

REPORT FOR THE  
SECOND QUARTER AND  
FIRST HALF-YEAR 2018

**OLAV THON**  
EIENDOMSSKAP ASA



## KEY FIGURES

Amounts in NOK million	Q2 2018	Q2 2017	30.06.18	30.06.17	31.12.17
Net rental income	628	610	1 256	1 218	2 460
Fair value adjustments in investment properties and interest rate derivatives <sup>1)</sup>	154	602	535	1 214	2 438
Profit before taxes	628	1 053	1 476	2 076	4 193
Profit before tax and fair value adjustments <sup>1)</sup>	474	451	941	862	1 755
Equity per share (NOK)			236	210	228
Equity ratio			45 %	42 %	44 %
Non-current net asset value per share (NOK) <sup>2)</sup>			285	256	276
Net cash flow from operations	432	360	861	755	1 640
Cash reserves <sup>3)</sup>			7 720	5 412	8 137
Amortisation next 12 months			7 604	8 147	7 578
Interest-bearing debt <sup>4)</sup>			21 500	21 678	21 713
Interest rate as at 30.06 / 31.12			3,04 %	3,08 %	2,98 %
Loan to value ratio <sup>5)</sup>			41 %	44 %	42 %
Net investments <sup>6)</sup>	276	503	689	946	1 875
Investment properties			51 948	49 388	51 435
Annual rental income <sup>7)</sup>			2 930	2 880	2 910
Yield			5,17 %	5,22 %	5,17 %
Sales, owned shopping centres	12 222	12 134	23 306	22 903	50 768
Sales, managed shopping centres	1 996	3 097	4 824	5 798	13 273
Share price as at 30.06 / 31.12 (NOK)			149,4	168,0	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

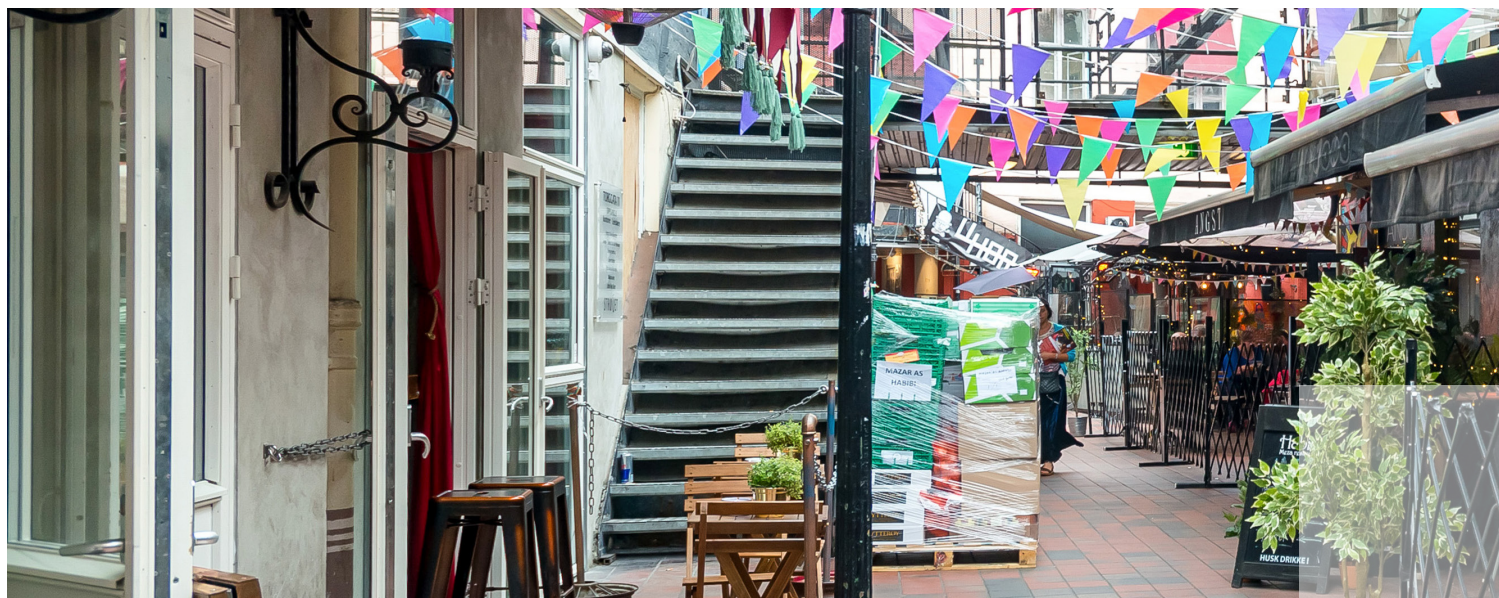
3) Bank deposits etc. + Undrawn borrowing facilities

4) Unsecured part of interest-bearing debt NOK 6,380 million (30.06.2018), NOK 5,277 million (30.06.2017) and NOK 6,399 million (31.12.2017), 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

## Rapport for the second quarter and first half-year 2018

Olav Thon Eiendomsselskap achieved a solid result for the first half of the year, although lower fair value adjustments in the property portfolio compared with the same period last year contributed to a reduction in the Group's result.

