

REPORT FOR THE SECOND  
QUARTER AND FIRST  
HALF-YEAR 2017

**OLAV THON**  
EIENDOMSSKAP ASA



## KEY FIGURES

Amounts in NOK million	30.06.17	30.06.16	31.12.16
Net rental income	1 223	1 110	2 243
Fair value adjustments in investment properties and interest rate derivatives <sup>1)</sup>	1 215	604	2 984
Profit before taxes	2 076	1 308	4 472
Profit before tax and fair value adjustments <sup>1)</sup>	861	704	1 488
Equity per share (NOK)	210	173	197
Equity ratio	42 %	39 %	41 %
Non-current net asset value per share (NOK) <sup>2)</sup>	256	214	241
Net cash flow from operations	739	590	1 234
Cash reserves <sup>3)</sup>	5 412	5 092	4 950
Amortisation next 12 months	8 147	4 871	4 669
Interest-bearing debt <sup>4)</sup>	21 678	19 924	21 252
Interest rate as at 30.06 / 31.12	3,08 %	3,31 %	3,24 %
Loan to value ratio <sup>5)</sup>	44 %	45 %	44 %
Net investments <sup>6)</sup>	946	1 766	4 239
Investment properties	49 388	43 795	47 695
Annual rental income <sup>7)</sup>	2 880	2 675	2 850
Yield	5,22 %	5,44 %	5,32 %
Sales, owned shopping centres	22 896	22 325	50 475
Sales, managed shopping centres	5 798	5 528	12 442
Share price as at 30.06 / 31.12 (NOK)	168,0	143,5	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 5,277 million (30.06.2017), NOK 3,754 million (30.06.2016) 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





# OLAV THON EIENDOMSSKAP ASA

## Report for the second quarter and first half-year 2017

Olav Thon Eiendomsselskap posted good results for the first half-year with significant growth in earnings compared with the same period last year.

### Highlights of the half-year report:<sup>1)</sup>

- Rental income was NOK 1,378 (1,268) million. Annual rental income at the end of the first half-year was NOK 2,880 (2,675) million and the vacancy rate 2.9% (3.1%).
- Profit before tax amounted to NOK 2,076 (1,308) million.
- Profit before tax and fair value adjustments increased by 22% to NOK 861 (714) million.
- Net cash flow from operations was NOK 739 (590) million.
- The Group's equity ratio at the end of the second quarter was 42% (39%), and equity per share had risen to NOK 210 (173).
- Liquidity reserves at the end of the first half-year were NOK 5,412 (5,092) million
- Sales in the shopping centre portfolio owned by the Group were NOK 22.9 (22.3) billion.

<sup>1)</sup> The figures in brackets are for the corresponding period/date last year.

Illustration: Amfi Moa, Ålesund



## Statement of financial position as at 30 June 2017

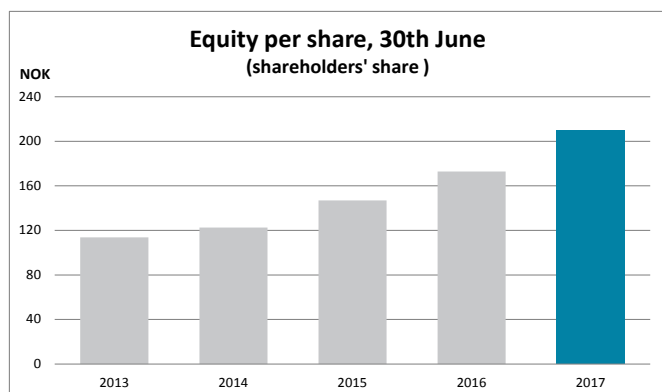
The Group's total assets were NOK 54,446 (48,321) million, with investment properties accounting for NOK 49,387 (43,795) million of that figure.

Equity amounted to NOK 22,668 (18,855) million and the equity ratio was 42% (39%).

Equity per share (majority share) was NOK 210 (173), while non-current net asset value per share was calculated at NOK 256 (214).

Interest-bearing debt was NOK 21,678 (19,923) million, with the loan to value ratio<sup>2)</sup> 44% (45%).

The Group's share of the equity in joint ventures and associated companies was NOK 2,738 (2,443) million.



Equity per share increased by 77 % during the period.

## Summary of the results for Q2

Profit before tax amounted to NOK 1,052 (800) million.

Fair value adjustments in investment properties and interest rate derivatives amounted to NOK 602 (461) million.

Profit before tax and fair value adjustments therefore amounted to NOK 449 (339) million.

## Rental income and property-related expenses

Rental income was NOK 697 (633) million. The increase from the previous year is explained by new

<sup>2)</sup> See page 2 for definitions.

properties and completed property projects.

Other property-related income amounted to NOK 196 (207) million and consisted mainly of payments from the Group's tenants to cover property service charges and the operation of shopping centre associations.

Property-related expenses amounted to NOK 283 (289) million, including the above-mentioned service charges of NOK 185 (205) million.

Maintenance expenses for the property portfolio amounted to NOK 26 (23) million.

