

Other operating and administrative expenses amounted to NOK 301 (272) million, while scheduled depreciation amounted to NOK 27 (28) million.

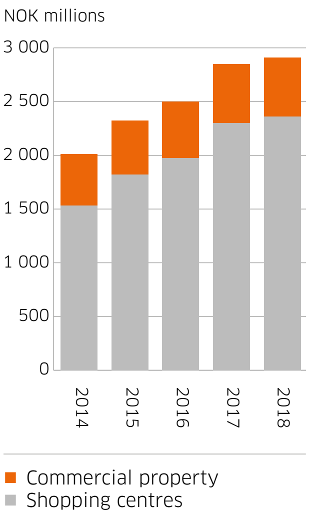
FINANCIAL INCOME AND EXPENSES

The Group’s net financial expenses amounted to NOK 689 (715) million. The reduction was due to a lower average interest rate, although it was moderated by slightly higher interest-bearing debt. The Group’s average interest rate for 2017 was 3.11% (3.37%).

FAIR VALUE ADJUSTMENTS OF INTEREST RATE DERIVATIVES

The value of the Group's interest rate derivatives increased by NOK 165 (119) million, primarily due to shorter remaining terms in the portfolio of interest rate swap agreements.

Annual rental income level



Cash flow and cash

Net cash flow from operations in 2017 was NOK 1,635 (1,350) million. The change in working capital amounted to NOK -9 (429) million, resulting in net cash flow from operating activities of NOK 1,626 (1,779) million.

Net cash flow from investing activities was NOK -1,550 (-3,386) million, while financing activities reduced cash by NOK -29 (1,738) million.

Exchange rate effects amounted to NOK -5 (3) million in 2017 and cash reserves thus increased by NOK 41 (134) million.

The Group's cash reserves ended the year at NOK 8,137 (4,951) million and consisted of short-term investments of NOK 366 (325) million and undrawn long-term credit facilities of NOK 7,771 (4,625) million.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

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

The parent company's operating income amounted to NOK 951 (941) million, while profit before tax was NOK 33 (478) million.

The result after tax for the year was NOK -17 (371) million.

The Board of Directors proposes the following allocation of the parent company's result:

Provisions for dividend, NOK 2.20 per share	NOK 234 million
Transferred from other equity	NOK 251 million
Allocated net result	NOK 251 million

The book value of the parent company's assets was NOK 21,840 (21,750) million at year end. Book equity was NOK 1,347 (1,612) million and the equity ratio was 6% (8%).

PROPERTY OPERATIONS

Property portfolio as at 31 December 2017

The Group's portfolio of investment properties is carried at fair value. For information on the valuation model and the variables used in the valuation, please see note 16.

At year end, the property portfolio was valued at NOK 51,435 (47,695) million, based on an average yield of 5.17% (5.32%).

The property portfolio is divided into the following property segments:

SEGMENT	PROPORTION OF PROPERTY VALUES	NET YIELD
Shopping centres	81% (81)	5.23% (5.34)
Commercial properties	19% (19)	4.93% (5.23)

Annual rental income, inclusive of market rents for vacant spaces, increased by NOK 60 million in 2017 to NOK 2,910 million.

The increase was mainly attributable to completed property projects and general rental income growth.

As at 31 December 2017, the vacancy rate in the property portfolio was 2.7% (3.6%).

SHOPPING CENTRES

At the end of the year, the shopping centre portfolio comprised 98 shopping centres, 30 of which are managed for external owners.

Olav Thon Eiendomsselskap is Norway's leading shopping centre player and has a solid market position. The shopping centre portfolio includes Norway's largest shopping centre, Sandvika Storsenter in Bærum, and a total of seven of the country's eight largest shopping centres in 2017.

Shopping centres owned by the Group

Rental income level in the portfolio of shopping centres owned by the Group increased by 2% to NOK 2,640 million in 2017 (inclusive of joint ventures and associated companies).

Total retail sales amounted to NOK 50.8 (50.4) billion in 2017, with the organic growth since 2016 estimated at around 2%.

Norway

In Norway, rental income from the Group's shopping centres increased by 2% to NOK 2,395 million (inclusive of joint ventures and associated companies) and total retail sales were NOK 47.1 (46.6) billion.

