

OLAV THON
EIENDOMSELSKAP



ANNUAL REPORT 2019

OLAV THON EIENDOMSSSELSKAP IN BRIEF

HISTORY

Olav Thon Eiendomsselskap ASA was founded in 1982 and its shares were listed on the Oslo Stock Exchange in 1983. The company has grown significantly since its start-up, with its annual rental income from properties having risen from NOK 27 million originally to NOK 3,215 million at the start of 2020. In the same period, the company's market capitalisation has increased from NOK 200 million to NOK 17,9 billion.

Since the early 1990s, its main focus area has been shopping centre properties and Olav Thon Eiendomsselskap is today the largest shopping centre actor in Norway and also an important player in the Swedish shopping centre market.

The company is part of the Olav Thon Group, which is Norway's largest private property player and one of Norway's largest hotel operators (Thon Hotels). The Olav Thon Group is owned by the Olav Thon Foundation.

MAIN STRATEGY:

ACQUIRE - DEVELOP - OWN

The company's strategy is to invest in properties with development potential within various property segments.

The company aims to realise the development potential of the property portfolio through active development, effective management and satisfied tenants.

In a capital intensive industry, it is important for the company to have an unconditional and strong financial position.

The combination of a high current return on the property portfolio and value creation through active property development is expected to help maximise growth in value in both the short- and long-term.

BUSINESS OBJECTIVES

The overall goal for Olav Thon Eiendomsselskap's business is to achieve maximum growth in equity per share so that shareholders achieve a long-term return that is competitive with comparable investment alternatives.

BOARD AND SENIOR MANAGEMENT

Olav Thon, Chairman of the Board
Kristian Leer-Salvesen, Board Member
Sissel Berdal Haga Thon, Board Member
Stig O. Jacobsen, Board Member
Line Norbye, Board Member
Dag Tangevald-Jensen, CEO

HIGHLIGHTS 2019

2019 MARKED ANOTHER YEAR OF GOOD RESULTS FOR OLAV THON EIENDOMSSKAP.

The highlights of the Board of Directors' Report for 2019 are as follows:

- The Group's rental income was NOK 2,984 (2,828) million.
- Profit before income tax amounted to NOK 2,336 (2,880) million.
- Total fair value adjustments in investment properties and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 424 (1,022) million
- Profit before income tax and fair value adjustments amounted to NOK 1,913 (1,857) million.
- Net cash flow from operations was NOK 1,765 (1,665) million.
- Equity per share increased by 6 % to NOK 264 (249) and the equity ratio at the end of the year was 46 % (46 %).
- Liquidity reserves at the end of the year was NOK 6,796 (7,168) million.

KEY FIGURES

	31.12.19	31.12.18
(In NOK millions)		
Net rental income	2 684	2 487
Fair value adjustments in investment properties and interest rate derivatives ¹⁾	424	1 022
Profit before taxes	2 336	2 880
Profit before tax and fair value adjustments ¹⁾	1 913	1 857
Equity per share (NOK)	264	249
Equity ratio	46%	46%
Non-current net asset value per share (NOK) ²⁾	315	297
Net cash flow from operations ³⁾	1 765	1 665
Cash reserves ⁴⁾	6 796	7 168
Amortisation next 12 months	4 913	6 137
Interest-bearing debt ⁵⁾	21 481	21 597
Interest rate as at 31.12	3,27%	3,04%
Loan to value ratio ⁶⁾	39%	40%
Net investments ⁷⁾	548	1 287
Market value properties ⁸⁾	54 257	53 367
Annual rental income ⁹⁾	3 215	3 100
Yield	5,13%	5,10%
Sales, owned shopping centres	50 211	48 980
Sales, managed shopping centres	8 058	9 603
Share price as at 31.12 (NOK)	167,8	140,0

Please note that as a result of rounding differences and reclassifications, figures and percentages will not always match the total sum.

¹⁾ Including value adjustments in joint ventures and associated companies

²⁾ (Majority share of equity + deferred tax liabilities - fair value of debt (deferred tax 6%)) / Number of shares

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

⁴⁾ Bank deposits etc. + Undrawn borrowing facilities

⁵⁾ Unsecured part of interest-bearing debt NOK 5,430 million (31.12.19) and 4,864 million (31.12.18), respectively

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

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

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) MNOK 4,557 (31.12.19) and 4,708 (31.12.18).

⁹⁾ Includes market rent for vacant premises

BOARD OF DIRECTORS' REPORT 2019

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), which are issued by IASB and approved by the EU. The accounting policies have been applied consistently to all periods presented.

In accordance with the requirements of the Norwegian Accounting Act, the Board of Directors confirms that the basis for continued operations is still present. The annual financial statements for 2019 have been prepared based on this assumption.

No events have occurred after the reporting date that would materially affect the assessment of the Group's financial position and results as at 31 December 2019.