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

- Rental income was NOK 1,398 (1,374) million. Annual rental income at the end of the first half-year was NOK 2,930 (2,880) million and the vacancy rate was 2.6 % (2.9 %).
- Profit before tax amounted to NOK 1,476 (2,076) million.
- Profit before tax and fair value adjustments increased by 9 % to NOK 941 (861) million.
- Net cash flow from operations was NOK 861 (755) million.
- The Group's equity ratio at the end of the second quarter was 45 % (42 %), and equity per share had risen to NOK 236 (210).
- Liquidity reserves at the end of the first half-year were NOK 7,720 (5,412) million.
- Retail sales in the shopping centre portfolio owned by the Group were NOK 23,306 (22,903) million.

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

Strøget, Oslo



## Financial position/balance sheet as at 30 June 2018

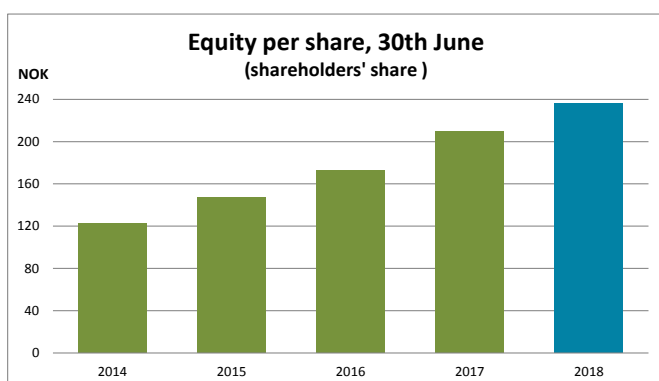
The Group's total assets were NOK 57,047 (54,448) million, with investment properties accounting for NOK 51,948 (49,388) million of that figure.

Total equity was NOK 25,452 (22,669) million and the equity ratio was 45 % (42 %).

Equity per share (majority share) was NOK 236 (210), while the non-current net asset value per share was calculated as being NOK 285 (256).

Interest-bearing debt was NOK 21,500 (21,678) million, with a loan to value ratio<sup>2)</sup> of 41 % (44 %).

The Group's share of the equity in joint ventures and associated companies was NOK 2,880 (2,738) million.



Equity per share increased by 107 % during the period.

## Summary of the results for Q2

Profit before tax amounted to NOK 628 (1,053) million.

Fair value adjustments in investment properties and interest rate derivatives totalled NOK 154 (602) million.

Profit before tax and fair value adjustments therefore amounted to NOK 474 (451) million.

## Rental income and property-related expenses

Rental income was NOK 700 (695) million.

Other property-related income amounted to NOK 205 (197) million and essentially consisted 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 277 (283) million, including the above-mentioned service charges of NOK 187 (185) million.

Maintenance expenses for the property portfolio amounted to NOK 18 (26) million.

Net rental income was therefore NOK 628 (610) million.

## Fair value adjustments, investment properties

The value of the Group's investment properties remained generally unchanged in the second quarter, although rises in rent for some properties helped increase the value of the property portfolio by NOK 206 (514) million.

Reference is otherwise made to later sections and note 9 of the interim report.

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

The Group's share of the results from joint ventures and associated companies amounted to NOK 24 (56) 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 39 (52) 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 76 (72) million, while scheduled

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

depreciation amounted to NOK 5 (7) million.

Operating income was lower than last year due to a major management agreement coming to an end in the second quarter.

### Financial income and expenses

Net financial expenses amounted to NOK 161 (166) million. A drop in the Group's average interest rate compared with the same period last year contributed to slightly lower financial expenses.

The Group's average interest rate for the second quarter was 3.02 % (3.15 %).

### Fair value adjustments, interest rate derivatives

There was a moderate fall in long-term market interest rates in the second quarter and the 10-year swap rate fell by 0.09 percentage points in both Norway and Sweden. At the end of June, it was quoted at 2.15 % and 1.12 % in Norway and Sweden, respectively.

The market value of the interest rate derivatives fell as a consequence of the drop in interest rates, although the fall was dampened by shorter remaining terms to maturity for the derivatives. Fair value adjustments therefore amounted to NOK -28 (67) million in the second quarter.



### Summary of the results for H1

Profit before tax amounted to NOK 1,476 (2,076) million.

Fair value adjustments in investment properties and interest rate derivatives amounted to NOK 535 (1,214) million.

Profit before tax and fair value adjustments amounted to NOK 941 (862) million.

### Cash flow and liquidity

#### Q2

Net cash flow from operations was NOK 432 (360) million.

Net cash flow from operating activities was NOK 231 (201) million, while investing activities reduced cash by NOK 332 (-278) million.



Financing activities supplied cash of NOK 79 (-10) million and overall the Group's cash and cash equivalents were reduced by NOK 22 (-87) million in the second quarter

## H1

Net cash flow from operations was NOK 861 (755) million for the first half-year as a whole.

Net cash flow from operating activities was NOK 671 (380) million, while investing activities reduced cash by NOK 674 (-491) million.

Financing activities reduced cash by NOK 109 (-22) million and the Group's cash and cash equivalents were reduced by NOK 113 (-133) million in the first half-year.

