

OLAV THON
EIENDOMSSKAP



REPORT FOR Q2 AND H1 2020

KEY FIGURES

Amounts in NOK million	Q2 2020	Q2 2019	30.06.20	30.06.19	31.12.19
Net rental income	689	684	1 314	1 351	2 684
Fair value adjustments in investment properties and interest rate derivatives ¹⁾	-328	-228	-3 460	-371	424
Profit before taxes	180	273	-2 562	628	2 336
Profit before tax and fair value adjustments ²⁾	510	509	863	1 013	1 941
Equity per share (NOK)			246	251	264
Equity ratio			45 %	45 %	46 %
Non-current net asset value per share (NOK) ³⁾			292	300	315
Net cash flow from operations	466	466	844	921	1 765
Cash reserves ⁴⁾			6 152	6 490	6 796
Amortisation next 12 months			6 314	5 154	4 913
Interest-bearing debt ⁵⁾			21 393	22 001	21 481
Interest rate as at 30.06			3,03 %	3,05 %	3,27 %
Loan to value ratio ⁶⁾			40 %	41 %	39 %
Net investments ⁷⁾	140	-49	376	212	548
Market value properties ⁸⁾			52 586	53 184	54 257
Annual rental income ⁹⁾			3 200	3 140	3 215
Yield			5,35 %	5,16 %	5,13 %
Sales, owned shopping centres	12 353	12 001	22 758	22 735	50 211
Sales, managed shopping centres	2 046	1 699	3 714	3 653	8 058
Share price as at 30.06 (NOK)			140,0	144,0	167,8

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) Including taxes in joint ventures and associated companies

3) (Majority share of equity + deferred tax liabilities - fair value of debt (deferred tax 6%)) / Number of shares

4) Bank deposits etc. + Undrawn borrowing facilities

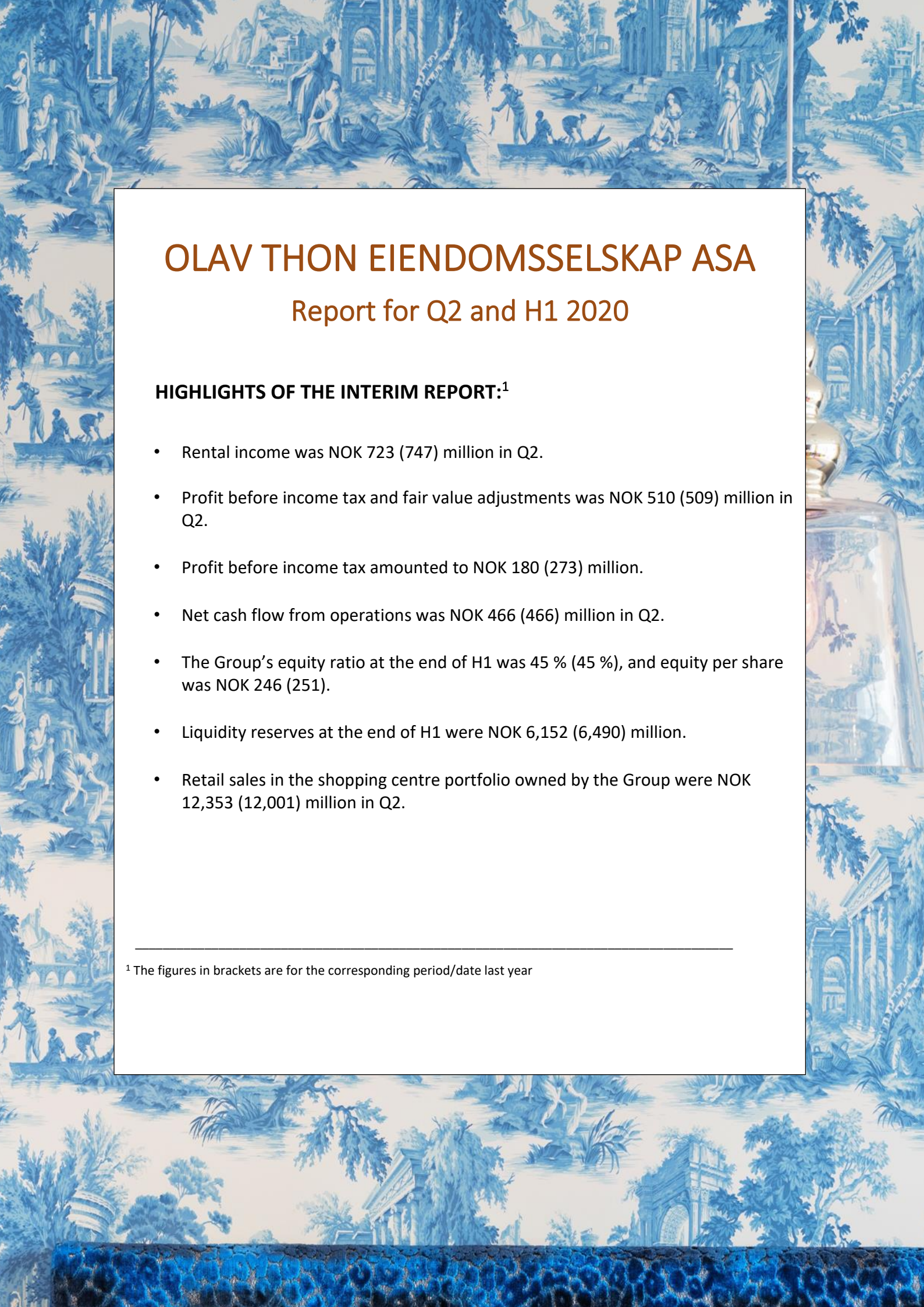
5) Unsecured part of interest-bearing debt NOK 5,301 million (30.06.20), 5,413 million (30.06.19) and 5,430 million (31.12.19)

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

7) Property purchase/sale/upgrade costs + purchase/sale of companies + assets + other investments (purchase/sale)

8) Includes market value of investment properties and owner-occupied properties. In addition, the Group owns through jointly controlled companies/associated companies with market value (Group's share) NOK 4,329 million (30.06.20), 4,431 million (30.06.19) and 4,519 million (31.12.19).

