ANNUAL REPORT 2016

OLAV THON
EIENDOMSSELSKAP ASA

OLAV THON EIENDOMSSELSKAP 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 2,850 million at the start of 2017. In the same period, the company's market capitalisation has increased from NOK 200 million to NOK 17 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, Board Member
Stig O. Jacobsen, Board Member
Line Norbye, Board Member
Dag Tangevald-Jensen, CEO

HIGHLIGHTS 2016

> Profit before tax increased by 2% to NOK 4,484 million.

> Profit before tax and fair value adjustments increased by 8% to NOK 1,500 million.

> The share price rose by 13% to NOK 160 and provided a total return (inclusive of the dividend) of 14%.

> Equity per share increased by 19% to NOK 197 and the long-term net asset value per share (EPRA NNNAV) increased by 19% to NOK 240.

> The Group's net investments amounted to NOK 4,259 (2,699) million.

> The value of the Group's property portfolio increased by 19% to NOK 47,695 million, while the annual rental income rose by 14% to NOK 2,850 million.

> Retail sales in the shopping centre portfolio owned by the Group increased by 6% to NOK 50.5 billion. At year end, the portfolio consisted of 69 wholly and partly owned shopping centres and 29 shopping centres that are managed for external owners.

> As far as finance is concerned, interest-bearing debt increased by 18% to NOK 21,252 million, while the loan to value ratio was unchanged at 44%. The Group's average interest rate fell by 0.37 percentage points to 3.24%.

KEY FIGURES

(Figures in NOK millions)	**31.12.16**	31.12.15
Net rental income	**2 243**	2 024
Fair value adjustments, investment properties and interest rate derivatives [1]	**2 984**	3 025
Profit before tax	**4 484**	4 407
Profit before tax and fair value adjustments [1]	**1 500**	1 382
Equity per share (NOK)	**197**	166
Equity ratio	**41%**	40%
Long-term net asset value per share (NOK) (EPRA NNNAV) [2]	**240**	203
Net cash flow from operations	**1 350**	1 093
Cash reserves [3]	**4 950**	3 525
Amortisation next 12 months	**4 799**	1 571
Interest-bearing debt [4]	**21 252**	18 006
Interest rate as at 31.12	**3.24%**	3.61%
Loan to value ratio [5]	**44%**	44%
Net investments [6]	**4 259**	2 699
Investment properties	**47 695**	40 177
Annual rental income [7]	**2 850**	2 500
Yield	**5.32%**	5.50%
Sales, owned shopping centres	**50 475**	47 737
Sales, managed shopping centres	**12 442**	11 650
Share price as at 31.12 (NOK)	**160.0**	142.0

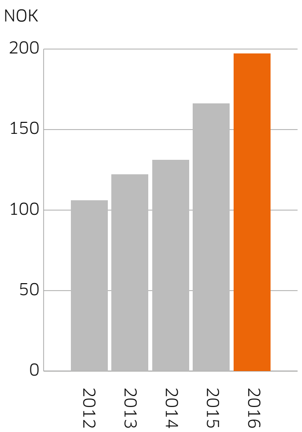
Please note that as a result of rounding differences and reclassifications, figures and percentages will not always match the total sum.

1) Including value adjustments in joint ventures and associated companies.
2) EPRA, European Public Real Estate Association, is an organisation for listed property companies and investors in Europe, which prepares recommendations for financial reporting. This report uses EPRA NNNAV, which indicates the net asset value (majority share of equity) per share. This is calculated as majority share of equity + deferred tax liabilities - fair value of debt (deferred tax 7%).
3) Bank deposits etc. + Undrawn borrowing facilities
4) Unsecured part of interest-bearing debt NOK 3,460 million (31.12.2016) and NOK 2,296 million (31.12.2015), respectively.
5) (Interest bearing debt - Bank deposits etc) / Investment properties
6) Net supply of investment properties with addition for activated upgrades and maintenance.
7) Includes market rent for vacant premises.


