

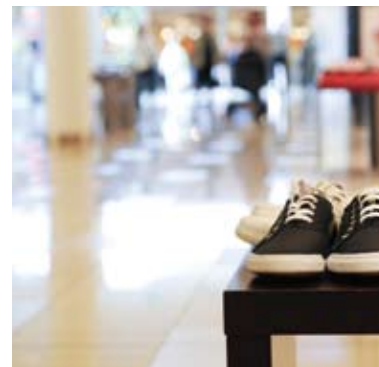


OLAV THON GRUPPEN

Annual report 2010

The Olav Thon Group



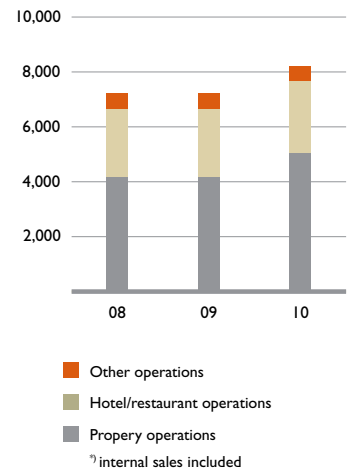


Highlights 2010

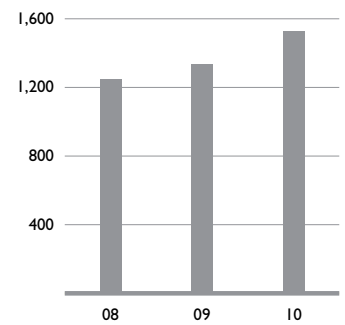
- The Olav Thon Group's pre-tax results rose by 14 % to NOK 1,527 million – the highest profit in the Group's long history.
- The Group's property portfolio saw an increase in rental value of NOK 250 million to NOK 3,650 million, and the vacancy rate fell to 2 %.
- Turnover in the portfolio of shopping malls grew by 25 % to NOK 55 billion. The organic growth for malls under the Group's ownership is estimated to be 2 %.
- The position as Norway's leading shopping mall group was further strengthened by the purchase of the Vestkanten mall in Bergen, the extension of several existing malls and the takeover of the management of seven malls from Storebrand.
- Thon Hotels had a fall in profits as a result of the revenue per available room (RevPAR) dropping by 4 % to NOK 452.
- Thon Hotels opened new hotels in Kirkenes, Alta, Tromsø and Flå with a total of 500 rooms.
- The Group's average interest rate rose by 0.2 percentage points to 4.4 %.
- The Group's liquidity reserves increased by 17 % to NOK 5,226 million.



Operating income* (NOK million)



Pre-tax profit (NOK million)



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The Olav Thon Group in brief

The Olav Thon Group is the collective name for all operations and companies where Olav Thon is majority owner. The Group is primarily involved in property and hotel operations.

In 2010 the Group traded for NOK 7.3 billion, and at the turn of the year employed almost 2,600 person-years. The Group is split into two divisions: Thon Eiendom and Thon Hotels.

Thon Eiendom

The Group owns about 440 properties in Norway and 25 abroad. In addition, about 40 properties are operated on long-term lease agreements. As at 1 January 2011 the (theoretical) rental income value was NOK 3,650 million.

The breakdown of the property portfolio by rental value is as follows

• Retail property	62 %
• Office property	15 %
• Hotel property	15 %
• Other properties	8 %

The geographical breakdown of the portfolio is as follows:

• the Oslo region	60 %
• other cities in Norway	15 %
• other towns in Norway	18 %
• other countries	7 %

In 2010 the total retail turnover in the Group's 80 shopping malls (owned/managed) was NOK 55 billion, an increase of 25 % from the previous year.

Thon Hotels

Thon Hotels is one of Norway's leading hotel chains which at the year-end had 61 hotels (including seven external franchise hotels) with 8,700 rooms throughout Norway and 1,300 rooms distributed among six hotels in Belgium, one in the Netherlands and one in Sweden.

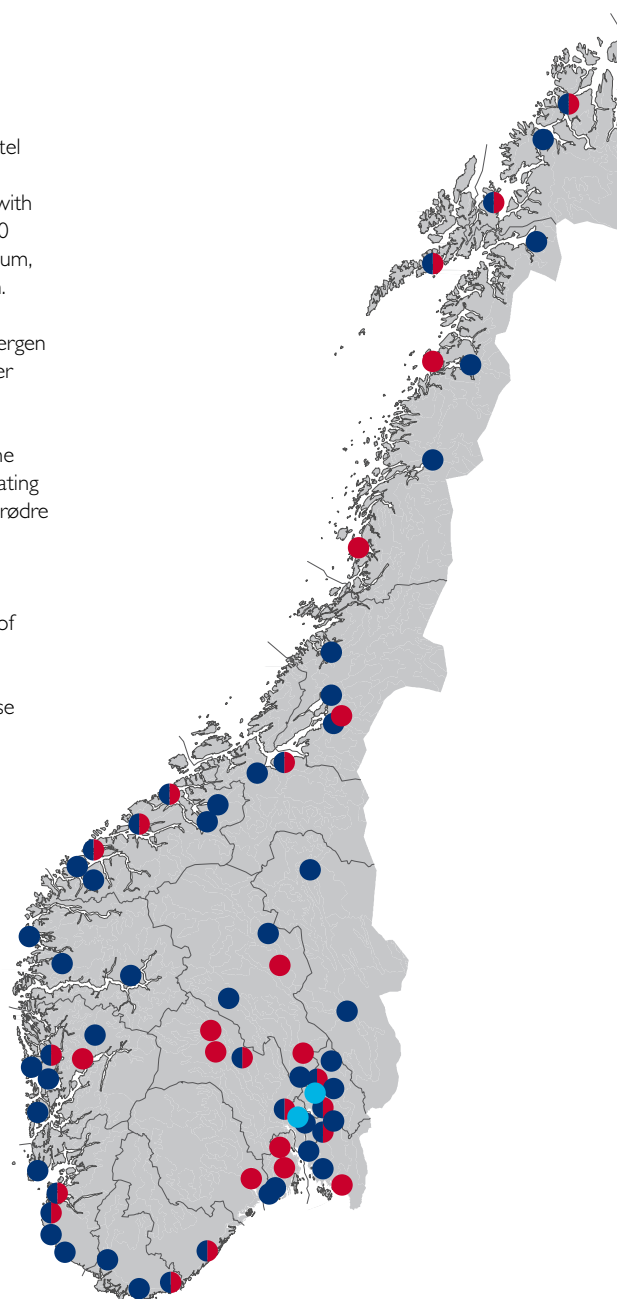
Thon Hotels is market leader in Oslo and Bergen and its primary focus is the business traveller segment.

