



OLAV THON GRUPPEN



ANNUAL REPORT 2014



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THE OLAV THON GROUP IN 2014



FINANCIALS

Profit before tax amounted to NOK 1.7 billion, and was the highest in the Group's history.

Equity increased to NOK 11.7 billion, with an equity ratio of 27% (28%).

The net asset value is considered to be significantly higher.

The liquidity reserve was NOK 7.8 billion at the end of the year. Interest-bearing debt increased to NOK 27 billion, with the average interest rate falling to 3.9%.



THE PROPERTY SECTOR

The rental value of the Group's property portfolio increased by 9% to NOK 4.6 billion, while the vacancy rate was 2%.

The retail sales for shopping centres owned by the Group increased by 14% to NOK 57.4 billion.

The position as one of Scandinavia's leading shopping centre players was strengthened through the purchase of five shopping centres in Sweden. The Group owned and managed 104 shopping centres at the end of the year.



THE HOTEL SECTOR

Thon Hotels increased its capacity by 3% and had 11,054 rooms in 74 hotels in Norway and abroad at the end of the year.

Total operating income increased by 4% to NOK 3.1 billion.

Thon Hotels has strengthened its position as one of Norway's leading hotel chains by opening four new hotels and conducting substantial conversion and renovation projects at several of its hotels.



INVESTMENTS

Total investments amounted to NOK 5.1 billion.

KEY FIGURES

(NOK MILLION)	2014	2013	2012
EARNINGS			
Operating income	8 788	8 304	7 641
Operating profit	2 683	2 526	2 481
Net interest expenses	1 058	1 007	965
Profit before tax	1 681	1 509	1 548
EQUITY RATIO			
Equity	11 683	10 607	10 167
Equity ratio	27 %	28 %	28 %
Total assets	43 213	38 099	36 211
LIQUIDITY			
Net cash flow from operations ¹⁾	2 188	1 815	1 909
Liquidity reserve ²⁾	7 783	8 923	8 412
Amortisation next 12 months	6 735	6 791	3 681
Net interest-bearing debt/Net cash flow from operations	10.9	11.7	10.6
Interest coverage ratio ³⁾	3.2	3.1	3.2
FINANCING			
Interest-bearing debt	27 026	23 026	21 650
Share of foreign currency loans	17 %	10 %	10 %
Remaining loan term (years)	3.0	3.6	3.7
Interest rate at 31 Dec	3.94 %	4.55 %	4.71 %
Interest rate hedging (over 1 year)	61 %	68 %	69 %
PROPERTY			
Net investments	5 103	2 145	2 457
Annual rental income	4 560	4 200	3 900
Vacancy rate	2 %	2 %	2 %
Book value of property portfolio	38 801	34 017	31 963
Implicit gross yield	12 %	12 %	12 %
Shopping centre sales ⁴⁾	68 269	61 469	60 523
HOTEL ⁵⁾			
Hotel rooms	11 054	10 810	10 503
RevPAR (revenue per available room)	461	461	447
Room rates	811	816	816
Occupancy rate	57 %	56 %	55 %

¹⁾ Net cash flow from operating activities - Change in working capital

²⁾ Bank deposits etc. + Undrawn borrowing facilities.

³⁾ (Operating profit + Depreciation/impairment) / Net interest expenses

⁴⁾ Owned and/or managed shopping centres

⁵⁾ Thon Hotels

ABOUT OLAV THON GROUP



Karl Johans gate 25 (Tostrupgården), Oslo

Olav Thon Group is owned by the Olav Thon Foundation and operates primarily in the property and hotel sectors.

Olav Thon Group had sales of approx. NOK 8.8 billion and employed about 3,160 FTEs in 2014. The Group is divided into two divisions: Thon Property and Thon Hotels.

THON PROPERTY

Thon Property is the market leader in property, with 104 shopping centres and about 500 commercial properties. The listed company Olav Thon Eiendomselskap ASA is part of the Property division. Rental income at 1 January 2015 was NOK 4.6 billion.

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

- Retail 65%
- Offices 14%
- Hotels 14%
- Other 7%

The geographical distribution of the property portfolio is as follows:

- Oslo region 53%
- Other towns in Norway 17%
- Other cities in Norway 17%
- Abroad 13%

At the end of the year, the shopping centre portfolio comprised 104 shopping centres, 35 of which are managed for external owners.

The Norwegian shopping centre portfolio owned by the Group consists of 61 shopping centres. Retail sales for this segment of the portfolio were NOK 47.7 billion in 2014.

The Group's position in the Swedish shopping centre market was strengthened by the acquisition of five shopping centres in 2014. This increased the Swedish shopping centre portfolio to 8 shopping centre properties at the end of the year. Total retail sales for the portfolio were SEK 10.4 billion.

THON HOTELS

Thon Hotels is one of Norway's leading hotel chains, with about 9,300 rooms in 65 hotels in Norway at the end of the year. In addition, the hotel chain has 1,750 rooms abroad, spread over five hotels and two apartment hotels in Belgium, one hotel in the Netherlands and one in Sweden. Thon Hotels is a dominant player in the metropolitan regions of Oslo and Bergen, focusing mainly on business travellers.