Reference is made to note 35, events after the balance sheet date, for information concerning the uncertainty surrounding the coronavirus pandemic. The effects do not affect the Group's financial position and results as at 31 December 2019.

SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

Financial position/balance sheet as at 31 December 2019

The Group's total assets were NOK 59,869 (58,573) million, with investment properties accounting for NOK 54,037 (53,174) million of that figure.

Equity amounted to NOK 27,819 (26,827) million and the equity ratio was 46 % (46 %).

Equity per share (majority share) was NOK 264 (249), while the triple net asset value per share was calculated at NOK 315 (297).

Interest-bearing debt was NOK 21,481 (21,597) million, with a loan to value ratio of 39 % (40 %).

The Group's share of the equity in joint ventures and associated companies was NOK 2,914 (2,854) million.

Summary of the income statement for 2019

Profit before income tax was NOK 2,336 (2,880) million.

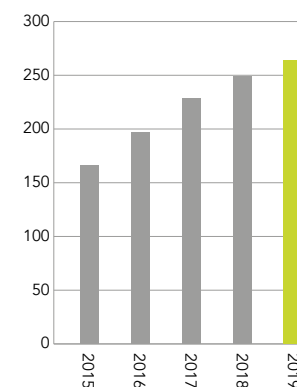
Fair value adjustments of investment properties and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 424 (1,022) million.

Profit before income tax and fair value adjustments therefore amounted to NOK 1,913 (1,857) million.

RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income amounted to NOK 2,984 (2,828) million and the increase from last year is mainly due to completed property projects.

EQUITY PER SHARE (NOK)



Other property-related income amounted to NOK 900 (874) million and consisted mainly of payments from the Group's tenants to cover property service charges and operation of shopping centre associations.

Property-related expenses amounted to NOK 1,201 (1,215) million, including the above-mentioned service charges of NOK 796 (781) million.

Maintenance expenses for the property portfolio amounted to NOK 140 (96) million. Rental expenses were reduced by NOK 35 (0) million as a result of IFRS 16 – Leases (see note 33).

Net rental income amounted to NOK 2,684 (2,487) million.

FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The value of the Group's investment properties increased by NOK 218 (867) million.

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

As a result of market developments in the Norwegian and Swedish property markets, the value of the property segments developed differently in 2019 as well.

The value of the Group's commercial properties increased by NOK 792 million, while the value of the shopping centre properties decreased by NOK 574 million.

For further details please refer to the section on property activities later in the report and to the notes in the consolidated annual financial statements.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of the results of joint ventures and associated companies amounted to NOK 213 (96) million.

The increase is explained by fair value adjustments in some shopping centre properties owned through joint ventures and associated companies.

A summary of the income statements and balance sheets for these companies can be found in notes 3, 4 and 5.

OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to NOK 167 (179) million and consisted mainly of income from property management for external owners, which amounted to NOK 40 (47) million, and sales revenue from other activities.

Other operating and administrative expenses amounted to NOK 346 (350) million, while depreciation amounted to NOK 24 (20) million.

FINANCIAL INCOME AND EXPENSES

The Group's net financial expenses amounted to NOK 725 (651) million.

The Group's net interest expenses were NOK 672 (627) million. The increase in net interest expenses was attributable to both higher average interest rates and higher average interest-bearing debt.

In addition, other financial expenses amounted to NOK 53 (27) million, of which interest expenses related to leases in accordance with IFRS 16 amounted to NOK 26 (0) million.

FAIR VALUE ADJUSTMENTS OF FINANCIAL INSTRUMENTS

The value of the Group's interest rate derivatives rose by NOK 164 (273) million, primarily due to somewhat higher long-term market rates in Norway throughout 2019.

Cash flow and liquidity

Net cash flow from operations in 2019 was NOK 1,765 (1,665) million.

Net cash flow from operating activities was NOK 1,497 (1,587) million.

Net cash flow from investing activities was NOK -573 (-1,386) million, while financing activities reduced liquidity by NOK 847 (-262) million.

The exchange rate effect was NOK 2 (0) million and liquidity reserves thus increased by NOK 80 (60) million in 2019.

The Group's liquidity reserves ended the year at NOK 6,796 (7,168) million and consisted of short-term investments of NOK 6,410 (6,863) million.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company Olav Thon Eiendomsselskap ASA's financial statements have been prepared in accordance with Norwegian accounting rules (NGAAP).

The parent company's operating income amounted to NOK 1,002 (962) million, while profit before income tax was NOK 181 (205) million.

Profit after income tax for the year was NOK 102 (102) million.

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

Transferred to other equity:	NOK 102 million
Allocated net result	NOK 102 million

The book value of the parent company's assets was NOK 21,537 (22,434) million at year end. Book equity was NOK 755 (984) million and the equity ratio was 3.5 % (4.4 %).

