

ANNUAL REPORT 2018

OLAV THON EIENDOMSSKAP 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

- The Group's rental income was NOK 2,828 (2,770) million.
- Profit before tax and fair value adjustment of properties was NOK 1,857 (1,755) million.
- Net cash flow from operations was NOK 1,665 (1,640) million.
- Total fair value adjustments in investment properties and financial instruments (inclusive of joint ventures and associated companies) amounted to NOK 1,022 (2,438) million.
- Profit before tax amounted to NOK 2,880 (4,193) million.
- Equity per share increased by 9% to NOK 249 (228) and the equity ratio at the end of the year was 46% (44%).
- Liquidity reserves at the end of the year was NOK 7,168 (8,137) million.

KEY FIGURES

	31.12.18	31.12.17
(In NOK millions)		
Net rental income	2 487	2 460
Fair value adjustments in investment properties and interest rate derivatives ¹⁾	1 022	2 438
Profit before taxes	2 880	4 193
Profit before tax and fair value adjustments ¹⁾	1 857	1 755
Equity per share (NOK)	249	228
Equity ratio	46%	44%
Non-current net asset value per share (NOK) ²⁾	297	276
Net cash flow from operations ³⁾	1 665	1 640
Cash reserves ⁴⁾	7 168	8 137
Amortisation next 12 months	6 137	7 578
Interest-bearing debt ⁵⁾	21 597	21 713
Interest rate as at 31.12	3.04%	2.98%
Loan to value ratio ⁶⁾	40%	42%
Net investments ⁷⁾	1 287	1 734
Investment properties ⁸⁾	53 367	51 435
Annual rental income ⁹⁾	3 100	2 910
Yield	5.10%	5.17%
Sales, owned shopping centres	51 669	50 985
Sales, managed shopping centres	9 603	13 273
Share price as at 31.12 (NOK)	140.0	163.0

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 6%)) / Number of shares

³⁾ Net cash flow from operating activities + Expended interest - Interest paid - Income tax paid + Change in operating related accruals.

⁴⁾ Bank deposits etc. + Undrawn borrowing facilities

⁵⁾ Unsecured part of interest-bearing debt NOK 4,864 million (31.12.2018) and NOK 6,399 million (31.12.2017), respectively

⁶⁾ (Interest bearing debt - Bank deposits etc) / Investment properties

⁷⁾ Net supply of investment properties with addition for activated upgrades

⁸⁾ Includes owner-occupied properties

⁹⁾ Includes market rent for vacant premises

BOARD OF DIRECTORS' REPORT 2018

Olav Thon Eiendomsselskap achieved another year with good result in 2018.

The highlights of the Board of Directors' Report for 2018 are as follows:

- The Group's rental income was NOK 2,828 (2,770) million.
- Profit before tax and fair value adjustment of properties was NOK 1,857 (1,755) million.
- Net cash flow from operations was NOK 1,665 (1,640) million.
- Total fair value adjustments in investment properties and financial instruments (inclusive of joint ventures and associated companies) amounted to NOK 1,022 (2,438) million.
- Profit before tax amounted to NOK 2,880 (4,193) million.
- Equity per share increased by 9% to NOK 249 (228) and the equity ratio at the end of the year was 46% (44%).
- Liquidity reserves at the end of the year was NOK 7,168 (8,137) 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.

In accordance with the requirements of the Accounting Act, the Board confirms that the basis for continuing operations is present, and that the annual accounts for 2018 have been prepared in accordance with this.

No events have occurred after the end of the financial year that are considered to be of significance for the assessment of the Group's position and results as of 31.12.18.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

Financial position/balance sheet as at 31 December 2018

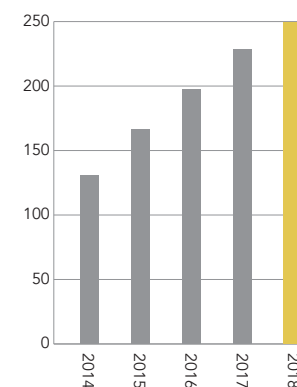
The Group's total assets were NOK 58,573 (56,493) million, with investment properties accounting for NOK 53,174 (51,435) million of that figure.