Sweden

Rental income from the Group's five Swedish shopping centres increased by 2% to SEK 245 million. Retail sales in the shopping centres amounted to SEK 3.8 (3.9) billion.

The development of sales in Sweden is being affected by, among other things, the remodelling of a number of centres.

COMMERCIAL PROPERTIES

Rental income from the Group's commercial properties (exclusive of the shopping centre properties) amounted to NOK 560 million, an increase of 2% from the year before.

Further information on property operations can be found on the company's website: www.olt.no.

Property portfolio owned by joint ventures and associated companies

In addition to the property portfolio carried directly on the Group's balance sheet, the Group owns stakes in a further 30 shopping centres through joint ventures and associated companies. The stakes in these companies are between 20% and 50%.

The Group's share of the rental income at year end was NOK 290 (275) million, and the value of the property portfolio was NOK 4,600 (4,239) million.

Investments

The Group's net investments in 2017 amounted to NOK 1,875 (4,239) million and mainly consisted of investments in property projects under construction and upgrading the existing property portfolio. No major property acquisitions were made in 2017.

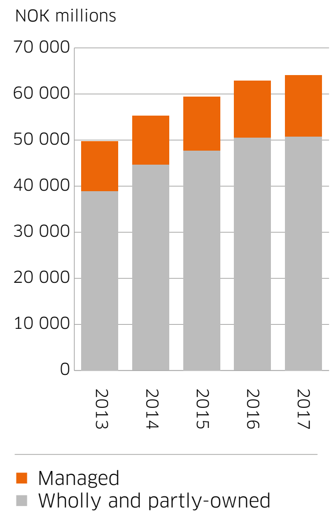
PROPERTY DEVELOPMENT – MAJOR PROPERTY PROJECTS

Property development is an important part of the Group's operations and there was a high level of activity in this area in 2017.

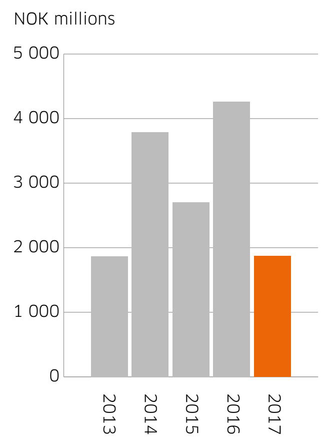
Two wholly and partly-owned shopping centres were upgraded and extended during the year, resulting in approx. 24,000 sq. m. of rentable space.

At the start of 2018, remodelling and extension work is being carried out on a further four wholly and partly-owned shopping centres. Upon completing these development projects, the centres

Shopping centre sales



Net investments



Unutilized credit facilities

< 12 months	(24%)
1-5 years	(36%)
> 5 years	(40%)

will add around 80,000 sq. m. of new rentable space as well as substantial parking space.

Next to Storo Storsenter in Nydalen in Oslo, properties are being erected with a total area of around 60,000 sq. m. The buildings that will be completed in 2018 and 2019 will house a 321-room hotel, Norway's largest cinema complex with 14 screens, 149 residential units for rent, and other office and retail space.

For more information about the Group's property projects, please see the company's website: www.olt.no.

FINANCING

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 margin in both the bank and the capital markets showed a downward trend throughout 2017.

Total credit facilities were NOK 29,484 (25,877) million at year end and NOK 7,771 (4,625) million of this amount was undrawn. Interest-bearing debt thus amounted to NOK 21,713 (21,252) million.

The capital markets in Norway and Sweden are important sources of financing and a significant proportion of the Group's financing is raised in these financing markets.

At year end, the outstanding certificate and bond debt amounted to NOK 13,159 (9,913) million, distributed as follows:

Norway:	NOK 9,410 (7,630) million
Sweden	SEK 3,750 (2,400) million

At the same point in time, the debt had an average remaining term of 2.4 (2.7) years, with 35% (22%) due for repayment within 1 year.

Further information on financial matters can be found on the company's website: www.olt.no.

ORGANISATION AND WORKING ENVIRONMENT

Olav Thon Eiendomsselskap practises equality and has zero tolerance for any form of discrimination or harassment of employees.

All employees are entitled to equal and fair treatment regardless of age, ethnic origin, disability, skin colour, nationality, political views and religion or other belief.

Olav Thon Eiendomsselskap has defined equal pay for men and women with comparable positions as a goal for its gender equality work. No systematic differences in pay between men and women have been identified in Olav Thon Eiendomsselskap.