PROPERTY OPERATIONS

Property portfolio as at 31 December 2019

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

The property portfolio was valued at NOK 54,037 (53,174) million at the end of the year, based on an average yield of 5.13 % (5.10 %).

Annual rental income, which is equal to current rental income plus market rents for vacant spaces, increased by NOK 115 million in 2019 to NOK 3,215 million. The increase was mainly due to completed property projects.

The property portfolio is divided into the following property segments (based on rental value):

Segment	Share of the portfolio	Net yield
Shopping centre properties	79 % (79 %)	5.36 % (5.28 %)
Commercial properties	21 % (21 %)	4.43 % (4.53 %)

As at 31 December 2019, the vacancy rate in the property portfolio was 2.7 % (2.5 %).

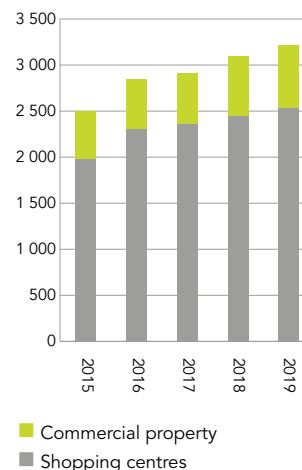
Property portfolio owned by joint ventures and associated companies

In addition to the property portfolio carried on the Group's balance sheet, the Group owns stakes in a further 13 shopping centres through joint ventures and associated companies. The stakes in these companies are between 25 % and 50 %.

The Group's share of the rental income, which is equal to current rental income plus market rents for vacant spaces, at year end was NOK 280 (290) million, and the value of the property portfolio was NOK 4,519 (4,730) million.

ANNUAL RENTAL INCOME LEVEL

NOK millions



SHOPPING CENTRES

At the end of the year, 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 operator 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.

The number of shopping centres decreased in 2019 as the partnership with LOT Eiendom AS was terminated and the closure of a shopping centre in Sweden. (See section on property acquisitions and sales).

The comparative figures for retail sales in 2018 have been corrected for the retail sales in shopping centres that are no longer owned by the Group or which are closed for refurbishment.

Shopping centres owned by the Group

Rental income in the portfolio of shopping centres owned by the Group increased by 3 % to NOK 2,815 million in 2019 (inclusive of the Group's share of jointly owned shopping centres).

In 2019, total retail sales in the shopping centres was NOK 50,211 (48,980) million.

Norway

In Norway, rental income from the shopping centres increased by 4 % to NOK 2,595 million (inclusive of joint ventures and associated companies) and total retail sales were NOK 46,745 (45,548) million.

Sweden

Rental income from the Group's Swedish shopping centres decreased to SEK 234 (245) million. Retail sales were SEK 3,725 (3,665) million.

COMMERCIAL PROPERTIES

Rental income from the Group's commercial properties amounted to NOK 680 million, an increase of 5 % from the year before. This figure includes around NOK 60 million from residential properties for rent.

Further information on property operations can be found on the company's website: olt.no.

INVESTMENTS

The Group's net investments in 2019 amounted to NOK 548 (1,287) million and included investments in property projects under construction, upgrades of the existing property portfolio and property acquisitions.

MAJOR PROPERTY ACQUISITIONS AND SALES

A retail and office property totalling 10,500 square metres close to the Group's shopping centres in Molde was acquired and taken over in 2019 and Q1 2020. The properties have the following addresses:

- Oscar Hanssens Veg 5-7
- Oscar Hanssens Veg 1-3
- Sofus Jørgensens Veg 5

Portfolio changes – jointly owned companies

In April 2019, Olav Thon Eiendomsselskap ASA and LL Holding AS terminated their collaboration in the jointly owned company LOT Eiendom AS (50 % stake), which owned stakes in eight Norwegian shopping centres.

In connection with the termination of the partnership, the Group's ownership in the following shopping centres increased to 50 %:

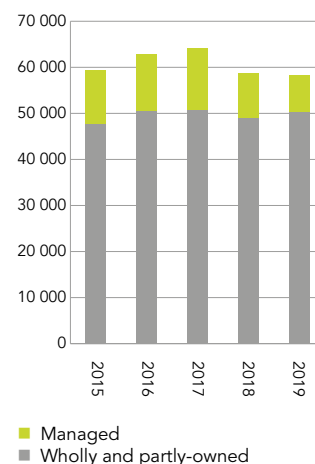
- Amfi Orkanger and OTI Senteret in Orkanger in Trøndelag County.

At the same time, the Group's stakes in the following six shopping centres were transferred to LL Holding:

- Amfi Svolvær in Nordland County
- Amfi Ørsta in Møre og Romsdal County
- Amfi Førde and Amfi Nordfjord in Vestland County

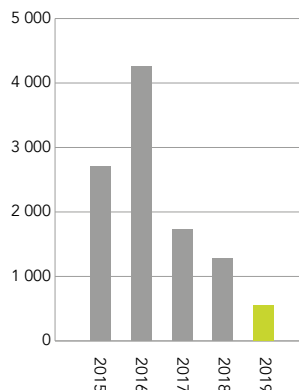
SHOPPING CENTRE SALES

NOK millions



NET INVESTMENTS

NOK millions



- Dombås Senter in Innlandet County
- Amfi Mandal in Agder County

The centres simultaneously changed their names and their management was transferred to LL Holding AS.