AMFI MOA

BOARD OF DIRECTORS' REPORT 2016

Equity per share



Olav Thon Eiendomsselskap was able to report another year of good results in 2016, with growth in rental income, an increase in the value of the Group's investment properties, and stable financial expenses.

Highlights of the annual financial statements for 2016:

> The Group's rental income was NOK 2,590 (2,274) million.

> Profit before tax amounted to NOK 4,484 (4,407) million.

> Fair value adjustments for investment properties and interest rate derivatives amounted to NOK 2,984 (3,025) million.

> Profit before tax and fair value adjustments amounted to NOK 1,500 (1,381) million.

> Net cash flow from operations amounted to NOK 1,350 (1,093) million.

> Equity per share increased in 2016 by 19% to NOK 197 (166) and the equity ratio was 41% (40%) at year end.

> The Group's cash reserves amounted to NOK 4,950 (3,525) million at year end.

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.

The Board of Directors confirms that the conditions for a going concern assumption in accordance with the requirements of the Norwegian Accounting Act are met. The annual financial statements for 2016 have been prepared on the basis of this assumption.

No events have occurred after the reporting date that would materially affect the assessment of the Group's position and results as at 31 December 2016.

SUMMARY OF STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Statement of financial position, 31 December 2016

The Group's total assets were NOK 52,529 (44,789) million, with investment properties accounting for NOK 47,695 (40,177) million of that figure.

The Group's share of the equity in joint ventures and associated companies was NOK 2,646 (2,712) million.

The total equity was NOK 21,397 (18,040) million, while the equity ratio was 41% (40%).

Equity per share (majority share) was NOK 197 (166). The triple net asset value per share was calculated at NOK 240 (203) (EPRA NNNAV).[1]

The Group's interest-bearing debt was NOK 21,252 (18,006) million and its loan to value ratio 44% (44%).

SUMMARY OF THE INCOME STATEMENT FOR 2016

Profit before tax amounted to NOK 4,484 (4,407) million.

[1] See page 8 for definitions..

Total fair value adjustments for investment properties and interest rate derivatives amounted to NOK 2,984 (3,025) million.

Profit before tax and fair value adjustments amounted to NOK 1,500 (1,382) million.

RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income amounted to NOK 2,590 (2,274) million with the increase since last year attributable to both new properties and completed property projects.

Other property-related income amounted to NOK 835 (822) 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 1,183 (1,072) million, including the above-mentioned service charges of NOK 750 (757) million.

Maintenance expenses for the property portfolio amounted to NOK 121 (77) million.

Net rental income amounted to NOK 2,243 (2,024) million.

The fair value of the Group's investment properties increased by NOK 2,651 (2,806) million.

The increase in market value was due to both a lower average yield and increased rental income in the property portfolio.

The lower yield was primarily due to the high demand for commercial properties as investment objects.

SHARE OF THE RESULTS OF JOINT VENTURES AND ASSOCIATED COMPANIES

The Group's share of the results of joint ventures and associated companies amounted to NOK 315 (238) million.

The increase since last year was largely attributable to the increased market value of investment properties in this part of the property portfolio as well.

A summary of the income statements and balance sheets for these companies can be found in notes 3 and 4 to the consolidated financial statement in Norwegian.

OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to NOK 153 (170) million, the majority of which was income from property management for external owners and sales revenue from other activities.

Fees for property management for external owners amounted to NOK 46 (53) million.

Other operating and administrative expenses amounted to NOK 272 (275) million. Scheduled depreciation amounted to NOK 28 (15) million.

FINANCIAL INCOME AND EXPENSES

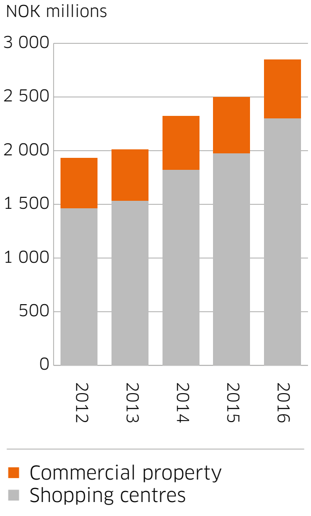
The Group's net financial expenses amounted to NOK 696 (645) million. The increase is explained by higher interest-bearing debt, although the increase was moderated by a lower average interest rate.