In addition to the restaurants and bars in the hotels, the Group also runs several other eating establishments, including the Scotsman, Tre Brødre and Tostrup Uteservering in Oslo.

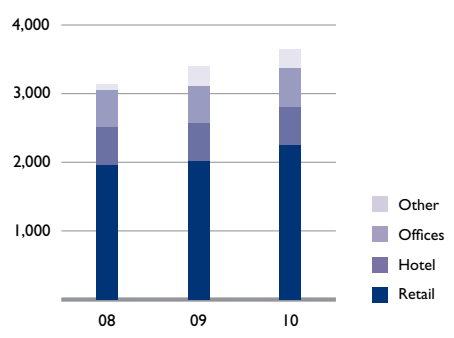
Other operations

Other operations account for a small part of the Group's income and profits.

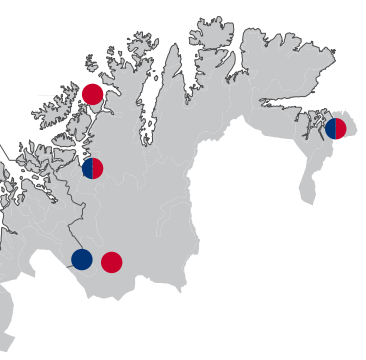
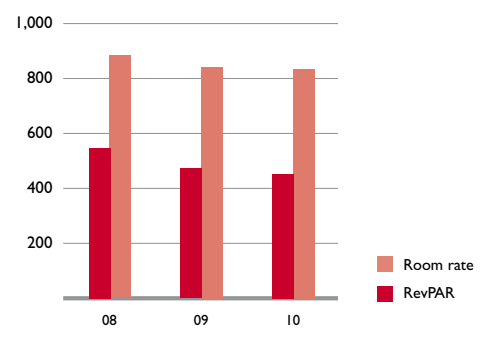
The largest units are the industrial enterprise Unger Fabrikker and the wholesale firm Conrad Langaard.



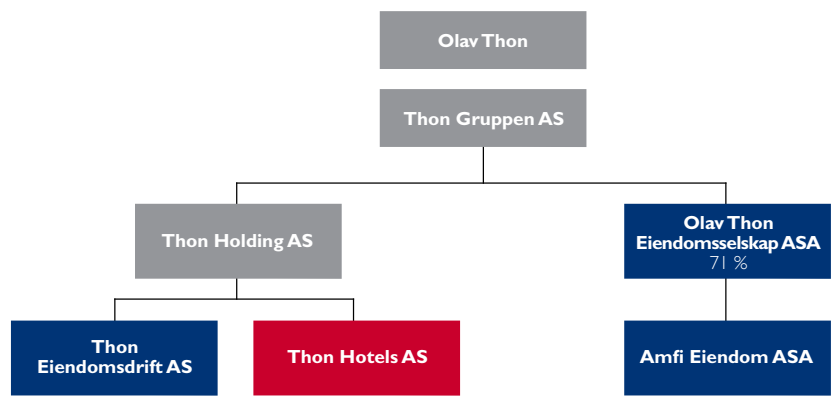
Rental value (NOK million)



Room rate and Revenue Per Available Room



Group structure



Key Management



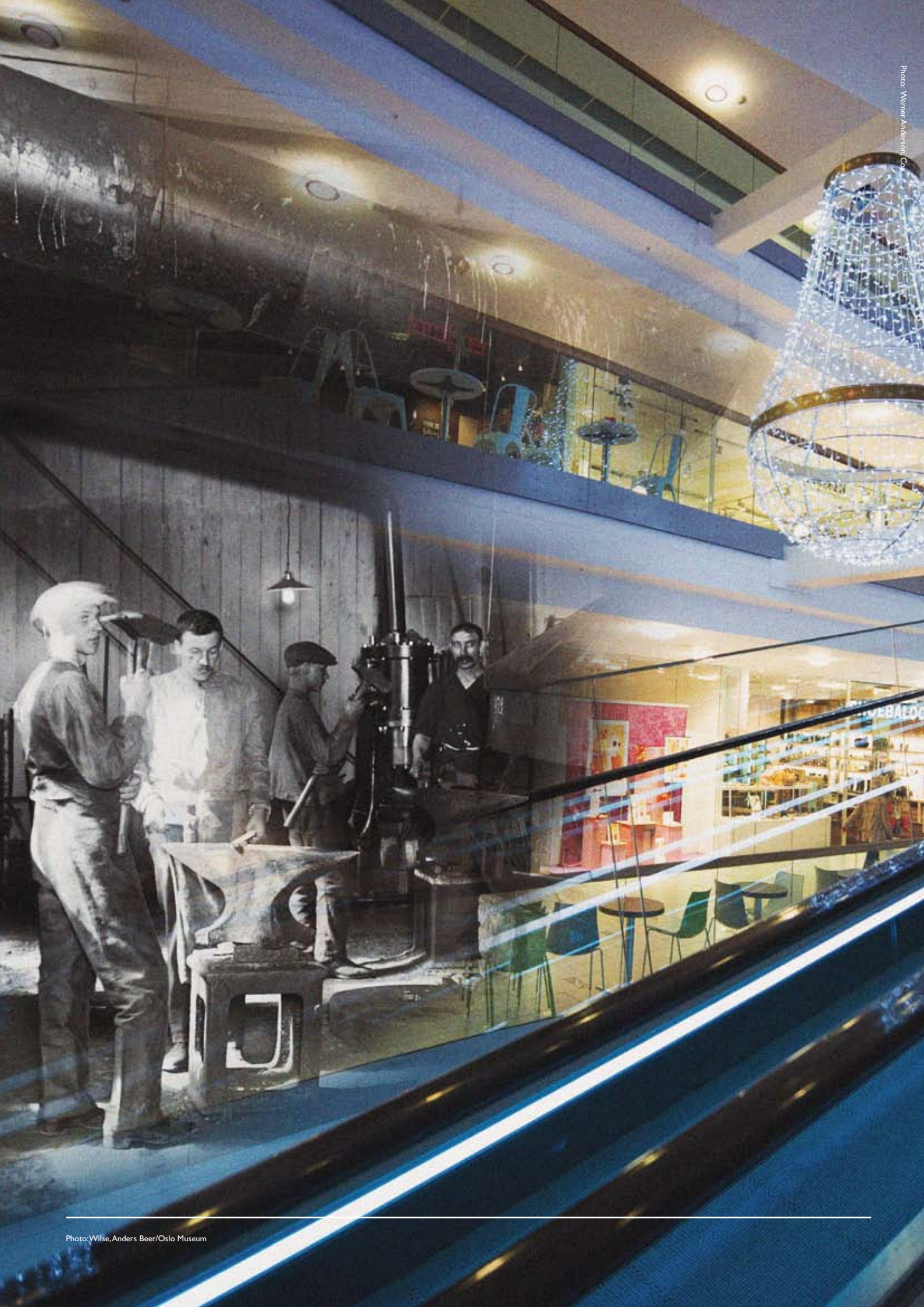
The Olav Thon Group Location in Norway as at 31 May 2011