PROPERTY DEVELOPMENT

Property development is an important part of the Group's activities, but due to the completion of several major projects in 2018, investments in projects under construction were lower than in previous years.

In 2019, the last phases of the expansions of four Norwegian shopping centres were completed and the centres were added an additional 10,000 square meters.

At Vitaminveien at Storo, the final construction phase of the Storotunet project involving a further 89 flats were completed.

Refurbishment of shopping centre portfolio

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

Projects under planning

Olav Thon Eiendomsselskap is developing a number of major property projects linked to the further development of its property portfolio. Whether these projects will be executed depends on factors such as official permits and market conditions.

For more information about the Group's property projects, please see the company's website: olt.no.

FINANCING

The Group's debt portfolio consists of long-term credit facilities with Nordic banks and direct borrowing in the capital markets in Norway and Sweden.

Access to financing in the banking and capital markets was very good.

Total credit facilities were NOK 27,891 (28,460) million at year end, and NOK 6,410 (6,863) million of this amount was undrawn. Interest-bearing debt therefore amounted to NOK 21,481 (21,597) million.

The capital markets in Norway and Sweden are important sources of financing and a substantial proportion of the Group's financing is raised in these financing markets.

At year end, the outstanding certificate and bond debt amounted to NOK 11,010 (11,850) million, distributed as follows:

Norway:	NOK 7,880 (8,585) million
Sweden:	SEK 3,315 (3,365) million

The debt had an average remaining term of 2.4 (2.1) years, and 23 % (31 %) of the debt is due for repayment within 1 year.

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

ORGANISATION AND WORKING ENVIRONMENT

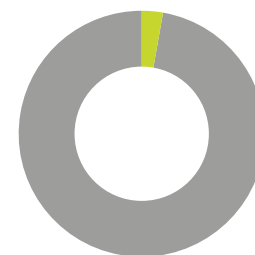
Olav Thon Eiendomsselskap practises equality and has zero tolerance for any form of discrimination or harassment of employees.

All employees are entitled to equal and fair treatment regardless of age, ethnic origin, disability, skin colour, nationality, political views and religion or other beliefs.

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

Work is in progress to promote universal design of the Group's general facilities, so

UNUTILIZED CREDIT FACILITIES



- < 12 months (3%)
- 1-5 years (97%)
- > 5 years (0%)

that they can also be used by persons with impaired functional ability.

The Board considers the above-mentioned conditions and general working environment to be satisfactory.

At the end of 2019, there was 468 (431) FTEs in the Group. At the same time, the parent company Olav Thon Eiendomsselskap had 28 (28) FTEs.

46 % of the Group's employees are women and 54 % are men. The Group's sick leave rate in 2019 was 3.7 % (3.0 %).

Throughout the year, there has not been any significant injuries or accidents during business operations. Neither other deficiencies in employee safety or the working environment have been identified.

The company's Board of Directors consists of two women and three men.

ENVIRONMENTAL STATUS

Olav Thon Eiendomsselskap follows Olav Thon Group's guidelines on sustainable value creation and eco-friendly business operations.

Environmental work is an integral part of operations in Olav Thon Eiendomsselskap and environmentally friendly initiatives are implemented both for the benefit for its own business operations and for the tenants' use of the properties.

The Group focuses on environmental efficiency with energy management and recycling as key areas.

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

Further information on environmental and sustainable value creation can be found on the company's website: olt.no.

CORPORATE SOCIAL RESPONSIBILITY

Olav Thon Eiendomsselskap follows Olav Thon Group's guidelines on corporate social responsibility.

Olav Thon Group is a member of the UN Global Compact, and works systematically in the areas of human rights, working conditions, the environment, anti-corruption and social responsibility.

This work is followed up through goals and measures in accordance with the Global Reporting Initiative (GRI) framework and is documented in an annual corporate social responsibility report.

Further information on corporate social responsibility work can be found on the company's website: olt.no.

CORPORATE GOVERNANCE

Olav Thon Eiendomsselskap aims to maintain a high level of confidence among investors, lenders, tenants and society in general, and therefore strives to achieve good corporate governance.

The management of the Group is based on the principles set forth in the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES).

A supplementary report on corporate governance can be found on the company's website: olt.no.