Cash reserves were NOK 7,720 (5,412) million at the end of the first half-year and consisted of short-term investments of NOK 256 (193) million and undrawn long-term credit facilities of NOK 7,464 (5,219) million.

## Investments

The Group's net investments in the first half-year amounted to NOK 689 (946) million. Investments in the second quarter amounted to NOK 276 (503) million.

## Major property acquisitions after the reporting date

### Fannestrandveien 51, Molde

A retail and office property of around 3,300 sq. m. and close to the Group's shopping centres in Molde was taken over at the start of the third quarter of 2018

## Property sales

### Vinterbro, Akershus

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

## Major property projects

### Completed

#### • Vitaminveien 11, Oslo

The first phases of the construction project next to Storo Storsenter in Oslo were completed in March and July 2018. Norway's largest cinema complex with 14 screens opened in March and the first phase of the Stortunet housing project was completed at the start of July.

### Under construction

#### • Vitaminveien 11, Oslo

The remaining part of the project with total space of 60,000 sq. m will be gradually completed from the third quarter of 2018 to the first quarter of 2019. On 5 September, a modern conference hotel will open with 321 rooms and a conference centre with capacity for 400 people.

#### • Amfi Moa, Ålesund

A 36,000 sq. m. commercial building is under construction at Amfi Moa that connects Amfi Moa Øst and Amfi Moa Syd. The new building, which will significantly expand the services offered by the centre will be completed during the fourth quarter of 2018 and first quarter of 2019.

#### • Oasen Storsenter, Haugesund

The shopping centre is being refurbished and extended by around 4,200 sq. m. of retail space and 3,000 sq. m. of parking space. The project is scheduled for completion in the fourth quarter of 2018 and second quarter of 2019.

#### • Amfi Steinkjer, Steinkjer

The centre is being refurbished and expanded with a new 5,200 sq. m. building. An older section of the centre will be demolished so that the retail space can be increased by around 3,400 sq. m. The new part of the centre will open in the third quarter of 2018.

### Under construction in joint ventures and associated companies

#### • Jessheim Storsenter, Ullensaker

In connection with the part of Jessheim Storsenter in which the Group has a stake of 34%, 115 residential units will be constructed in various phases. The first phase involving

47 apartments has been completed, while the remainder of the residential units will be completed in the third and fourth quarter of 2018.

- **Lagunen Storsenter, Bergen (42 % stake)**  
The shopping centre is being extended by 40,000 sq. m. of rentable space, plus an additional 10,000 sq. m. of parking space. A number of new shops and places to eat will open in the fourth quarter of 2018, while the range of goods and services will expand further in the fourth quarter of 2019 with the opening of a new cinema complex and a gym.

For more information about our property projects see [www.olt.no](http://www.olt.no).

## Property portfolio as at 30 June 2018

Investment properties are carried at fair value. Information on the valuation model and the variables used in the valuation can be found on pages 27, 28, 29, 45, 46 and 47 in the Norwegian 2017 annual report.

The property portfolio was valued at NOK 51,948 (49,388) million, based on an average yield of 5.17 % (5.22 %).

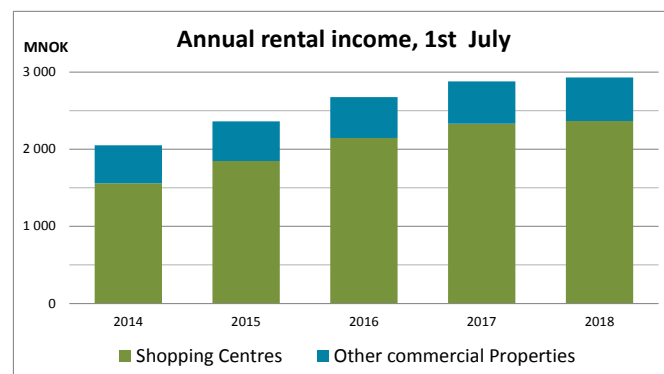
- Average yields by property segment were as follows:
- Shopping centre property 5.27 % (5.25 %)
- Other commercial property 4.82 % (5.08 %)

Annual rental income was NOK 2,930 (2,880) million, with the following segment distribution:

- Shopping centre property 81 % (81 %)
- Other commercial property 19 % (19 %)

The vacancy rate in the property portfolio was 2.6 % (2.9 %).

The increase in rental income compared with the previous year was due to completed property projects and the growth in rental income from the existing property portfolio.



The rental income of the property portfolio increased by 49 % during the period.

## The property portfolio is owned through joint ventures and associated companies.

In addition to the property portfolio, which is recognised in the Group's balance sheet, the Group's share of the rental income of joint ventures and associated companies was NOK 290 (280) million. The Group's share of the property values in these companies was NOK 4,741 (4,401) million.

## Shopping centres

At the end of the first half-year, the shopping centre portfolio comprised 90 shopping centres, 22 of which are managed for external owners. The number of shopping centres managed for external owners fell in the second quarter due to the cancellation of a major management agreement.

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 nine largest shopping centres.

## Shopping centres owned by the Group

Retail sales in the shopping centre portfolio owned by the Group in the first half-year amounted to NOK 23,306 (22,903) million, while retail sales in the second quarter amounted to NOK 12,222 (12,134) billion.