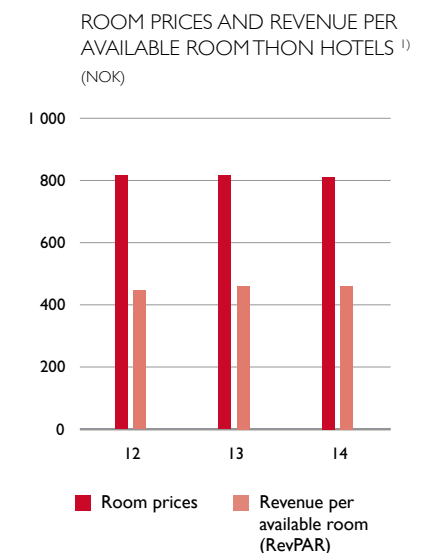
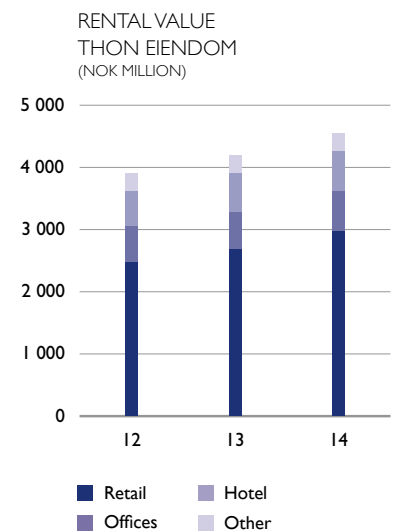
In addition to the hotel restaurants, the Group has several separate restaurants, including Scotsman, Tre Brødre and Tostrup Uteservering in Oslo.

OTHER OPERATIONS

Other operations account for a small proportion of the Group's income and earnings. The largest entity is the industrial company Unger Fabrikk.

OLAV THON FOUNDATION

The Olav Thon Foundation was established in December 2013, when all shares in Olav Thon Gruppen AS were transferred from Olav Thon. The purpose of the foundation is to own and develop Olav Thon Group's business activities. The foundation may also contribute to charitable causes.



¹⁾ Thon Hotels Norway and abroad

GEOGRAPHICAL SCOPE

(01.05.15)

NORTHERN NORWAY

13 **12**

CENTRAL NORWAY

7 **5**

WESTERN NORWAY

33 **13**

SOUTHERN NORWAY

7 **3**

SWEDEN

10 **1**

EASTERN NORWAY

36 **32**

BRUSSELS*

8



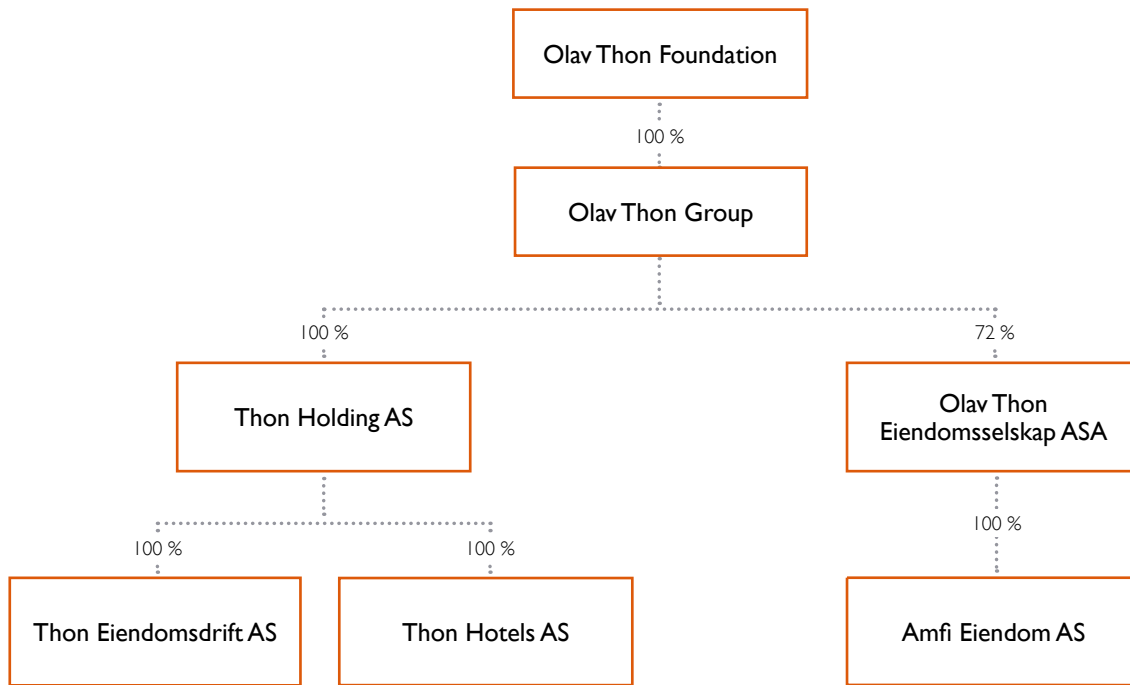
SHOPPING CENTRES



HOTELS

* 5 hotels and 3 apartment complexes.

GROUP STRUCTURE



GROUP MANAGEMENT



Olav Thon
CEO/President



Morten Thorvaldsen
Executive Vice President
and CEO Thon Hotels



Dag Tangevald-Jensen
Executive Vice President
and CEO OTE ASA



Ole-Christian Hallerud
Executive Vice President
Property Development



Tron Harald Bjerke
Executive Vice President
Property



Arne B. Sperre
Executive Vice President
Finance



ANNUAL REPORT 2014

Olav Thon Group was able to report another year of solid results in 2014, achieving its highest profit ever, despite weaker growth in the Norwegian economy.

