



**OLAV THON GRUPPEN**

# **ANNUAL REPORT**

# **2021**

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## KEY FIGURES

Figures in NOK millions	31.12.21	31.12.20
Operating income	10 282	8 995
Fair value adjustments investment properties and financial instruments <sup>1)</sup>	4 369	-2 281
Profit before income tax <sup>2)</sup>	7 815	139
Profit before income tax, fair value adjustments and currency result <sup>3)</sup>	3 420	2 658
Equity	65 053	59 369
Equity ratio	56 %	53 %
Net cash flow from operations <sup>4)</sup>	3 583	2 480
Liquidity reserves <sup>5)</sup>	11 589	9 320
Amortisation next 12 months	5 574	6 291
Interest-bearing debt <sup>6)</sup>	30 850	32 356
Interest rate per balance sheet date	3,01 %	2,90 %
Loan to value ratio <sup>7)</sup>	28 %	30 %
Net investments <sup>8)</sup>	2 660	2 894
Market value properties <sup>9)</sup>	108 480	103 489
Annualized rental income level <sup>10)</sup>	5 830	5 750
Net yield properties	4,76 %	4,95 %
Sales, owned shopping centres	66 619	64 351
Revenue per available room (NOK) <sup>11)</sup>	345	254

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

1) Fair value adjustments investment properties + Fair value adjustments financial instruments + Depreciation right-of-use owner-occupied properties + Depreciation owner-occupied properties. Including joint ventures and associated companies

2) Taxes in joint ventures and associated companies included

3) Taxes in joint ventures and associated companies and net currency gains deducted

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

5) Bank deposits etc. + Undrawn borrowing facilities

6) Unsecured part of interest-bearing debt NOK 13,363 million (31.12.21) and NOK 7,979 million (31.12.20)

7) (Interest-bearing debt - Bank deposits etc.) / Investment properties

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

9) Includes market value of investment properties and owner-occupied properties. In addition, the Group owns through jointly controlled companies / associated companies properties with market value (Group's share) NOK 7,096 million (31.12.21) and NOK 6,586 million (31.12.20)

10) Market rent for rented and vacant premises

11) Thon Hotels

# BOARD OF DIRECTORS' REPORT 2021

## HIGHLIGHTS IN THE GROUP'S DIRECTORS' REPORT

### OPERATING INCOME

Total operating income amounted to NOK 10,282 (8,995) million.

### PROFIT

Profit before income tax was NOK 7,815 (139) million.

### EQUITY

The Group's equity at year end amounted to NOK 65,053 (59,369) million and its equity ratio was 56 % (53 %).

### PROPERTY PORTFOLIO

The rental income level in the property portfolio at the end of 2021 was NOK 5,830 (5,750) million and the vacancy rate was 4.1 % (4.4 %).

### SHOPPING CENTRE RETAIL SALES

Retail sales in the shopping centre portfolio owned by the Group amounted to NOK 66.6 (64.4) billion. At year end, the Group owned 72 shopping centres and managed 22 for other owners.

### THON HOTELS

At year end, Thon Hotels had 12,537 (12,050) rooms in 83 (80) hotels in Norway and abroad.

### LIQUIDITY RESERVES

The Group's liquidity reserves amounted to NOK 11,589 (9,320) million.

## ANNUAL FINANCIAL STATEMENTS

The Group's annual financial statements have been prepared in accordance with section 3-9 of the Norwegian Accountancy Act and the Regulations on Simplified IFRS issued by the Ministry of Finance on 3 November 2017.

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 2021 have been prepared based on this assumption.

The basis is provided by results achieved from underlying operations and an expectation that an uncertain market situation is temporary. Reference is made to notes 30 and 31 for information concerning uncertainty and effects on the consolidated financial statements in light of the coronavirus pandemic.

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 2021.

Some comparative figures from earlier periods have been revised. See note 32.

## IMPACT OF THE CORONAVIRUS PANDEMIC ON THE OLAV THON GROUP

The 2021 financial year was affected by the coronavirus pandemic and the infection control measures that were introduced. This had a considerable impact on the Olav Thon Group.

Hotel activities were affected by some of the Group's hotels being partly or completely closed during the year.

Property activities were affected by a large number of shops in the Group's shopping centres in parts of Norway being closed for physical sales for many weeks at the start of the year, and by the infection control measures resulting in lower footfalls in the shopping centres at times.