Net rental income was therefore NOK 610 (550) million.

## Fair value adjustments, investment properties

The value of the Group's investment properties increased by NOK 514 (510) million.

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

## Share of the results of joint ventures and associated companies

The Group's share of the results of joint ventures and associated companies amounted to NOK 56 (49) million.

A full overview of the income statements and balance sheets for these companies can be found in note 11 of this interim report.

## Other operating income and expenses

Other operating income amounted to NOK 52 (34) million and consisted mainly of income from property management for external owners and sales revenue from other activities.

Other operating and administrative expenses amounted to NOK 72 (58) million, while scheduled depreciation amounted to NOK 8 (7) million.

## Financial income and expenses

Net financial expenses amounted to NOK 168 (184)

million. A drop in the Group's average interest rate has contributed to lower financial expenses despite increased interest-bearing debt.

The average interest rate for the second quarter was 3.15% (3.37%).

### Fair value adjustments, interest rate derivatives

Long-term market interest rates in Norway and Sweden were relatively stable in the second quarter.

In Norway, the 10-year swap rate rose by 0.04 percentage points to 1.95%, while the corresponding rate in Sweden rose by 0.02 percentage points to 1.11%.

As a consequence of the interest rate movements and shorter terms for interest rate derivatives, the fair value of the Group's interest rate derivatives increased by NOK 67 (-95) million.

### Summary of the results for H1

Profit before tax amounted to NOK 2,076 (1,308) million.

Fair value adjustments in investment properties and interest rate derivatives amounted to NOK 1,214 (604) million.

Profit before tax and fair value adjustments amounted to NOK 862 (704) million.



### Cash flow and liquidity

#### Q2

Net cash flow from operations was NOK 374 (280) million, while changes in working capital amounted to NOK -192 (9) million.

Net cash flow from operating activities was therefore NOK 172 (289) million.

Net cash flow from investing activities was NOK -378 (-687) million, while financing activities generated liquidity of NOK 90 (400) million.

Consequently, the Group's cash decreased by NOK 116 (2) million.

#### H1 2017

Net cash flow from operations was NOK 739 (590) million for the first half-year as a whole.

The change in working capital amounted to NOK -378 (53) million, resulting in net cash flow from operating activities of NOK 351 (643) million.





Net cash flow from investing activities was NOK -592 (-1,111) million, while financing activities increased cash by NOK 77 (461) million.

Consequently, the Group's cash decreased by NOK 163 (-7) million in the first half-year.

Liquidity reserves were NOK 5,412 (5,092) million at the end of the first half-year and consisted of short-term investments of NOK 193 (187) million and undrawn long-term credit facilities of NOK 5,219 (4,905) million.

## Investments

The Group's net investments for the first half-year were NOK 949 (1,766) million.

Investments for the second quarter were NOK 506 (468) million.

## Major property projects

### Completed in H1

- **Amfi Kanebogen, Harstad**  
The centre has been refurbished and expanded by 9,300 sq. m. New Amfi Kanebogen, with retail space of 17,900 sq. m. opened in April.

### Under construction

- **Vitaminveien 11, Oslo**  
A number of new buildings with total floor space of approx. 60,000 sq. m., inclusive of 9,000 sq. m. of parking space, are currently being constructed next to Storo Storsenter. The buildings will house 149 residential units, a 321-room hotel, and Norway's largest cinema complex, as well as other office and retail space. The project will be completed in 2018 and 2019.
- **Amfi Moa, Ålesund**  
A 36,000 sq.m. commercial building is under construction at Amfi Moa, which includes 12,000 sq. m. of parking space. The building will connect Amfi Moa Øst and Amfi Moa Syd, and is planned for completion in the fourth quarter of 2018.

- **Oasen Storsenter, Haugesund**  
The centre is being refurbished and expanded by approx. 4,200 sq. m. of retail space and 3,000 sq. m. for parking. The project is scheduled for completion in the fourth quarter of 2018.
- **Amfi Steinkjer, Steinkjer**  
The centre is being refurbished and expanded with a new 5,200 sq. m. building. An older part of the centre will be demolished and the retail space will then be increased by approximately 3,400 sq. m. The project is scheduled for completion in the fourth quarter of 2018.

### Under construction in joint ventures and associated companies

- **Jessheim Storsenter, Ullensaker**  
A new, 18,000 sq. m. commercial property and a 32,000 sq. m. parking facility are being constructed in connection with the part of Jessheim Storsenter in which the Group has a 34% stake. The project will be completed in the fourth quarter of 2017.

The project also includes the construction of 129 residential units in various phases, with the first phase scheduled for completion in the fourth quarter of 2017.

- **Lagunen Storsenter, Bergen (42 % stake)**  
The centre will be expanded by around 40,000 sq. m. of rentable space, as well as approximately 10,000 sq. m. for parking. The project is expected to be completed in 2018 and 2019.

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

### Property portfolio as at 30 June 2017

Investment properties are carried at fair value. Information on the valuation model and the variables used in the valuation can be found on pages 25 and 43-45 in the Norwegian 2016 annual report.