Equity amounted to NOK 26,827 (24,580) million and the equity ratio was 46% (44%).

Equity per share (majority share) was NOK 249 (228), while the triple net asset value per share was calculated as being NOK 298 (279).

EQUITY PER SHARE

(NOK)



Interest-bearing debt was NOK 21,597 (21,713) million, with a loan to value ratio of 40% (42%).

The Group's share of the equity in joint ventures and associated companies was NOK 2,854 (2,838) million.

Summary of results for 2018

Profit before tax amounted to NOK 2,880 (4,193) million.

Fair value adjustments on investment properties and financial instruments totalled NOK 1,022 (2,443) million.

Profit before tax and fair value adjustments therefore amounted to NOK 1,857 (1,755) million.

RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income amounted to NOK 2,828 (2,770) million, the increase since last year was primarily due to property projects completed.

Other property-related income amounted to NOK 874 (845) 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 1,215 (1,155) million, including the above-mentioned service charges of NOK 774 (759) million. Maintenance expenses for the property portfolio amounted to NOK 96 (87) million.

Net rental income amounted to NOK 2,487 (2,460) million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The value of the Group's investment properties increased by NOK 867 (2,216) million.

The Group's property portfolio consists of two different property segments:

- Shopping centre properties in Norway and Sweden.
- Commercial properties - primarily in the Oslo area.

As a result of market developments in the Norwegian and Swedish property markets, the value of the property segments developed differently in 2018.

The value of the Group's commercial properties increased mainly due to the average yield having fallen from 4.93% to 4.53%, while the value of the Group's shopping centre properties decreased due to an increase in the average yield from 5.23% to 5.28%.

For further details, please refer to the section on property operations and in the annual report.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of the results of joint ventures and associated companies amounted to NOK 96 (199) million.

The decrease to the previous year was primarily due to the overall value adjustments on investment properties and financial instruments in these companies amounted to NOK -118 (57) million.

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 179 (193) million, the majority was income from property management for external owners and sales revenue from other activities.

Fees for property management for external owners amounted to NOK 47 (53) million.

Other operating and administrative expenses amounted to NOK 350 (324) million, while scheduled depreciation amounted to NOK 20 (27) million.

FINANCIAL INCOME AND EXPENSES

The Group's net financial expenses amounted to NOK 651 (689) million. The decrease was due to both a lower average interest rate and increased foreign exchange gains. The Group's average interest rate for 2018 was 3.03% (3.11%).

FAIR VALUE ADJUSTMENTS OF FINANCIAL INSTRUMENTS

The value of the Group's financial instruments increased by NOK 273 (165) million, both due to the rise of long term interest rate in 2018 and the remaining term on a number of financial instruments was reduced.

Cash flow and liquidity

Net cash flow from operations in 2018 was NOK 1,665 (1,640) million.

Net cash flow from operating activities was NOK 1,587 (1.626) million.

Net cash flow from investing activities was NOK -1,386 (-1,550) million, while financing activities reduced liquidity by NOK 262 (-29) million.

Exchange rate effects amounted to NOK 0 (-5) million and liquidity reserves declined by NOK 60 (41) million in 2018.

The Group's liquidity reserves amounted to NOK 7,168 (8,137) million at year end and consisted of short-term investments totalling NOK 305 (366) million and undrawn long-term credit facilities at NOK 6,863 (7,771) 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 962 (951) million, while profit before tax was NOK 205 (33) million.

The result after tax for the year was NOK 102 (-17) million.

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

Allocated for dividend, NOK 4.40 per share:	NOK 465 million
Transferred from other equity:	NOK -364 million
Allocated result:	NOK 101 million

The book value of the parent company's assets was NOK 22,434 (21,840) million at year end. Book equity was NOK 984 (1,347) million and the equity ratio was 4% (6%).