HIGHLIGHTS OF THE GROUP'S 2014 ANNUAL REPORT:

OPERATING INCOME

Olav Thon Group's operating income amounted to NOK 8,788 (8,304) million.

PROFIT

Profit before tax was NOK 1,681 (1,509) million.

EQUITY

Equity increased to NOK 11,683 (10,607) million, while the equity ratio was 27% (28%). The net asset value is considered to be significantly higher.

PROPERTY PORTFOLIO

The property portfolio's rental income at the end of the year was NOK 4,560 (4,200) million, while the vacancy rate was 2% (2%).

SHOPPING CENTRE SALES

Retail sales for the Norwegian shopping centre portfolio owned by the Group increased by 7% to NOK 47.7 (44.5) billion. Retail sales for the Swedish shopping centre portfolio were SEK 10.4 (6.4) billion.

THON HOTELS

At the end of the year, Thon Hotels had 11,054 rooms in 74 hotels in Norway and abroad.

LIQUIDITY RESERVE

The Group's liquidity reserve ended the year at NOK 7,783 (8,923) million.

The Group's profit before tax was NOK 1,681 million.

ANNUAL FINANCIAL STATEMENTS

Olav Thon Group's consolidated financial statements have been prepared in accordance with Norwegian GAAP, and the accounting policies have been applied consistently for all periods presented.

The Board of Directors confirms fulfilment of the conditions for a going concern assumption in accordance with the requirements of the Norwegian Accounting Act. The 2014 financial statements have been prepared on the basis of this assumption.

No events have occurred after the reporting date that would significantly affect the assessment of the Group's position and results at 31 December 2014.

SUMMARY OF INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

Olav Thon Group's operating income was NOK 8,788 (8,304) million, while profit before tax amounted to NOK 1,681 (1,509) million.

The Group's assets had a book value of NOK 43,213 (38,099) million at the end of the year. Equity was NOK 11,683 (10,607) million, while the equity ratio was 27% (28%).

Interest-bearing debt ended the year at NOK 27,026 (23,026) million.

Rental income from the properties indicates a gross yield of approx. 12% on book values, and the net asset value is therefore considered to be significantly higher than equity.

OPERATING INCOME AND EXPENSES

The Group's operating income increased by 6% to NOK 8,788 million in 2014. The growth is attributable to increased operating income in both the hotel and property sectors, but has been dampened by lower sales revenue from residential units produced for resale.

Further information about the Group's business areas can be found on pages 4-7.

Sales revenue from residential projects amounted to NOK 237 (305) million. Production costs for the residential units totalled NOK 186 (270) million, which meant that net gains on residential sales were NOK 51 (34) million.

Scheduled depreciation was NOK 622 (571) million, while impairment losses on the property portfolio amounted to NOK 128 (23) million. The impairment is largely attributable to building demolition in connection with the implementation of large property projects.

Payroll costs were NOK 1,419 (1,301) million. The increase was due to general pay growth and a rise in the number of full-time equivalents.

Total operating expenses amounted to NOK 6,106 (5,778) million, leaving the Group with an operating profit of NOK 2,683 (2,526) million for 2014.

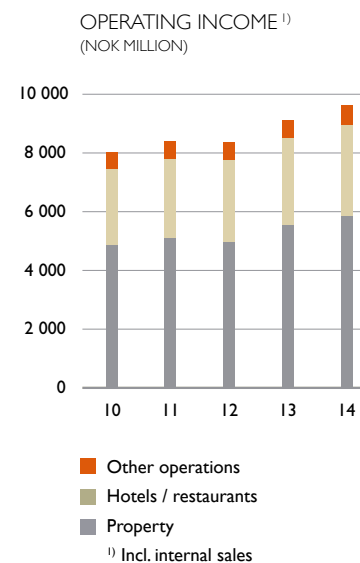
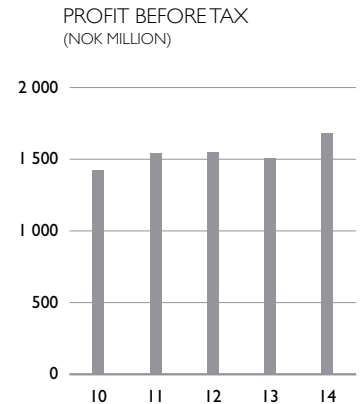
FINANCIAL ITEMS

The Group's net financial expenses (excl. results of associated companies) were NOK 1,037 (1,043) million. Net exchange gains of NOK 21 million were recognised in 2014, compared with net exchange losses of NOK 37 million in 2013. Net gains of NOK 12 (39) million on shares were recognised.

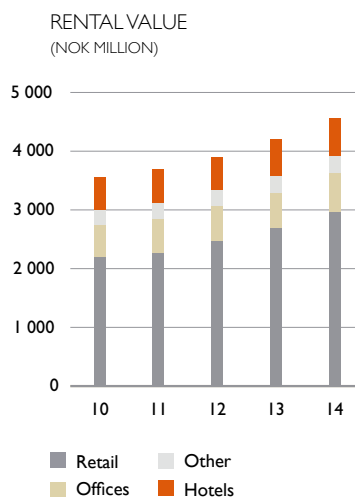
The Group's average interest rate declined by approx. 0.6 percentage points, which contributed to a significant reduction in financial expenses, although the decline was offset by increased interest-bearing debt.