The average interest rate in 2016 was 3.37% (3.77%).

FAIR VALUE ADJUSTMENTS OF INTEREST RATE DERIVATIVES

The value of the Group's interest rate derivatives increased by NOK 119 (105) million, primarily due to shorter

Annual rental income



remaining terms in the portfolio of interest rate swap agreements.

Cash flow and cash

Net cash flow from operations in 2016 was NOK 1,350 (1,093) million.

The change in working capital amounted to NOK 446 (-88) million, resulting in net cash flow from operating activities of NOK 1,796 (1,005) million.

Net cash flow from investing activities was NOK -3,387 (-1,826) million, while financing activities generated NOK 1,738 (723) million.

Liquidity reserves thus increased by NOK 147 (-98) million in 2016, while the effects of exchange rates amounted to NOK 3 (6) million.

The Group's liquidity reserves amounted to NOK 4,950 (3,525) million at year end and consisted of short-term investments totalling NOK 325 (190) million and undrawn long-term credit facilities of NOK 4,625 (3,335) 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 941 (906) million, while profit before tax was NOK 478 (645) million.

Profit after tax for the year was NOK 371 million (640).

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

Provisions for dividend, NOK 2.00 per share	NOK 213 million
Transferred to other equity	NOK 159 million
Allocated net profit	NOK 371 million

The book value of the parent company's assets was NOK 21,570 (18,023) million at year end.

Book equity was NOK 1,612 (1,466) million and the equity ratio was 7% (8%).

PROPERTY OPERATIONS

Property portfolio, 31 December 2016

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

At year end, the property portfolio was valued at NOK 47,695 (40,177) million, based on an average yield of 5.32% (5.50%).

The property portfolio is divided into the following property segments:

SEGMENT	PROPORTION OF PROPERTY VALUES	NET YIELD
Shopping centres	81% (79%)	5.34% (5.45%)
Commercial properties	19% (21%)	5.23% (5.68%)

Annual rental income, inclusive of market rents for vacant spaces, increased by NOK 350 million in 2016 to NOK 2,850 million. The growth was mainly attributable to new properties and completed property projects.

The vacancy rate in the property portfolio was 3.6% (3.1%).

SHOPPING CENTRES
At year end, the shopping centre portfolio comprised 98 shopping centres, 29 of which are managed for external owners.

Olav Thon Eiendomsselskap is Norway's leading shopping centre player and has a solid market position. The shopping centre portfolio includes Norway's largest shopping centre, Sandvika Storsenter in Bærum, and a total of five of the country's six largest shopping centres in 2016.

Shopping centres owned by the Group
Norway
Rental income from the Group's Norwegian shopping centres increased by 13% in 2016 to NOK 2,350 million (inclusive of joint ventures and associated companies). Retail sales amounted to NOK 46.7 (43.9) billion, with the organic growth in sales from 2015 was judged to be 3%.

Sweden
Rental income from the Group's five Swedish shopping centres fell by 2% to SEK 240 million. Retail sales in the shopping centres amounted to SEK 3.9 (4.0) billion.

The poor development in Sweden was primarily due to the remodelling of a number of the centres.

COMMERCIAL PROPERTIES
Rental income from the Group's commercial properties (exclusive of the shopping centre properties) amounted to NOK 550 million, an increase of 4% from the year before.

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

Property portfolio owned by joint ventures and associated companies
In addition to its own property portfolio, the Group owns shares in a further 24 shopping centres through joint ventures and associated companies. The stakes in these companies are between 20% and 50%.

The Group's share of the rental income at year end was NOK 275 (345) million, and the value of the property portfolio was NOK 4,222 (4,955) million.