- Shopping mall
- Hotel
- Shopping mall and hotel
- Other commercial property

Property operations
Tron Harald Bjerke
Director

Hotel and restaurant operations
Morten Thorvaldsen
Managing Director
Thon Hotels

Staff units
Arne B. Sperre
Finance Director
Ida Rød Fredriksen
Group Controller



Key figures

Key figures (NOK million)	2010	2009	2008
Operations			
Operating income	7,291	6,510	6,594
- Property operations*	5,063	4,180	4,083
- Hotel / restaurant operations*	2,590	2,474	2,539
- Other operations*	562	550	588
Operating profit	2,393	2,054	2,302
Net financial items	-866	-719	-1,053
Profit before taxes	1,527	1,334	1,249
Net profit for the year	977	880	902
Liquidity			
Cash, bank deposits and short-term investments	1,211	1,193	643
Committed credit lines	4,020	3,270	3,639
Amortization next 12 months	315	556	622
Cash flow from operating activities**	1,665	1,569	1,336
EBITDA	2,871	2,478	2,694
Net interest-bearing debt / EBITDA	7.0	7.8	6.6
Interest coverage ratio***	3.3	3.0	2.8
Financing			
Interest-bearing debt	21,751	20,622	19,824
Foreign exchange loan	9 %	8 %	9 %
Average duration debt (years)	6.1	6.6	7.6
Average interest rate, year end	4.6 %	4.3 %	5.8 %
Hedged interest-bearing debt (> 1 year)	60 %	57 %	52 %
Average duration interest hedge (years)	7.4	7.8	8.5
Capital structure			
Book value of equity	8,990	8,130	7,568
Equity ratio	26 %	25 %	25 %
Total assets	34,335	32,217	30,675
Investments			
Net investments	2,575	2,502	3,452
Property purchases, other investments property portfolio	2,483	4,072	3,399
Property sales	104	1,809	151
Other investments	196	240	203
Property portfolio			
Book value property portfolio	29,727	28,000	27,233
Implicit gross yield	12.3 %	12.1 %	12.1 %
Annual rental value	3,650	3,400	3,300
- Retail	2,248	2,014	1,966
- Hotel	560	553	544
- Offices	560	549	546
- Other	283	284	244
Vacancy rate	2 %	3 %	2 %
Duration lease agreements (years)	4	4	4
Turnover shopping mall****	55,016	44,048	39,362
Hotel portfolio*****			
Number of rooms	9,986	9,482	8,536
Revenue per available room	452	473	547
Room rate	834	842	883
Occupancy rate	54 %	56 %	62 %

A change in accounting principles etc. means that some figures differ from those given in previous Annual Reports.

- * Internal sales included
- ** Cash flow from operating activities before change in working capital
- *** EBITDA / Net interest expense
- **** Owned or managed by the group
- ***** Thon Hotels

Annual report

Most sectors of the Norwegian economy again showed moderate growth in 2010, but consumer spending rose slightly less than expected.

In line with increased growth in the Norwegian economy, the year was generally good for commercial property; however, the Norwegian hotel market had a weak performance.

The Olav Thon Group had another good year in 2010, and achieved the highest financial results in the Group's history.

The key points in the accounts are as follows:

- The Group's operating income increased to NOK 7,291 million (NOK 6,510 million).
- Pre-tax profits rose to NOK 1,527 million (NOK 1,334 million).
- Book equity increased to NOK 8,990 million (NOK 8,130 million) and the equity ratio was 26 % (25 %). Adjusted equity is estimated to be substantially higher.
- The rental value of the property portfolio has risen to NOK 3,650 million (NOK 3,400 million) and the vacancy rate has fallen to 2 % (3 %).
- Turnover in the Group's portfolio of shopping malls grew by 25 % to NOK 55 billion. The organic growth of the malls under the Group's ownership is estimated to be 2 %.
- Thon Hotels saw their revenue per available room (RevPAR) fall to NOK 452 (NOK 473).
- At the turn of the year, the Group's liquidity reserves stood at NOK 5,231 million (NOK 4,463 million).

Results and balance sheet summary

The Olav Thon Group's pre-tax profit amounted to NOK 1,527 million (NOK 1,334 million), an increase of 14 % from the preceding year.

The Group's assets at the year-end had a book value of NOK 34,335 million (NOK 32,217 million). Book equity amounted to NOK 8,990 million (NOK 8,130 million) and the equity ratio was 26 % (25 %).

The rental income from the properties indicates a gross return (gross yield) on book values of 12 %, and adjusted equity is therefore estimated to be substantially higher than book equity.

Operating income and expenses

The group's operating income in 2010 amounted to NOK 7,291 million (NOK 6,510 million). The growth from 2009 is primarily attributable to increased operating income from property operations, although hotel operations also had higher operating income than in the preceding year. For further details concerning the Group's various operations, reference is made to later sections in this report.

Other operating income came to NOK 1,613 million (NOK 1,073 million). Included in this sum is NOK 824 million (NOK 635 million) in income from the Group's lessees to cover the property service charges.