## Norway

Retail sales in the Group's shopping centres in Norway amounted to NOK 21,583 (21,165) million in the first half-year and NOK 11,338 (11,206) million in the second quarter.

## Sweden

Retail sales in the Group's shopping centres in Sweden amounted to SEK 1,822 (1,834) million in the first half-year and SEK 956 (959) million in the second quarter.

## Shopping centres managed for other owners

Retail sales in this part of the portfolio were NOK 4,824 (5,798) million for the first half-year and NOK 1,996 (3,097) million for the second quarter. The decrease is related to the cancellation of a major management agreement in 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 47 of the Norwegian 2017 annual report and on the company's website: [www.olt.no](http://www.olt.no).

The valuation as at 30 June 2018 was based on an average yield of 5.17 %. The yield has varied between 5.17 % and 5.75 % over the last three 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 48 in the Norwegian 2017 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 primarily used to secure the Group's long-term fixed interest rates and thereby ensure more predictable cash flow.

At the end of the first half-year, the portfolio of interest rate swaps entered into for this purpose was NOK 11,049 (11,134) million and had a fair value of NOK -1,504 (-1,826) million.

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 were stable or contracted in the second quarter as well.

The Group's most important funding sources in the second quarter were the capital markets in Norway and Sweden, in which new borrowing of NOK 3,300 million and SEK 1,000 million was raised.

In addition, long-term loan agreements were entered into with Nordic banks with total credit facilities of NOK 1,940 million.

The outstanding commercial paper debt and bonds amounted to NOK 13,915 (12,007) million at the end of the first half-year, distributed between Norway and Sweden as follows:

Norway: 10.685 millioner NOK (8.730)  
 Sweden: 3.550 millioner SEK (3.350)

Total credit facilities were NOK 28,964 (26,897) million, NOK 7,464 (5,219) million of which was undrawn.

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

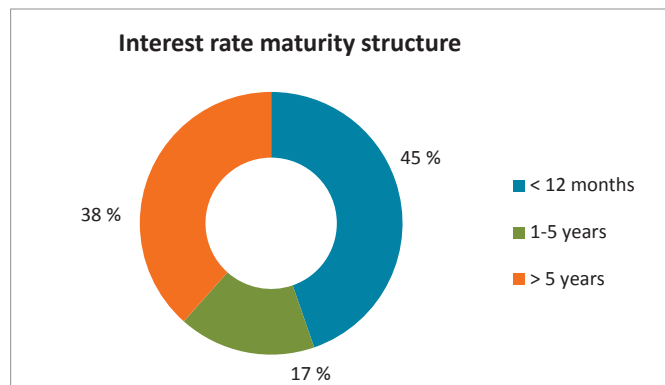
The debt had an average remaining term of 2.2 (2.3) years. 35% (38%) of the debt falls due for repayment within 1 year.

At the end of the second quarter, the Group had a fixed-rate ratio of 55 % (53 %), with an average fixed-rate period of 3.5 (4.0) years.

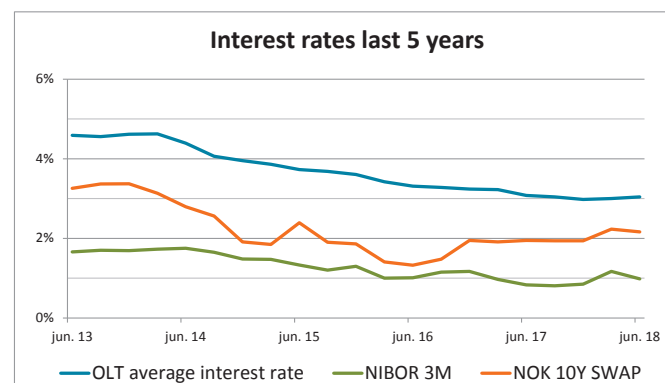
The Group's average interest rate was 3.04 %

(3.08%), divided into the following currencies:

Currencies	Share of debt	Average interest rate
NOK	84 %	3,48 %
SEK	16 %	0,70 %



55 % of interest-bearing debt has an fixed-interest period of over 1 year, and the average fixed-interest period is 3,5 years.



At 30 June 2018, the Group's average interest rate is 3.04 %.

AMFI Moa, Ålesund



## Shares and shareholders

The price of the Olav Thon Eiendomsselskap share rose by 4.9 % in the second quarter to a closing price of NOK 149.40 as at 30 June 2018. The highest and lowest prices in the quarter were NOK 155.80 and NOK 141.20, respectively.

2.0 (1.7) million shares were traded during the quarter, with 5,507 (2,899) trades in the share on the Oslo Stock Exchange.