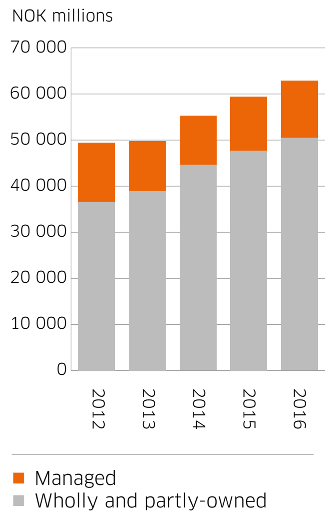
Investments
The Group's net investments in 2016 amounted to NOK 4,259 (2,699) million and included property acquisitions, investments in property projects under construction, and upgrading the existing property portfolio.

MAJOR PROPERTY ACQUISITIONS
In January, the Group increased its 50% stake to 100% in a shopping centre company that owns three shopping centres in the Moss region and one in Kristiansand. The total annual rental income was NOK 160 million in 2016.

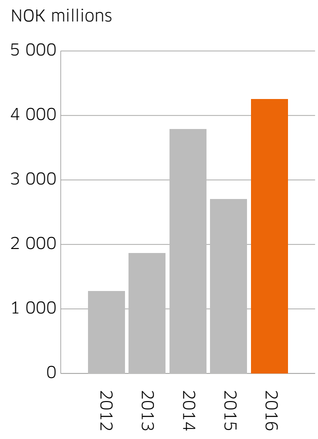
In November, the Group took over the Åsane Storsenter shopping centre to the north of Bergen city centre. Shopping centre, with retail space of approx. 46,000 sq. m., saw retail sales of approx. NOK 1.4 billion in 2016 and annual rental income of approx. NOK 115 million.

PROPERTY DEVELOPMENT - MAJOR PROPERTY PROJECTS
Property development is an important part of the Group's operations and there was a high level of activity in this area in 2016.

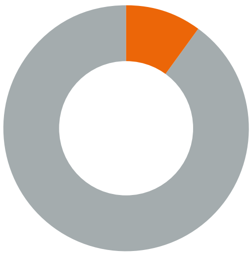
Shopping centre sales



Net investments



Credit facilities



< 12 months	(10%)
1-5 years	(90%)
> 5 years	(0%)

Two wholly and partly-owned shopping centres were upgraded and extended during the year, resulting in approx. 9,700 sq. m. of new retail space.

At the start of 2017, remodelling and extensions of a further three wholly and partly owned shopping centres will add around a further 75,000 sq.m. of new retail space as well as substantial parking space.

On a block next to Storo Storsenter in Oslo, a number of new buildings are being erected with a total area of 60,000 sq. m., including the 9,000 sq. m. of parking space.

For more information about the Group's property projects, please see the company's website: www.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 is regarded as very good and the credit margin in the capital markets showed a downward trend throughout 2016.

Total credit facilities were NOK 25,877 (21,341) million at year end and NOK 4,625 (3,335) million of this amount was undrawn.

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

At year end, the outstanding certificate and bond debt amounted to NOK 9,913 (6,523) million, distributed between Norway and Sweden as follows:

Norway: NOK 7,630 (5,580) million
Sweden: SEK 2,400 (900) million

At the same point in time, the debt had an average remaining term of 2.7 (2.9) years, with 22% (9%) due for repayment within 1 year.

Further information on financial matters can be found on the company's website: www.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 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 2016, there were 438 (433) FTEs in the Group. At the same time, the parent company Olav Thon Eiendomsselskap had 39 (40) FTEs.

The sick leave rate in 2016 was 3.2% (3.3%).

No significant injuries or accidents were sustained in operations during the period. No deficiencies in other areas of employee safety or the working environment have been identified.

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

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 forms an integral part of operations in the Olav Thon Eiendomsselskap and environmental initiatives are implemented for the benefit of both its operations and the tenants' use of the properties.