The Group's shopping centres in Sweden close to the border with Norway lost Norwegian customers for periods of the year as a result of travel restrictions.

The development of the businesses in 2021 is discussed under the description of the business areas later in this report.

The Norwegian and Swedish governments introduced support schemes for companies and businesses significantly affected by the coronavirus pandemic.

Several of the Group's businesses in the hospitality sector received cash support from the authorities. This is described in note 30.

Many of the Group's tenants availed themselves of government support schemes and, to alleviate the situation further, the Group granted temporary rent reductions to tenants who were severely affected by the infection control measures.

Despite the pandemic, the Olav Thon Group achieved a very good result in 2021.

As of February 2022, nearly all of the infection control measures in Norway have been lifted and society is returning to normal.

## SUMMARY OF INCOME STATEMENT AND BALANCE SHEET

### Financial position/balance sheet as at 31 December 2021

The Group's total assets were NOK 116,005 (111,904) million, with its property portfolio accounting for NOK 105,146 (101,120) million of that figure.

The property portfolio consists of investment properties valued at NOK 89,899 (86,200) million and owner-occupied properties valued at NOK 15,247 (14,920) million.

For a further description of investment properties and owner-occupied properties, please refer to the section later in the directors' report and notes 12 and 13 to the annual report.

Equity was NOK 65,053 (59,369) million and the equity ratio was 56 % (53 %).

The Group's interest-bearing debt was NOK 30,850 (32,356) million, while the loan to value ratio was 28 % (30 %).

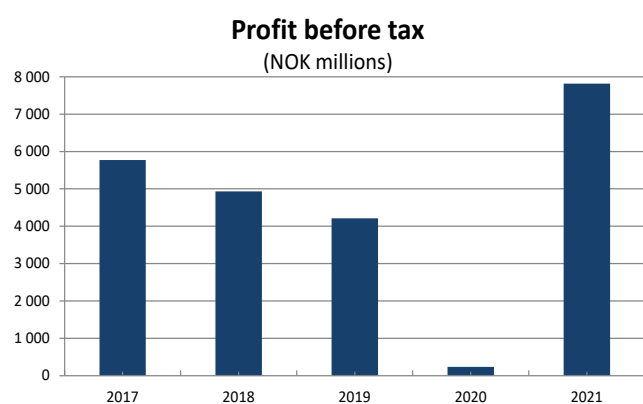
The Group's share of the equity in joint ventures and associated companies was NOK 4,342 (3,723) million.

### Summary of the income statement for 2021

Profit before income tax was NOK 7,815 (139) million.

Total fair value adjustments and depreciation of the property portfolio and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 4,369 (-2,281) million.

Profit before tax, fair value adjustments/depreciation and currency result therefore amounted to NOK 3,420 (2,658) million.

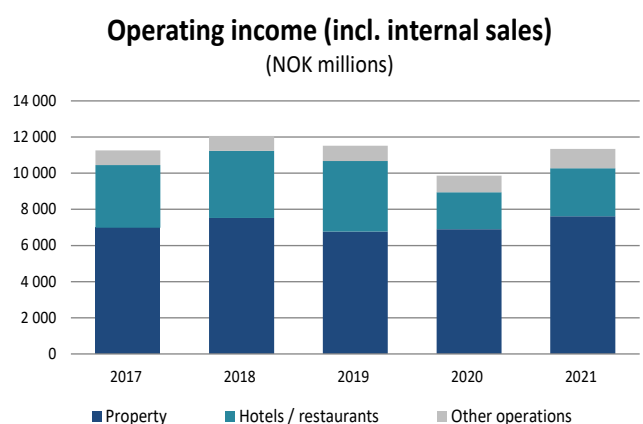


### Operating income

The Group's total operating income was NOK 10,282 (8,995) million in 2021 and mainly came from the following business areas:

All figures in NOK millions	2021	2020
Rental income in Thon Eiendom	4,478	4,437
Accommodation income in Thon Hotels	1,319	971
Residential sales in Thon Eiendom	926	400
Sale of goods in Thon Hotels	559	408
Sale of goods in other operations and industry	1,197	1,033
Other operating income	1,802	1,746
<b>TOTAL</b>	<b>10,282</b>	<b>8,995</b>

Other operating income includes NOK 86 (234) million in cash support from the Norwegian and Swedish authorities.