CASH FLOW AND LIQUIDITY

Net cash flow from operations was NOK 2,188 (1,815) million in 2014. After changes in working capital of NOK -92 (-18) million, total cash flow from operating activities was NOK 2,096 (1,796) million.



■ ■ Olav Thon Group's property portfolio had a rental income of NOK 4,560 million at the end of the year.



Net cash flow from investing activities was NOK -5,176 (-2,356) million, while financing activities contributed NOK 2,968 (845) million. The net effect of exchange rate changes was NOK 18 (-112) million, which meant that cash and cash equivalents declined by NOK 94 (+174) million.

The Group's liquidity reserve ended the year at NOK 7,783 (8,923) million, and consisted of short-term investments of NOK 1,069 (1,162) million and undrawn long-term credit facilities of NOK 6,714 (7,760) million.

PARENT COMPANY ACCOUNTS AND DISTRIBUTION OF PROFIT FOR THE YEAR

The accounts for the parent company Olav Thon Gruppen AS have also been prepared in accordance with Norwegian GAAP.

The parent company's income consists of net financial income associated with loans to subsidiaries. After deduction of operating expenses, profit before tax was NOK 102 (91) million. Profit after tax was NOK 100 (88) million, and the Board of Directors proposes the following allocation of the parent company's profit for the year:

Dividend:	NOK 50 million
To other equity:	NOK 50 million
Allocated net profit:	NOK 100 million

The parent company's assets had a book value of NOK 1,023 (930) million at the end of the year. Equity was NOK 800 (750) million, while the equity ratio was 78% (81%).

BUSINESS AREAS

Property

The commercial property market in 2014

Growth in the Norwegian economy is slowing and Norway has entered an economic downturn. In spite of slower growth in the Norwegian economy, 2014 was another good year for commercial property. This was largely due to significantly better access to external capital and considerably lower market interest rates.

The rental market

Rental prices for shopping centres showed a largely stable trend.

Stable market rental levels and a slight increase in the vacancy rate were the main trends for the Oslo office rental market, where the majority of the Group's portfolio is located. Office rental prices in the Oslo area have increased by about 20-30% over the last three years, with the highest price growth in the most central office areas.

The transaction market

The total transaction volume in the market for commercial property (with a value over NOK 50 million) increased by about 25% to NOK 55 billion in 2014. There was strong demand for commercial property as an investment object from both Norwegian and international investors.

Prices showed an increasing tendency and commercial property within most segments showed an increase in value. The main factor behind the increase was a declining yield, primarily due to lower market interest rates.

The property sector

Total property-related operating income was NOK 5,827 (5,526) million (incl. internal sales) in 2014. The increase from the previous year was due to higher rental income, although the increase was offset by lower revenue from residential projects under construction.

The Group's rental income increased by 7% to NOK 3,632 million. The improvement was attributable to new properties, completed residential projects and general rental growth in the property portfolio.

Sales revenue from residential projects amounted to NOK 237 (305) million.

Olav Thon Group's property portfolio had a rental income¹⁾ of NOK 4,560 (4,200) million at the end of the year. The vacancy rate remained low and ended the year at 2% (2%).

¹⁾ Includes intercompany rental income

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

• Retail	65%
• Offices	14%
• Hotels	14%
• Other	7%

The geographical distribution of the portfolio is as follows:

• Oslo region	53%
• Rest of Norway	34%
• Outside Norway	13%

The leases have an average remaining term of approx. 4 years.

Shopping centres

At the end of the year, the shopping centre portfolio comprised 104 shopping centres, 31 of which are managed for external owners.

The market position in the Norwegian shopping centre market is strong, and the portfolio included Norway's seven largest shopping centres in 2014.

Shopping centres owned by the Group Norway

Rental income for shopping centre properties increased to approx. NOK 2,965 (2,500) million in 2014. Retail sales for the shopping centres increased by 7% to NOK 47.7 billion. In line with the general trend in the Norwegian retail sector, growth in sales showed an upward tendency throughout 2014. Organic growth for the full year was approx. 3.5%.

Sweden

The Group's position in the Swedish shopping centre market was significantly strengthened in 2014 with the purchase of a property portfolio comprising five shopping centres. The Group's eight shopping centres in Sweden reported total sales of SEK 10.4 (6.4) billion in 2014. Retail sales for shopping centres located near the border with Norway increased by 6% to SEK 6.8 billion.

Shopping centres managed for other owners

Sales for the 28 centres managed for other owners totalled NOK 11.0 (11.2) billion.

Hotels

The Norwegian hotel market

The Norwegian hotel market was stable in 2014. In total, there were 20.4 million overnight stays in Norwegian hotels, an increase of 3% from the previous year. At the same time, capacity in the Norwegian hotel market increased by about 4%.

The average room rate in Norway increased by NOK 1 to NOK 885 million, while the average occupancy rate rose by 0.5 percentage points to 52.9%. The key figure RevPAR increased by 1% from the previous year to NOK 468. Growth in Oslo and Akershus was a little weaker than the national average, and RevPAR was unchanged from 2013.

The hotel market is divided into three main segments, which had the following share of the total market in 2014:

• Holiday and leisure market	48%
• Individual business travellers	39%
• Course and conference market	13%

The main segments showed the following trends compared with the previous year:

The holiday and leisure market increased by 4.5%, individual business travellers increased by 3.1%, while the course and conference market was unchanged.