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

Certification entails the implementation of environmental measures for waste reduction, waste management, purchasing environmentally friendly products, and saving energy.

As Olav Thon Eiendomsselskap 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.

Please also see the company's website: www.olt.no.

CORPORATE SOCIAL RESPONSIBILITY

Olav Thon Eiendomsselskap follows the Olav Thon Group's guidelines on 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 measures pursuant to 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: www.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: www.olt.no.

The Board of Olav Thon Eiendomsselskap ASA held five meetings in 2016.

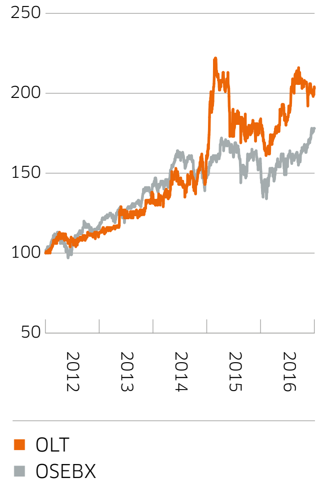
SHARES AND SHAREHOLDERS

Share price development

The price of the Olav Thon Eiendomsselskap share rose by 13% in 2016 to a closing price of NOK 160 as at 31 December 2016.

The company's shares therefore generated a total return (inclusive of

Share price and OSEBX developement last 5 years



the dividend) of 14 % in 2016, while the main index of the Oslo Stock Exchange rose by 12 %.

At year end, Olav Thon Eiendoms-selskap ranked among Norway's largest listed property companies, with a market capitalisation of NOK 17.0 billion.

Share trades
10,126 (9,955) trades in the share were completed in 2016 on the Oslo Stock Exchange. The highest and lowest prices in 2016 were NOK 170 (179) and NOK 124 (126).

Dividend
At the annual general meeting on 25 May 2016 it was decided to pay a dividend of NOK 1.80 per share for 2015.

The Board proposes that the dividend be increased to NOK 2.00 per share for 2016.

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

OLAV THON EIENDOMSSELSKAP'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 greatest market risk is related to developments in the Norwegian property market.

The property market is affected by macroeconomic factors and general demand for commercial property as an investment object.

Changes in the market's yield used in the sale of property and market rents for the properties have a direct effect on property values.

THE COMMERCIAL PROPERTY MARKET
In spite of continued slower growth in the Norwegian economy, 2016 was a good year for commercial property.

The transaction market
The total transaction volume in the Norwegian market for commercial property (with a value over NOK 50 million) amounted to around NOK 80 billion. The decrease in the volume of sales from NOK 120 billion in 2015 is significant, but the number of transactions was almost on a par with 2015.

Nevertheless, the volume of sales in 2016 still ranks among the highest annual sales ever and reflects a very active property market, especially in the major cities.

Demand for commercial properties as investment objects remained high and contributed to fair value adjustments in commercial property in most segments.

The rental market
Rental prices in the shopping centres showed an upward trend in the largest centres and a stable development in the rest of the portfolio.

The vacancy rate in the Oslo area office rental market is showing a slight downwards trend and rental prices are developing stably or rising.

THE GROUP'S MARKET RISK
Shopping centres, primarily in the large towns and cities of Norway and Sweden, generate 81% of the Group's rental income. A significant proportion of the tenants are international and

national retail chains, and the lease contracts have a balanced maturity structure.

With growth in private consumption expected to rise moderately, the framework conditions for the Group's shopping centre properties are considered positive.

19% 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 have a balanced maturity structure in this segment as well.

The risk of a substantially higher vacancy rate and a significant fall in rental income in the property portfolio 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 to the consolidated financial statement in Norwegian. and on the company's website: www.olt.no.

Financial risk

The greatest financial risks for Olav Thon Eiendomsselskap are considered to be the Group's access to financing in the banking and capital markets and the price of financing.