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 2017, there were 451 (438) FTEs in the Group. At the same time, the parent company Olav Thon Eiendomsselskap had 32 (39) FTEs.

44% of the Group's employees are women and 56% are men. The sick leave rate in 2017 was 3.6% (3.3%).
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 of Directors consists of two women and three men.

ENVIRONMENTAL STATUS

Olav Thon Eiendomsselskap follows the Olav Thon Group's guidelines on sustainable value creation and environmentally friendly business operations.

The Group focuses on environmental efficiency with energy management and waste separation as key areas.

Environmental work thus forms an integral part of operations in Olav Thon Eiendomsselskap and environmentally friendly initiatives are implemented for the benefit of both its operations and the tenants' use of the properties.

Further information on environmental and sustainable value creation can be found on the company's website: www.olt.no.

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 pursuant to 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.

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.

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).

A supplementary report on corporate governance can be found on the company's website: www.olt.no.

The Board of Olav Thon Eiendomsselskap ASA held five meetings in 2017.

SHARES AND SHAREHOLDERS

Share price development

The price of the Olav Thon Eiendomsselskap share rose by 2% in 2017 to a closing price of NOK 163 as at 29 December 2017. The company's shares therefore generated a total return (inclusive of the dividend) of 3% in 2017, while the main index of the Oslo Stock Exchange rose by 19%.

At year end, the company's market capitalisation was NOK 17.4 billion.

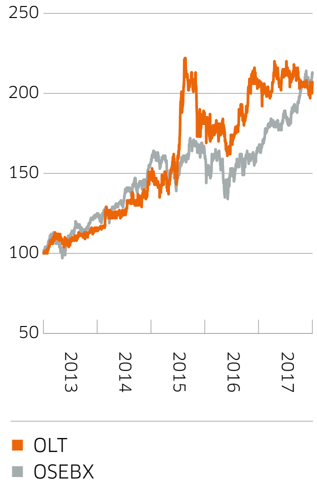
Share trades

The share was traded 19,050 (10,126) times on the Oslo Stock Exchange in 2017. The highest and lowest prices in 2017 were NOK 177,5 (170) and NOK 155,5 (124), respectively.

Dividend

At the annual general meeting on 23 May 2017 it was decided to pay a dividend of NOK 2.00 per share for 2016.

Share price and OSEBX developement last 5 years



The Board proposes that the dividend be increased to NOK 2.20 per share for 2017.

Further information on shareholder matters can be found on the company's website: www.olt.no.

OLAV THON EIENDOMSSELSKAP'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 the 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 IN 2017

With rising growth in the Norwegian economy, 2017 was a good year for commercial property.

The transaction market

The level of activity in the Norwegian commercial property market was high and the total transaction volume (with a value over NOK 50 million) amounted to around NOK 90 billion.

The sales volume of NOK 90 billion in 2017 is the second highest annual sales ever in Norway and reflects an active property market. The high demand for commercial properties as investment objects contributed to a general increase in commercial property values in most segments.

The rental market

Rental prices for shopping centres generally exhibited a stable or rising trend.

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

THE GROUP'S MARKET RISK

Shopping centres, primarily in the large towns and cities of Norway and Sweden, generate 81% of the Group's rental income. A large proportion of the tenants are international and national retail chains, and the lease contracts have a balanced maturity structure.

Personal consumption is expected to rise in the next few years and the retail trade is also expected to develop positively going forward. Online shopping is expected to grow faster than the physical retail trade, although online shopping still accounts for a small proportion of retailing. Projects have been started to adjust the Group's shopping centres to the digitalisation of retailing and the services offered at the centres are also being developed. Overall, the framework conditions for the Group's shopping centre properties are considered satisfactory.

19% 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 have a balanced maturity structure in this segment as well.

The risk of a substantially higher vacancy rate and a significant fall in rental income in the property 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 and on the company's website: www.olt.no.

Financial risk

The greatest financial risks for Olav Thon Eiendomsselskap are considered to be the Group's access to financing in the banking and capital markets and the price of 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 margin is in turn linked to the Group's creditworthiness and developments in the credit market.

TRENDS IN THE FINANCIAL MARKETS

The competition situation in the Nordic banking sector intensified somewhat in 2017, with reduced credit margins and a greater willingness to lend.