PROPERTY OPERATIONS

Property portfolio as at 31 December 2018

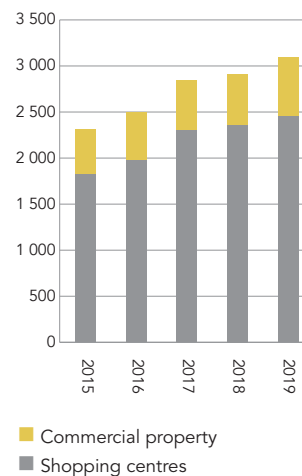
The Group's portfolio of investment properties is carried at fair value. For information on the valuation model and the variables used in the valuation, please see note 16.

At year end, the property portfolio was valued at NOK 53,174 (51,435) million, based on an average yield of 5.10% (5.17%).

Annual rental level, including market rent on vacant property, increased in 2018 with NOK 190 million to NOK 3.100 million. The increase is mainly due to property projects completed.

ANNUAL RENTAL INCOME LEVEL

NOK millions



Based on rental level, the property portfolio is divided into the following property segments:

Segment	Share of the portfolio	Net yield
Shopping centre properties	79% (81%)	5.28% (5.23%)
Commercial properties	21% (19%)	4.53% (4.93%)

As at 31 December 2018, the vacancy rate in the property portfolio was 2.5% (2.7%).

SHOPPING CENTRES

At the end of the year, the shopping centre portfolio comprised 88 shopping centres, 20 of these 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 2018.

Shopping centres owned by the Group

Rental income in the portfolio of shopping centres owned by the Group increased by 4% to NOK 2,740 million in 2018 (inclusive of joint ventures and associated companies).

In 2018, total retail sales in the shopping centres was NOK 51,669 (50,985) million.

Norway

In Norway, rental income from the shopping centres increased by 4% to NOK 2,500 million (inclusive of joint ventures and associated companies) and total retail sales were NOK 48,122 (47,304) million.

Sweden

Rental income from the Group's five Swedish shopping centres remained unchanged at SEK 245 million. Retail sales were SEK 3,788 (3,804) million.

COMMERCIAL PROPERTIES

Rental income from the Group's commercial properties (exclusive of the shopping centre properties) was NOK 650 million, an increase of 16% from the previous year.

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 on the Group's balance sheet, the Group owns stakes in a further 19 shopping centres through joint ventures and associated companies. The stakes in these companies are between 12,5% and 50%.

The Group's share of the rental income at year end was NOK 290 (280) million, and the value of the property portfolio was NOK 4,706 (4,598) million.

INVESTMENTS

The Group's net investments in 2018 amounted to NOK 1,304 (1,734) million and includes investments in property projects under construction, upgrading the existing property portfolio and property acquisitions.

MAJOR PROPERTY ACQUISITIONS AND SALES

Fannestrandveien 51, Molde

A retail and office property of 3,300 sq. m. close to the Group's shopping centres in Molde was taken over in the third quarter.

Klokkergårdsveien 32, Sarpsborg

A retail property of 5,000 sq. m. next to the Group's Amfi Borg shopping centre was purchased in the fourth quarter.

Vinterbro, Akershus

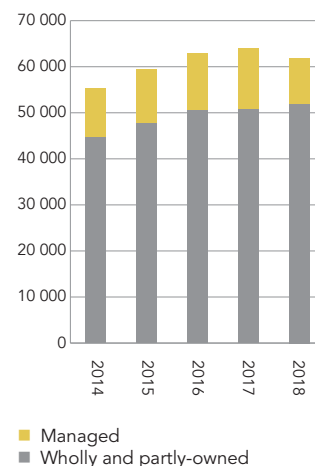
A 46,000 sq. m. plot was sold in the second quarter.

Amfi Kragerø

The Group's 50% share in the Amfi Kragerø shopping centre was sold in the third quarter.

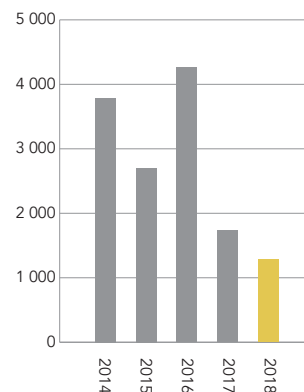
SHOPPING CENTRE SALES

NOK millions



NET INVESTMENTS

NOK millions



PROPERTY DEVELOPMENT - MAJOR PROPERTY PROJECTS

Property development is an important part of the Group's operations and there was also a high level of activity in 2018.