The property portfolio was valued at NOK 49,388 (43,795) million as at 30 June 2017, based on an average yield of 5.22% (5.44%).

Average yields by property segment were as follows:

Shopping centre property	5,25 % (5,43)
Other commercial property	5,08 % (5,51)

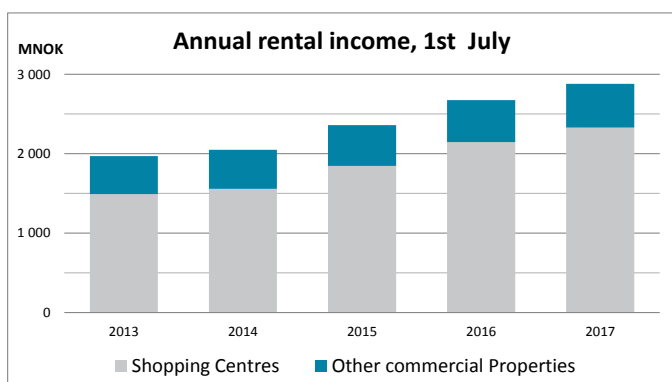
Annual rental income was NOK 2,880 (2,675) million, with the following segment distribution:

Shopping centre property	81 % (80)
Other commercial property	19 % (20)

The vacancy rate in the property portfolio was 2.9% (3.1%).

The increase in rental income compared with the previous year was due to new properties and completed property projects.

In addition, the Group's share of the rental income of joint ventures and associated companies was NOK 280 (265) million, while the value of the property portfolio was NOK 4,401 (4,025) million.



The rental income of the property portfolio increased by 54 % during the period.

## The shopping centre business area

At the end of the first half-year, the shopping centre portfolio comprised 96 shopping centres, 28 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 six of the country's seven largest shopping centres.

## Shopping centres owned by the Group

In the first half-year, total retail sales in the shopping centre portfolio owned by the Group were NOK 22.9 (22.3) billion, while retail sales in the second quarter were NOK 12.1 (11.9) billion.

### Norway

Retail sales in the Group's shopping centres in Norway in the first half-year were NOK 21.2 (20.4) billion and in the second quarter NOK 11.2 (10.9) billion.

### Sweden

Retail sales in the shopping centres in Sweden in the first half-year were SEK 1.8 (1.9) billion and in the second quarter SEK 1.0 (1.0) billion.

## Shopping centres managed for other owners

Retail sales in this part of the portfolio were NOK 5.8 (5.5) billion for the first half-year and NOK 3.1 (3.0) billion for the second quarter.

## Risk factors

The biggest risk factors to which Olav Thon Eiendomsselskap is exposed are considered to be market and financial risks associated with the property and financial markets.

## The property market

Trends in the property market in Norway and Sweden are affected by both macroeconomic factors and demand for commercial property as an investment object.

Changes in yield and market rents have a direct effect on the value of the property portfolio. Calculations of these effects can be found on page 45 of the Norwegian 2016 annual report and on the company's website [www.olt.no](http://www.olt.no).

The valuation as at 30 June 2017 was based on an average yield of 5.22%. The yield has varied between 5.22% and 5.75 % over the last 3 years.

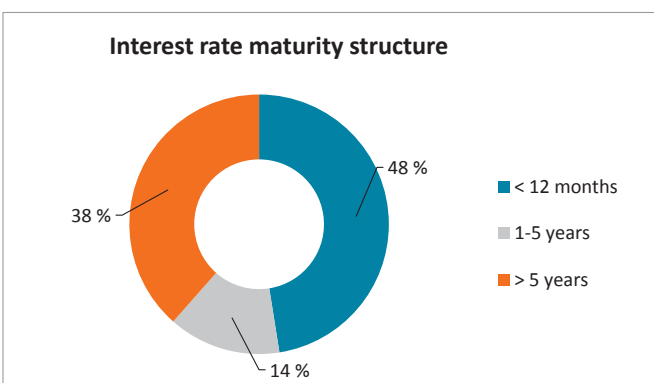
## The financial markets

The most significant financial risk for Olav Thon Eiendomsselskap is considered to be the Group's access to financing in the banking and capital markets.

The Group's financing is described in more detail in the next section, and further information about financial risk management can be found on page 46 in the Norwegian 2016 annual report and the company's website [www.olt.no](http://www.olt.no).

The Group's interest rate derivatives (interest rate swaps) are carried at fair value. Interest rate swaps are mainly used to hedge the Group's long-term fixed interest rates and ensure a predictable cash flow.

At end of the first half-year, the portfolio of interest rate swaps entered into for this purpose was NOK 11,132 (11,126) million and had a fair value of NOK -1,826 (-2,602) million.



52 % of interest-bearing debt has an fixed-interest period of over five years, and the average fixed-interest period is 4 years.

Fair value is affected by both 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 interest rates would change the fair value of the portfolio by approx. NOK 750-850 million.