9) Market rent for rented and vacant premises.



OLAV THON EIENDOMSSSELKAP ASA

Report for Q2 and H1 2020

HIGHLIGHTS OF THE INTERIM REPORT:¹

- Rental income was NOK 723 (747) million in Q2.
- Profit before income tax and fair value adjustments was NOK 510 (509) million in Q2.
- Profit before income tax amounted to NOK 180 (273) million.
- Net cash flow from operations was NOK 466 (466) million in Q2.
- The Group's equity ratio at the end of H1 was 45 % (45 %), and equity per share was NOK 246 (251).
- Liquidity reserves at the end of H1 were NOK 6,152 (6,490) million.
- Retail sales in the shopping centre portfolio owned by the Group were NOK 12,353 (12,001) million in Q2.

¹ The figures in brackets are for the corresponding period/date last year

FINANCIAL POSITION/BALANCE SHEET AS AT 30 JUNE 2020

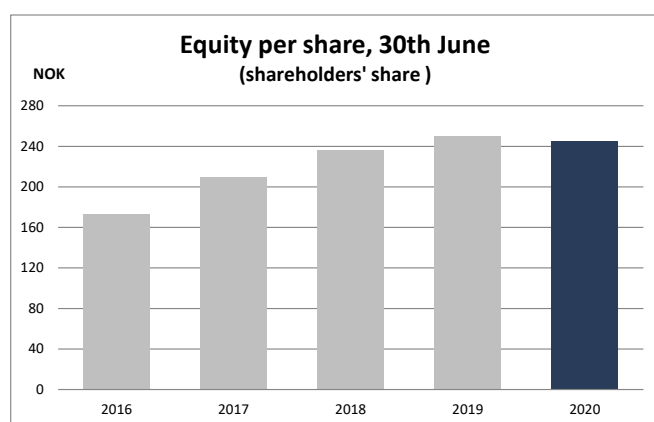
The Group's total assets were NOK 57,797 (58,872) million. Of this, investment property amounted to NOK 52,373 (53,164) million.

Total equity was NOK 25,813 (26,438) million and the equity ratio was 45 % (45 %).

Equity per share (majority share) was NOK 246 (251), while the NAV per share was NOK 292 (300).

Interest-bearing debt was NOK 21,393 (22,001) million, with a loan to value ratio¹ of 40 % (41 %).

The Group's share of the equity in joint ventures and associated companies was NOK 2,705 (2,813) million.



Equity per share has increased by 42 % since 30 June 2016.

SUMMARY OF THE RESULTS FOR Q2

Profit before income tax was NOK 180 (273) million.

Fair value adjustments in investment property and interest rate derivatives totalled NOK -328 (-228) million.²

Profit before income tax and fair value adjustments therefore amounted to NOK 510 (509) million.

RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income was NOK 723 (747) million. Reduction in Rental income is due to temporary rent reductions for some tenants who have been significantly impacted by the Covid-19 pandemic.

Other property-related income amounted to NOK 162 (200) million and consisted mainly of payments from the Group's tenants to cover letting and property administration costs, as well as costs related to the operation of shopping centre associations.

Property-related expenses amounted to NOK 196 (263) million, including the above-mentioned letting and property administration costs of NOK 132 (171) million.

Provisions for losses on trade receivables increased by NOK 1 (-6) million from Q1 due to partially closing of the Group's shopping centres for parts of Q2.

Maintenance expenses for the property portfolio amounted to NOK 25 (18) million.

Net rental income was NOK 689 (684) million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

There are still uncertainties regarding fair value calculations of the Group's investment property stemming from the Covid-19 pandemic. Note 4 and Note 8 in the interim report describe assumptions for fair value validation in Q2. For further information on the valuation model and parameters used in the valuation please see the annual report for 2019.

The valuation of the Group's investment property resulted in a negative value change of NOK 243 (176) million in Q2.

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

- Shopping centre properties in Norway and Sweden.
- Commercial properties including rental housing, primarily in the Oslo area.

Property values decreased in both property segments in Q2. The Group's shopping centre properties had negative value changes of NOK 199 million (0.5 %). The negative value changes of the Group's commercial properties amounted to NOK 44 million (0.3 %).

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of the results from joint ventures and associated companies amounted to NOK 18 (34) million.

Note 9 in the interim report shows underlying figures in the income statement and financial position for joint ventures and associated companies.

OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to NOK 26 (40) 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 (81) million, while scheduled depreciation amounted to NOK 7 (5) million.

Closed businesses due to Covid-19 restrictions resulted in a reduction in operating income.

¹ See page 2 for definitions

² Includes investments in joint ventures and associated companies

FINANCIAL INCOME AND EXPENSES

Net financial expenses were NOK 174 (176) million.

Net interest expenses amounted to NOK 178 (179) million, NOK 6 (6) million of which was interest expenses related to lease liabilities.

Unrealised gains on currency exchange associated with the SEK exchange rate amounted to NOK 2 (-5) million.

FAIR VALUE ADJUSTMENTS, INTEREST RATE DERIVATIVES

Long-term market interest rates were relatively stable both in Norway and Sweden in Q2.

In Norway, the 10-year swap rate was down by 0.05 of a percentage point to 0.98%, while the corresponding rate in Sweden was down by 0.02 of a percentage point to 0.37 %.