Major upgrades and extensions were made in four Norwegian shopping centres during the year. The first phase of the projects, which was completed in the second half of the year, added approximately 70,000 sq. m. of space, as well as substantial parking space. The final phase of the shopping centre projects will be completed in 2019 and will add a further 10,000 sq. m. of space.

At Vitaminveien, next to Storo Storsenter, a total space of around 60,000 sq. m. have been built. The properties contain a conference hotel with 321 rooms, Norway's largest cinema complex, 70 rental apartments, office and retail space. The final phase of the development, involving an additional 89 apartments, will be completed in 2019.

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 was very good, even though the capital markets in both Norway and Sweden performed weakly in the second half of the year.

Total credit facilities were NOK 28,460 (29,484) million at year end, NOK 6,863 (7,771) million of this amount was undrawn. Interest-bearing debt thus amounted to NOK 21,597 (21,713) 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 financial markets.

At year end, the outstanding certificate and bond debt amounted to NOK 11,850 (13,159) million, distributed as follows:
Norway: NOK 8,485 (9,410) million
Sweden SEK 3,365 (3,750) million

The debt had an average remaining term of 2.1 (2.4) years, with 28% (22%) of the debt due for repayment within one 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 beliefs.

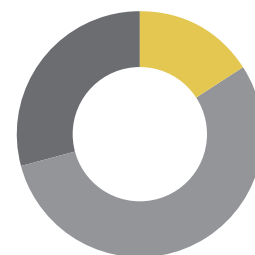
Olav Thon Eiendomsselskap has defined equal pay for men and women with comparable positions as a goal for its gender equality work. No systematic differences in pay between men and women have been identified in Olav Thon Eiendomsselskap.

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 2018, there were 431 (451) FTEs in the Group. At the same

UNUTILIZED CREDIT FACILITIES



time, the parent company Olav Thon Eiendomsselskap had 28 (32) FTEs.

45% of the Group's employees are women and 55% are men. The sick leave rate in 2018 was 3.0% (3.6%).

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 recycling 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.

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

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 2018.

SHARES AND SHAREHOLDERS

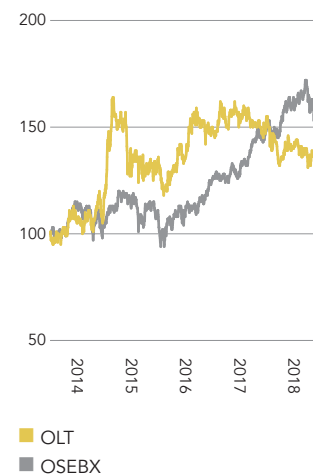
The price of Olav Thon Eiendomsselskap shares at the end of 2018 was NOK 140, down from NOK 163 at the start of the year. The company's shares therefore generated a total return (inclusive of the dividend) of -13% in 2018, while the main index of the Oslo Stock Exchange rose by 2%.

At year end, the company's market capitalisation was NOK 14.9 (17.4) billion.

Share trades

The stock was traded 22,973 (19,050) times on the Oslo Stock Exchange in 2018. The highest and lowest prices in 2018 were

SHARE PRICE AND OSEBX DEVELOPEMENT LAST 5 YEARS



NOK 166 (177.5) and NOK 140 (155.5), respectively.

Dividend

At the annual general meeting on 23 May 2018 it was decided to pay a dividend of NOK 2.20 per share for 2017.

The Board proposes to increase the dividend to NOK 4.40 per share for 2018.

With effect from 2018, the company's dividend policy will be adjusted to provide shareholders with a higher return on their equity investments.

Given a satisfactory equity ratio and liquidity, the ambition is to give shareholders a dividend corresponding to 30-40% of the Group's profit, exclusive of fair value adjustments.

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

OLAV THON EIENDOMSSSELSKAP'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, which are influenced by both the development in the Norwegian economy and the demand for commercial properties as investment objects.

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

THE COMMERCIAL PROPERTY MARKET IN 2018

With increased growth in the Norwegian economy 2018 was a good year for commercial property, characterized by general high demand for commercial property and increased rents.