### Operating expenses

Total operating expenses amounted to NOK 6,534 (6,133) million in 2021 and can be broken down as follows:

All figures in NOK millions	2021	2020
Payroll expenses	1,335	1,272
Maintenance expenses	356	485
Cost of goods sold other than residential sales	834	683
Expenses from residential sales in Thon Eiendom	700	386
Ordinary depreciation and write-downs	707	922
Other operating expenses	2,602	2,383
<b>TOTAL</b>	<b>6,534</b>	<b>6,133</b>

### Management result

The management result, which shows the Group's operating profit before fair value adjustments of the property portfolio and interest rate derivatives, was NOK 3,748 (2,863) million.

### Fair value adjustments of investment properties

The value of the Group's investment properties increased by NOK 3,156 (-752) million.

The value increased as a result of a general increase in the fair value of the property portfolio.

For more details please refer to the section on property activities later in the report and note 13 to the annual financial statements.

### Depreciation and write-downs of owner-occupied properties

Fair value was used as the opening value for owner-occupied properties on transition to simplified IFRS in 2017.

In subsequent periods, the properties have been recognised using the cost method and the capitalised value is depreciated over the expected lifetime.

In 2021, depreciation of owner-occupied properties amounted to NOK 312 (367) million.

As at the end of 2021, the fair value of the portfolio of owner-occupied properties is considered to be higher than capitalised value. The value of owner-occupied properties was written down by NOK 189 million in 2020.

### 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 528 (18) million.

The increase on last year is largely due to fair value adjustments of investment properties and interest rate derivatives in these companies amounting to NOK 339 (-209) million.

### Financial income and expenses

The Group's net financial expenses amounted to NOK 860 (1,293) million.

Net interest expenses amounted to NOK 948 (960) million, in addition to which interest expenses linked to leasing commitments amounted to NOK 46 (49) million.

Net exchange gains amounted to NOK 158 (-228) million.

### Fair value adjustments of interest rate derivatives

The Group's portfolio of interest rate derivatives consists of:

- Interest rate swaps
- Combined interest rate and currency derivatives
- Currency futures
- Listed Norwegian shares

In 2021, long-term market interest rates rose in Norway, Sweden and the eurozone, and the Norwegian krone strengthened significantly in relation to both the Swedish krona and the euro.

The value of the Group's interest rate derivatives and listed shares increased by 1,255 (-685) million.

Fair value adjustments of the various interest rate derivatives were as follows:

Fair value adjustments, interest rate derivatives	2021	2020
Interest rate swaps	1,031	-497
Interest rate and currency derivatives	187	-173
Currency futures*	30	-40
Listed shares	7	25
<b>TOTAL</b>	<b>1,255</b>	<b>-685</b>

\*Included in fair value adjustments with effect from 2020.

### Cash flow and liquidity

Net cash flow from the Group's operations was NOK 3,583 (2,480) million, while net cash flow from operating activities was NOK 3,876 (1,124) million.

Net cash flow from investing activities was NOK -2,648 (-1,888) million, while financing activities reduced liquidity by NOK 1,303 (-602) million.

The exchange rate effects on bank deposits amounted to NOK -9 (14) million, and the Group's liquidity reserves therefore fell by NOK 84 (148) million in 2021.

The Group's liquidity reserves at year end amounted to NOK 11,589 (9,320) million.

Liquidity reserves consisted of short-term investments of NOK 809 (886) million and undrawn long-term credit facilities of NOK 10,780 (8,434) million.

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

The financial statements of the parent company, Olav Thon Gruppen AS, have been prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

The parent company's operating income consists of net financial income and share dividends from subsidiaries.

After the deduction of operating expenses, profit before tax was NOK 344,028,000 (132,000).

Profit for the year after calculated tax was NOK 341,617,000 (103,000) and the Board proposes the following allocation of the parent company's profit for the year:

Proposed dividend:	NOK 225,000,000
Transferred to other equity:	NOK 116,617,000
Allocated net profit:	NOK 341,617,000

The book value of the parent company's assets was NOK 1,710,606,000 (1,447,774,000) at year end. Book equity was NOK 1,422,366,000 (1,305,749,000) and the equity ratio was 83 % (90 %).