The interest rate movements in Q2 resulted in reduction of the fair value of the Group's interest rate derivatives by NOK 54 (-46) million.

SUMMARY OF THE INCOME STATEMENT FOR H1

The result before income tax was NOK -2,562 (628) million.

Fair value adjustments in investment properties and interest rate derivatives amounted to NOK -3,460 (-371) million.

The result before income tax and fair value adjustments amounted to NOK 863 (1,013) million.

CASH FLOW AND LIQUIDITY

Q2

Net cash flow from operations was NOK 466 (466) million.

Net cash flow from operating activities was NOK 211 (205) million.

Investment activities reduced liquidity by NOK 89 (226) million, while financing activities reduced liquidity by NOK 209 (25) million.

Currency effects amounted to NOK -12 (1) million and the Group's liquidity reserves thereby decreased by NOK 99 (-46) million in Q2.

H1

Net cash flow from operations was NOK 844 (921) million for H1.

Net cash flow from operating activities was NOK 622 (571) million.

Investment activities reduced liquidity by NOK 260 (403) million, while financing activities reduced liquidity by NOK 450 (199) million.

Exchange rate effects amounted to NOK 14 (5) million and the Group's liquidity reserves thereby decreased by NOK 75 (-25) million in H1.

Liquidity reserves were NOK 6,152 (6,490) million at the end of H1 and consisted of short-term investments of NOK 311 (281) million

and undrawn long-term credit facilities of NOK 5,841 (6,209) million.

INVESTMENTS

The Group's net investments in H1 amounted to NOK 376 (212) million.

Investments in Q2 amounted to NOK 140 (-49) million.

MAJOR PROPERTY PROJECTS³

Completed

AMFI Rørvik in Trøndelag County (25%)

At AMFI Rørvik, 30 flats have been built for sale and commercial premises have been expanded by 3,400 square meters. The project was completed in Q2 2020.

Under construction / decided on project initiation

Bernt Ankers Gate 6, Oslo

New building in the centre of Oslo with a total space of 5,600 square metres with 46 flats and 4 smaller commercial premises for rent. The project is scheduled for completion in 2021.

Brages Vei 1, Gardermoen Park, Ullensaker

Construction of a 23,600-square meter logistics building has started. A long-term lease has been signed for the building and the project is scheduled for completion in Q1 2022.

Brages vei 3, Gardermoen Park, Ullensaker

After the end of Q2 there has been decided on initiation of construction of a new logistics building in Gardermoen Park. The building of 23,000 square meters is fully let, and the building is scheduled for completion in Q1 2022.

Renewal of the shopping centre portfolio.

In addition to the major projects, smaller upgrade and refurbishments projects are taking place at several of the Group's shopping centres.

In planning phase

Olav Thon Eiendomsselskap is developing a number of major property projects linked to the further development of its property portfolio. Whether or not projects are executed depends on factors such as official permits and market conditions.

For more information about our property projects, please see www.olt.no.

INVESTMENT PROPERTIES AS AT 30 JUNE 2020

The property portfolio was valued at NOK 52,373 (53,164) million, based on an average yield of 5.35 % (5.16 %).

Average yields by property segment were as follows:

Shopping centre properties	5.61 % (5.39 %)
Other commercial properties	4.63 % (4.57 %)

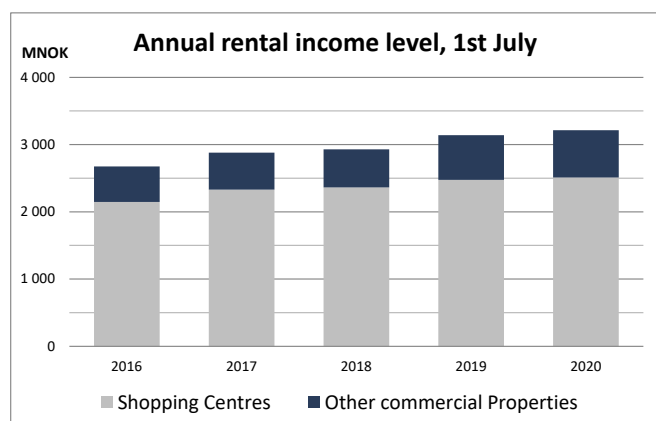
Annual rental income level was NOK 3,200 (3,140) million, with the following segment distribution:

³ Over NOK 50 million

Shopping centre properties	78 % (79 %)
Other commercial properties	22 % (21 %)

The vacancy rate in the property portfolio was 3.4 % (2.6 %).

The increase in rental income level compared with the previous year was primarily due to completed property projects.



The annual rental income level has increased by 20 % since 2016.

PROPERTY PORTFOLIO OWNED THROUGH JOINT VENTURES AND ASSOCIATED COMPANIES

In addition to the property portfolio, which is recognised on the Group's balance sheet, the Group's share of the rental income of joint ventures and associated companies was NOK 280 (265) million.

The Group's share of the property values was NOK 4,330 (4,431) million.

SHOPPING CENTRES

At the end of H1, the shopping centre portfolio comprised 77 shopping centres, 16 of which are managed for external owners.

Olav Thon Eiendomsselskap is Norway's leading shopping centre actor with a solid market position.

The shopping centre portfolio includes Norway's second largest shopping centre in terms of retail sales, Lagunen Storsenter in Bergen, and a total of seven of the country's ten largest shopping centres.

Shopping centres owned by the Group

Retail sales in the shopping centre portfolio owned by the Group were NOK 12,353 (12,001) million in Q2, while retail sales in H1 were NOK 22,785 (22,735) million.