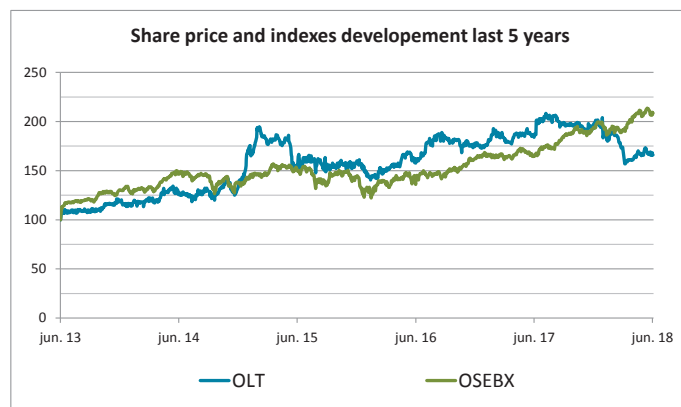
3.5 (3.5) million shares were traded in the first half-year, with 8,707 (7,182) trades in the share on the Oslo Stock Exchange.

The share price fell by 8 % in the first half of the year as a whole, while in June a dividend of NOK 2.20 per share was paid for 2017. The share thus generated a total return of -7 % in the first half-year, while the main index of the Oslo Stock Exchange rose by 8 % in the same period.

At the end of the first half-year, the company's market capitalisation was NOK 15.9 (17.9) billion.

At the same time, the company's largest shareholders were:

Olav Thon Gruppen AS and subsidiaries	71.9 %
Folketrygdfondet	3.8 %
MP Pensjon	2.2 %
VPF Nordea Norge	2.1 %
Otto Olsen Invest AS	1.4 %
Other shareholders	18.6 %
<b>TOTAL</b>	<b>100.0 %</b>



Over the past five years, the price of Olav Thon Eiendomsselskap share has increased by 66 %.

## Outlook

Growth in the Norwegian economy is increasing and the majority of areas in the economy are developing well. The growth in Norway is expected to remain at a relatively high level 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 is still high and with the prospect of continued moderate interest rates, this is expected to last.

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 accounts for a small proportion of the retail trade, but online shopping is expected to grow faster than the physical retail trade in the coming years.

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 centres.

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 the first half-year of 2018 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 2018.

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

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

Oslo, 22 August 2018

The Board of Directors,  
Olav Thon Eiendomsselskap ASA

Sandvika Storsenter



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Note	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Rental income	5, 8	700	695	1 398	1 374	2 770
Other property-related income	8	205	197	434	431	845
Property-related expenses	8	-277	-283	-576	-588	-1 155
<b>Net rental income</b>		<b>628</b>	<b>610</b>	<b>1 256</b>	<b>1 218</b>	<b>2 460</b>
Fair value adjustments, investment property	9	206	514	257	1 053	2 216
Results from joint ventures and associates	11	24	56	108	119	199
Other operating income	8	39	52	78	88	170
Other operating expenses	8	-32	-29	-67	-64	-137
Administrative expenses	5, 8	-44	-43	-90	-81	-164
Depreciation		-5	-7	-11	-13	-27
<b>Operating profit</b>		<b>817</b>	<b>1 153</b>	<b>1 532</b>	<b>2 320</b>	<b>4 717</b>
Financial income	12	1	3	8	4	6
Fair value adjustments, interest rate derivatives		-28	67	261	104	165
Financial expenses	12	-162	-169	-324	-352	-695
<b>Profit before tax</b>		<b>628</b>	<b>1 053</b>	<b>1 476</b>	<b>2 076</b>	<b>4 193</b>
Income taxes		-156	-260	-328	-497	-712
<b>Profit for the period</b>		<b>472</b>	<b>793</b>	<b>1 148</b>	<b>1 579</b>	<b>3 482</b>
<b>Other Comprehensive income</b>						
<i>Items to be reclassified to P&amp;L in subsequent periods:</i>						
Exchange differences, from foreign operations		-49	46	-149	64	77
Hedging of net investment		49	-52	148	-68	-72
Change in deferred tax on other comprehensive income		-11	12	-34	16	16
<b>Total comprehensive income</b>		<b>461</b>	<b>800</b>	<b>1 113</b>	<b>1 591</b>	<b>3 503</b>
<b>Profit for the periode attributable to:</b>						
Shareholders of the parent		467	786	1 135	1 564	3 406
Non-controlling interests		5	7	13	15	76
<b>Total comprehensive income attributable to:</b>						
Shareholders of the parent		456	793	1 100	1 576	3 427
Non-controlling interests		5	7	13	15	76
Earnings per share, basic and diluted (NOK)		4	7	10	15	32