## BUSINESS AREAS

### The property business area

Total operating income in the property business area amounted to NOK 7,620 (6,901) million (including internal sales) in 2021.

The increase on last year is largely due to higher income from residential sales. Total income from residential sales in 2021 amounted to NOK 926 (400) million.

The Group's external rental income amounted to NOK 4,478 (4,437) million.

### Property portfolio as at 31 December 2021

The Group's property portfolio is divided into the following main categories, which are treated differently in the consolidated financial statements:

- Investment properties used to earn rental income
- Owner-occupied properties used by the Group's companies for their own operations

For information on valuation of the property portfolio, please see note 13 to the annual report.

### Investment properties

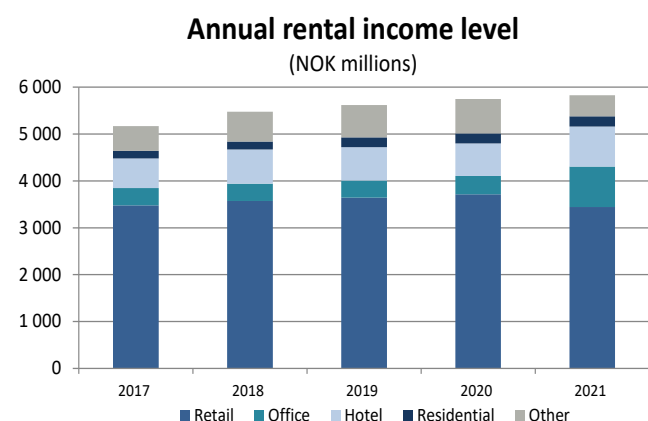
The Group's investment properties were valued at NOK 89,899 (86,200) million at year end.

The valuation was based on an average yield of 4.79 % (5.00 %).

### Owner-occupied properties

This category mainly consists of the portfolio of hotel properties operated by the Group's hotel chain, Thon Hotels.

At year end, the capitalised value of the Group's owner-occupied properties was NOK 15,247 (14,920) million.



### Rental income level as at 31 December 2021

At year end, the Group's total property portfolio had a rental income level of NOK 5,830 (5,750) million (including market rents on vacant premises).

The property portfolio is distributed over the following segments:

- 59 % Retail
- 14 % Hotels
- 15 % Offices
- 4 % Residential
- 8 % Miscellaneous

The rental income comes from the following geographical areas:

- 54 % Oslo region
- 33 % Rest of Norway
- 13 % Abroad

As at 31 December 2021, the vacancy rate in the property portfolio was 4.1 % (4.4 %)

### The shopping centre business area

At year end, the shopping centre business area comprised 94 shopping centres in Norway and Sweden, 22 of which are managed for external owners.

The Group enjoys a strong market position, with the shopping centre portfolio included Norway's seven largest shopping centres in terms of retail sales.

The Olav Thon Group is the largest owner of shopping centre properties in both Norway and Sweden.

### Shopping centres owned by the Group

#### Norway

Retail sales in the Group's Norwegian shopping centres increased by 3.6 % to NOK 58.2 billion.

#### Sweden

In Sweden, total retail sales amounted to SEK 8.3 billion, up 6.4 % from 2020.

Retail sales in Sweden were affected by the fact that the border with Sweden was essentially closed to Norwegian customers for much of the year again in 2021.

### Property portfolio owned by joint ventures and associated companies

In addition to the property portfolio recognised directly in the consolidated balance sheet, the Group owns stakes in shopping centres, hotels, residential properties and other commercial properties through joint ventures and associated companies.

The stakes in these companies, which are between 12.5 % and 50 %, are recognised using the equity method. This means that only the Group's share of the company's equity is included in the consolidated balance sheet.

At year end, the Group's share of the rental income level in these companies was NOK 385 (375) million, while the Group's share of the property values was estimated at NOK 7,063 (6,590) million.

## HOTELS

### The hotel and restaurant business area

Operating income in the hotel business area (including internal sales) amounted to NOK 2,654 (2,041) million, including operating income of NOK 90 (69) million from separate restaurants.