The financing opportunities in both the Norwegian and Swedish capital markets were good in 2017 and the Group increased its limit for commercial papers in the Swedish market from SEK 1.5 billion to SEK 3.0 billion.

The credit market

The credit spread indicated for new loans issued by the Group fell gradually during the year. At year end, the credit spread for 5-year secured bond issues in Norway was indicated at 0.75% (0.90%), while 12-month unsecured commercial papers were indicated at 0.35% (0.50%).

Development of interest rates

The Norwegian short-term money market rate (3-month NIBOR) dropped during the year to 0.81% (1.17%) at year end. The long-term money market rate (10-year swap rate) was relatively stable throughout the year and was quoted as 1.94% (1.95) at year end.

In 2017, both the short and long-term money market rates in Sweden were stable, but with a slightly increasing tendency. The short-term money market rate (3-month STIBOR) rose from -0.59% to -0.48%, while the long-term money market rate (10-year swap rate) rose from 1.10% to 1.20%.

THE GROUP'S FINANCIAL RISK

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

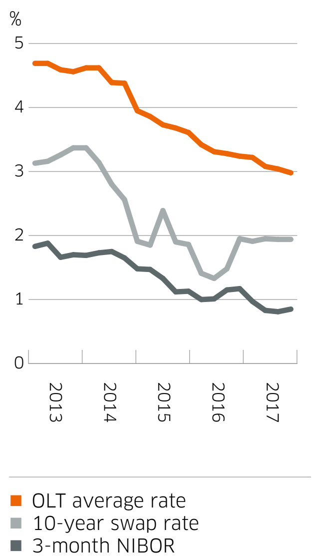
The Group's total cash reserves ended the year at NOK 8,137 (4,951) million. The debt portfolio had an average remaining term of 2.4 (2.7) years at year end.

35% (22%) 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 risk

Interest rate risk means the risk of changes in the Group's cash flow,

Interest rates last five years



Repayment structure

Interest maturity structure

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 significant proportion of long-term fixed-rate agreements. The Group normally hedges interest rates by using interest rate derivatives at a portfolio level, which enables more efficient and flexible management of the Group's interest rate portfolio.

At year end, the average fixed-rate period was 3.8 (4.1) years and the average interest rate was 2.98% (3.24%).

The Group's interest rate derivatives (interest rate swaps) are posted to market value and are mainly used to secure the group's long-term interest rate bond. At year end, the portfolio of interest rate swaps entered into for this purpose was NOK 11,139 (11,091) million and had a fair value of NOK -1,765 (-1,930) million.

The fair value of the portfolio is affected by changes in long-term interest rates and volatility in the financial markets in Norway and Sweden. It is estimated that a change of 1 percentage point in long-term interest rates would change the fair value of the portfolio by approx. NOK 750-850 million.

Further information on the Group's financial matters can be found on the company's website: www.olt.no.

Currency risk

Olav Thon Eiendomsselskap is exposed to financial risk due to the NOK/SEK exchange rate. Because the consolidated annual financial statements are prepared in NOK, both the Group's profit and equity are affected by the exchange rate.

Olav Thon Eiendomsselskap primarily reduces its currency risk through foreign currency borrowing and its currency risk exposure is considered low.

Credit risk

The Group's credit risk is primarily 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 in different sectors and the Group's routines for managing the lease contracts are considered to be good.

Operational risk

The Group's operational risk is primarily associated with the failure of employees and operational management systems to function as expected.

Management is organised so that the risk arising from the activities and absence of an individual is relatively low, and the Group's management systems are considered to be robust.

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

OUTLOOK

The trend in the Norwegian economy is positive and most areas of the economy are developing well. Growth is expected to remain at a relatively high level in Norway for the next few years. Norges Bank is indicating that the key interest rate will gradually rise during this period, albeit at a moderate tempo.

In Norway, demand for commercial property as an investment object remains high and, with the prospect of continued moderate interest rates, this is expected to last.

Personal consumption is expected to rise in the next few years and the retail trade is also expected to develop positively going forward. Online shopping is expected to grow faster than the physical retail trade, although online shopping still accounts for a small proportion of retailing.

Projects have been started to adjust the Group's shopping centres to the digitalisation of retailing and the services offered at the centres are also being developed. Overall, the framework conditions for the Group's shopping centres are considered satisfactory.