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

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

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

TRENDS IN THE FINANCIAL MARKETS

The competition situation in the Nordic banking sector was relatively stable in 2016, with credit margins and the willingness to lend unchanged.
The supply of liquidity in the Norwegian and Swedish capital markets steadily improved during the year and in 2016 the Group issued its first certificate in the Swedish market.

The credit market

The credit margin indicated for new loans issued by the Group dropped during the year. At year end, the credit spread for 5-year secured bond issues was indicated at 0.90% (1.35%), while 12-month unsecured certificates were indicated at 0.50% (0.85%).

Development of interest rates

The short-term money market interest rate in Norway (3-month NIBOR) fell until June, but had risen to 1.17% (1.13%) at year end. The long-term money market interest rate (10-year swap) fell significantly the first half of the year, but had risen to 1.95% (1.86%) as at 31 December 2016.

In Sweden, the short-term money market interest rate (3-month STIBOR) fell throughout 2016 to -0.59% (-0.29%) at year end. The long-term money market interest rate (10-year swap) fell heavily until August, but then rose to 1.10% (1.66%) by year end.

THE GROUP'S FINANCIAL RISK

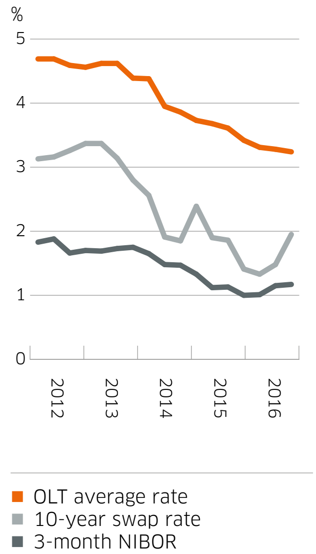
The Group's financial risk can in turn be divided into:

> Liquidity risk
> Interest rate risk
> Currency risk
> Credit risk

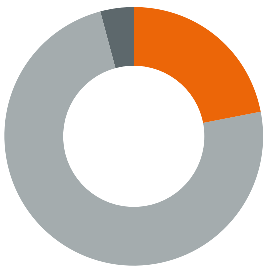
Liquidity risk

Liquidity risk is linked to the Group's

Interest rates last five years



Repayment structure



< 12 months	(22%)
1-5 years	(74%)
> 5 years	(4%)

Interest rate maturity structure

< 12 months	(48%)
1-5 years	(13%)
> 5 years	(39%)

ability to discharge its 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 total liquidity reserves ended the year at NOK 4,950 (3,525) million.

The debt portfolio had an average remaining term of 2.7 (2.9) years at year end.

22% (9%) of debt is due within 1 year and the need for refinancing in the coming year will mainly be covered by existing liquidity reserves.

Interest rate risk

Interest rate risk means the risk of 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 significant proportion of long-term fixed-rate agreements.

At year end, the average fixed-rate period was 4.1 (5.1) years and the average interest rate was 3.24% (3.61%).

The Group's interest rate derivatives (interest rate swaps) are carried at fair value.

Interest rate swaps are mainly used to hedge the Group's long-term fixed interest rates and ensure predictable cash flow. At year end, the portfolio of interest rate swaps entered into for this purpose was NOK 11,091 (11,187) million and had a fair value of NOK -1,930 (-2,049) 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 1 percentage point in long-term interest rates would change the fair value of the portfolio by approx. NOK 750-850 million.

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

Currency risk

Olav Thon Eiendomsselskap is exposed to financial risk due to the NOK/SEK exchange rate. Because the consolidated annual financial statements are prepared in NOK, both the results and the equity in the Swedish subsidiaries are affected by the exchange rate.

Olav Thon Eiendomsselskap reduces its currency risk through foreign currency borrowing and currency hedging agreements.

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 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 remains low, but higher growth is expected in 2017. The fall in oil prices is contributing to relatively weak growth prospects for the next few years and Norges Bank is indicating that interest rates will be kept low for a long time.