The hotel market in Brussels

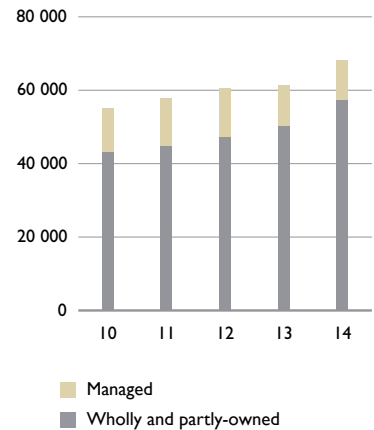
The hotel market in Brussels was relatively stable and the average room rate was unchanged at EUR 98. The average occupancy rate increased by 2 percentage points to 74%, which meant that RevPAR for hotels in Brussels increased by 1% to EUR 72.

The hotel sector

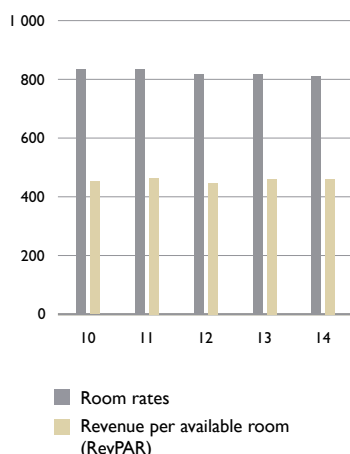
Operating income from hotel operations (incl. internal sales) was 3,120 (2,995) million, including operating income of NOK 139 (145) million from separate dining establishments.

The growth from the previous year is attributable to new hotels and revenue growth for most of the hotels.

SHOPPING CENTRE SALES (NOK MILLION)

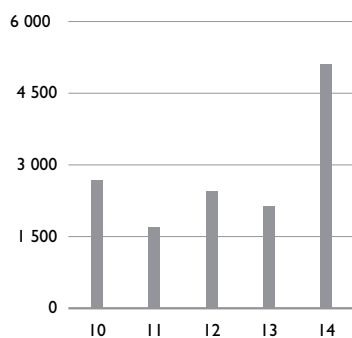


ROOM RATES AND REVENUE PER AVAILABLE ROOM ¹⁾ (NOK)



¹⁾Thon Hotels Norway and abroad

NET INVESTMENTS (NOK MILLION)



Thon Hotels

Thon Hotels is a hotel chain with about 11,054 rooms in 72 hotels in Norway and abroad. In Norway, Thon Hotels is a nationwide hotel chain with about 9,300 rooms in 65 hotels. 55 of the hotels are operated by the Group, while the other 10 are operated by external franchisees. The hotel portfolio consists primarily of centrally located city hotels, most of which were constructed or have been refurbished in the last few years. Thon Hotels is a dominant player in the metropolitan regions of Oslo and Bergen, focusing mainly on business travellers.

Outside Norway, Thon Hotels has 1,750 rooms spread over five hotels and two apartment hotels in Brussels, one hotel in Rotterdam and one in Sweden.

Thon Hotels had an average room rate of NOK 811 (816) in 2014, while the occupancy rate increased to 57% (56%). The key figure RevPAR was unchanged at NOK 461. The average room rate in Norway was NOK 812 (821), while the occupancy rate increased marginally to 56% (55%).

The average room rate in Brussels was EUR 92 (97), while the occupancy rate increased to 67% (65%).

Thon Hotels also conducted an ongoing upgrading/modernisation project for the hotel portfolio during 2014, and several large hotels were closed for parts of the year. Increased costs associated with the upgrading project contributed to a certain decline in profit for Thon Hotels, in 2014.

Restaurant operations

Olav Thon Group owns and operates seven restaurants outside the hotels. Total sales in 2014 were NOK 139 (145) million, with the operations showing stable development.

Other operations

Other operations encompass all entities that fall outside the two main areas of property and hotels. These operations reported total operating income of NOK 682 (607) million in 2014.

The largest entity, Unger Fabrikker AS, reported sales of NOK 468 (391) million and profit before tax of NOK 35 (21) million in 2014.

INVESTMENTS

Net investments for 2014 totalled NOK 5,103 (2,145) million.

Major property acquisitions

Sweden

In 2014, the Group strengthened its position as a major player in the Swedish shopping centre market by purchasing a property portfolio consisting of the following five shopping centres (total retail space approx. 122,000 sq. m.):

- Sollentuna, Stockholm
- Mitt i City, Karlstad
- Mirum, Norrköping
- Etage, Trollhättan
- Familia, Hyllinge

In addition, the Group has signed an agreement to take over a retail property of 10,000 sq. m. adjacent to the Etage shopping centre in Trollhättan in 2015.

Norway

The position as Norway's leading shopping centre player was strengthened by the acquisition of ownership interests in the following shopping centres:

- Østerås Senter; Bærum (100%)
- Rygge Storsenter; Rygge (50%)
Taken over in 2015
- Amfi Geilo (from 50% to 100%)
- Amfi Moa, Ålesund.

Properties with lettable space of approx. 8,000 sq. m. in close proximity to the centre.

The shopping centres have total retail space of approx. 50,000 sq. m.

In addition, the following hotels and residential properties were purchased in 2014:

- Akersbakken 27/Fredrikke Qvams gate 1, Oslo. Property of approx. 15,000 sq. m. in central Oslo, consisting of an office building and a hospital. The zoning plan allows conversion of the property for residential purposes.
- Klubbgata 6, Stavanger: Commercial property of approx. 8,000 sq. m. in the centre of Stavanger; which will be converted into a hotel with about 160 rooms.
- Britannia Hotel, Trondheim (50%). Hotel with 247 rooms in the centre of Trondheim.