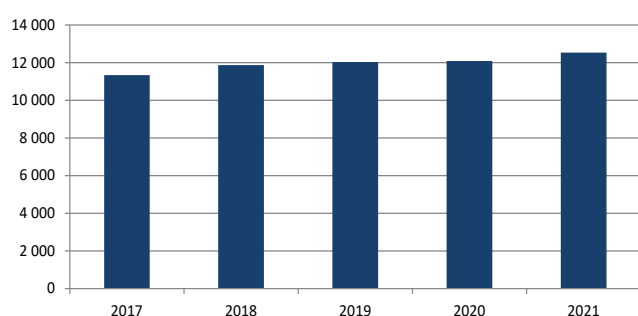
Operating income was up from 2020, but the hotel and restaurant business area was severely affected once again in 2021 by the coronavirus pandemic and the various infection control measures, which were in force for much of the year.

### Thon Hotels

At the end of 2021, Thon Hotels had 12,537 rooms in 83 hotels in Norway and other countries.

In Norway, Thon Hotels is a national hotel chain with 10,956 rooms in 75 hotels, 20 of which are operated by external franchisees.

### Hotel Room Capacity



The hotel portfolio mainly consists of city centre hotels, most of which were built or refurbished in recent years.

Thon Hotels is a leading operator in the metropolitan regions of Oslo and Bergen.

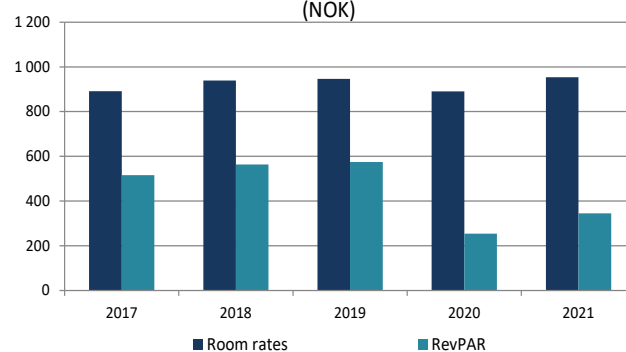
Outside Norway, Thon Hotels has 1,581 rooms in five hotels and two apartment hotels in Brussels, Belgium, and one hotel in Rotterdam in the Netherlands.

Broken down into geographical segments, Thon Hotels achieved the following key figures in 2021:

	Average room rate	Occupancy rate	RevPAR
Thon Hotels Norway (NOK)	957	38.9	372 (40.4 %)
Thon Hotels Brussels (EUR)	88	17.8	16 (-6.6 %)
Total Thon Hotels (NOK)	954	36.0	345 (35.8 %)

In 2021, Thon Hotels achieved a considerable improvement in performance compared with 2020. This is due to both a slight improvement in the hotel market and the fact that hotel operation was better adapted to the weak hotel market.

### Room rates and RevPAR (revenue per available room) (NOK)



### Other business areas

Companies outside the property and hotel business areas are included in other operations. Operating income amounted to NOK 1,073 (923) million in 2021.

The largest company, Unger Fabrikker AS, achieved good results once again in 2021. Operating income amounted to NOK 731 (662) million and profit before tax was NOK 56 (108) million.

## INVESTMENTS

The Group's net investments in 2021 amounted to NOK 2,660 (2,894) million and included investments in property projects under construction, refurbishments of the existing property portfolio and property acquisitions.



## Major property acquisitions

### Amfi Drøbak City, Frogn

Acquisition of the property, which the Group had leased since 1996. Amfi Drøbak City is a shopping centre totalling approx. 20,000 square metres with 40 shops in the Municipality of Frogn, around 40 kilometres south of Oslo. The property was taken over in 2022.

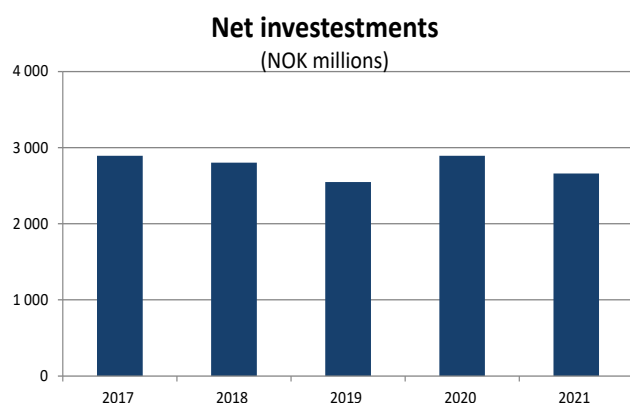
### Major property sales

#### Elveveien 65-77, Bærum

Site of 19,000 square metres near Lysaker Station in the Municipality of Bærum.