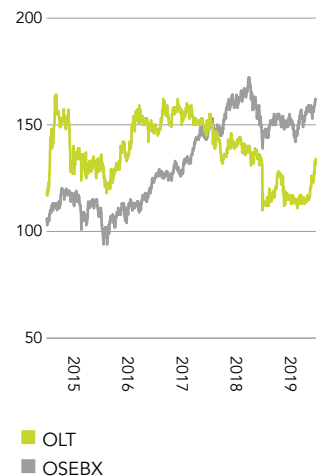
The Board of Olav Thon Eiendomsselskap ASA held five board meetings in 2019.

SHARES AND SHAREHOLDERS

The price of Olav Thon Eiendomsselskap shares at the end of 2019 was NOK 167.80, up from NOK 140.00 at the start of the year.

The share price thus rose by 20 % in 2019, while the main index of the Oslo Stock Exchange rose by 17 %.

SHARE PRICE AND OSEBX DEVELOPEMENT LAST 5 YEARS



At year end, the company's market capitalisation was NOK 17.9 (14.9) billion.

Share trades

In 2019, 6.6 (5.8) million shares were traded, and 16,223 (22,973) transactions were conducted on the Oslo Stock Exchange.

The highest and lowest prices in 2019 were NOK 167.80 (166.00) and NOK 139.00 (140.00), respectively.

Dividend

At the company's Annual General Meeting on 22 May 2019, it was decided to pay a dividend of NOK 4.40 per share for 2018.

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

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

Based on the uncertainty surrounding the financial impact of the coronavirus pandemic, the Board has deemed it appropriate to propose to the general meeting that no dividend be paid for 2019.

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

Buyback of shares

After Olav Thon Eiendomsselskap launched an offer to buy back its own shares, 2,122,149 shares were bought back in April 2019.

Reorganisation of the Olav Thon Eiendomsselskap Group

At the Extraordinary Annual General Meeting held in November 2019, decision was made to reorganise the Group in order to turn the parent company into

a pure holding company. Following the reorganisation, the Group's property portfolio is owned indirectly through subsidiaries, which gives the Group greater financial flexibility.

As part of the reorganisation, a decision was also made to redeem the company's own shares (2,822,149) by reducing its share capital.

The reorganisation and redemption of the company's own shares was completed in January 2020.

OLAV THON EIENDOMSSSELSKAP'S RISK FACTORS

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

- Market risk
- Financial risk
- Operational risk

The review of the Group's market risk assumes that the Norwegian economy and society will gradually return to a normalised situation during the summer of 2020. Please see outlook for the company in later section in the report.

MARKET RISK

The Group's market risk is related to the general development of the property markets, which are affected by both general macroeconomic developments and demand for commercial property as an investment object.

The market risk is related to the development of rental prices for retail, office and residential properties and the development of the fair value of the Group's property portfolio.

The properties' fair value and rental price development is affected by macroeconomic variables such as changes in gross domestic product (GDP), unemployment, inflation and interest rate changes.

REPAYMENT STRUCTURE



- < 12 months (23%)
- 1-5 years (66%)
- > 5 years (11%)

INTEREST MATURITY STRUCTURE



- < 12 months (51%)
- 1-5 years (6%)
- > 5 years (43%)

Changes in the market yields used in the sale of commercial property and changes in market rents for the properties have a direct effect on property values.

THE COMMERCIAL PROPERTY MARKET IN 2019

With continued good growth in the Norwegian economy, 2019 was overall a good year for commercial property, with a generally high demand for commercial property and increased rental prices.

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

The transaction market

There was a very high level of activity in the Norwegian market for commercial property in 2019, with the total transaction volume amounted to around NOK 102 billion.

The sales volume represented the second highest annual sales ever in Norway and indicates that the level of liquidity in the transaction market was high. The high demand for commercial property contributed to a positive development in the value of central office and warehouse properties, while the trend for the value of retail properties was stable or slightly downwards during 2019.

The rental market

Rental prices for shopping centres generally exhibited a stable or slightly downwards trend.

In the office rental market in the Oslo area, rental prices rose for the third year in a row, while the vacancy rate fell further. In the office market in Oslo, there are significant differences in rental prices and vacancy rate between the different areas of the city.

THE GROUP'S MARKET RISK

Shopping centres, primarily in the large towns and cities of Norway and Sweden, generate 79 % of the Group's rental income. A substantial proportion of the tenants are retail chains with sound finances and the lease contracts have a balanced maturity structure.

Private consumption is expected to rise in the future and retail trade is expected to develop generally positively in the coming period. The trend of increasing differences between different segments and actors in the retail trade is expected to persist going forward.

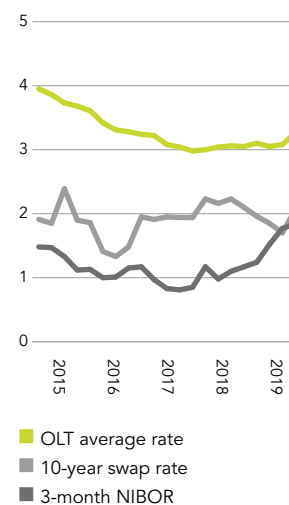
Online shopping is expected to continue growing faster than the physical retail trade, although it still accounts for a small proportion of the total retail trade.