Retail sales developed as follows in Q2 as a result of the gradual reopening of the Group's shopping centres: (retail sales in NOK million)

	2020	2019	Change
April	3,296	3,728	-11,6 %
May	4,138	4,015	3,1 %
June	4,919	4,258	15,5 %
Total Q2	12,353	12,001	2,9 %

Retail sales in the Group's shopping centres in July:

	2020	2019	Change
July	5,042	4,146	21,6 %

The comparative figures for 2019 have been adjusted for retail sales in the Norwegian shopping centres no longer owned by the Group.

Similarly, the figures for the Swedish shopping centres have been adjusted to take account of one shopping centre that is closed for refurbishment.

Norway

The Group's Norwegian shopping centres reported sales of NOK 11,517 (11,153) million for Q2.

Retail sales in H1 were NOK 21,110 (21,101) million.

Sweden

Retail sales in the Group's shopping centres in Sweden amounted to SEK 806 (928) million in Q2, and SEK 1,636 (1,763) million in H1.

Shopping centres managed for other owners

Retail sales in this part of the portfolio were NOK 2,046 (1,699) million in Q2 and NOK 3,714 (3,653) million in H1.

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 impact on the value of the property portfolio. Calculations of these effects can be found in the Note 8 in the interim report and on the company's website: olt.no.

The valuation as at 30 June 2020 was based on an average yield of 5.35 %. The yield has varied between 5.10 % and 5.50 % 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 risk is mitigated by maintaining a low loan to value ratio, a balanced debt portfolio and significant liquidity reserves.

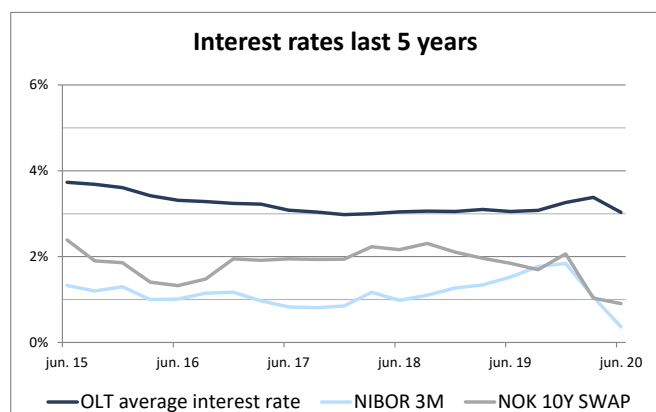
The Group’s financing is described in more detail in the next section, and further information about financial risk management can be found in the annual report for 2019 and on the company’s website: olt.no.

The Group’s interest rate derivatives (interest rate swaps) are carried at fair value. Interest rate swaps are primarily used to secure the Group long-term fixed-rate periods and thereby ensure more predictable cash flow.

At the end of Q2, the portfolio of interest rate swaps entered into for this purpose was NOK 13,114 (11,013) million and had a fair value of NOK -2,153 (-1,588) 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 one percentage point in interest rates would change the fair value of the portfolio by 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.



As at 30 June 2020, the Group’s average interest rate was 3.03 %⁴.

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 considered good and both the banking and capital markets developed positively in Q2.

The Norwegian capital market was the most important source of financing in Q2 with NOK 650 million in new loans being raised.

At the end of Q2, outstanding certificate and bond debt amounted to NOK 10,281 (11,661) million, broken down as follows:

Norway: NOK 7,630 (8,298) million
Sweden: SEK 2,550 (3,665) million

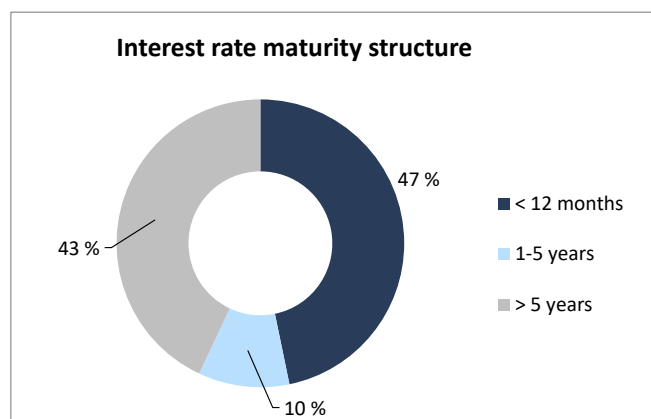
Total credit facilities were NOK 27,234 (28,210) million, NOK 5,841 (6,209) million of which was undrawn.

For details of the Group’s interest-bearing debt, see notes 11 and 12 and ‘Alternative performance measures’ in the interim report.

The debt had an average remaining term of 2.2 (2.3) years. 30 % (23 %) of the debt falls due for repayment within 1 year. At the end of Q2, the Group had a fixed-rate ratio of 53 % (55 %), with an average fixed-rate period of 3.5 (3.6) years.

The Group’s average interest rate was 3.03 % (3.05 %), divided into the following currencies:

Currency	Proportion of debt	Average interest rate
NOK	86 %	3.33 %
SEK	14 %	1.21 %



47 % of interest-bearing debt has a fixed-rate period of more than 1 year. The average fixed-rate period is 3.6 years.

SHARES AND SHAREHOLDERS

The closing price of the Olav Thon Eiendomsselskap share was NOK 140 at the end of Q2, an increase from NOK 113 at the start of the quarter. The highest and lowest prices in the quarter were NOK 145 and NOK 113, respectively.

The share price therefore rose by 24 % in Q2, while the main index rose by 12 %.

Overall, the share price fell 17 % in H1, slightly more than the main index at the Oslo Stock Exchange, which fell 15 % in the same period.

1,925,000 (4,200,000) shares were traded in Q2, with 6,501 (4,698) trades in the share on the Oslo Stock Exchange.

5,680,000 (5,000,000) shares were traded in H1, with 15,947 (8,990) trades in the share on the Oslo Stock Exchange.