Total operating expenses amounted to NOK 4,898 million (NOK 4,456 million), of which depreciation of ageing building stock accounted for NOK 1 million (NOK 120 million).

The aforementioned service charges of NOK 824 million (NOK 635 million) are included in other operating expenses.

The Olav Thon Group's operating profit in 2010 was thus NOK 2,393 million (NOK 2,054 million).

Financial expenses

The Group's net financial items (excluding the results of associated companies) have been charged against income in the amount of NOK 878 million (NOK 730 million).

Financial expenses show an increase from the preceding year in line with the higher interest-bearing debt, and lower financial income contributes to the increase in the Group's net financial items from the preceding year.

The fall in financial income is primarily due to the fact that exchange rate gains in 2010 were NOK 5 million, down from NOK 102 million in 2009.

Cash flow and liquidity

Net cash flow from operations in 2010 was NOK 1,655 million (NOK 1,569 million), and the change in working capital was - NOK 173 million (NOK 229 million). Net cash flow from operational activities was therefore NOK 1,492 million (NOK 1,798 million).

Investment activities generated a net cash flow of - NOK 1,568 million (- NOK 2,576 million), whilst financing activities contributed the sum of NOK 94 million (NOK 1,304 million).

The year's net change in liquid holdings was thus NOK 18 million (- NOK 526 million).

At the turn of the year, the Group's liquidity reserves stood at NOK 5,231 million (NOK 4,463 million), and consisted of short-term investments of NOK 1,211 million (NOK 1,193 million) and committed long-term credit lines of NOK 4,020 million (NOK 3,270 million).

Assumption of continued operation

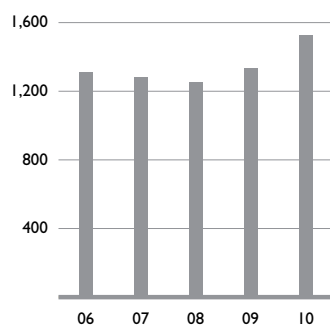
The Olav Thon Group is mainly involved in property and hotel operations but also has ownership and is active in several different business sectors. Operations are run primarily in Norway, but the Group is also established in Sweden, Belgium and the Netherlands.

The Group has a strong financial position, a high-quality property portfolio and a robust position in the Norwegian hotel market. Consequently, the annual accounts are presented on the assumption of continued operation.

No matters or circumstances have arisen since the end of the accounting year which significantly affect the assessment of the Group's position and results as at 31 December 2010.

Pre-tax profit

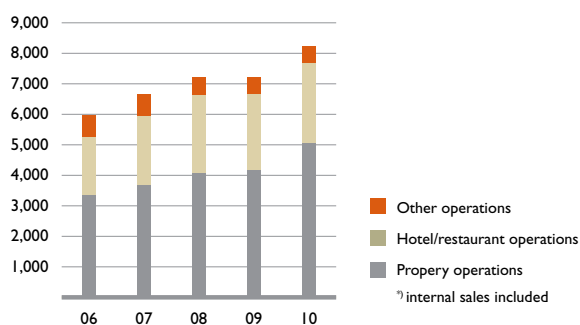
(NOK million)



Pre-tax profit rose to NOK 1,527 million

Operating income^{*)}

(NOK million)



The Group's operating income amounted to NOK 7,291 million

Organisation and the working environment

The Olav Thon Group is a workplace which practises equality. Every effort is made to prevent discrimination of employees and to provide equal opportunities and rights regardless of, for example, ethnic origin, nationality, skin colour, language, religion or other belief.

Work is continuing to establish universal design throughout the Group's facilities so that they can be used by persons who are physically challenged.

The conditions mentioned above and the working environment in general are considered to be satisfactory.

The number of person-years employed by the Olav Thon Group at the end of 2010 was 2,576 (2,469). These person-years were distributed as follows: 2,250 in Norway, 260 in Belgium, 29 in the Netherlands and 37 in Sweden. Of the Group's employees, 50 % are women and 50 % are men.

Sickness absence in 2010 was 4.2 % (6.8 %). There were no serious injuries or accidents in the period and nor were any weaknesses identified in staff safety or in the working environment in general.

Environmental status

The Group causes little pollution of the external environment, and endeavours to minimise the damage that its various operations cause by following environment-friendly procedures in the running of its operational activities. Environmental efforts are a natural and integral part of all operations run by the Olav Thon Group.

There is a focus on environmental measures, both in connection with the Group's own activities and in connection with the lessees' use of the properties. Examples of such measures

include energy-saving programmes for its hotels and shopping malls and environment-friendly waste management. The Group has implemented extensive energy-saving projects with support from the Norwegian energy agency Enova, which has resulted in significant savings in energy consumption.

As an element of the Group's work focused on health, safety and the environment (HSE), most of the Group's hotels and several of its shopping malls are certified as "eco-lighthouses".

When a hotel or shopping mall is certified through this Norwegian environmental programme, it means that it has introduced many environmental measures. Such measures include, for instance, waste reduction, environment-friendly waste management, purchasing focus on environmentally beneficial products, the provision of organic food at the hotels and major energy savings.

The Olav Thon Group manages a significant number of properties and is thus involved in shaping the local environment in which the properties are located. Major contributions to the development of the public space are made through refurbishment, maintenance and new construction work.

All operations satisfy the prescribed requirements as regards limiting pollution of the external environment.

The Group's operations

Property operations

Total operating income (including internal sales) from property operations in 2010 was NOK 5,063 million (NOK 4,180 million). This sum included NOK 824 million (NOK 635 million) in income from the Group's lessees to cover the property service charges.

In addition to higher income for the payment of service charges, the increase from 2009 is also due both to higher rental income and to the fact

that sales revenues from dwellings produced for sale increased to NOK 334 million (NOK 140 million).

Gains from the property projects amounted to NOK 109 million (NOK 25 million).

The rental value of the Group's property portfolio rose in 2010 by 7 % to NOK 3,650 million (NOK 3,400 million), and the vacancy rate dropped to 2 % (3 %).