The vacancy rate in the Oslo area office market is falling and rental prices are rising. A low level of new construction and high demand for office premises are expected to contribute to a continued positive office market.

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

DECLARATION PURSUANT TO SECTION 5-5 OF THE NORWEGIAN SECURITIES TRADING ACT

We confirm that, to the best of our knowledge, the company’s annual financial statements for 2017 have been prepared in accordance with applicable accounting standards and that the disclosures in the financial statements give a true and fair view of the Group's and the company's assets, liabilities, financial position and profit or loss taken as a whole.

The Board of Directors' Report, to the best of the Board's knowledge, provides a fair overview of the development and financial performance and position of the Group and the company, and describes the principal risks and uncertainties the Group faces.

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

STATEMENT OF TOTAL COMPREHENSIVE INCOME

GROUP

	2017	2016
(Figures in NOK millions)		
Rental income	2 770	2 579
Other property-related income	845	847
Property-related expenses	-1 155	-1 183
Net rental income	**2 460**	**2 243**
Fair value adjustments, investment property	2 216	2 651
Results from joint ventures and associates	199	315
Other operating income	170	153
Other operating expenses	-137	-131
Administrative expenses	-164	-141
Depreciation	-27	-28
Operating profit	**4 717**	**5 062**
Financial income	6	8
Fair value adjustments, interest rate derivatives	165	119
Financial expenses	-695	-723
Profit before tax	**4 193**	**4 465**
Change in deferred tax	-595	-844
Income tax payable	-116	-20
Tax	**-711**	**-864**
Profit for the period	**3 482**	**3 601**
Other comprehensive income & costs		
Items to be reclassified to P&L in subsequent periods:		
Exchange differences, from foreign operations	77	-126
Hedging of net investment	-72	106
Change in deferred tax on other comprehensive income	16	-26
Total comprehensive income	**3 503**	**3 556**
Profit for the period attributable to:		
Shareholders of the parent	3 406	3 567
Non-controlling interests	76	34
Total comprehensive income attributable to:		
Shareholders of the parent	3 427	3 522
Non-controlling interests	76	34
Earnings per share, basic and diluted (NOK)	32	33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP

(Figures in NOK millions)	**2017**	2016
ASSETS		
Deferred tax asset	412	550
Investment properties	51 435	47 695
Other fixed assets	99	98
Investments in joint ventures and associates	2 838	2 646
Other non-current assets	294	198
Total non-current assets	**55 078**	**51 187**
Trade and other current receivables	1 050	1 017
Bank deposits and cash	366	325
Total current assets	**1 415**	**1 342**
Total assets	**56 493**	**52 529**
EQUITY AND LIABILITIES		
Majority share of equity	24 061	20 950
Non-controlling interests	518	447
Total equity	**24 580**	**21 397**
Deferred tax liabilities	6 945	6 494
Non-current liabilities	15 701	18 516
Current liabilities	9 267	6 122
Total liabilities	**31 914**	**31 132**
Total equity and liabilities	**56 493**	**52 529**

CONSOLIDATED CASH FLOW STATEMENT

GROUP

	2017	2016
(Figures in NOK millions)		
Profit before tax	4 193	4 484
Fair value adjustments, investment property	-2 216	-2 651
Fair value adjustments, interest rate derivatives	-165	-119
Expensed interest	666	687
Interest paid	-652	-691
Share of results of joint ventures and associated companies	-199	-315
Income tax paid	-19	-73
Depreciation	27	28
Change in operating-related accruals	-9	429
Net cash flow from operating activities	**1 626**	**1 779**
Proceeds from sale of property, plant & equipment	0	3
Purchase of investment properties and property, plant & equipment	-1 452	-962
Payments linked to acquisitions of subsidiaries	-9	-2 168
Other investment	-90	-259
Net cash flow from investing activities	**-1 550**	**-3 386**
Proceeds from interest-bearing liabilities	10 894	11 549
Repayment of interest-bearing liabilities	-10 609	-9 604
Dividends paid	-214	-194
Payments upon purchase of own shares	-100	-13
Net cash flow from financing activities	**-29**	**1 738**
Exchange rate effects	**-5**	**3**
Net change in bank deposits and cash	**41**	**134**
Bank deposits and cash as at 1 Jan	325	190
Bank deposits and cash as at 31 Dec	366	325
Unutilized overdrafts and other credit facilities	7 771	4 862