⁴ Loans in NOK and SEK

At the end of H1, the company's market capitalisation was NOK 14.4 (15.3) billion.

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

Olav Thon Gruppen AS and subsidiaries	73.9 %
Folketrygdfondet	2.7 %
VPF Nordea Norge	2.7 %
MP Pensjon	2.2 %
Otto Olsen Invest AS	1.0 %
Other owners	17.5 %
TOTAL	100 %

OUTLOOK

The Norwegian economy is in a deep recession caused by the Covid-19 pandemic and the extensive infection control measures that have been introduced both in Norway and abroad.

The Norwegian authorities have implemented a series of economic measures to mitigate the economic consequences of the pandemic and Norges Bank has cut its policy rate from 1.50 % to 0 %. Norges Bank is indicating that the rate will remain at its current level for some time to come.

Following the gradual reopening of Norway, activity in the Norwegian economy is increasing but considerable uncertainty remains about future developments.

Given the Group's financial position with its high equity ratio and solid liquidity reserves, the Group is considered well-equipped to deal with the future financial consequences of the Covid-19 pandemic as well.

DECLARATION BY THE BOARD AND CEO

We confirm that, to the best of our knowledge, the report for H1 2020 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 2020.

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, 13 August 2020

Board of Directors, Olav Thon Eiendomsselskap ASA

OLAV THON EIENDOMSSSELKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Note	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Rental income	4, 6	723	747	1 477	1 488	2 984
Other property-related income	4	162	200	403	450	900
Property-related expenses		-196	-263	-566	-587	-1 201
Net rental income	7	689	684	1 314	1 351	2 684
Other operating income	4	26	40	65	82	167
Other operating expenses		-25	-35	-66	-73	-157
Administrative expenses	6	-47	-46	-97	-93	-189
Depreciation		-7	-5	-14	-11	-24
Net income from property management	7	636	638	1 202	1 257	2 481
Fair value adjustments, investment property	4, 8	-243	-176	-2 362	-263	218
Fair value adjustments, right-of-use assets		-3	-1	-6	-2	-14
Share of profit from joint ventures and associates	9	18	34	-141	76	213
Operating profit	7	408	495	-1 308	1 067	2 898
Financial income	10	4	7	6	18	12
Financial expenses	10	-178	-183	-435	-361	-737
Fair value adjustments, interest rate derivatives		-54	-46	-825	-96	164
Net financial items		-228	-222	-1 254	-439	-561
Profit before income tax		180	273	-2 562	628	2 336
Income taxes		-40	-74	526	-163	-498
Profit		140	199	-2 036	465	1 838
Other Comprehensive income						
<i>Items to be reclassified to P&L in subsequent periods:</i>						
Currency translation differences from foreign operations		9	-20	152	-91	-46
Hedging of net investment in foreign operations		-1	18	-128	87	39
Income taxes on other comprehensive income		0	-4	28	-19	-8
Total comprehensive income		149	194	-1 984	441	1 822
Profit attributable to:						
Shareholders of the parent		162	192	-1 963	460	1 857
Non-controlling interests		-21	7	-73	5	-20
Total comprehensive income attributable to:						
Shareholders of the parent		170	187	-1 912	436	1 842
Non-controlling interests		-21	7	-73	5	-20
Earnings per share, basic and diluted (NOK)		2	2	-18	4	18

OLAV THON EIENDOMSSSELKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(NOK million)	Note	30.06.2020	30.06.2019	31.12.2019
ASSETS				
Deferred tax asset		294	327	294
Investment properties	4, 8	52 373	53 164	54 037
Owner-occupied properties		190	192	191
Right-of-use assets		357	361	365
Fixed assets		82	77	88
Investments in joint ventures and associates	9	2 705	2 813	2 914
Other non-current assets		545	617	592
Total non-current assets		56 546	57 550	58 482
Trade receivables and other current receivables	4	940	1 041	1 001
Cash and cash equivalents		311	281	386
Total current assets		1 251	1 321	1 387
Total assets		57 797	58 872	59 869
EQUITY AND LIABILITIES				
Share capital		106	106	106
Share premium		318	318	318
Other equity		25 017	25 545	26 942
Non-controlling interests		371	469	452
Total equity		25 813	26 438	27 819
Deferred tax liabilities		6 651	7 024	7 250
Lease liabilities		355	356	360
Non-current liabilities	11	17 060	18 316	17 820
Total non-current liabilities		24 066	25 696	25 431
Income tax payable		121	162	240
Interest-bearing current liabilities	12	6 314	5 154	4 913
Trade payables and other current liabilities	12	1 483	1 421	1 467
Total current liabilities		7 918	6 737	6 619
Total liabilities		31 984	32 433	32 050
Total equity and liabilities		57 797	58 872	59 869

OLAV THON EIENDOMSSELSKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED STATEMENT OF CASH FLOW

(NOK million)	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Net cash flow from operations	466	466	844	921	1 765
Expensed interest	106	173	240	336	710
Paid interest	-140	-165	-274	-338	-707
Paid income tax	-12	-58	-178	-223	-215
Change in working capital	-210	-210	-10	-125	-55
Net cash flow from operating activities	211	205	622	571	1 497
Payment on the sale of tangible fixed assets	-	-	-	-	-
Acquisition of investment properties	-160	-240	-333	-459	-672
Acquisition of subsidiaries	-	-37	-43	-37	-55
Other investments	72	51	115	93	155
Net cash flow from investment activities	-89	-226	-260	-403	-573
Proceeds from interest-bearing liabilities	2 165	4 418	5 396	10 333	19 051
Repayment of interest-bearing liabilities	-2 371	-3 635	-5 833	-9 716	-19 071
Payment on leasing liabilities	-4	-	-8	-2	-6
Dividends paid	0	-467	-4	-472	-481
Acquisition of own shares	-	-341	-	-341	-341
Net cash flow from financing activities	-209	-25	-450	-199	-847
Currency translation effects	-12	1	14	5	2
Net change in cash	-99	-46	-75	-25	80
Cash at beginning of period	410	326	386	305	305
Cash at end of period	311	281	311	281	386