The Group's shopping centres are gradually changing to adapt to new consumer behaviour and digitalisation of the retail trade. The changes being made involve expanding the range of goods and services offered in the shopping centres and by making use of new technology in customer communications. The changes that have been implemented are considered to contribute to overall satisfactory framework conditions for shopping centre properties.

21 % of rental income comes from commercial properties in the Oslo area, with office properties representing the largest proportion. The properties are leased to a large number of tenants in various sectors, and the lease contracts in this segment have a balanced maturity structure as well.

The risk of a substantially higher vacancy rate and a fall in the Group's rental income is considered moderate. A sensitivity analysis of what effects any changes to the yield and rental income would have on property values and the equity ratio can be found in note 16 and on the company's website: olt.no.

INTEREST RATES LAST FIVE YEARS



Financial risk

Olav Thon Eiendomsselskap's financial risk is considered mainly to be the Group's access to financing in the banking and capital markets and the price of that financing.

Access to financing depends on both developments in the financial markets and the Group's creditworthiness.

The risk is mitigated by maintaining a low loan to value ratio, a balanced debt portfolio and significant liquidity reserves.

The price of financing depends on market interest rates and the specific credit margin the Group has to pay.

The credit margin is again linked to the Group's creditworthiness and developments in the credit market.

TRENDS IN THE FINANCIAL MARKETS

The competitive situation in the Nordic banking sector was relatively stable in 2019 and both the offer and price of bank financing remained relatively unchanged throughout the year.

The capital markets in both Norway and Sweden developed positively and investor demand for capital market loans increased gradually throughout the year.

Development of interest rates

In 2019, Norges Bank raised its key policy rate by 0.75 % to 1.50 %, and the short-term Norwegian money market interest rate (3-month NIBOR) rose to 1.86 % (1.27 %) at year end. The long-term money market rate (10-year swap rate) varied throughout the year and was quoted as 2.06 % (2.10 %) at year end.

The Swedish Central Bank raised its key policy rate by 0.25 % to 0 % in December and the short-term money market interest rate (3-month STIBOR) rose to 0.20 % (-0.13 %) at year end. The long-term money

market interest rate (10-year swap) fell from 1.13 % to 0.67 % at year end.

The credit market

The credit spread indicated for new loans issued by the Group fell gradually during the second half of the year after developing stably during the first half. At year end, the credit spread for 5-year unsecured bond issues in Norway was indicated at 0.85 % (1.25 %), while 12-month unsecured commercial papers were indicated at 0.32 % (0.55 %).

THE GROUP'S FINANCIAL RISK FACTORS

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

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

Descriptions of financial risk factors and financial risk management can be found in note 20 of the 2019 annual report. Below is the status of the different risk groups at the end of the year.

Liquidity risk

The Group's total liquidity reserves at the end of the year amounted to NOK 6,796 (7,168) million. The debt portfolio had an average remaining term of 2.4 (2.1) years.

23 % (31 %) of debt is due within one year and the need for refinancing in the coming year will be able to be covered by existing liquidity reserves.

Interest rate risk

At the end of the year, the Group had a fixed-rate ratio with a fixed-rate period exceeding one year of 51 % (54 %), with an average fixed-rate period of 3.6 (3.8) years.

The average interest rate at the end of the year was 3.26 % (3.04 %).

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

At year end, the portfolio of interest rate swaps entered for this purpose was NOK 11,539 (11,139) million and had a fair value of NOK -1,328 (-1,492) million.

Fair value is affected by changes in long-term interest rates and volatility in the financial markets in Norway and Sweden. It is estimated that a change of one percentage point in interest rates would change the fair value of the portfolio by approx. NOK 750-850 million.

Currency risk

At year end, 84 % of the Group's interest-bearing debt was nominated in Norwegian kroner, with an average interest rate of 3.70 %. 16 % of the debt was borrowed in Swedish kroner and had an average interest rate of 0.98 %.

Credit risk

The Group's credit risk is primarily the risk of losses as a result of tenants' failure to pay the agreed rent. The properties are leased to a large number of tenants in different sectors and the Group's routines for managing the lease contracts are considered to be good.

Operational risk

The Group's operational risk is primarily associated with the failure of employees and operational management systems to function as expected.

Management is organised so that the risk arising from the activities and absence of an individual is relatively low, and the Group's management systems are considered robust.

OUTLOOK

At the time of the preparation of the consolidated financial statements, the Norwegian authorities implemented the strictest and most invasive measures ever in peacetime in order to confine the spread of the corona pandemic.

The Norwegian authorities have also put forward significant measures to mitigate the economic impact of the pandemic and Norges Bank has cut its interest rate from 1.50 % to 0.25 %.