It is estimated that a change of 1 percentage point in the short-term interest rate would change the Group's average interest rate by around 0.50 of a percentage point. Net annual interest expenses would be changed by NOK 100-110 million.

## 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 still considered extremely good and credit spreads in the capital markets contracted in the second quarter.

The Group's primary funding sources in the second quarter were the capital markets in Norway and Sweden, in which new borrowing of NOK 1,000 million and SEK 1,900 million were raised.

The outstanding commercial paper debt and bonds amounted to NOK 12,007 (8,419) million at the end of the first half-year, distributed between Norway and Sweden as follows:

Illustration: Lagunen Storsenter, Bergen



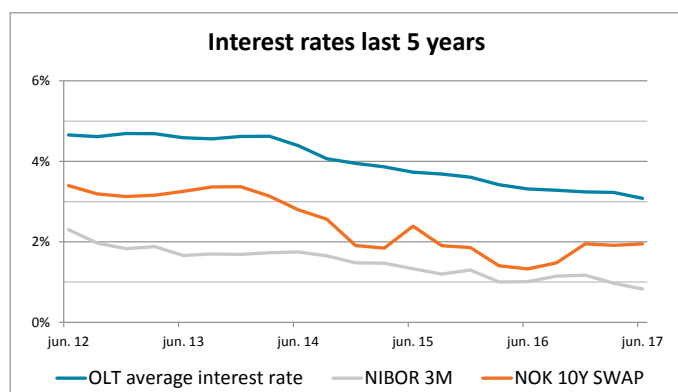


Norway: 8,730 million NOK (6.050)  
 Sweden: 3,350 million SEK (2.400)

Total credit facilities were NOK 26,897 (24,833) million, NOK 5,219 (4,905) million of which was undrawn.

For details of the Group's interest-bearing debt, see notes 6 and 7 in the half-year report.

The debt had an average remaining term of 2.3 (2.7) years. 38% (24%) of the debt due falls for repayment within 1 year.



At 30 June 2017, the Group's average interest rate <sup>3)</sup> 3.08 %.

At the end of the second quarter, the Group had a fixed-rate ratio of 53% (56%), with an average fixed-rate period of 4.0 (4.5) years.

The Group's average interest rate was 3.08% (3.31%), divided into the following currencies:

Currencies	Share of dept	Average interest rate
NOK	83 %	3,57 %
SEK	17 %	0,73 %

## Shares and shareholders

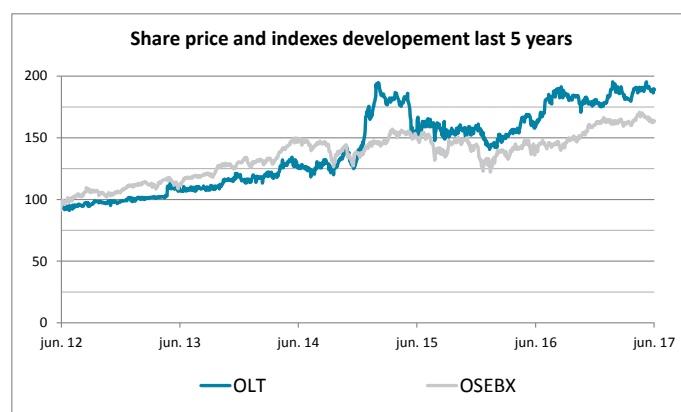
The price of the Olav Thon Eiendomsselskap share rose by 4% in the second quarter to a closing price of NOK 168 as at 30 June 2016. The highest and lowest prices in the quarter were NOK 177.5 and NOK 158.5, respectively.

1.7 (2.5) million shares were traded during the

quarter, with 2,899 (2,258) trades in the share on the Oslo Stock Exchange.

In the first half-year as a whole, 3.5 (4.1) million shares were traded, with 7,182 (4,390) trades in the share on the Oslo Stock Exchange.

The share price rose by 5% in the first half-year and in June a dividend of NOK 2 per share was paid for 2016. The share thus generated a total return of 6% in the first half-year, while the main index of the Oslo Stock Exchange rose by 2% in the same period.



Over the past five years, the price of Olav Thon Eiendomsselskap share has increased by 95 %.

At the end of the first half-year, the company's market capitalisation was NOK 17.9 (15.3) billion and, on the same date, the company's largest shareholders were:

Olav Thon Gruppen AS and subsidiaries	71,9 %
Folketrygdfondet	4,5 %
MP Pensjon	1,8 %
VPF Nordea Norge	1,5 %
Otto Olsen Invest AS	1,4 %
Other shareholders	18,9 %
<b>TOTAL</b>	<b>100,0 %</b>

## Outlook

Growth in the Norwegian economy is increasing and most areas of the economy are developing positively. Nonetheless, lower oil prices are contributing to moderate growth prospects for the next few years and Norges Bank is indicating that interest rates will be kept low for several years.

<sup>3)</sup> From Q3 2014 loans in NOK og SEK.

Demand for commercial property in Norway is still strong and, given the expectation of continued low interest rates, is also expected to remain strong going forward.