OLAV THON EIENDOMSSSELKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

(NOK million)	Share capital	Share premium	Currency translation differences	Other Equity	Hedging reserve	Shareholders of the parent	Non-controlling interests	Total
Equity 31.12.2018	106	318	-87	25 935	58	26 331	496	26 827
Profit	-	-	-	460	-	460	5	465
Other comprehensive income	-	-	-91	-	68	-24	-	-24
Acquisitions of own share	-	-	-	-341	-	-341	-	-341
Dividends paid	-	-	-	-456	-	-456	-18	-474
Other changes	-	-	-	-1	-	-1	-14	-15
Equity 30.06.2019	106	318	-178	25 597	126	25 970	468	26 438
Profit	-	-	-	1 398	-	1 398	-24	1 373
Other comprehensive income	-	-	46	-	-38	8	-	8
Dividends paid	-	-	-	-	-	-	-7	-7
Other changes	-	-	-	-8	-	-8	15	6
Equity 31.12.2019	106	318	-132	26 987	88	27 367	452	27 819
Profit	-	-	-	-1 963	-	-1 963	-73	-2 036
Other comprehensive income	-	-	152	-	-100	52	-	52
Amortization own shares	-3	-	-	3	-	-	-	-
Dividends paid	-	-	-	-	-	-	-4	-4
Other changes	-	-	-	-14	-	-14	-4	-18
Equity 30.06.2020	104	318	20	25 012	-12	25 441	371	25 813

OLAV THON EIENDOMSSSELKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS

(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.

The interim financial statements were adopted by the Board on 13 August 2020.

There has been no audit of the interim financial information.

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.

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 2019. In addition the following accounting principle regarding government grants is relevant for det second quarter:

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attached, and that the grant will be received. Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, shall be recognised in profit and loss of the period in which it becomes receivable.

Note 3 CHANGES IN GROUP STRUCTURE

There are no significant changes in the group structure during this year, except for the reorganisation of the Group in order to turn the parent company into a pure holding company. This change was completed in the first 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 in the group's position and results.

As a result of the Corona pandemic, management's estimates in some areas have a significant impact on the first quarter financial statements. This applies to both valuation of investment property and provision for expected credit losses on accounts receivable.

The assessments and assumptions used in the calculation of the above mentioned conditions are described below.

Fair value of investment property

Valuation of investment properties has been associated with somewhat higher uncertainty than normally. Due to the Corona pandemic, there has been a low transaction volume and available information contains higher uncertainty than normally.

The most significant assumptions in the valuation of investment property are market rents and yield.

The long-term effect of the corona pandemic on the rent level is considered uncertain, although there is a risk that the rents for individual industries in the short term could be reduced. In the absence of exact information and an assumption that the situation gradually will normalize, it has been chosen to keep the same estimate for the long-term rent level that was used in the valuation made as of 31 December 2019. To reflect increased future risk and uncertainty, the average risk premium in the yield increased by 0,23 % from year end.

A sensitivity analysis related to the valuation is shown in note 8.

The assumptions in the valuations have been compared with two external advisers, Cushman & Wakefield and Newsec.

Provision for expected credit losses on accounts receivable

As a basis for calculating provisions for expected credit losses on accounts receivable, the Group uses a provision matrix with days over maturity as a common risk category. The Corona pandemic has resulted in significant changes in the future factors and the general economic situation on which the estimate is based, and the historical loss rates used in the calculation can not be used. Tenants of retail and service providers have generally been affected significantly, but there has been a positive development in turnover in the second quarter. As in the first quarter, an individual assessment of expected credit loss per customer in the Group has been made. Provisions for expected credit losses on accounts receivables amount to NOK 78 million (29), which is at the same level as per the first quarter. The provision contains a high degree of uncertainty, and is expected to vary considerably in near future, based on the duration and the development of the pandemic.

Public support package - recognized as income

The Norwegian and Swedish authorities have introduced a public support package for companies that are significantly affected by the Corona pandemic. On the balance sheet date, the group has, in accordance with IAS 20, recognized NOK 1 million in revenue in public support as other operating revenues for the Norwegian part of the group. The group will apply for public support for companies that have had a significant decline in income, both for periods covering Q2 and Q3.

Rent reduction

To remedy the negative economic effect of the Corona pandemic for tenants in selected industries, the group has in the second quarter given a conditional commitment for a time-limited rent reduction. The reduction in fixed rent is a lease modification in accordance with IFRS 16 and was recognized in the second quarter, since the reduction is not considered to have a significant effect on the consolidated financial statements. Reductions in marketing contributions and common costs are assessed as non-lease components in accordance with IFRS 15, and the group has assessed that changes in the variable transaction price shall be recognized in the period in which the transaction price changes. The rent reduction had a total effect in the second quarter of NOK 47 million.

Note 5 SUBSEQUENT EVENTS

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

Note 6 RELATED PARTY TRANSACTIONS

The company has the following transactions with related parties.

Transactions	Counterparty	30.06.2020	30.06.2019	31.12.2019
Rental income	Companies in Thon Holding Group	60	63	122
Operating and administration agreements	Thon Eiendomsdrift AS	65	62	125

Note 7 BUSINESS SEGMENTS

At 30.06.2020, the Group has activities within two strategic business segments and two geographical areas. The segment reporting is based on the internal management reporting.