On the basis of rental value, the property portfolio can be divided into the following segments:

- 62 % retail property
- 15 % hotel property
- 15 % office property
- 8 % other property

Rental income comes from the following geographical areas:

- 60 % from the Oslo region
- 33 % from other parts of Norway
- 7 % from other countries

The lease agreements have a balanced expiry structure and an average remaining term of about four years.

Shopping malls

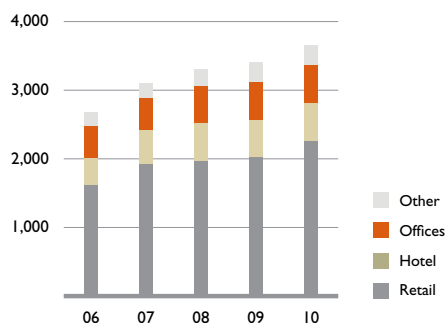
In 2010 the Group took over the Vestkanten shopping mall in Bergen and completed extension work on a number of large malls. In addition, the management of seven shopping malls was taken over from Storebrand. These malls had a total turnover of NOK 7.3 billion in 2010.

The rental value of the Group's malls rose during the year to just below NOK 2,050 million (NOK 1,840 million).

At the turn of the year, the Group had 60 (57) shopping malls under its ownership and managed 21 (14) for external owners.

Rental value

(NOK million)



The rental value of the Group's property portfolio rose in 2010 by 7 % to NOK 3,650 million

In 2010 the total turnover of the shopping malls was NOK 55.0 billion (NOK 44.0 billion), including NOK 11.7 billion (NOK 4.4 billion) in managed malls.

The total turnover of the 77 Norwegian malls came to NOK 50.1 billion (NOK 39.7 billion). Organic growth in turnover for the shopping malls under ownership is estimated to be 2 % in 2010. The Norwegian portfolio now includes Norway's seven largest malls on the basis of turnover and eight of the country's ten largest in terms of floor space.

The total turnover of the Swedish malls located at the border with Norway was SEK 5.8 billion (SEK 5.1 billion). The organic growth in Sweden is estimated to be 10 %.

Commercial property

The rental value of the Group's commercial property (including dwellings to let) rose in 2010 by 3 % to NOK 1,609 million (NOK 1,560 million).

During the course of the year several property projects were completed, the largest of which were the residential and commercial property in Kanalveien in Lillestrøm and the office block in Bislettgata 4/6/8.

Hotel operations

Turnover from hotel operations (including internal sales) was NOK 2,590 million (NOK 2,474 million). This figure also includes operating income from freestanding bar and restaurant operations totalling NOK 149 million (NOK 150 million).

Hotel turnover reflects market developments in the Norwegian market, and the growth in turnover from the preceding year is primarily attributable to the opening of seven new hotels in 2009 and 2010.

Thon Hotels

Thon Hotels is a nationwide hotel chain with 8,700 rooms in 61 hotels in Norway. The hotel portfolio consists primarily of centrally located city hotels, most of which have either been built or refurbished in recent years. Thon Hotels is market leader in the major city regions of Oslo and Bergen and its main focus is on the business traveller segment. The Group runs 54 of the hotels and seven are run by external franchisees.

In addition to the hotels in Norway, Thon Hotels also has 1,300 rooms in other countries. These rooms are distributed over four hotels and two apartment hotels in Brussels, one hotel in Rotterdam and one in Sweden.

In recent years Thon Hotels has built up the chain so that it is now nationwide, and in the last couple of years it has been expanded by 1,000 new rooms distributed over seven hotels, most in towns and villages where the chain is a new presence. Experience has shown that the occupancy and room rates achieved in the establishment phase of new hotels in new geographical regions are lower than in existing hotels in the cities.

Against this backdrop, the chain's average room rate in Norway in 2010 was NOK 842 (NOK 842) whilst the occupancy rate was 54 % (56 %). The key figure of revenue per available room (RevPAR) was thus NOK 451 (NOK 470). However, the key figures at the chain's city hotels showed a positive trend.

In Brussels Thon Hotels achieved an average room rate of EUR 96 (EUR 95) whilst the occupancy rate rose to 61 % (59 %). RevPAR in Brussels thus grew by 4 % to EUR 58 (EUR 56).

For Thon Hotels, the fall in RevPAR and expenses associated with the opening of the new hotels has contributed to a reduction in profits in

Norway, whilst the increase in RevPAR and stable expenses contributed to profit growth in Brussels.

Restaurant operations

The Olav Thon Group owns and runs ten bars and restaurants outside its hotels, and total turnover in 2010 was NOK 149 million (NOK 150 million).

These operations as a whole reported satisfactory results, but there were significant variations between the different establishments.

Other operations

The enterprises that do not operate within the main activities of property and hotel operations are gradually becoming a smaller part of the Group's overall operations, and in 2010 their total operating income amounted to NOK 562 million (NOK 550 million).

The largest of these enterprises, the industrial company Unger Fabrikker, had a turnover of NOK 378 million (NOK 384 million) and a pre-tax profit of NOK 29 million (NOK 25 million).

Investments in 2010

The Group's total net investments came to NOK 2,575 million (NOK 2,502 million) and comprise property purchases, investments in property projects under construction and the refurbishment of the existing portfolio.

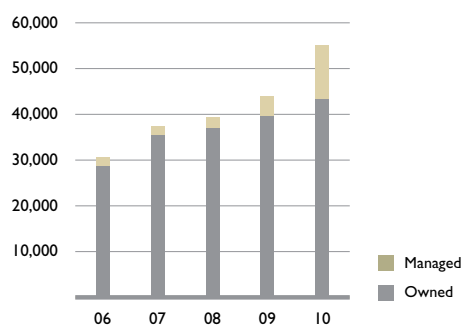
Major property purchases

The Vestkanten shopping mall in Bergen.

The Group took over 68 % of the shares in Vestkanten AS in the first quarter. This company owns the Vestkanten mall, which in 2010 had a turnover of NOK 1.2 billion.