#### Familia Køpcentrum, Hillinge, Sweden

Shopping centre totalling approx. 15,000 square metres located outside Helsingborg in Sweden.



## PROPERTY DEVELOPMENT

### Major property projects

#### Completed

The following major projects were completed during the year:

- Two residential projects in the Oslo area (Strømmen and Lørenskog) with a total of 205 units for sale
- Hotel with 175 rooms in Ålesund (refurbished)
- Hotel with 200 rooms in Svolvær, Lofoten

### Under construction

The following major property projects were under construction at the start of 2022:

- The Lørenskog Storsenter shopping centre in the Oslo area is being extended by 26,000 square metres of retail space.
- Two logistics buildings totalling 46,000 square metres at Gardermoen.
- One new building in Oslo city centre with 46 units for rent.
- Hotel with 300 rooms at the SNØ indoor ski arena in Lørenskog in the Oslo area.
- Two residential projects in the Oslo area (Vestby and Lørenskog) with a total of 208 units for sale.

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

## FINANCING

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

At year end, total credit facilities were NOK 41,631 (40,791) million, NOK 10,780 (8,434) million of which was undrawn.

Interest-bearing debt therefore amounted to NOK 30,850 (32,356) million.

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

At year end, the outstanding certificate and bond debt amounted to NOK 16,873 (14,264) million, made up as follows:

Norway:	NOK 14,580 (12,073) million
Sweden:	SEK 2,250 (2,100) million

The proportion of interest-bearing debt raised in the capital market was therefore 55 % (44 %).

At year end, the debt had an average remaining term of 2.8 (2.6) years, and 18 % (19 %) of the debt is due for repayment within one year.

At year end, the Group had a fixed-rate ratio of 54 % (52 %), with an average fixed-rate period of 3.6 (3.6) years.

## ORGANISATION AND WORKING ENVIRONMENT

The Olav Thon Group 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.

The Olav Thon Group 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 company's general facilities, so that they can also be used by persons with impaired functional ability.

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

At the end of 2021, there were 2,390 FTEs in the Olav Thon Group. The parent company, Olav Thon Gruppen AS, had no employees as at the same date.

The FTEs were distributed as follows: 1,994 in Norway, 297 in Belgium, 23 in the Netherlands and 76 in Sweden. 49 % of the Group's employees are women and 51 % are men.

The Group's sick leave rate in 2021 was 5.0 % (5.2 %).

No significant injuries or accidents occurred during business operations in the period. Nor have deficiencies in employee safety or the working environment otherwise been identified.

The company's Board of Directors consists of five men and one woman.

The Olav Thon Group has not taken out insurance for members of the Board of Directors for their possible liability in relation to the company and third parties.

Statutory reporting regarding equality and anti-discrimination under section 26 of the Norwegian Equality and Discrimination Act for group companies can be found on the Group's website: [olavthon.no](http://olavthon.no).

## ENVIRONMENTAL STATUS

The Olav Thon Group has guidelines on sustainable value creation and eco-friendly business operations.

Environmental work is an integral part of operations in the Olav Thon Group and environmental initiatives are implemented for both its own business operations and use of its properties by tenants.

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

Operations satisfy the requirements for limiting pollution of the external environment.

Further information on environmental and sustainable value creation can be found on the Group's website: [olavthon.no](http://olavthon.no).

## SUSTAINABLE VALUE CREATION AND 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, the environment, anti-corruption and social responsibility.

This work is followed up through goals and measures in accordance with the Global Reporting Initiative (GRI) and documented in an annual Sustainability Report.

The Olav Thon Group presented carbon accounts for the business for the first time in 2021.

For further information about the work on sustainable value creation and corporate social responsibility, please visit the Group's website: [olavthon.no](http://olavthon.no).

## CORPORATE GOVERNANCE

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

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

## THE 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 the general development of the Norwegian property and hotel markets, which in turn is closely linked to developments in the Norwegian economy.

#### The commercial property market in 2021

The commercial property market showed very good development in 2021, with high demand for commercial property as an investment object. The sales volume in the transaction market for commercial property was the highest ever in 2021.