Business segments	Operating segments				Geographical areas		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
Q2 2020							
Rental income	520	203	-	723	676	47	723
Other property-related income	145	18	-	162	150	13	162
Property-related expenses	-124	-73	-	-196	-174	-22	-196
Net rental income	541	148	-	689	651	38	689
Other operating income	18	-	7	26	26	-	26
Other operating expenses	-16	-	-9	-25	-25	-	-25
Administrative expenses	-39	-8	-	-47	-43	-4	-47
Depreciation	-4	-3	-	-7	-7	-0	-7
Net income from property management	501	137	-2	636	602	34	636
Fair value adjustments, investment property	-199	-44	-	-243	-216	-27	-243
Share of profit from joint ventures & associates	19	-1	-	18	18	-	18
Operating profit	318	91	-2	408	401	7	408

Business segments	Operating segments				Geographical areas		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
Q2 2019							
Rental income	557	190	-	747	696	51	747
Other property-related income	181	20	-	200	184	16	200
Property-related expenses	-185	-78	-	-263	-235	-27	-263
Net rental income	552	132	-	684	645	40	684
Other operating income	21	-	19	40	40	-	40
Other operating expenses	-19	-	-16	-35	-35	-	-35
Administrative expenses	-38	-8	-	-46	-42	-3	-46
Depreciation	-3	-3	-	-6	-6	-0	-6
Net income from property management	513	121	3	638	601	36	638
Fair value adjustments, investment property	-339	163	-	-176	-133	-43	-176
Share of profit from joint ventures & associates	34	-	-	34	34	-	34
Operating profit	207	285	3	495	501	-6	495

Business segments	Operating segments				Geographical areas		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
30.06.2020							
Rental income	1 081	396	-	1 477	1 376	101	1 477
Other property-related income	361	42	-	403	375	28	403
Property-related expenses	-407	-159	-	-566	-498	-68	-566
Net rental income	1 035	279	-	1 314	1 253	61	1 314
Other operating income	35	-	29	65	65	-	65
Other operating expenses	-30	-	-35	-66	-66	-	-66
Administrative expenses	-81	-16	-	-97	-90	-7	-97
Depreciation	-8	-6	-	-14	-14	-0	-14
Net income from property management	951	257	-6	1 202	1 147	54	1 202
Fair value adjustments, investment property	-2 002	-361	-	-2 362	-1 863	-499	-2 362
Share of profit from joint ventures & associates	-140	-1	-	-141	-141	-	-141
Operating profit	-1 195	-107	-6	-1 308	-864	-445	-1 308

Business segments	Operating segments				Geographical areas		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
30.06.2019							
Rental income	1 104	384	-	1 488	1 386	102	1 488
Other property-related income	410	40	-	450	415	35	450
Property-related expenses	-428	-160	-	-587	-531	-56	-587
Net rental income	1 087	264	-	1 351	1 270	81	1 351
Other operating income	41	-	41	82	82	-	82
Other operating expenses	-37	-	-35	-73	-73	-	-73
Administrative expenses	-78	-15	-	-93	-87	-6	-93
Depreciation	-5	-6	-	-11	-11	-0	-11
Net income from property management	1 008	243	6	1 257	1 182	75	1 257
Fair value adjustments, investment property	-695	432	-	-263	-201	-62	-263
Share of profit from joint ventures & associates	76	-	-	76	76	-	76
Operating profit	386	675	6	1 067	1 054	13	1 067

Business segments	Operating segments				Geographical areas		
	Shopping centres	Commercial property	Other activity	Group	Norway	Sweden	Group
31.12.2019							
Rental income	2 218	766	-	2 984	2 782	203	2 984
Other property-related income	817	83	-	900	831	69	900
Property-related expenses	-907	-293	-	-1 201	-1 085	-116	-1 201
Net rental income	2 128	556	-	2 684	2 527	157	2 684
Other operating income	78	-	89	167	167	-	167
Other operating expenses	-75	-	-82	-157	-157	-	-157
Administrative expenses	-158	-31	-	-189	-175	-14	-189
Depreciation	-12	-12	-	-24	-23	-0	-24
Net income from property management	1 961	513	7	2 481	2 338	143	2 481
Fair value adjustments, investment property	-575	792	-	218	404	-187	218
Share of profit from joint ventures & associates	213	-	-	213	213	-	213
Operating profit	1 590	1 301	7	2 898	2 942	-44	2 898

Note 8 INVESTMENT PROPERTY

	30.06.2020	30.06.2019	31.12.2019
Opening balance	54 037	53 174	53 174
Acquisitions/expenditure on properties	326	453	646
Investment property from companies bought in the period	43	-	100
Change in fair value recognised in the period	-2 362	-263	218
Effect of currency exchange differences in foreign operations	337	-200	-102
Other changes	-6	-0	0
Closing balance	52 373	53 164	54 037

The Group's annual financial statement presents a sensitivity analysis showing changes in fair value of investment properties when yield and rent levels is changed. As a result of the Corona pandemic, we show how the sensitivity analysis will be as of June 30, 2020.