With growth in private consumption expected to rise in the period ahead, the outlook for the Group's shopping centres are considered positive.

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

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

### **Declaration by the Board and CEO**

We confirm that, to the best of our knowledge, the report for first half-year 2017 has been prepared in accordance with IAS 34 Interim Financial Reporting and that the disclosures in the financial statements give a true and fair view of the Group's assets, liabilities, financial position and performance as at 30 June 2017.

The half-year report, to the best of our knowledge, gives a fair:

- overview of important events in the accounting period and their impact on the half-year report
- description of the principal risks and uncertainties the business faces in the next accounting period
- description of significant related party transactions with the Group

Oslo, 23 August 2017

The Board of Directors  
Olav Thon Eiendomsselskap ASA

*Every effort has been made to ensure that this translation of the Norwegian text and the report for the 2nd quarter is true translation. However, in case of any discrepancy, the Norwegian version takes place.*

Illustration: Stortunet, Vitaminveien 11, Oslo



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Note	2. quarter 2017	2. quarter 2016	Per 30.06.2017	Per 30.06.2016	Per 31.12.2016
Rental income	5, 8	697	633	1 378	1 268	2 590
Other property-related income	8	196	207	428	425	835
Property-related expenses	8	-283	-289	-588	-582	-1 183
<b>Net rental income</b>		<b>610</b>	<b>550</b>	<b>1 218</b>	<b>1 110</b>	<b>2 243</b>
Fair value adjustments, investment property	9	514	510	1 053	1 060	2 651
Results from joint ventures and associates	11	56	49	119	124	315
Other operating income	8	52	34	88	73	153
Other operating expenses	8	-29	-23	-64	-60	-131
Administrative expenses	5, 8	-43	-35	-81	-70	-141
Depreciation		-8	-7	-13	-12	-30
<b>Operating profit</b>		<b>1 152</b>	<b>1 079</b>	<b>2 320</b>	<b>2 225</b>	<b>5 060</b>
Financial income		3	0	4	2	8
Fair value adjustments, interest rate derivatives		67	-95	104	-554	119
Financial expenses		-171	-184	-352	-366	-714
<b>Profit before tax</b>		<b>1 052</b>	<b>800</b>	<b>2 076</b>	<b>1 308</b>	<b>4 472</b>
Income taxes		-260	-190	-497	-297	-866
<b>Profit for the period</b>		<b>792</b>	<b>610</b>	<b>1 579</b>	<b>1 011</b>	<b>3 606</b>
<b>Other Comprehensive income</b>						
<i>Items to be reclassified to P&amp;L in subsequent periods:</i>						
Exchange differences, from foreign operations		-50	53	-68	84	-28
Hedging of net investment		46	-35	64	-85	-126
Change in deferred tax on other comprehensive income		12	-13	16	-21	-23
<b>Total comprehensive income</b>		<b>800</b>	<b>615</b>	<b>1 591</b>	<b>988</b>	<b>3 428</b>
<b>Profit for the periode attributable to:</b>						
Shareholders of the parent		785	597	1 564	987	3 572
Non-controlling interests		7	13	15	24	34
<b>Total comprehensive income attributable to:</b>						
Shareholders of the parent		792	602	1 576	965	3 395
Non-controlling interests		7	13	15	24	34
Earnings per share, basic and diluted (NOK)		7	6	15	9	32