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK million)	Note	30.06.2018	30.06.2017	31.12.2017
<b>ASSETS</b>				
Deferred tax asset		411	551	412
Investment properties	3, 9	51 948	49 388	51 435
Other fixed assets		89	91	99
Investments in joint ventures and associates	11	2 880	2 738	2 838
Other non-current assets		438	180	294
<b>Total non-current assets</b>		<b>55 766</b>	<b>52 948</b>	<b>55 078</b>
Trade and other current receivables		1 025	1 307	1 050
Bank deposits and cash		256	193	366
<b>Total current assets</b>		<b>1 281</b>	<b>1 499</b>	<b>1 415</b>
<b>Total assets</b>		<b>57 047</b>	<b>54 448</b>	<b>56 493</b>
<b>EQUITY AND LIABILITIES</b>				
Majority share of equity		24 943	22 208	24 061
Non-controlling interests		508	461	518
<b>Total equity</b>		<b>25 452</b>	<b>22 669</b>	<b>24 580</b>
Deferred tax liabilities		7 060	6 811	6 945
Non-current liabilities	6	15 442	15 362	15 701
Current liabilities	7	9 093	9 606	9 267
<b>Total liabilities</b>		<b>31 595</b>	<b>31 778</b>	<b>31 914</b>
<b>Total equity and liabilities</b>		<b>57 047</b>	<b>54 448</b>	<b>56 493</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	Share capital	Share premium reserve	Exchange differences from foreign operations	Retained earnings	Hedging reserve	Shareholders of the parent	Non-controlling interests	Total
<b>Equity 31.12.2016</b>	<b>106</b>	<b>318</b>	<b>-120</b>	<b>20 565</b>	<b>81</b>	<b>20 950</b>	<b>447</b>	<b>21 397</b>
Profit for the period			-	1 564	-	1 564	15	1 579
Other comprehensive income			64	-	-51	12	-	12
Acquisitions of own shares			-	-100	-	-100	-	-100
Dividends paid			-	-214	-	-214	-	-214
Other changes			-	-4	-	-4	-	-4
<b>Equity 30.06.2017</b>	<b>106</b>	<b>318</b>	<b>-56</b>	<b>21 811</b>	<b>30</b>	<b>22 208</b>	<b>462</b>	<b>22 670</b>
Profit for the period			-	1 842	-	1 842	61	1 903
Other comprehensive income			13	-	-4	9	-	9
Acquisitions of own shares			-	-	-	-	-	-
Dividends paid			-	-	-	-	-	-
Other changes			-	3	-	3	-5	-2
<b>Equity 31.12.2017</b>	<b>106</b>	<b>318</b>	<b>-43</b>	<b>23 655</b>	<b>26</b>	<b>24 062</b>	<b>518</b>	<b>24 580</b>
Profit for the period			-	1 135	-	1 135	13	1 148
Other comprehensive income			-149	-	114	-35	-	-35
Acquisitions of own shares			-	-	-	-	-	-
Dividends paid			-	-233	-	-233	-5	-238
Other changes			-	15	-	15	-18	-3
<b>Equity 30.06.2018</b>	<b>106</b>	<b>318</b>	<b>-193</b>	<b>24 573</b>	<b>140</b>	<b>24 944</b>	<b>508</b>	<b>25 452</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(NOK million)	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Net cash flow from operations	432	360	861	755	1 640
Expensed interest	155	166	309	340	666
Interest paid	-150	-170	-308	-338	-652
Income tax paid	-56	18	-73	-19	-19
Change in working capital	-151	-172	-118	-358	-9
<b>Net cash flow from operating activities</b>	<b>231</b>	<b>201</b>	<b>671</b>	<b>380</b>	<b>1 626</b>
Payment on the sale of tangible fixed assets	17	-	-	-	-
Acquisition of investment properties	-318	-278	-614	-482	-1 452
Acquisition of subsidiaries	-	-	-	-9	-9
Other investments	-31	-	-	-	-90
<b>Net cash flow from investing activities</b>	<b>-332</b>	<b>-278</b>	<b>-674</b>	<b>-491</b>	<b>-1 551</b>
Proceeds from interest-bearing liabilities	4 382	3 249	8 618	5 436	10 894
Repayment of interest-bearing liabilities	-4 071	-2 945	-8 495	-5 144	-10 609
Dividends paid	-233	-214	-233	-214	-214
Acquisition of own shares	-	-100	-	-100	-100
<b>Net cash flow from financing activities</b>	<b>79</b>	<b>-10</b>	<b>-109</b>	<b>-22</b>	<b>-29</b>
<b>Net change in cash</b>	<b>-22</b>	<b>-87</b>	<b>-113</b>	<b>-133</b>	<b>46</b>
Cash at beginning of period	275	279	366	325	325
Currency effects	3	1	3	1	-5
Cash at end of period	256	193	256	193	366

## NOTES TO THE ACCOUNTS 30. JUNE 2018

(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 new accounting standards, IFRS 9 - Financial instruments and IFRS 15 - Revenue from Contracts with Customers, were implemented with effect from 1. January 2018 and no consequences for the Group have been identified.

With the exception of the implementation of the new standards, IFRS 9 and IFRS 15, the accounting principles that were used as a basis for the interim report are in accordance with the principles used when preparing the 2017 annual report and should be read together with this.

The interim financial statements were adopted by the Board August 22nd 2018.

There has been no audit of the interim financial information.

### Note 3 CHANGES IN GROUP STRUCTURE

There are no significant changes in the group structure during the quarter.