The Group's property segments developed differently, with high demand for centrally located office and combination properties and less interest in shopping centre properties.

The transaction market

There was a high level of activity in the Norwegian market for commercial property in 2018, the and the total transaction volume was around NOK 90 billion.

The sales volume of NOK 90 billion represents the third highest annual sales ever in Norway and demonstrates that there was a high level of liquidity in the transaction market. The high demand for commercial property contributed to a positive development in the value of central office and combination properties, while shopping centre properties experienced a stable or slightly declining development in value during 2018.

The rental market

Rental prices for shopping centres generally exhibited a stable or slight downwards 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

79% of the Group's rental income comes from shopping centres, primarily in the large cities of Norway and Sweden. A large proportion of the tenants are international and national retail chains, and the rental contracts have a balanced maturity structure.

REPAYMENT STRUCTURE



- < 12 months (35%)
- 1-5 years (55%)
- > 5 years (10%)

INTEREST MATURITY STRUCTURE



- < 12 months (46%)
- 1-5 years (9%)
- > 5 years (45%)

Private consumption is expected to rise in the next few years and retail trade is also expected to develop positively in the time ahead. Online shopping is expected to grow faster than the physical retail trade going forward, although it currently accounts for just a small proportion of the total retail trade.

The Group's shopping centres are adapting to the digitalisation of the retail trade by expanding the range of goods and services offered in the shopping centres and by making use of new technology when servicing customers. All in all, the framework conditions for shopping centre properties are considered satisfactory.

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 from various sectors, and the lease contracts in this segment have a balanced maturity structure as well.

The risk of a substantially higher vacancy rate and a fall in the Group's rental income 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 in 2018, which resulted in decreased credit margins and a greater willingness to lend.

The capital markets in both Norway and Sweden developed gradually weaker in the second half of the year and investor demand for capital market loans declined.

The credit market

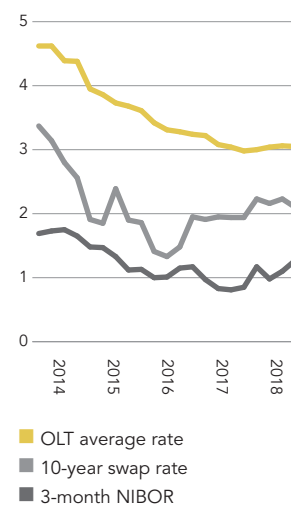
The credit spread indicated for new loans issued by the Group rose gradually during the second half of the year after a stable development during the first half of the year. At year end, the credit spread for 5-year secured bond issues in Norway was indicated at 1.15% (0.75%), while 12-month unsecured commercial papers were indicated at 0.50% (0.35%).

Development of interest rates

Norges Bank raised the interest rate by 0.25% to 0.75% in September and the short-term Norwegian money market interest rate (3-month NIBOR) increased to 1.27% (0.81%) at the end of the year. The long-term money market interest rate (10-year swap rate) increased slightly throughout the year and was quoted as 2.10% (1.94%) at year end.

The Swedish Central Bank raised its interest rate by 0.25% to -0.25% in December and the short-term money market interest rate (3-month STIBOR) increased to -0.13% (-0.48%) at year end. The long-term money market interest rate (10-year swap) fell from 1.20% to 1.13% at the end of the year.

INTEREST RATES LAST FIVE YEARS



THE GROUP'S FINANCIAL RISK FACTORS

The Group's financial risk can in turn be divided into:

- Liquidity risk
- Interest rate risk
- Currency risk
- Credit risk

Descriptions of financial risk factors and financial risk management can be found in the 2018 annual report. Below is the status of the different risk groups at the end of the year.

Liquidity risk

The Group's total liquidity reserves ended the year at NOK 7,168 (8,137) million. The debt portfolio had an average remaining term of 2.1 (2.4) years at year end.

28% (22%) of debt is due within one year and the existing liquidity reserves is able to cover the refinancing need.

Interest rate risk

At the end of the year, the Group had a fixed-rate ratio with a fixed-interest period exceeding one year at 54% (58%), and an average fixed-interest period at 3.8 (3.8) years.