Turnover shopping malls

(NOK million)



In 2010 the total turnover of the shopping malls was NOK 55,0 billion

Completed property projects

The following major property projects were completed in 2010:
(Ranked according to size of investment)

Project	Location	Segment	Addition	After addition
Storo Storsenter	Oslo	Shopping mall	19,000 sqm	37,000 sqm
Amfi Steinkjer	Steinkjer	Shopping mall	20,500 sqm	43,600 sqm
Kanalveien, Lillestrøm	Skedsmo	Retail	4,000 sqm	4,000 sqm
Kanalveien, Lillestrøm	Skedsmo	Residential	130 apartments	130 apartments
Pilestredet 56/Bislettgata 4/6/8	Oslo	Office/Teaching	7,300 sqm	7,300 sqm
Thon Hotel Kirkenes	Sør-Varanger	Hotel	144 rooms	144 rooms
Thon Hotel Alta	Alta	Hotel	150 rooms	150 rooms
Thon Hotel Tromsø	Tromsø	Hotel	153 rooms	153 rooms
Bjørneparken Kjøpesenter	Flå	Shopping mall	6,000 sqm	6,000 sqm
Thon Hotel Bjørneparken	Flå	Hotel	56 rooms	56 rooms
Amfi Larvik (50 %)	Larvik	Shopping mall	4,100 sqm	15,400 sqm

Property projects under construction

At the start of 2011, the following major property projects were under construction:
(Ranked according to size of investment)

Project	Location	Segment	Completion	Addition	After addition
Strømmen Storsenter	Skedsmo	Shopping mall	2012	32,000 sqm	67,000 sqm
Sørlandssenteret (50 %)	Kristiansand	Shopping mall	2011/2013	51,200 sqm	87,400 sqm
Thon Hotel EU	Brüssel, Belgium	Hotel	2012	442 rooms	442 rooms
Rosenkrantz gate 16-18	Oslo	Office/Teaching	2011	7,400 sqm	7,400 sqm
Thon Hotel Hammerfest	Hammerfest	Hotel	2011	63 rooms	112 rooms
Thon Hotel Brønnøysund	Brønnøysund	Hotel	2011	92 rooms	122 rooms
Amfi Stord	Stord	Shopping mall	2011	3,000 sqm	12,500 sqm

Finances and Financing

A key element in the Group's financial strategy is the policy of maintaining a sound financial position, characterised by a high equity ratio and substantial liquidity reserves.

A strategy of this kind is intended to reduce the financial risk and provide the financial freedom of action to be able to capitalise quickly on interesting investment opportunities.

At the turn of the year, the Group had an interest-bearing debt of NOK 21,751 million (NOK 20,622 million).

The Group's loan portfolio is composed of long-term credit lines arranged with Nordic banks and loans raised directly in the Norwegian capital market. At the year-end, total loans and credit lines were NOK 25,771 million (NOK 23,893 million), of which NOK 4,020 million (NOK 3,270 million) was undrawn.

Bank loans accounted for 85 % of the Group's loan portfolio, whilst the remaining 15 % consisted of bond and certificate loans raised directly in the capital market.

The Group's loans have a relatively long repayment profile and their average remaining life at the turn of the year was 6.1 years (6.6 years). The refinancing need is very low, and 1 % (3 %) falls due for payment within one year.

Risk factors facing the Group

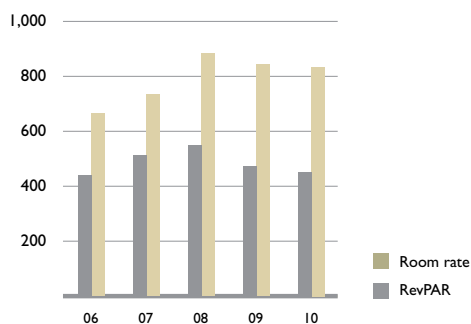
The Group's risk factors can be divided into the following main categories:

- Market risk
- Financial risk
- Operational risk

Market risk

The Group's largest market risk is linked to developments in the Norwegian property and

Room rate and Revenue Per Available Room



For Thon Hotels, the fall in RevPAR and expenses associated with the opening of the new hotels has contributed to a reduction in profits in Norway

hotel markets, which in turn are closely related to developments in the Norwegian economy

Norwegian economy in 2010

Growth in the Norwegian economy in 2010 increased, but at a weaker rate than expected. Consumer spending showed a slacker pace than anticipated and contributed to the general growth in the Norwegian economy being lower than forecast. The relatively moderate growth in both the national and international economies contributed to low interest rates in Norway.

The commercial property market in 2010

As a consequence of improved macroeconomic framework conditions and significantly greater access to financing for commercial property, 2010 was in general a good year for commercial property.

Rental market

Rental prices in the shopping malls were mainly stable or slightly rising. Office space rental prices in the Oslo area reached the bottom in the first quarter and since then have remained relatively flat. Employment showed a stable trend and the demand for office space was higher than the supply. The vacancy rate in the office rental market in Oslo stabilised at about 8 % and showed a slightly falling tendency towards the end of 2010.

Sales / transaction market

The total volume of transactions in the commercial property market of over NOK 50 billion increased in 2010 by about NOK 23 billion to a sales volume of NOK 38 billion. As a consequence of the large demand, prices showed a rising tendency.

The most important factor behind the price increase was a significant drop in the market's required rate of return (yield) on investments in commercial property.

Hotel market in 2010

In 2010 the demand for hotel rooms rose again in Norway and the number of bed-nights increased by 4 % to 18.4 million. There was also a 4 % increase in the number of hotel rooms in Norway.

Average occupancy was unchanged at 51 %, whilst the average room rate dropped by 0.5 % to NOK 859. The key figure RevPAR (revenue per available room) was thus NOK 437, unchanged from the preceding year.

The hotel market can be divided into three main segments, each with the following share of the total market in 2010:

- The hotel and leisure market 8 % (47 %)
- The individual business traveller market 38 % (39 %)
- The course and conference market 14 % (14 %)

The turnover in the Norwegian holiday and leisure market was up by 7 % from 2009, whilst the individual business traveller segment and the course and conference segment saw an increase of 2 % and 3 %, respectively.

The hotel market in Brussels performed well, and the average occupancy rose by five percentage points to 68 %. The average room rate was unchanged at EUR 103, which means that RevPAR for the Brussels hotels in 2010 increased by 8 % to EUR 70.

Market risk for the Group's operations

Property operations

The risk associated with the property portfolio is basically linked to the fact that lower rental prices in the market and/or increased vacancy in the property portfolio will contribute to lower rental income.