	Fair Value	Rent level		
	Investment property	- 10 %	Unchanged	+ 10 %
Yield	- 1 %-points	57 925	64 321	70 718
	- 0,5 %-points	51 994	57 732	63 470
	Unchanged	47 171	52 373	57 575
	+ 0,5 %-points	43 173	47 930	52 688
	+ 1,0 %-points	39 803	44 186	48 569

Note 9 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 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Net rental income	88	96	180	196	378
Fair value adjustments, investment property	-22	-14	-177	-17	32
Fair value adjustments, interest rate derivatives	-3	-1	-36	-2	8
Expenses	-49	-58	-108	-117	-236
Income taxes	-1	-4	28	-9	-15
Profit	13	19	-114	53	167
Investment properties			3 502	3 560	3 638
Other assets			285	304	341
Total assets			3 787	3 864	3 979
Equity			2 199	2 288	2 373
Non-current liabilities			1 440	1 482	1 478
Current liabilities			148	95	127
Total equity and liabilities			3 787	3 864	3 979

Associated companies	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Net rental income	15	15	30	37	75
Fair value adjustments, investment property	-3	10	-53	9	17
Fair value adjustments, interest rate derivatives	-	-	-	-	-
Expenses	-6	-6	-12	-17	-33
Income taxes	-1	-4	8	-7	-13
Profit	5	15	-28	23	46
Investment properties			828	871	881
Other assets			152	143	148
Total assets			980	1 014	1 028
Equity			505	525	541
Non-current liabilities			455	461	465
Current liabilities			19	27	22
Total equity and liabilities			980	1 014	1 028

Note 10 FINANCIAL INCOME AND FINANCIAL EXPENSES

	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Interest income	2	5	6	7	11
Other financial income	2	3	-0	10	0
Total financial income	4	7	5	18	12
Interest expenses	-172	-173	-350	-336	-683
Interest expenses related to lease liabilities	-6	-6	-13	-12	-26
Other financial expenses	0	-5	-72	-12	-27
Total financial expenses	-178	-183	-435	-361	-737

Note 11 NON-CURRENT LIABILITIES

	30.06.2020	30.06.2019	31.12.2019
Bonds	7 230	6 540	7 538
Other interest-bearing liabilities	7 850	10 307	9 030
Non-interest-bearing liabilities (fair value interest rate swaps) *	1 905	1 398	1 177
Other liabilities	75	71	75
Total non-current liabilities	17 060	18 316	17 820

* Fair value of interest rate swaps had a negative trend in Q1, due to the fact that the long term interest rates in the market fell in the range of 1,00 % to 1,20 % and due to an increasingly volatility in the financial markets.

Note 12 CURRENT LIABILITIES

	30.06.2020	30.06.2019	31.12.2019
Commercial paper debt	1 016	3 532	2 258
Bonds	2 036	1 589	1 214
Interest-bearing current liabilities	3 262	33	1 440
Total interest-bearing current liabilities	6 314	5 154	4 913
Non-interest-bearing liabilities (fair value interest rate swaps)	248	190	151
Lease liabilities	9	5	9
Trade payables	123	127	117
Accrued interest	23	52	57
Duties payable	140	97	70
Other current liabilities	940	950	1 063
Total trade payables and other current liabilities	1 483	1 421	1 467

OLAV THON EIENDOMSSSELKAP ASA, CONSOLIDATED FINANCIAL STATEMENTS

ALTERNATIVE PERFORMANCE MEASURES

Amounts in NOK million

Olav Thon Eiendomsselskap ASA prepares consolidated financial statements 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 financial statements and in joint ventures and associated companies. These income statement items are considered to be more exogenously determined than the other income statement items.

	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Fair value adjustments in;					
investment properties recognised in profit and loss	-243	-176	-2 362	-263	218
right-of-use assets recognised in profit and loss	-3	-1	-6	-2	-14
investment properties in joint ventures	-22	-14	-177	-17	32
investment properties in associated companies	-3	10	-53	9	17
interest rate derivatives recognised in profit and loss	-54	-46	-825	-96	164
interest rate derivatives in joint ventures	-3	-1	-36	-2	8
Fair value adjustments, investement properties & interest rate derivativ	-328	-228	-3 460	-371	424

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.

	Q2 2020	Q2 2019	30.06.2020	30.06.2019	31.12.2019
Profit before income tax	180	273	-2 562	628	2 336
Income tax in joint ventures	1	4	-28	9	15
Income tax in associated companies	1	4	-8	7	13
Fair value adjustments investment properties / interest rate derivatives	328	228	3 460	371	-424
Profit before income tax and fair value adjustments	510	509	863	1 013	1 941

ALTERNATIVE PERFORMANCE MEASURES (continued)**Long term net asset value per share**

Long term net asset value per share takes into account a fair value assessment of the deferred tax liabilities.

	30.06.2020	30.06.2019	31.12.2019
Majority share of equity	25 441	25 970	27 367
Deferred tax liabilities (deferred tax liabilities current assets excluded)	6 633	7 009	7 250
Fair value of debt - deferred tax liabilities - 6 %	-1 809	-1 912	-1 977
Long term net asset value	30 265	31 067	32 640
Number of shares (own shares not included)	103 623 171	103 623 171	103 623 171
Long term net asset value per share in NOK	292	300	315
Equity per share in NOK	246	251	264

Net Interest-bearing debt and loan to value ratio

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 calculated by deducting the Group's cash and cash equivalents 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.

	30.06.2020	30.06.2019	31.12.2019
Bonds, non-current	7 230	6 540	7 538
Bonds, current	2 036	1 589	1 214
Commercial paper debt, current	1 016	3 532	2 258
Other interest-bearing liabilities, non-current	7 850	10 307	9 030
Other interest-bearing liabilities, current	3 262	33	1 440
Interest-bearing debt	21 393	22 001	21 481
Cash and cash equivalents	-311	-281	-386
Net interest-bearing debt	21 082	21 721	21 095
Investment property	52 373	53 164	54 037
Loan to value ratio	40 %	41 %	39 %

Net investments

Net investments is calculated by using fair value of investment in investment properties in addition to net supply of other fixed assets and other investments.

	30.06.2020	30.06.2019	31.12.2019
Investment properties	326	453	646
New companies	43	0	100
Other fixed assets	5	5	24
Other investments	3	73	-223
Net investments	376	531	548



OLAV THON EIENDOMSSSELKAP ASA
STENERSGATA 2A
P.O. BOX 489 SENTRUM
NO - 0105 OSLO
TEL: +47 23 08 00 00

olt.no