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK million)	Note	Per 30.06.2017	Per 30.06.2016	Per 31.12.2016
<b>ASSETS</b>				
Deferred tax asset		551	583	550
Investment properties	3, 9	49 387	43 795	47 693
Other fixed assets		91	83	98
Investments in joint ventures and associates	11	2 738	2 443	2 646
Other non-current assets		180	194	198
<b>Total non-current assets</b>		<b>52 947</b>	<b>47 098</b>	<b>51 186</b>
Trade and other current receivables		1 307	1 036	1 017
Bank deposits and cash		193	187	325
<b>Total current assets</b>		<b>1 499</b>	<b>1 223</b>	<b>1 342</b>
<b>Total assets</b>		<b>54 446</b>	<b>48 321</b>	<b>52 528</b>
<b>EQUITY AND LIABILITIES</b>				
Majority share of equity		22 207	18 411	20 949
Non-controlling interests		461	443	447
<b>Total equity</b>		<b>22 668</b>	<b>18 855</b>	<b>21 396</b>
Deferred tax liabilities		6 811	6 047	6 494
Non-current liabilities	6	15 362	17 685	18 516
Current liabilities	7	9 606	5 736	6 122
<b>Total liabilities</b>		<b>31 778</b>	<b>29 467</b>	<b>31 132</b>
<b>Total equity and liabilities</b>		<b>54 446</b>	<b>48 321</b>	<b>52 528</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	Share capital	Share premium reserve	Exchange differences from foreign operations	Retained earnings	Non-controlling interests	Total
<b>Equity 31.12.2015</b>	<b>106</b>	<b>318</b>	<b>6</b>	<b>17 194</b>	<b>416</b>	<b>18 040</b>
Profit for the period				1 020	24	1 044
Other Comprehensive income			84	-21		63
Acquisitions of own shares				-13		-13
Other changes				4	-1	4
<b>Equity 30.06.2016</b>	<b>106</b>	<b>318</b>	<b>90</b>	<b>18 184</b>	<b>439</b>	<b>19 137</b>
Profit for the period				2 552	10	2 562
Other Comprehensive income			-112	-3		-114
Dividends paid				-190		-190
Other changes				2	-2	0
<b>Equity 31.12.2016</b>	<b>106</b>	<b>318</b>	<b>-22</b>	<b>20 546</b>	<b>447</b>	<b>21 396</b>
Profit for the period				1 564	15	1 578
Other Comprehensive income			-4	16		12
Acquisitions of own shares				-100		-100
Dividends paid				-215		-215
Other changes				-3		-3
<b>Per 30.06.2017</b>	<b>106</b>	<b>318</b>	<b>-26</b>	<b>21 808</b>	<b>462</b>	<b>22 668</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(NOK million)	2. quarter 2017	2. quarter 2016	Per 30.06.2017	Per 30.06.2016	Per 31.12.2016
Net cash flow from operations	374	280	739	590	1234
Change in working capital	-172	9	-358	53	546
<b>Net cash flow from operating activities</b>	<b>202</b>	<b>289</b>	<b>381</b>	<b>643</b>	<b>1 780</b>
Payment on the sale of tangible fixed assets					3
Acquisition of investment properties	-278	-507	-482	-607	-962
Acquisition of subsidiaries			-9		-2 168
Other investments		-180		-504	-259
Acquisition of own shares	-100		-100		-13
<b>Net cash flow from investing activities</b>	<b>-379</b>	<b>-687</b>	<b>-592</b>	<b>-1 111</b>	<b>-3 400</b>
Proceeds from interest-bearing liabilities	3 249	2 313	5 436	4 524	11 549
Repayment of interest-bearing liabilities	-2 945	-1 721	-5 144	-3 871	-9 604
Dividends paid	-215	-192	-215	-192	-194
<b>Net cash flow from financing activities</b>	<b>6, 7</b>	<b>90</b>	<b>400</b>	<b>77</b>	<b>1 751</b>
<b>Net change in cash</b>	<b>-87</b>	<b>2</b>	<b>-133</b>	<b>-7</b>	<b>132</b>
Cash at beginning of period		279	185	325	191
Currency effects		1	-1	1	3
Cash at end of period		193	187	193	325

## NOTES TO THE ACCOUNTS 30. JUNE 2017

(NOK million)

**Note 1 GENERAL INFORMATION**

Olav Thon Eiendomsselskap ASA is based in Norway and is listed on Oslo Stock Exchange. The head office is situated in Oslo.

The Group's consolidated financial statements encompass Olav Thon Eiendomsselskap ASA and subsidiaries, as well as the Group's interests in joint ventures and associated companies.

The Group has activities in Norway and Sweden.

**Note 2 ACCOUNTING PRINCIPLES**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and as adopted by EU. The consolidated accounts have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial report represents an update on new circumstances arising after the most recent annual report was presented and is therefore intended to be read in connection with the 2016 annual report.

The interim financial statements were adopted by the Board August 23th 2017.

A review has been performed in accordance with SBR-2410 - Review of Interim financial information, performed by the independent auditor of the entity.

**Note 3 CHANGES IN GROUP STRUCTURE**

There are no significant changes in the group structure during the first six months of the year.

**Note 4 ESTIMATES**

Preparation of interim financial statements involves the use of judgements, estimates and assumptions that affect the application of accounting principles and amounts recognised for assets, liabilities, income and expenses.

In preparing these interim financial statements, management has used the same judgements regarding application of accounting principles that were used in the consolidated financial statements for 2016.

**Note 5 RELATED PARTY TRANSACTIONS**

Transactions	Counterparty	Counterparty associate of	30.06.2017	30.06.2016	31.12.2016
Current leases	Companies in Olav Thon Gruppen AS	Olav Thon Foundation	25	28	53
Current operating and administration agreements	Thon Eiendomsdrift AS	Olav Thon Foundation	51	41	87

**Note 6 NON-CURRENT LIABILITIES**

	30.06.2017	30.06.2016	31.12.2016
Bonds	6 181	5 668	6 681
Other interest-bearing liabilities	7 350	9 388	9 903
Non-interest-bearing liabilities (fair value interest rate swaps)	1 826	2 602	1 930
Other liabilities	5	26	3
<b>Total</b>	<b>15 362</b>	<b>17 685</b>	<b>18 516</b>



## Note 7 CURRENT LIABILITIES

	30.06.2017	30.06.2016	31.12.2016
Commercial paper debt	3 687	2 430	2 377
Bonds	2 139	320	855
Interest-bearing current liabilities	2 322	2 117	1 437
Trade payables	193	179	237
Accrued interest	47	47	44
Duties payable	121	166	109
Income tax payable	153	-116	19
Other current liabilities	945	584	1 044
<b>Total</b>	<b>9 606</b>	<b>5 727</b>	<b>6 122</b>

## Note 8 BUSINESS SEGMENTS

At 30 June 2017, the Group has activities within two strategic business segments.