Sixty-two percent of the group's rental income comes from leading shopping malls and centrally

located retail properties in Norway and from shopping malls in Sweden, primarily aimed at cross-border shopping. With the anticipated expansion of consumer spending, the operating conditions for shopping mall property and retail properties in central locations are expected to be remain satisfactory in the future.

Hotel properties, mainly let on long-term lease agreements to the Group's own hotel chain, Thon Hotels, generate 15 % of the rental income. The rental agreements with Thon Hotels are primarily turnover-based, which means that a stable hotel turnover will result in stable rental income in this property segment too.

Fifteen percent of the property portfolio consists of office property, located mainly in the Oslo area. Employment was steady in 2010, and the vacancy rate in the office rental market has stabilised at about 8 %. Rental prices reached the bottom in the first quarter and have since then shown a slightly rising tendency.

In view of the above, the market prospects for commercial properties are considered to be satisfactory also in the future. The properties are let to a large number of lessees from different business sectors, and the lease agreements have a balanced expiry structure.

Therefore, the market risk for property operations is considered to be relatively moderate in the time ahead.

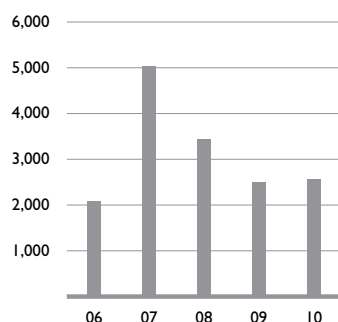
Hotel operations

As a significant player in the hotel market, Thon Hotels is affected by developments in the Norwegian hotel market. Changes in the number of bed-nights and prices in the market will also have an impact on Thon Hotels' financial results.

The demand for hotel rooms is closely related to general economic conditions and the competitive situation in the market. Market competition is

Net investments

(NOK million)



The Group's total net investments came to NOK 2,575 million

affected by both the demand and the supply of new hotel capacity.

Growth in the Norwegian economy is increasing, although still at a relatively slow rate. Despite the improvement in growth, there is still uncertainty surrounding the Norwegian and international economies. In view of this, the hotel market both in Norway and in Brussels is expected to be relatively stable also in the future.

However, thanks to its portfolio of modern and centrally located hotels, Thon Hotels is considered to be relatively well positioned for a continued challenging hotel market.

Financial risk

The Group's financial risks can be divided into:

- Liquidity risk
- Interest and exchange rate risk
- Credit risk

Liquidity risk/refinancing risk

Liquidity risk is related to the Group's ability to service payment and other debt obligations as they fall due, whilst the refinancing risk concerns the Group's prospects of raising financing in the bank and credit markets.

The first of these risks is mitigated by having substantial liquidity reserves, a moderate loan-to-value ratio and long-term loan agreements, and by using different financing sources. The liquidity reserves are tailored to future financing needs in both a short-term and a medium-term perspective.

At the turn of the year, the Group's liquidity reserves stood at NOK 5,231 million (NOK 4,463 million) and consisted of short-term investments of NOK 1,211 million (NOK 1,193 million) and committed credit lines of NOK 4,020 million (NOK 3,270 million).

The refinancing risk is curbed by using different financing sources and markets as well as by having a balanced distribution among the Group's lenders.

The risk associated with the refinancing of the short-term certificates issued in the Norwegian capital market is low owing to the establishment of long-term credit facilities in the bank market which the Group can use should the certificate market fail to work effectively.

The Group's long-term interest-bearing debt of NOK 21,751 million (NOK 20,622 million) has the following repayment profile:

- Repayment in 2011: 1 % (3 %)
- Repayment between 2012 and 2015: 49 % (48 %)
- Repayment in 2016 or later: 50 % (49 %)

The loan portfolio has an average remaining term to maturity of 6.1 years (6.6 years)

Interest rate and exchange rate risk

The interest rate risk is related to changes in cash flow, profits and shareholders' equity as a result of rate changes in the short-term and long-term interest rate markets.

One of the ways in which the risk is managed is through the use of financial instruments which are adjusted to the Group's rate expectations and defined objectives for interest rate risk. The earnings impact of rate changes in the short-term interest rate market is reduced by having a substantial proportion of long-term interest rate guarantees.

At the turn of the year, the Group had the following interest rate maturity structure:

- Interest rate maturity in 2011: 39 % (43 %)
- Interest rate maturity in 2012 and 2015: 14 % (10 %)
- Interest rate maturity in 2016 or later: 47 % (47 %).

The weighted average interest rate guarantee period at the year-end was 4.5 years (4.1 years) and the average interest rate for the Group's portfolio of loans and financial instruments was 4.4 % (4.2 %).

The Group's loan portfolio of NOK 25,771 million (including undrawn credit lines) is composed of the following currencies:

Norwegian krone 92 %, with an average interest rate of 4.5 % (4.3 %)
Swedish krona 5 %, with an average interest rate of 4.0 % (3.4 %)
Euro 3 %, with an average interest rate of 2.4 % (2.2 %).

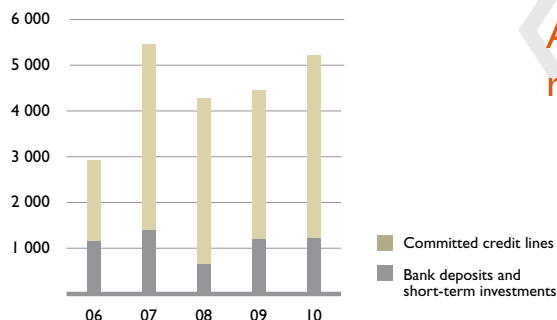
The Olav Thon Group has a financial risk related to exchange rate developments in the countries where the Group runs operations inasmuch as both the financial results and equity are affected by the exchange rate between the Norwegian krone and the local currency.

The operations abroad are run through subsidiaries established in the countries concerned. External capital financing is carried out in local currency, whilst foreign exchange exposure related to shareholders' equity in the subsidiaries is hedged by means of currency hedging instruments.

Credit risk

The Group's credit risk relates primarily to the risk of losses as a result of lessees failing to pay the agreed rent or hotel clients failing to pay their obligations.

Liquidity reserves (NOK million)



At the turn of the year, the Group's liquidity reserves stood at NOK 5,231 million

The properties are let to a large number of lessees from different business sectors, and it is believed that the Olav Thon Group has reliable, creditworthy lessees. In addition, good routines have been established for the follow-up of receivables.