### 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 2017.

### Note 5 RELATED PARTY TRANSACTIONS

Transactions	Counterparty	Counterparty associate of	30.06.2018	30.06.2017	31.12.2017
Current leases	Companies in Olav Thon Gruppen AS	Olav Thon Foundation	27	25	52
Current operating and administration agreements	Thon Eiendomsdrift AS	Olav Thon Foundation	57	51	98

### Note 6 NON-CURRENT LIABILITIES

	30.06.2018	30.06.2017	31.12.2017
Bonds	6 418	6 181	6 384
Other interest-bearing liabilities	7 478	7 350	7 751
Non-interest-bearing liabilities (fair value interest rate swaps)	1 504	1 826	1 543
Other liabilities	43	5	23
<b>Total</b>	<b>15 442</b>	<b>15 362</b>	<b>15 701</b>

## Note 7 CURRENT LIABILITIES

	30.06.2018	30.06.2017	31.12.2017
Commercial paper debt	4 742	3 687	4 399
Bonds	2 755	2 139	2 375
Interest-bearing current liabilities	107	2 322	804
Trade payables	173	193	203
Accrued interest	59	47	58
Duties payable	109	121	104
Income tax payable	258	153	116
Other current liabilities	889	945	1 208
<b>Total</b>	<b>9 093</b>	<b>9 606</b>	<b>9 267</b>

## Note 8 BUSINESS SEGMENTS

At 30.06.2018, 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>Q2 2018</b>							
Rental income	546	154	-	700	649	51	700
Other property-related income	187	18	-	205	189	16	205
Property-related expenses	-213	-63	-	-277	-252	-25	-277
<b>Net rental income</b>	<b>520</b>	<b>108</b>	<b>-</b>	<b>628</b>	<b>586</b>	<b>43</b>	<b>628</b>
Fair value adjustments, investment property	98	108	-	206	134	72	206
Results from joint ventures and associates	24	-	-	24	24	-	24
Other operating income	21	-	18	39	39	-	39
Other operating expenses	-16	-	-16	-32	-32	-	-32
Administrative expenses	-38	-6	-	-44	-40	-3	-44
Depreciation	-3	-2	-	-5	-5	-0	-5
<b>Operating profit</b>	<b>606</b>	<b>208</b>	<b>2</b>	<b>817</b>	<b>705</b>	<b>112</b>	<b>817</b>

Business segments	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
<b>Q2 2017</b>							
Rental income	550	145	-	695	640	56	695
Other property-related income	179	18	-	197	182	15	197
Property-related expenses	-224	-59	-	-283	-255	-28	-283
<b>Net rental income</b>	<b>506</b>	<b>104</b>	<b>-</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>953</b>	<b>192</b>	<b>7</b>	<b>1 152</b>	<b>1 121</b>	<b>31</b>	<b>1 152</b>



Business segments	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
<b>30.06.2018</b>							
Rental income	1 084	313	-	1 398	1 294	104	1 398
Other property-related income	399	35	-	434	396	38	434
Property-related expenses	-450	-126	-	-576	-518	-58	-576
<b>Net rental income</b>	<b>1 034</b>	<b>222</b>	<b>-</b>	<b>1 256</b>	<b>1 172</b>	<b>84</b>	<b>1 256</b>
Fair value adjustments, investment property	-123	380	-	257	167	91	257
Results from joint ventures and associates	108	-	-	108	108	-	108
Other operating income	36	-	42	78	78	-	78
Other operating expenses	-30	-	-37	-67	-67	-	-67
Administrative expenses	-78	-12	-	-90	-83	-7	-90
Depreciation	-7	-4	-	-11	-11	-0	-11
<b>Operating profit</b>	<b>940</b>	<b>587</b>	<b>5</b>	<b>1 532</b>	<b>1 364</b>	<b>168</b>	<b>1 532</b>

Business segments	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
<b>30.06.2017</b>							
Rental income	1 064	310	-	1 374	1 273	101	1 374
Other property-related income	394	37	-	431	394	37	431
Property-related expenses	-473	-115	-	-588	-532	-56	-588
<b>Net rental income</b>	<b>986</b>	<b>232</b>	<b>-</b>	<b>1 218</b>	<b>1 136</b>	<b>82</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>1 774</b>	<b>537</b>	<b>9</b>	<b>2 320</b>	<b>2 257</b>	<b>63</b>	<b>2 320</b>

Business segments	Operating segments				Geographical segments		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
<b>31.12.2017</b>							
Rental income	2 154	616	-	2 770	2 564	206	2 770
Other property-related income	779	66	-	845	769	76	845
Property-related expenses	-955	-200	-	-1 155	-1 042	-113	-1 155
<b>Net rental income</b>	<b>1 978</b>	<b>482</b>	<b>-</b>	<b>2 460</b>	<b>2 291</b>	<b>169</b>	<b>2 460</b>
Fair value adjustments, investment property	1 343	873	-	2 216	2 247	-31	2 216
Results from joint ventures and associates	199	-	-	199	199	-	199
Other operating income	78	-	92	170	170	-	170
Other operating expenses	-58	-	-79	-137	-137	-	-137
Administrative expenses	-140	-24	-	-164	-150	-14	-164
Depreciation	-19	-8	-	-27	-27	-0	-27
<b>Operating profit</b>	<b>3 381</b>	<b>1 324</b>	<b>13</b>	<b>4 717</b>	<b>4 593</b>	<b>124</b>	<b>4 717</b>

## Note 9 INVESTMENT PROPERTY

	30.06.2018	30.06.2017	31.12.2017
<b>Opening balance</b>	<b>51 435</b>	<b>47 695</b>	<b>47 695</b>
Acquisitions/expenditure on properties	613	507	1 499
Change in fair value recognised in the period	257	1 053	2 216
Investment property from companies bought in the period	-	-	9
Effect of currency exchange differences i foreign operations	-339	134	181
Other changes	-17	-	-165
<b>Closing balance</b>	<b>51 948</b>	<b>49 388</b>	<b>51 435</b>

## Note 10 SUBSEQUENT EVENTS

The parent company is a party to an ongoing legal dispute concerning the final settlement in connection with a property purchase. Oslo District Court found in favour of Olav Thon Eiendomsselskap ASA in the judgment that was handed down on 19 March 2018. The opposing party has since appealed the judgment. No provisions have been made for the claim.