Against a background of high demand, market prices for commercial property rose in most segments in 2021.

Rental prices for shopping centre properties largely showed stable development. Rental prices were largely stable on the office rental market in the Oslo area, but there were differences in rental price and vacancy rate between the different parts of the city.

#### The Group's market risk

Both shopping centre property and commercial property saw positive value development in 2021, with increased demand contributing to lower market yields for both segments.

Rental prices showed a stable or slight downward trend for shopping centre properties and stable or slightly increased rent for commercial property.

Market risk in the hotel market is discussed in a later section.

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 in the yield and rental income would have on property values can be found in note 13.

#### The Norwegian hotel market in 2021

2021 was certainly a poor year for the tourism industry.

The coronavirus pandemic affected the hotel industry severely once again in 2021, with various infection control measures being in force for much of the year.

Demand for hotel rooms increased compared with 2020, however, and there were 16.4 million overnight stays in Norwegian hotels, up 12 % on 2020. The number of overnight stays was 35 % lower than in 2019, the last 'normal year', however.

As a consequence of increased demand, the number of available rooms also increased by 15 % from 2020 to 2021.

The average room rate in Norway increased by 8 % to NOK 1,060, while the occupancy rate increased by 2 percentage points to 40 %. The RevPAR (Revenue Per Available Room) key figure increased by 14 % to NOK 424. Despite the increase in 2021, RevPAR for 2021 is 23 % lower than in 2019.

The hotel market is divided into the following three main segments, which developed somewhat differently in 2021:

Segment	Share of total market	Change from 2020 (percentage points)
Holiday and leisure market	57.3 %	+0.6 %
Individual business travellers	34.2 %	-2.0 %
Course and conference market	8.5 %	+1.3 %

Source: SSB

Market development in Oslo was weaker than the national average in 2021 too and RevPAR for the Oslo hotels stood at NOK 396. In Oslo, RevPAR was 27 % higher than in 2020, but still 50 % lower than in 2019.

#### Market risk associated with the hotel business area

As a major player, Thon Hotels is affected by developments in the Norwegian hotel market.

The Norwegian economy has been significantly impacted by the coronavirus pandemic and the hotel market is expected to remain weak.

#### Financial risk

The Olav Thon Group's financial risk is considered mainly to be the Group's access to financing in the banking and capital markets and the cost 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 cost 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 markets.

### Development of the financial markets

Access to financing is considered to be very good in 2021 as a result of both positive development in the financing markets and the Group's financial results.

### Interest rate developments

The reopening of society in 2021 led to growth in the economy, with conditions in the Norwegian economy gradually returning to normal. Norges Bank therefore raised its key policy rate from 0.00 % to 0.50 % in the second half of the year.

The short-term money market interest rate (3-month NIBOR) rose from 0.49 % at the start of the year to 0.95 % at year end. The long-term money market interest rate (10-year swap rate) rose from 1.30 % to 1.90 % at year end.

The Swedish Central Bank kept the interest rate unchanged at 0 % in 2021 and the short-term money market interest rate (3-month STIBOR) was unchanged at -0.05 % (0.20 %) during the year. The Swedish long-term money market rate (10 years) rose from 0.39 % to 0.96 % at year end.

The European Central Bank (ECB) kept the key rate in the eurozone unchanged, and the short-term market interest rate (3-month EURIBOR) was more or less unchanged at -0.57 % (-0.55 %) during the year. The long-term market interest rate (10 years) rose from -0.24 % to 0.29 %.

### The credit market

The Olav Thon Group's borrowers in the capital market are Olav Thon Eiendomsselskap ASA and Thon Holding AS.

The credit margin indicated for new loans issued by the Group gradually fell in the first three quarters, but went back up slightly in Q4.

At year end, the credit margin for 5-year unsecured bond issues in Norway for Olav Thon Eiendomsselskap was indicated at 0.95 % (1.05 %), while 12-month unsecured commercial papers were indicated at 0.25 % (0.35 %).

In the capital market, the credit margins for Thon Holding AS are normally around 0.05 – 0.10 percentage points higher than for Olav Thon Eiendomsselskap ASA.