In recent years, the Group has had relatively low losses on rent claims and receivables, and the risk of the Group suffering significant losses as a result of bankruptcies among lessees or hotel clients is regarded as moderate.

Operational risk

The Group's operational risk is primarily related to the risk of staff and operation management systems failing to function as presupposed. Management is organised in such a way that the risk related to the activities and absence of individuals is relatively low, and the Group's management systems are considered to be robust.

Moreover, as a quality assurance measure, the Group's auditor conducts systematic risk assessments of various aspects of the Group's operation and management.

Outlook

Growth in the global economy is relatively high, but continues to be weak in the industrialised countries. Moreover, there is still considerable uncertainty as to how the world economy will perform in the future.

In Norway, too, growth is increasing, albeit at a relatively slack rate. The increase in consumer spending in 2010 was lower than previously anticipated, but the Central Bank of Norway expects higher growth in the future. Unemployment in Norway is at a very low level in international terms.

Since 2009, the Norwegian central bank has raised the key interest rate from 1.25 % to 2.25 %, and more rate increases are expected this year. Growth in Norway and other industrialised countries is forecast to be relatively modest and the krone exchange rate is expected to be strong. It is therefore assumed that Norwegian interest rates will remain relatively low in the current year.

The turnover of the group's shopping malls for the year was about in line with developments in the Norwegian retail trade. However, in view of the anticipated growth in consumer spending, it is believed that the operating conditions for shopping mall property and centrally located retail properties will be satisfactory also in the future.

The office market vacancy rate in Oslo seems to have stabilised at about 8 %, and rental prices are steady or slightly rising. Against this background, it is assumed that office rental prices will remain stable or show a gentle increase in the time ahead.

Considering the uncertainty associated with developments in the Norwegian and international economy, it is expected that the hotel market both in Norway and Brussels will remain relatively weak in the future.

However, Thon Hotels, in view of its strong market position and attractive hotel portfolio, is considered to have a sound basis for generating good results even in a continuing weak hotel market.

All in all, it is believed that the Group's strong market position in the property and hotel markets and its solid financial position will help to ensure continued satisfactory developments in the future.

Oslo, 31 May 2011

Olav Thon

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



Income statement

(Figures in NOK 1,000)	Note	2010	2009
Rental Income		2,868,691	2,640,456
Room Revenue		1,497,126	1,431,920
Sales of goods		1,311,704	1,364,585
Other income	2, 5	1,613,373	1,073,035
Total operating income		7,290,894	6,509,997
Raw materials and consumables used	9	-803,567	-672,665
Payroll expenses	3	-1,135,609	-1,044,408
Depreciation expenses	7	-477,243	-423,832
Amortisation expenses	7	-1,475	-119,901
Other operating expenses	3, 4, 5	-2,479,617	-2,195,263
Total operating expenses		-4,897,511	-4,456,070
Operating profit		2,393,383	2,053,927
Income from associates		12,053	10,577
Financial Income	6	88,475	201,401
Financial Expenses	6, 17	-966,602	-931,425
Net financial items		-866,074	-719,446
Profit before taxes and extraordinary items		1,527,309	1,334,481
Tax on ordinary result	15	-550,313	-454,957
Net profit for the year	16	976,996	879,524
Majority interests		847,221	758,700
Minority interests		129,775	120,824

Balance sheet per. 31.12.2010

(Figures in NOK 1,000)	Note	2010	2009
FIXED ASSETS			
Intangible fixed assets	7	22,583	22,893
Deferred tax benefit	15	51,571	109,063
Tangible fixed assets	7	30,411,981	28,654,015
Other financial assets	8,14	483,137	472,724
Total fixed assets		30,969,273	29,258,696
Inventories	9	157,701	283,436
Debtors	10,5	2,077,228	1,562,319
Investments	11	41,947	41,947
Cash and bank deposits		1,088,881	1,070,447
Total current assets		3,365,757	2,958,149
Total assets		34,335,029	32,216,845
EQUITY AND LIABILITIES			
Majority interest		8,203,177	7,452,047
Minority interests		786,635	677,830
Total equity	16	8,989,812	8,129,876
Pension liabilities	3	16,197	10,200
Deferred tax	15	1,160,602	997,890
Other long term liabilities	12	21,723,918	20,932,831
Other long term liabilities and provisions		22,900,717	21,940,921
Current liabilities	13	2,444,500	2,146,047
Total liabilities		25,345,218	24,086,968
Total equity and liabilities		34,335,029	32,216,845

Cash flow analysis

(Figures in NOK 1,000)	2010	2009
Cash flows from operating activities *)	1,665,478	1,568,753
Changes in current assets and current liabilities	-55,915	-58,852
Changes in accruals and other working capital	-117,483	288,336
Net cash provided by operating activities (A)	1,492,081	1,798,237
Investment in tangible fixed assets	-1,604,813	-3,390,232
Sales of tangible fixed assets	103 623	27,543
Change in other investments	-66 400	786,767
Net cash flow used in investing activities (B)	-1,567,589	-2,575,922
New short-/long term debt	2,547,410	4,721,611
Repayment of short-/long term debt	-2,201,288	-3,104,983
Net effect on other capital changes	-252,181	-312,981
Net cash flow provided by financing activities (C)	93,941	1,303 647
Net change in cash and bank deposits (A+B+C)	18,432	525,960
Cash and bank deposits as at 01.01.	1,070,449	544,487
Cash and bank deposit as at 31.12.	1,088,881	1,070,447
Undrawn credit lines within established certificate and credit facilities	4,080,000	3,330,000
*) Cash flow arising from operations:		
Net profit for the year	847,221	758,700
+ Net profit to minority interests	129,775	120,824
+/- Change in deferred tax	221,710	165,089
-/+ Gain (loss) on sale of assets	-17,284	-19,531
+ Depreciation and write-down of fixed assets	478,718	543,733
+/- Change in pension liabilities	5,339	-62
	1,665,478	1,568,753

The Olav Thon Group

Stenersgata 2
PO Box 489, Sentrum
N-0105 Oslo
Norway

Tel +47 23 08 00 00
Fax +47 23 08 01 00
www.olavthon.no



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