The pandemic and the measures that have been implemented will have significant consequences both for the Norwegian economy in general and Olav Thon Eiendomsselskap in particular.

It is not yet possible to quantify the financial consequences for the Group's operations and financial situation for the coming time. However, it is expected that the Group will be negatively affected, among other things, through fair value adjustments in investment properties, financial instruments and other assets, income reductions, receivables losses and displacement in cash flows.

Given the Group's financial position, with its high equity ratio and substantial liquidity reserves, the Group is considered well-equipped to meet the financial consequences of the corona pandemic.

Oslo, 25 March 2020

The Board of Directors, Olav Thon Eiendomsselskap ASA

Olav Thon (Chairman of the Board)

Stig O. Jacobsen

Kristian Leer-Salvesen

Line Norbye (CEO)

Sissel Berdal Haga Thon

Dag Tangevald-Jensen

DECLARATION

DECLARATION PURSUANT TO SECTION 5-5 OF THE NORWEGIAN SECURITIES TRADING ACT

We confirm that, to the best of our knowledge, the company's annual financial statements for 2019 have been prepared in accordance with applicable accounting standards and that the disclosures in the financial statements give a true and fair view of the Group's and the company's assets, liabilities, financial position and profit or loss taken as a whole.

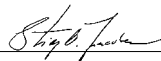
To the best of the Board's knowledge, the Board of Directors' Report provides a fair overview of the development and financial performance and position of the Group and the company, and describes the principal risks and uncertainties the Group faces.

Oslo, 25 March 2020


The Board of Directors, Olav Thon Eiendomsselskap ASA



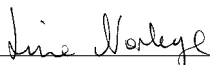
Olav Thon (Chairman of the Board)



Stig O. Jacobsen



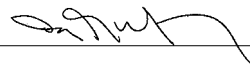
Kristian Leer-Salvesen



Line Norbye (CEO)



Sissel Berdal Haga Thon



Dag Tangevald-Jensen

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

GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
(In NOK millions)		
Rental income	2 984	2 828
Other property-related income	900	874
Property-related expenses	-1 201	-1 215
Net rental income	2 684	2 487
Other operating income	167	179
Other operating expenses	-157	-159
Administrative expenses	-189	-191
Depreciation	-24	-20
Net income from property management	2 481	2 296
Fair value adjustments, investment property	218	867
Fair value adjustments, right-of-use assets	-14	0
Share of profit from joint ventures and associates	213	96
Operating profit	2 898	3 259
Financial income	12	8
Fair value adjustments, interest rate derivatives	164	273
Financial expenses	-737	-659
Profit before income tax	2 336	2 880
Change in deferred tax	-259	-148
Income tax payable	-239	-216
Income tax	-498	-364
Profit	1 838	2 516
Other Comprehensive income		
Items to be reclassified to P&L in subsequent periods:		
Currency translation differences from foreign operations	-46	-43
Hedging of net investment in foreign operations	39	42
Income taxes on other comprehensive income	-8	-9
Total comprehensive income	1 822	2 505
Profit attributable to:		
Shareholders of the parent	1 857	2 516
Non-controlling interests	-20	-1
Total comprehensive income attributable to:		
Shareholders of the parent	1 842	2 505
Non-controlling interests	-20	-1
Earnings per share, basic and diluted (NOK)	18	24

The layout of the statement of comprehensive income has been changed from 2019, due to the intention of giving more relevant information. There are no material changes. Some records has been moved without any changes of content. There have been added two new lines for summation. Comparative figures have been made for previous periods.

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018
(In NOK millions)		
ASSETS		
Deferred tax asset	294	328
Investment properties	54 037	53 174
Owner-occupied properties	191	193
Right-of-use assets	365	0
Fixed assets	88	82
Investments in joint ventures and associates	2 914	2 854
Other non-current assets	592	594
Total non-current assets	58 482	57 225
Trade receivables and other current receivables	1 001	1 043
Cash and cash equivalents	386	305
Total current assets	1 387	1 349
Total assets	59 869	58 573
EQUITY AND LIABILITIES		
Share capital	106	106
Share premium	318	318
Other equity	26 942	25 906
Non-controlling interests	452	496
Total equity	27 819	26 827
Deferred tax liabilities	7 250	7 020
Lease liabilities	360	0
Non-current liabilities	17 820	16 844
Total non-current liabilities	25 431	23 864
Income tax payable	240	219
Interest-bearing current liabilities	4 913	6 138 *
Trade payables and other current liabilities	1 467	1 525 *
Total current liabilities	6 619	7 882
Total liabilities	32 050	31 746
Total equity and liabilities	59 869	58 573

* The classification of current liabilities has been adjusted between interest-bearing and other liabilities for the figures of 2018.