The average interest rate at the end of the year was 3.04% (2.98%).

The Group uses financial instruments (interest rate swaps) to secure long-term fixed interest.

At year end, the portfolio of interest rate swaps entered into for this purpose was NOK 11,110 (11,139) million and had a fair value of NOK -1,492 (-1,765) million.

Fair value 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 one percentage point in interest rates would

change the fair value of the portfolio by approximately NOK 750-850 million.

Currency risk

At year end, 84% of the Group's interest-bearing debt was denominated in Norwegian kroner, with an average interest rate at 3.48%. 16% of the debt was borrowed in Swedish kroner and had an average interest rate at 0.78%.

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.

OUTLOOK

The Norwegian economy is developing well and relatively high growth is expected going forward. Norges Bank increased the key interest rate from 0.50% to 0.75% in September, and from 0,75% to 1% in March 2019, and is indicating that the rate will gradually be increased in the next few years, albeit at a moderate tempo.

Demand for commercial property remains high, but investor interest in shopping centre property has declined. Overall, demand for commercial property as an investment object is also expected to remain high in 2019, partly because of moderate interest rate movements.

Private consumption is expected to rise in the next few years and retail trade is also expected to develop positively in the time ahead.

Online shopping is expected to grow faster than the physical retail trade going forward, although it currently accounts for just a small

proportion of the total retail trade.

The Group's shopping centres are adapting to the digitalisation of the retail trade, both by making use of new technology and by expanding the range of goods and services offered in the shopping centres.

The vacancy rate in the Oslo area office market is falling and rental prices are showing a positive trend. A low level of

new construction and high demand for office premises are expected to result in 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 2018 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.

To the best of the Board's knowledge, the Board of Directors' Report 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.

GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
(In NOK millions)		
Rental income	2 828	2 770
Other property-related income	874	845
Property-related expenses	-1 215	-1 155
Net rental income	2 487	2 460
Fair value adjustments, investment property	867	2 216
Results from joint ventures and associates	96	199
Other operating income	179	193*
Other operating expenses	-159	-160*
Administrative expenses	-191	-164
Depreciation	-20	-27
Operating profit	3 259	4 717
Financial income	8	6
Fair value adjustments, interest rate derivatives	273	165
Financial expenses	-659	-695
Profit before tax	2 880	4 193
Change in deferred tax	-148	-596
Income tax payable	-216	-116
Tax	-364	-711
Profit for the period	2 516	3 482
Other Comprehensive income		
Items to be reclassified to P&L in subsequent periods:		
Exchange differences from foreign operations	-43	77
Hedging of net investment	42	-72
Income taxes on other comprehensive income	-9	16
Total comprehensive income	2 505	3 503
Profit for the periode attributable to:		
Shareholders of the parent	2 516	3 406
Non-controlling interests	-1	76
Total comprehensive income attributable to:		
Shareholders of the parent	2 505	3 427
Non-controlling interests	-1	76
Earnings per share, basic and diluted (NOK)	24	32

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018	2017
(In NOK millions)		
ASSETS		
Deferred tax asset	328	412
Investment properties	53 174	51 435
Owner-occupied properties	193	0
Other fixed assets	82	99
Investments in joint ventures and associates	2 854	2 838
Other non-current assets	594	294
Total non-current assets	57 225	55 078
Trade and other current receivables	1 043	1 050
Bank deposits and cash	305	366
Total current assets	1 349	1 415
Total assets	58 573	56 493
EQUITY AND LIABILITIES		
Share capital	106	106
Share premium reserve	318	318
Other equity	25 906	23 637
Non-controlling interests	496	518
Total equity	26 827	24 580
Deferred tax liabilities	7 020	6 945
Non-current liabilities	16 844	15 701
Income tax payable	219	116
Interest-bearing current liabilities	6 192	7 636
Trade payables and other current liabilities	1 471	1 515
Total liabilities	31 746	31 914
Total equity and liabilities	58 573	56 493