Property development

Property development is a significant part of Olav Thon Group's property operations and 2014 was another year of high activity.

Completed property projects:

Major projects completed during the year included the following projects:

- Charlottenberg Nord, Sweden (50%). Shopping centre with 27,500 sq. m. of retail space.
- Verkstedshallen 33 at Strømmen with 33 apartments.
- Thon Hotel Rosenkrantz with 150 rooms was recently opened in central Oslo.
- Five shopping centres were upgraded and expanded by a total of 38,000 sq. m. of retail space, in addition to a significant parking area.

Major property projects under construction/refurbishment: At the beginning of 2015, the following major projects were under construction:

- Conversion, expansion and construction of a further five shopping centres in several locations in Norway.
- Refurbishment and construction of several large properties in central Oslo.
- Large conversion and renovation projects at several of the Group's hotels.

A more detailed description of property projects can be found on pages 20-21 of the 2014 Annual Report.

FINANCING

An important element of the Group's financial strategy is the goal of maintaining a solid financial position, characterised by a high equity ratio and substantial long-term liquidity reserves.

The Group's debt portfolio consists of long-term credit facilities set up with Nordic banks and direct loans from the Norwegian capital market.

There was very good access to financing in the banking and capital markets in 2014, with credit spreads declining significantly in both of these markets.

Total external loans and credit facilities were NOK 33,740 (30,786) million at the end of the year. The undrawn portion

amounted to NOK 6,714 (7,760) million, leaving interest-bearing debt of NOK 27,026 (23,026) million at the end of the year.

Olav Thon Group is increasingly using the Norwegian capital market as a source of financing, and the Group had outstanding commercial paper and bonded debt of NOK 10,840 (8,575) million at the end of the year. The proportion of the Group's capital market financing was 40% (37%) at the end of the year.

The Group's debt had an average remaining term of 3.0 (3.6) years at the end of the year. 25% (29%) of the debt matures in 2015 and the refinancing need can be covered by existing liquidity reserves.

ORGANISATION AND WORKING ENVIRONMENT

Olav Thon Group practises equality and does not tolerate 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 belief.

Work is in progress to promote universal design of the Group's general facilities, so that they can also be used by persons with impaired functional ability. The Board considers the above-mentioned conditions and the general working environment to be satisfactory.

At the end of 2014, there were 3,160 (3,147) FTEs in Olav Thon Group.

The parent company Olav Thon Gruppen AS did not have any employees at the same point in time. The FTEs were distributed as follows: 2,755 in Norway, 336 in Belgium, 15 in the Netherlands and 54 in Sweden.

51% of the Group's employees are women and 49% are men. The company's Board consists of 6 men and 1 woman.

The Group's sickness absence in 2014 was 6.0% (5.5%).

There were no operational-related injuries or accidents during the period. No deficiencies in other areas of employee safety or the working environment have been identified.

ENVIRONMENTAL STATUS

The Group's pollution of the external environment is minimal. The Group works to minimise the impact of its operations on the external environment – for example, by following environmentally friendly procedures when carrying out its operations.

Environmental work is a natural and integral part of Olav Thon Group's operations. Emphasis is placed on environmentally friendly measures in the Group's own activities and tenants' use of the properties.

Parts of the property portfolio have been certified under the Eco-Lighthouse scheme as a part of the Group's targeted work on health, safety and the environment (HSE).

This means that many environmental measures have been implemented. These include waste reduction, environmentally responsible waste management, purchasing of environmentally friendly products and significant energy savings.

Thon Hotels has developed "Green Conferences" at several of the Group's conference hotels in cooperation with the Eco-Lighthouse Foundation and its climate partners. Strict requirements must be met before Green Conferences can be offered. Requirements for conference organisers include submitting a climate action plan for their own operations and prioritising the serving of local, organic food.

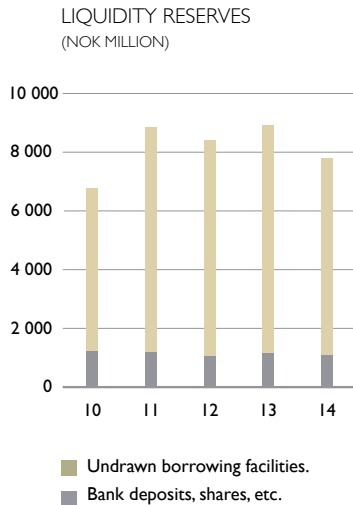
As Olav Thon Group manages a substantial property portfolio, it has an influence on the local environment in which the properties are situated. Major contributions to the development of public space are made through refurbishment, maintenance and new construction.

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

CORPORATE SOCIAL RESPONSIBILITY

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

Net investments for 2014 totalled NOK 5,103 million.



measures within the Global Reporting Initiative (GRI) framework and is documented in an annual corporate social responsibility report.

Further information on the Group's CSR work can be found on the company's website: olavthon.no/English, under Corporate Social Responsibility Report 2014.

OLAV THON GROUP'S RISK FACTORS

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

- Market risk
- Financial risk
- Operational risk

Market risk

The Group's market risk is related to developments in the Norwegian property and hotel markets, which in turn are closely tied in with the performance of the Norwegian economy.