Oslo, 25 March 2020

The Board of Directors, Olav Thon Eiendomsselskap ASA

Olav Thon (Chairman of the Board)

Stig O. Jacobsen

Kristian Leer-Salvesen

Line Norbye (CEO)

Sissel Berdal Haga Thon

Dag Tangevald-Jensen

GROUP

CONSOLIDATED CASH FLOW STATEMENT

	2019	2018
(In NOK millions)		
Profit before income tax	2 336	2 880
Fair value adjustments, investment property	-218	-867
Fair value adjustment, interest rate derivatives	-164	-273
Expensed interest	710	633
Paid interest	-707	-636
Paid income tax	-215	-116
Share of profit from joint ventures and associated companies	-213	-96
Depreciation of fixed assets	23	20
Change in operating related accruals	-55	42
Net cash flow from operating activities	1 497	1 587
Proceeds from sale of property, plant and equipment	-	17
Purchase of investment properties and property, plant and equipment	-672	-1 161
Net payments of acquisition of subsidiaries	-55	-22
Other investments	155	-220
Net cash flow from investment activities	-573	-1 386
Proceeds from interest-bearing liabilities	19 051	18 617
Repayment of interest-bearing liabilities	-19 071	-18 622
Payment on leasing liabilities	-6	-
Dividends paid	-481	-256
Payments of purchase of own shares	-341	-
Net cash flow from financing activities	-847	-262
Currency translation effects	2	0
Net change in cash and cash equivalents	80	-60
Cash and cash equivalents as at 1 January	305	366
Cash and cash equivalents as at 31 December	386	305
Unutilized overdrafts and other credit facilities	6 410	6 863

GROUP

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Currency translation differences	Other equity	Hedging reserve	Majority share of equity	Non-controlling interests	Total
(In NOK millions)								
Equity 31 Dec 2017	106	318	-43	23 655	26	24 062	518	24 580
Profit	-	-	-	2 516	-	2 516	-1	2 516
Other comprehensive income	-	-	-43	-	32	-11	-	-11
Dividends paid	-	-	-	-233	-	-233	-24	-256
Other changes	-	-	-	-3	-	-3	2	-1
Equity 31 Dec 2018	106	318	-87	25 935	58	26 331	496	26 827
Profit	-	-	-	1 857	-	1 857	-20	1 838
Other comprehensive income	-	-	-46	-	30	-15	-	-15
Acquisitions of own shares	-	-	-	-341	-	-341	-	-341
Dividends paid	-	-	-	-456	-	-456	-25	-481
Other changes	-	-	-	-10	-	-10	0	-9
Equity 31 Dec 2019	106	318	-132	26 987	88	27 367	452	27 819

GROUP

ALTERNATIVE PERFORMANCE MEASURES

(In NOK millions)

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.

	2019	2018
Fair value adjustments, investment properties recognised in profit and loss	218	867
Fair value adjustments, right-of-use assets recognised in profit and loss	-14	0
Fair value adjustments, investment properties in joint ventures	32	-121
Fair value adjustments, investment properties in associated companies	17	-29
Fair value adjustments, interest rate derivatives recognised in profit and loss	164	273
Fair value adjustments, interest rate derivatives in joint ventures	8	32
Fair value adjustments in investment properties and interest rate derivatives	424	1 022

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 financial statements and in joint ventures and associated companies.

	2019	2018
Profit before income tax	2 336	2 880
Fair value adjustments in investment property and interest rate derivatives	-424	-1 022
Profit before income tax and fair value adjustments	1 913	1 857

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.

	2019	2018
Majority share of equity	27 367	26 331
Deferred tax liabilities (deferred tax liabilities current assets excluded)	7 250	7 020
Fair value of debt - deferred tax liabilities - 6 %	-1 977	-1 915
Long term net asset value	32 640	31 436
Number of shares (own shares not included)	103 623 171	105 745 320
Long term net asset value per share in NOK	315	297
Equity per share in NOK	264	249

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.

	2019	2018
Bonds, non-current	7 538	5 771
Bonds, current	1 214	2 960
Commercial paper debt, current	2 258	3 118
Other interest-bearing liabilities, non-current	9 030	9 688
Other interest-bearing liabilities, current	1 440	60
Interest-bearing debt	21 481	21 597
Cash and cash equivalents	-386	-305
Net interest-bearing debt	21 095	21 292
Investment property	54 037	53 174
Loan to value ratio	39 %	40 %

Net cash flow from operations

Net cash flow from operations is intended to give readers a better understanding of the liquidity generated by the Group's operations. This is relevant in assessing the company's financial results and financial position.

	2019	2018
Net cash flow from operating activities	1 497	1 587
Expended interest / Interest paid	3	-4
Income tax paid	-215	-116
Change in operating related accruals	-55	42
Net cash flow from operations	1 765	1 665

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.

	2019	2018
Investment properties	646	1 131
New companies	100	22
Other fixed assets	25	-4
Other investments	-224	139
Net investments	548	1 287



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