The two operating segments are:

- \* Shopping centres
- \* Commercial property

The two geographical segments are:

- \* Norway
- \* Sweden

Segment reporting is based on internal management reporting.

Business segments	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
<b>2. quarter 2017</b>							
Rental income	552	145		697	641	56	697
Other property-related income	178	18		196	180	15	196
Property-related expenses	-224	-59		-283	-255	-28	-283
<b>Net rental income</b>	<b>506</b>	<b>104</b>	<b>0</b>	<b>610</b>	<b>567</b>	<b>43</b>	<b>610</b>
Fair value adjustments, investment property	417	97		514	521	-8	514
Results from joint ventures and associates	56			56	56		56
Other operating income	29		23	52	52		52
Other operating expenses	-14		-15	-29	-29		-29
Administrative expenses	-36	-7		-43	-39	-4	-43
Depreciation	-6	-2		-8	-8	0	-8
<b>Operating profit</b>	<b>952</b>	<b>192</b>	<b>7</b>	<b>1152</b>	<b>1120</b>	<b>32</b>	<b>1152</b>
<b>2. quarter 2016</b>							
Rental income	491	142	0	633	592	41	633
Other property-related income	189	18	0	207	177	30	207
Property-related expenses	-236	-53	0	-289	-257	-32	-289
<b>Net rental income</b>	<b>443</b>	<b>107</b>	<b>0</b>	<b>550</b>	<b>512</b>	<b>38</b>	<b>550</b>
Fair value adjustments, investment property	368	142		510	485	26	510
Results from joint ventures and associates	49			49	49		49
Other operating income	18		17	34	34		34
Other operating expenses	-7		-16	-23	-23		-23
Administrative expenses	-30	-6		-35	-32	-4	-35
Depreciation	-4	-2		-7	-7	0	-7
<b>Operating profit</b>	<b>837</b>	<b>241</b>	<b>1</b>	<b>1079</b>	<b>1020</b>	<b>60</b>	<b>1079</b>

Per 30.06.2017	Operating segments			Geographical segments			
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
Rental income	1 068	310		1 378	1 277	101	1 378
Other property-related income	391	37		428	391	37	428
Property-related expenses	-473	-115		-588	-532	-56	-588
<b>Net rental income</b>	<b>986</b>	<b>232</b>	<b>0</b>	<b>1 218</b>	<b>1 135</b>	<b>83</b>	<b>1 218</b>
Fair value adjustments, investment property	731	322		1 053	1 065	-13	1 053
Results from joint ventures and associates	119			119	119		119
Other operating income	43		46	88	88		88
Other operating expenses	-27		-37	-64	-64		-64
Administrative expenses	-68	-13		-81	-74	-7	-81
Depreciation	-9	-4		-13	-13	0	-13
<b>Operating profit</b>	<b>1 773</b>	<b>537</b>	<b>9</b>	<b>2 320</b>	<b>2 257</b>	<b>63</b>	<b>2 320</b>
<b>Per 30.06.2016</b>							
Rental income	980	288		1 268	1 174	94	1 268
Other property-related income	385	40		425	365	60	425
Property-related expenses	-461	-121		-582	-537	-45	-582
<b>Net rental income</b>	<b>903</b>	<b>207</b>	<b>0</b>	<b>1 110</b>	<b>1 002</b>	<b>108</b>	<b>1 110</b>
Fair value adjustments, investment property	810	250		1 060	993	66	1 060
Results from joint ventures and associates	124			124	124		124
Other operating income	35		38	73	73		73
Other operating expenses	-23		-37	-60	-60		-60
Administrative expenses	-59	-11		-70	-63	-7	-70
Depreciation	-8	-4		-12	-12	0	-12
<b>Operating profit</b>	<b>1 782</b>	<b>442</b>	<b>1</b>	<b>2 225</b>	<b>2 058</b>	<b>167</b>	<b>2 225</b>

Per 31.12.2016	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
Rental income	2 013	578		2 590	2 387	204	2 590
Other property-related income	755	80		835	739	96	835
Property-related expenses	-959	-224		-1 183	-1 040	-143	-1 183
<b>Net rental income</b>	<b>1 809</b>	<b>434</b>	<b>0</b>	<b>2 243</b>	<b>2 086</b>	<b>156</b>	<b>2 243</b>
Fair value adjustments, investment property	1 737	914		2 651	2 503	148	2 651
Results from joint ventures and associates	315			315	315		315
Other operating income	77		76	153	153		153
Other operating expenses	-57		-73	-131	-131		-131
Administrative expenses	-120	-21		-141	-126	-15	-141
Depreciation	-16	-13		-30	-30	0	-30
<b>Operating profit</b>	<b>3 744</b>	<b>1 313</b>	<b>3</b>	<b>5 060</b>	<b>4 772</b>	<b>289</b>	<b>5 060</b>

#### Note 9 INVESTMENT PROPERTY

	30.06.2017	30.06.2016	31.12.2016
<b>Opening balance</b>	<b>47 693</b>	<b>40 177</b>	<b>40 177</b>
Acquisitions/expenditure on properties	641	2 552	4 867
Change in fair value recognised in the period	1 053	1 060	2 651
Other changes	0	5	-1
<b>Closing balance</b>	<b>49 387</b>	<b>43 794</b>	<b>47 693</b>

#### Note 10 SUBSEQUENT EVENTS

No events of significance to the assessment of the Group's position and results have occurred after the reporting date.