The demand for commercial property in Norway remains high, both from Norwegian and international investors. Given the prospect of low interest rates, a high level of demand is expected going forward as well.

With growth in private consumption expected to rise moderately, the framework conditions for the Group's shopping centres are considered positive.

The vacancy rate in the Oslo area office market is showing a slight downwards trend and rental prices are developing positively in most areas of the city. A low level of new construction and good demand for office premises are expected to contribute to a continued positive office market.

The Group's solid market position and financial position is expected to contribute to a satisfactory financial performance in the period ahead.

Declaration pursuant to section 5-5 of the Norwegian Securities Trading Act
We confirm that, to the best of our knowledge, the Group and company financial statements for 2016 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.

The Board of Directors' Report, to the best of the Board's knowledge, 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.

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.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

GROUP

(Figures in NOK millions)	**2016**	2015
Rental income	2 590	2 274
Other property-related income	835	822
Property-related expenses	-1 183	-1 072
Net rental income	**2 243**	**2 024**
Fair value adjustments investment property	2 651	2 806
Share of results of joint ventures and associated companies	315	238
Other operating income	153	170
Other operating expenses	-131	-149
Administrative expenses	-141	-126
Ordinary deprecation and write-downs	-28	-15
Operating profit	**5 062**	**4 947**
Financial income	8	10
Fair value adjustments interest rate derivatives	119	105
Financial expenses	-704	-655
Profit before tax	**4 484**	**4 407**
Change in deferred tax	-848	-624
Income tax payable	-20	-98
Tax	**-868**	**-722**
Profit for the period	**3 616**	**3 685**
Other operating income and expenses		
Items that may be recycled through the income statement in subsequent periods:		
Exchange differences, foreign operations	-38	6
Changed in deferred tax in other comprehensive income	-22	26
Total comprehensive income	**3 556**	**3 717**
Profit for the period attributable to:		
Shareholders	3 582	3 666
Non-controlling interests	34	19
Total comprehensive income attributable to:		
Shareholders	3 522	3 698
Non-controlling interests	34	19
Earnings per share, basic and diluted (in whole NOK)	34	34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP

	2016	2015
(Figures in NOK millions)		
ASSET		
Deferred tax asset	550	583
Investment properties	47 695	40 177
Property, plant & equipment	98	94
Investments in joint ventures and associated companies	2 646	2 712
Other financial assets	198	183
Total non-current assets	**51 187**	**43 749**
Trade and other receivables	1 017	849
Bank deposits and cash	325	190
Total current assets	**1 342**	**1 040**
Total assets	**52 529**	**44 789**
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company	20 950	17 625
Non-controlling interests	447	416
Total equity	**21 397**	**18 040**
Deferred tax	6 494	5 606
Non-current liabilities	18 516	18 496
Current liabilities	6 122	2 647
Total liabilities and debt	**31 132**	**26 748**
Total equity and liabilities	**52 529**	**44 789**

CONSOLIDATED CASH FLOW STATEMENT

GROUP

(Figures in NOK millions)	**2016**	2015
Profit before tax	4 484	4 407
Fair value adjustments, investment property	-2 651	-2 806
Fair value adjustments, interest rate derivatives	-119	-105
Expensed interest	687	644
Interest paid	-691	-651
Share of results of joint ventures and associated companies	-315	-238
Income tax paid	-73	-173
Depreciation	28	15
Change in operating-related accruals	446	-88
Net cash flow from operating activities	**1 796**	**1 005**
Proceeds from sale of property, plant & equipment	3	0
Purchase of investment properties and property, plant & equipment	-962	-459
Payments linked to acquisition of subsidiaries	-2 168	-1 367
Other investments	-259	0
Net cash flow from investing activities	**-3 387**	**-1 826**
Proceeds from interest-bearing liabilities	11 549	6 908
Repayment of interest-bearing liabilities	-9 604	-6 016
Dividends paid	-194	-170
Payments upon purchase of own shares	-13	0
Net cash flow from financing activities	**1 738**	**723**
Net change in cash	147	-98
Cash and cash equivalents as at 1 Jan	191	283
Exchange rate effects	3	6
Cash and cash equivalents as at 31 Dec	**342**	**191**
Unutilised overdrafts and other credit facilities	4 862	3 482