GROUP

CONSOLIDATED CASH FLOW STATEMENT

	2018	2017
(In NOK millions)		
Profit before tax	2 880	4 193
Fair value adjustments, investment property	-867	-2 216
Fair value adjustment, interest rate derivatives	-273	-165
Expensed interest	633	666
Interest paid	-636	-652
Income tax paid	-116	-19
Share of results of joint ventures and associated companies	-96	-199
Depreciation of fixed assets	20	27
Change in operating related accruals	42	-9
Net cash flow from operating activities	1 587	1 626
Proceeds from sale of property, plant and equipment	17	-
Purchase of investment properties and property, plant and equipment	-1 161	-1 452
Payments linked to acquisition of subsidiaries	-22	-9
Other investment	-220	-90
Net cash flow from investing activities	-1 386	-1 550
Proceeds from interest-bearing liabilities	18 617	10 894
Repayment of interest-bearing liabilities	-18 622	-10 609
Dividends paid	-256	-214
Payments upon purchase of own shares	-	-100
Net cash flow from financing activities	-262	-29
Exchange rate effects	0	-5
Net change in bank deposits and cash	-60	41
Bank deposits and cash as at 1 January	366	325
Bank deposits and cash as at 31 December	305	366
Unutilized overdrafts and other credit facilities	6 863	7 771

GROUP

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Translation differences	Other equity	Hedging reserve	Majority share of equity	Non-controlling interests	Total
(In NOK millions)								
Equity as at 31 Dec 2016	106	318	-120	20 565	81	20 950	447	21 397
Profit for the period				3 406		3 406	76	3 482
Other comprehensive income			77		-55	21		21
Acquisitions of own shares				-100		-100		-100
Dividends paid				-214		-214		-214
Other changes				-1		-1	-5	-6
Equity as at 31 Dec 2017	106	318	-43	23 655	26	24 062	518	24 580
Profit for the period				2 516		2 516	-1	2 516
Other comprehensive income			-43		32	-11		-11
Dividends paid				-233		-233	-24	-256
Other changes				-3		-3	2	-1
Equity as at 31 Dec 2018	106	318	-87	25 936	58	26 331	496	26 827

GROUP

ALTERNATIVE PERFORMANCE MEASURES

(In NOK millions)

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.

	2018	2017
Fair value adjustments, investment property from profit and loss	867	2 216
Fair value adjustments, investment property - Joint ventures	-121	26
Fair value adjustments, investment property - Associated companies	-29	26
Fair value adjustments, interest rate derivatives from profit and loss	273	165
Fair value adjustments, interest rate derivatives - Joint ventures	32	5
Fair value adjustments in investment property and interest rate derivatives	1 022	2 438

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. 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.

	2018	2017
Profit before tax	2 880	4 193
Adjusted for fair value adjustments in investment property and interest rate derivatives	-1 022	-2 438
Profit before tax and fair value adjustments	1 857	1 755

Non-current net asset value per share

Normalised net asset value per share after taking into account a fair value assessment of the deferred tax liabilities.

	2018	2017
Majority share of equity	26 331	24 061
Deferred tax liabilities (deferred tax liabilities current assets excluded)	7 020	6 945
Fair value of debt - deferred tax liabilities - 6%	-1 915	-1 812
Non-current net asset value	31 436	29 195
Number of shares (own shares not included)	105 745 320	105 745 320
Non-current net asset value per share in NOK	297	276

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.

	2018	2017
Bonds, non-current	5 771	6 384
Bonds, current	2 960	2 375
Commercial paper debt, current	3 118	4 399
Other interest-bearing liabilities, non-current	9 688	7 751
Other interest-bearing liabilities, current	60	804
Interest-bearing debt	21 597	21 713
Bank deposits and cash	-305	-366
Net interest-bearing debt	20 927	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.

	2018	2017
Net cash flow from operating activities	1 587	1 626
Expensed interest / Interest paid	-4	14
Income tax paid	-116	-19
Change in operating related accruals	42	-9
Net cash flow from operations	1 665	1 640



Olav Thon Eiendomsselskap
Stenersgata 2A
Postboks 489 Sentrum
0105 Oslo

Telephone: 23 08 00 00
E-mail: firmapost.olt@olavthon.no

www.olt.no