## Note 11 JOINT VENTURES AND ASSOCIATED COMPANIES

The table below shows underlying figures in the income statement and financial position for joint ventures and associated companies.

	2. quarter 2017	2. quarter 2016	30.06.2017	30.06.2016	31.12.2016
<b>Joint ventures</b>					
Net rental income	86	90	173	172	345
Fair value adjustments, investment property	17	28	40	71	179
Fair value adjustments, interest rate derivatives	3	-1	4	-10	12
Expenses	-59	-76	-122	-141	-262
<b>Profit</b>	<b>48</b>	<b>41</b>	<b>96</b>	<b>92</b>	<b>274</b>
Investment properties			3 498	3 230	3 376
Other assets			201	262	212
<b>Total assets</b>			<b>3 699</b>	<b>3 492</b>	<b>3 588</b>
Equity			2 229	1 987	2 155
Non-current liabilities			1 350	1 336	1 315
Current liabilities			121	170	118
<b>Total equity and liabilities</b>			<b>3 699</b>	<b>3 492</b>	<b>3 588</b>
<b>Associated companies</b>					
	2. quarter 2017	2. quarter 2016	30.06.2017	30.06.2016	31.12.2016
Net rental income	13	10	27	23	53
Fair value adjustments, investment property	1	19	13	37	24
Fair value adjustments, interest rate derivatives	0	0	0	0	0
Expenses	-7	-9	-18	-16	-36
<b>Profit</b>	<b>8</b>	<b>20</b>	<b>23</b>	<b>44</b>	<b>41</b>
Investment properties			903	795	846
Other assets			124	53	99
<b>Total assets</b>			<b>1 027</b>	<b>848</b>	<b>945</b>
Equity			509	493	491
Non-current liabilities			356	253	353
Current liabilities			161	102	102
<b>Total equity and liabilities</b>			<b>1 027</b>	<b>848</b>	<b>945</b>

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.

	2. quarter 2017	2. quarter 2016	30.06.2017	30.06.2016	31.12.2016
Fair value adjustments, investment property from profit and loss	514	510	1 053	1 060	2 651
Fair value adjustments, investment property - Joint ventures	17	28	40	71	179
Fair value adjustments, investment property - Associated companies	1	19	13	37	24
Fair value adjustments, interest rate derivatives from profit and loss	67	-95	104	-554	119
Fair value adjustments, interest rate derivatives - Joint ventures	3	-1	4	-10	12
<b>Fair value adjustments in investment property and interest rate derivatives</b>	<b>602</b>	<b>461</b>	<b>1 215</b>	<b>604</b>	<b>2 984</b>

#### 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.

	2. quarter 2017	2. quarter 2016	30.06.2017	30.06.2016	31.12.2016
Profit before tax	1 052	800	2 076	1 308	4 472
Adjusted for fair value adjustments in investment property and interest rate derivatives	-602	-461	-1 215	-604	-2 984
<b>Profit before tax and fair value adjustments</b>	<b>449</b>	<b>339</b>	<b>861</b>	<b>704</b>	<b>1 488</b>

#### Non-current net asset value per share

Normalised net asset value per share after taking into account a fair value assessment of

	30.06.2017	30.06.2016	31.12.2016
Majority share of equity	22 207	18 419	20 949
Deferred tax liabilities	6 797	6 040	6 487
Fair value of debt - deferred tax liabilities - 7%	-1 983	-1 691	-1 816
<b>Non-current net asset value</b>	<b>27 021</b>	<b>22 767</b>	<b>25 620</b>
Number of shares (own shares not included)	105 745 320	106 345 320	106 345 320
<b>Non-current net asset value per share in NOK</b>	<b>256</b>	<b>214</b>	<b>241</b>

#### 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.

	30.06.2017	30.06.2016	31.12.2016
Bonds, non-current	6 181	5 668	6 681
Bonds, current	2 139	320	855
Commercial paper debt, current	3 687	2 430	2 377
Other interest-bearing liabilities, non-current	7 350	9 388	9 903
Other interest-bearing liabilities, current	2 322	2 117	1 437
<b>Interest-bearing debt</b>	<b>21 678</b>	<b>19 924</b>	<b>21 252</b>
Bank deposits and cash	-193	-187	-325
<b>Net interest-bearing debt</b>	<b>21 485</b>	<b>19 737</b>	<b>20 927</b>

Photo: Jessheim Storsenter



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