The property sector

Property sector risk is primarily related to the fact that lower market rents and/or increased vacancy in the property portfolio would contribute to a decline in rental income.

65% of the Group's rental income comes from leading shopping centres and centrally located retail properties in Norway and Sweden.

Norway's growth in private consumption remained low in 2014, although the Norwegian retail sector showed an upward trend throughout the year: The Group's owned shopping centres reported sales growth in excess of general growth in the retail sector. With growth in private consumption in both Norway and Sweden expected to be stable or show a moderate increase in the period ahead, the framework conditions for the Group's shopping centres and other retail properties are considered stable.

14% of rental income comes from hotel properties, which are mainly leased on long-term leases to Thon Hotels, the Group's own hotel chain. The risk of a significant increase in vacancy in the hotel property portfolio is considered very low. Market

risk in the hotel market is discussed in later sections.

14% 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, and the lease contracts have a balanced maturity structure.

The risk of a substantially higher vacancy rate and a large rental income decline in the property portfolio is considered moderate.

The hotel sector

As a major player in the market, Thon Hotels is affected by developments in the Norwegian hotel market. Demand for hotel rooms is closely linked to the general performance of the economy and the competitive situation in the market. Competition in the market is also related to the supply of new hotel capacity.

Growth in Norway fell significantly in 2014, and there is reason to expect a continuation of the low growth in the years ahead. Significant new capacity has been added to the Norwegian hotel market in recent years, and this is expected to result in a relatively weak hotel market in Norway in the future. However, as a result of a considerable weakening of the Norwegian krone, demand for hotel rooms from foreign guests is expected to increase in the period ahead.

Against a backdrop of continuing low growth in the Eurozone, the hotel market in Brussels is expected to be stable in the future.

Financial risk

The largest financial risk for Olav Thon Group concerns access to financing and the price of such financing in the banking and capital markets. The price of financing is dependent on short-term and long-term market interest rates and the specific credit margin the Group has to pay in the market. The credit margins are related to the Group's credit rating and general credit supply and demand.

Interest rates in Norway

Both short-term and long-term market interest rates fell in 2014. The short-term

market rate (3-month NIBOR) fell to 1.48% (1.69%), while the long-term market rate (10-year swap) fell to 1.91% (3.37%).

The credit market

Olav Thon Group's borrowers in the capital market are Olav Thon Eiendomsselskap ASA and Thon Holding AS. The indicated credit margin for Olav Thon Eiendomsselskap's 5-year bond loan fell to 0.65% (1.15%), while the credit margin for 12-month commercial papers fell to 0.35% (0.45%). Credit spreads for Thon Holding in the capital market are normally about 0.05 percentage points higher than for Olav Thon Eiendomsselskap.

The Group's financial risks can be divided into:

- Liquidity risk
- Interest rate and currency risk
- Credit risk

Liquidity risk

Liquidity risk is linked to the Group's ability to discharge its payment and other debt obligations as they fall due. The risk is mitigated by having substantial available liquidity reserves, a moderate loan to value ratio, long-term loan agreements and different financing sources and markets.

The Group's liquidity reserve was NOK 7,783 (8,923) million at the end of the year, and consisted of short-term investments of NOK 1,069 (1,162) million and undrawn credit facilities of NOK 6,714 (7,760) million.

At the end of the year, the Group's long-term interest-bearing debt of NOK 27,026 (23,026) million had an average remaining term of 3.0 (3.6) years. 25% (29%) of the debt matures within one year and the refinancing need can be covered by existing liquidity reserves.

Interest rate and currency risk

Interest rate risk is associated with changes in the Group's cash flow, earnings and equity as a result of changes in the short-term and long-term interest rate markets.

The risk is managed partly by having a large proportion of long-term fixed-interest rates. At the end of the year, the proportion of fixed-interest periods of over one year was

61% (69%), with the average fixed-interest period being 4.8 (5.0) years. The Group's average interest rate for all currencies (incl. credit margin) was 3.94% (4.55%).

A change of 1 percentage point in short-term interest rates would change the Group's average interest rate by approx. 0.3 percentage points in the course of three months. Such an increase in interest rates would increase annual finance expenses by approx. NOK 70 million. The Group's interest-bearing debt of NOK 27,026 million is distributed by currency as follows:

- Norwegian kroner 83%, with an average interest rate of 4.2% (4.6%)
- Swedish kronor 13%, with an average interest rate of 2.5% (4.5%)
- Euro 4%, with an average interest rate of 2.4% (2.5%)

Olav Thon Group is exposed to financial risk related to exchange rate movements in its countries of operation, with both its earnings and equity affected by the rate of exchange between the Norwegian krone and the local currency. Debt financing of foreign operations is conducted in local currency, while currency exposure related to the equity of subsidiaries is partly hedged.

Credit risk

The Group's credit risk is primarily linked to the risk of losses as a result of the failure of tenants to pay the agreed rent or hotel customers to pay their obligations. The properties are leased to a large number of tenants from various sectors, and good practices have been established in connection with monitoring receivables from customers. The Group has had relatively low losses on lease claims in recent years, and the risk of the Group incurring substantial losses due to defaults by tenants is considered moderate.

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 to be robust.

As a quality assurance measure, the Group's auditor also conducts systematic risk assessments of various aspects of the Group's operations and management.