## 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.

Joint ventures	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Net rental income	97	86	184	173	351
Fair value adjustments, investment property	-27	17	2	40	26
Fair value adjustments, interest rate derivatives	-2	3	32	4	5
Expenses	-58	-59	-123	-122	-235
<b>Profit</b>	<b>11</b>	<b>47</b>	<b>96</b>	<b>95</b>	<b>147</b>
Investment properties			3 894	3 498	3 641
Other assets			296	201	256
<b>Total assets</b>			<b>4 190</b>	<b>3 699</b>	<b>3 897</b>
Equity			2 389	2 229	2 298
Non-current liabilities			1 682	1 350	1 488
Current liabilities			119	121	111
<b>Total equity and liabilities</b>			<b>4 190</b>	<b>3 699</b>	<b>3 897</b>

Associated companies	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Net rental income	25	13	93	27	58
Fair value adjustments, investment property	5	1	-17	13	26
Fair value adjustments, interest rate derivatives	-	-	-	-	-0
Expenses	-18	-7	-63	-18	-32
<b>Profit</b>	<b>12</b>	<b>8</b>	<b>13</b>	<b>23</b>	<b>52</b>
Investment properties			847	903	957
Other assets			189	124	211
<b>Total assets</b>			<b>1 036</b>	<b>1 027</b>	<b>1 168</b>
Equity			491	509	540
Non-current liabilities			465	356	628
Current liabilities			81	161	-
<b>Total equity and liabilities</b>			<b>1 036</b>	<b>1 027</b>	<b>1 168</b>

## Note 12 FINANCIAL INCOME AND FINANCIAL EXPENSES

	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Renteinntekter	1	2	3	3	5
Finansinntekter	0	1	5	1	1
<b>Total financial income</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>4</b>	<b>6</b>
Rentekostnader	-155	-169	-309	-340	-666
Finanskostnader	-7	-0	-15	-12	-29
<b>Total financial expenses</b>	<b>-162</b>	<b>-169</b>	<b>-324</b>	<b>-352</b>	<b>-695</b>

## ALTERNATIVE PERFORMANCE MEASURES

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

	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Fair value adjustments, investment property from profit and loss	206	514	257	1 053	2 216
Fair value adjustments, investment property - Joint ventures	-27	17	2	40	26
Fair value adjustments, investment property - Associated companies	5	1	-17	13	26
Fair value adjustments, interest rate derivatives from profit and loss	-28	67	261	104	165
Fair value adjustments, interest rate derivatives - Joint ventures	-2	3	32	4	5
<b>Fair value adjustments in investment property and interest rate derivatives</b>	<b>154</b>	<b>602</b>	<b>535</b>	<b>1 214</b>	<b>2 438</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.

	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Profit before tax	628	1 053	1 476	2 076	4 193
Adjusted for fair value adjustments in investment property and interest rate derivatives	-154	-602	-535	-1 214	-2 438
<b>Profit before tax and fair value adjustments</b>	<b>474</b>	<b>451</b>	<b>941</b>	<b>862</b>	<b>1 755</b>

### Non-current net asset value per share

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

	30.06.2018	30.06.2017	31.12.2017
Majority share of equity	24 943	22 208	24 061
Deferred tax liabilities, deferred tax liabilities current assets excluded	7 054	6 797	6 945
Fair value of debt - deferred tax liabilities - 6 %	-1 840	-1 983	-1 812
<b>Non-current net asset value</b>	<b>30 157</b>	<b>27 023</b>	<b>29 195</b>
Number of shares (own shares not included)	105 745 320	105 745 320	105 745 320
<b>Non-current net asset value per share in NOK</b>	<b>285</b>	<b>256</b>	<b>276</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.

	30.06.2018	30.06.2017	31.12.2017
Bonds, non-current	6 418	6 181	6 384
Bonds, current	2 755	2 139	2 375
Commercial paper debt, current	4 742	3 687	4 399
Other interest-bearing liabilities, non-current	7 478	7 350	7 751
Other interest-bearing liabilities, current	107	2 322	804
<b>Interest-bearing debt</b>	<b>21 500</b>	<b>21 678</b>	<b>21 713</b>
Bank deposits and cash	-256	-193	-366
<b>Net interest-bearing debt</b>	<b>21 245</b>	<b>21 485</b>	<b>21 348</b>

Sandvika Storsenter



**OLAV THON**  
EIENDOMSSELSKAP ASA

Stenersgata 2  
P.O.Box 489 Sentrum  
N-0105 Oslo

Tel.: +47 23 08 00 00  
E-mail: [firmapost.olt@olavthon.no](mailto:firmapost.olt@olavthon.no)

[www.olt.no](http://www.olt.no)