STATEMENT OF CHANGES IN EQUITY

GROUP

	Attributable to shareholders of the parent company					
	Share capital	Share premium reserve	Translation differences	Retained earnings	Non-controlling interests	Total
(Figures in NOK millions)						
Equity as at 31 Dec 2014	**106**	**318**	**1**	**13 508**	**115**	**14 049**
Year's profit/loss				3 666	19	3 685
Other operating income and expenses			6	26		32
Dividend				-170		-170
Change in non-controlling interests				164	281	445
Equity as at 31 Dec 2015	**106**	**318**	**6**	**17 194**	**416**	**18 040**
Year's profit/loss				3 582	34	3 616
Other operating income and expenses			-38	-22		-60
Purchase of own shares				-13		-13
Dividend				-190		-190
Change in non-controlling interests				7	-2	5
Equity as at 31 Dec 2016	**106**	**318**	**-32**	**20 558**	**447**	**21 397**

ALTERNATIVE PERFORMANCE MEASURES

GROUP

(Figures in NOK millions)

Olav Thon Eiendomsselskap ASA prepares financial information in accordance with the International Financial Reporting Standards (IFRS).

The company also wants to present alternative performance measures to give readers a better understanding of underlying factors.

Fair value adjustments, investment properties and interest rate derivatives
Fair value adjustments, investment properties and interest rate derivatives affect the company's profit before tax, both in the consolidated annual 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.

	2016	2015
Fair value adjustments, investment properties from the income statement	2 651	2 806
Fair value adjustments, investment properties in joint ventures	179	89
Fair value adjustments, investment properties in associated companies	24	22
Fair value adjustments, interest rate derivatives from the income statement	119	105
Fair value adjustments, interest rate derivatives joint ventures	12	4
Fair value adjustments, investment properties and interest rate derivatives	**2 984**	**3 025**

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 and in joint ventures and associated companies.

	2016	2015
Profit before tax	4 484	4 407
Adjusted for fair value adjustments, investment properties and interest rate derivatives	-2 984	-3 025
Profit before tax and fair value adjustments	**1 500**	**1 382**

Long-term net asset value per share

EPRA (The European Public Real Estate Association) is an organisation for listed property companies and investors in Europe, which prepares recommendations for financial reporting. EPRA NNNAV states the normalised triple net asset value per share after taking into account a fair value assessment of the deferred tax liabilities.

	2016	2015
Majority share of equity	20 950	17 625
Deferred tax	6 494	5 606
Fair value of debt - deferred tax liabilities – at 7% (8%)	-1 890	-1 659
Long-term net asset value	**25 541**	**21 564**
Number of shares	106 345 320	106 445 320
Long-term net asset value per share in NOK	**240**	**203**

Interest-bearing debt

Splitting the Group's total debt into interest-bearing debt and non-interest-bearing debt is intended to give readers a better understanding of the Group's debt situation and the Group's financial position. Net interest-bearing debt is arrived at by deducting the Group's bank deposits and cash from its interest-bearing debt. Net interest-bearing debt is used for, among other things, calculating the Group's loan to value ratio.

	2016	2015
Bond issues, long-term	6 681	5 123
Bond issues, short-term	855	350
Certificates, short-term	2 377	1 050
Other non-current debt to financial institutions	9 903	11 312
Other current debt to financial institutions	1 437	171
Interest-bearing debt	**21 252**	**18 006**
Bank deposits and cash	**-325**	**-190**
Other interest-bearing debt	20 927	17 816

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 of relevance in assessing the company's financial results and financial position.

	2016	2015
Net cash flow from operating activities	1 796	1 005
Change in operating-related accruals	-446	88
Net cash flow from operations	**1 350**	**1 093**

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