OUTLOOK

Growth in the Norwegian economy is slowing and Norway has entered an economic downturn. As a result of the sharp decline in oil prices, there is reason to expect continued low growth over the next few years. This prompted Norges Bank to lower its key policy rate by 0.25 percentage point to 1.25% in December 2014 and market analysts believe that the central bank will cut the rate further.

The Norwegian retail sector has shown a rising trend during 2014. Growth in private consumption in Norway is expected to remain stable or increase moderately in the future. The framework conditions for the Group's shopping centres are therefore considered positive.

The vacancy rate in the Oslo area office market is showing a slightly rising tendency, while rental prices are showing a stable or slightly falling trend. There is also reason to expect that the trend will continue in the period ahead.

With expectations of low growth in Norway and Europe, the hotel market is expected to be stable or relatively weak both for Norway and Brussels in the period ahead.

The Board considers that the Group's solid market position in the property and hotel market and its strong financial position will contribute to a satisfactory financial performance in the future.

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

(NOK MILLION)		PARENT COMPANY		GROUP	
	Note ^{*)}	2014	2013	2014	2013
Rental income		0	0	3 632	3 400
Room revenue		0	0	1 745	1 693
Sale of goods		0	0	1 720	1 616
Other operating income	2,5	0	0	1 690	1 594
Operating income		0	0	8 788	8 304
Cost of goods	9	0	0	-774	-675
Payroll costs	3	0	0	-1 419	-1 301
Ordinary depreciation	7	0	0	-622	-571
Write down	7	0	0	-128	-23
Other operating expenses	3,4,5	-1	-1	-3 162	-3 207
Operating expenses		-1	-1	-6 106	-5 778
Operating profit/loss		-1	-1	2 683	2 526
Share of results of associated companies		0	0	35	26
Financial income	6	106	92	75	116
Financial expenses	6	-2	0	-1 112	-1 159
Net financial items		104	92	-1 001	-1 017
Profit before tax		102	91	1 681	1 509
Taxes	15	-2	-3	-444	-311
PROFIT FOR THE YEAR		100	88	1 238	1 197
Majority share of profit	17			1 031	999
Minority share of profit	17			206	198

^{*)}In the Norwegian Annual Report 2014

BALANCE SHEET AS AT 31.12

(NOK MILLION)		PARENT COMPANY		GROUP	
	Note ⁹⁾	2014	2013	2014	2013
NON-CURRENT ASSETS					
Intangible assets	7	0	0	32	28
Deferred tax asset	15	0	0	115	76
Property, plant & equipment	7	0	0	39 584	34 717
Investments in subsidiaries	1	366	366	0	0
Financial assets	8	0	0	695	652
Total non-current assets		366	366	40 426	35 473
CURRENT ASSETS					
Goods	9	0	0	229	232
Trade and other receivables	5,10,14	658	564	1 521	1 263
Investments	11	0	0	24	24
Bank deposits, cash and cash equivalents		0	0	1 013	1 107
Total current assets		658	564	2 787	2 626
Total assets		1 023	930	43 213	38 099
EQUITY AND LIABILITIES					
Share capital	16,17	410	410	410	410
Other paid-in capital		86	86	0	0
Other equity	17	304	254	10 011	9 055
Minority interests	17	0	0	1 262	1 142
Total equity		800	750	11 683	10 607
Deferred tax	15	0	0	1 707	1 535
Other liabilities		0	0	3	21
Non-current liabilities	12,18	171	76	22 598	20 189
Current liabilities	13,14,15	52	104	7 222	5 747
Total liabilities		223	180	31 530	27 492
Total equity and liabilities		1 023	930	43 213	38 099

⁹⁾ In the Norwegian Annual Report 2014

CASH FLOW ANALYSIS

(NOK MILLION)	PARENT COMPANY		GROUP	
	2014	2013	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	102	91	1 681	1 509
Income tax paid	-3	-3	-211	-267
Share of results of associated companies	0	0	-35	-26
Change in pension funds	0	0	-3	-1
Losses/(- gains) on sale of non-current assets	0	0	6	4
Depreciation of non-current assets	0	0	622	571
Write down of non-current assets	0	0	128	23
Changes in inventories	0	0	3	-103
Changes in trade receivables	0	0	-161	410
Changes in trade payables	0	0	51	70
Changes in other accruals	0	0	15	-395
Net cash flow from operating activities (A)	99	88	2 096	1 796
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	0	0	-1 682	-1 187
Net payments on acquisition of subsidiaries and joint ventures	0	0	-3 436	-1 055
Sale of property, plant and equipment and intangible assets	0	0	2	97
Net proceeds from acquisition of subsidiaries and joint ventures	0	0	13	0
Net cash flow from other investments	-93	-12	-73	-211
Net cash flow from investing activities (B)	-93	-12	-5 176	-2 356
CASH FLOW FROM FINANCING ACTIVITIES				
New interest-bearing debt	95	0	16 740	6 090
Repayment of interest-bearing debt	0	-76	-13 128	-5 002
Increased ownership interests in subsidiaries	0	0	0	0
Dividends paid	-100	0	-142	-36
Net effect of other changes in equity	0	0	-503	-207
Net cash flow from financing activities (C)	-5	-76	2 968	845
Net effects of exchange rate changes (D)	0	0	18	-112
Net change in cash flow (A+B+C+D)	0	0	-94	174
Cash and cash equivalents, 1 Jan	0	0	1 107	933
Cash and cash equivalents, 31 Dec	0	0	1 013	1 107
Unutilised overdrafts and other credit facilities	0	0	6 876	7 820



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