STATEMENT OF CHANGES IN EQUITY

GROUP

(Figures in NOK millions)	Attributable to shareholders of the parent company							
	Share capital	Share premium reserve	Translation differences	Retained earnings	Hedging reserve	Majority share of equity	Non-controlling interests	Total
Equity as at 31 Dec 2015	**106**	**318**	**6**	**17 194**	**0**	**17 624**	**416**	**18 040**
Year's profit/loss				3 567		3 567	34	3 601
Other operating income and expenses			-126		81	-45		-45
Dividend				-190		-190		-190
Purchase of own shares				-13		-13		-13
Other				7		7	-2	5
Equity as at 31 Dec 2016	**106**	**318**	**-120**	**20 565**	**81**	**20 950**	**447**	**21 397**
Year's profit/loss				3 406		3 406	76	3 482
Other operating income and expenses			77		-55	21		21
Purchase of own shares				-100		-100		-100
Dividend				-214		-214		-214
Other				-1		-1	-5	-6
Equity as at 31 Dec 2017	**106**	**318**	**-43**	**23 655**	**26**	**24 062**	**518**	**24 580**

ALTERNATIVE PERFORMANCE MEASURES

GROUP

(Amounts in NOK million)

Olav Thon Eiendomsselskap ASA prepares financial information in accordance with the International Financial Reporting Standards (IFRS).

The company also wishes to present alternative performance measures (APM) in order to provide readers with a better understanding of the company's underlying financial results.

Fair value adjustments in investment properties and interest rate derivatives
Fair value adjustments in investment properties and interest rate derivatives affect the company's profit before tax, both in the Group's accounts and in joint ventures and associated companies. These income statement items are considered to be more exogenously determined than the other income statement items.

	2017	2016
Fair value adjustments, investment property from profit and loss	2 216	2 651
Fair value adjustments, investment property - Joint ventures	26	179
Fair value adjustments, investment property - Associated companies	26	24
Fair value adjustments, interest rate derivatives from profit and loss	165	119
Fair value adjustments, interest rate derivatives - Joint ventures	5	12
Fair value adjustments in investement property and interest rate derivatives	**2 438**	**2 984**

Profit before tax and fair value adjustments
Profit before fair value adjustments in investment properties and interest rate derivatives is intended to give readers a better understanding of the Group's operating business development.

	2017	2016
Profit before tax	4 193	4 465
Adjusted for fair value adjustments in investement property and interest rate derivatives	-2 438	-2 984
Profit before tax and fair value adjustments	**1 755**	**1 481**

Non-current net asset value per share

The "long-term net asset value per share" after taking into account a fair value assessment of the deferred tax liabilities.

	2017	2016
Majority share of equity	24 061	20 950
Deferred tax liabilities	6 945	6 494
Fair value of debt - deferred tax liabilities - 6% (7%)	-1 812	-1 890
Non-current net asset value	**29 194**	**25 554**
Number of shares (own shares not included)	105 745 320	106 345 320
Non-current net asset value per share in NOK	**276**	**240**

Interest-bearing debt

Splitting the Group's total debt into interest-bearing debt and non-interest-bearing debt is intended to give readers a better understanding of the Group's debt situation and the Group's financial position. Net interest-bearing debt is arrived at by deducting the Group's bank deposits and cash from its interest-bearing debt. Net interest-bearing debt is used in, among other things, the calculation of the Group's loan to value ratio.

	2017	2016
Bonds, non-current	6 385	6 681
Bonds, current	2 375	855
Commercial paper debt, current	4 399	2 377
Other intert-bearing liabilities, non-current	7 750	9 903
Other intert-bearing liabilities, current	804	1 437
Interest-bearing debt	**21 713**	**18 006**
Bank deposits and cash	**-366**	**-325**
Net interest-bearing debt	**21 348**	**17 816**

Net cash flow from operations

Net cash flow from operations is intended to give readers a better understanding of the liquidity generated by the Group's operations. This is of relevance in assessing the company's financial results and financial position.

	2017	2016
Net cash flow from operating activities	1 626	1 779
Change in operating-related accruals	-9	429
Net cash flow from operations	**1 634**	**1 350**

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