### The Group's financial risk

The Group's financial risk can be divided into:

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

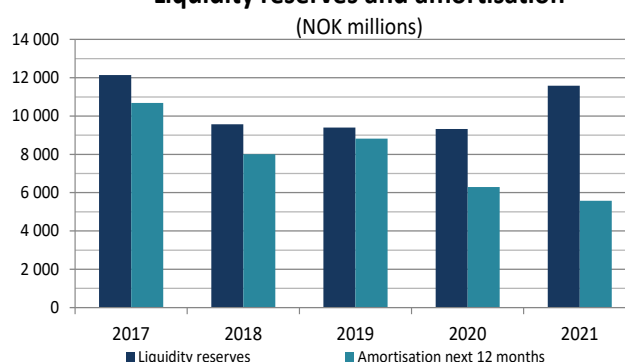
Descriptions of financial risk factors and financial risk management can be found in note 18 to the annual report. The status of the different risk groups at year end is described below.

### Liquidity risk

The Group's liquidity reserves at year end amounted to NOK 11,589 (9,320) million.

At year end, the Group's interest-bearing debt had an average remaining term of 2.8 (2.6) years, and 18 % (19 %) of the debt is due for repayment within one year.

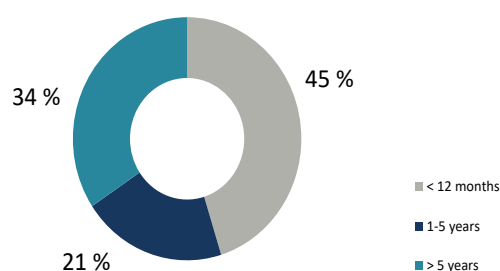
### Liquidity reserves and amortisation



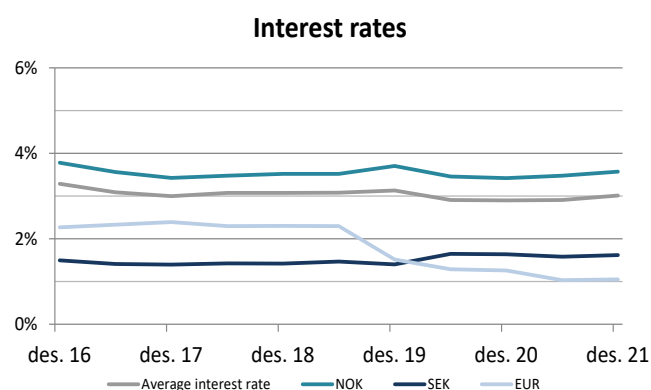
### Interest rate risk

At year end, the Group had a fixed-rate ratio with a fixed-rate period exceeding 1 year of 55 % (52 %), with an average fixed-rate period of 3.6 (3.6) years.

### Interest rate adjustment



The Group's average interest rate at year end was 3.01 % (2.90 %).



Interest rate hedging in the group is mainly through the use of interest rate derivatives (interest rate swaps) at portfolio level.

At year end, the portfolio of interest rate derivatives was NOK 24,163 (18,830) million and had a fair value of NOK -1,417 (-2,492) million.

Fair value is affected by changes in long-term interest rates and by the remaining term on interest rate derivatives. It is estimated that a change of one percentage point in interest rates would change the fair value of the portfolio by approx. NOK 900 - 1,000 million.

#### Currency risk

The Olav Thon Group is also exposed to financial risk related to exchange rate movements in the countries where it operates.

Because the consolidated financial statements are prepared in NOK, both the Group's profit and equity are affected by the NOK/local currency exchange rate.

The Group mitigates its currency risk through foreign currency borrowing and currency hedging agreements.

At year end, the Group's interest-bearing debt was NOK 30,850 (32,356) million and consists of the following currencies:

	Share of debt	Average interest rate as at 31.12.2021	Average interest rate as at 31.12.20
NOK	74 %	3.6 %	3.4 %
SEK	18 %	1.6 %	1.6 %
EUR	8 %	1.1 %	1.3 %
<b>TOTAL</b>	<b>100 %</b>	<b>3.0 %</b>	<b>2.9 %</b>

#### Credit risk

The Group's credit risk is primarily linked to the risk of losses as a result of tenants' failure to pay the agreed rent or hotel customers not paying their bills.

Routines have been introduced to ensure that property is only let to tenants with satisfactory creditworthiness.

The payment of rent is normally secured by deposit or bank guarantee.

Some of the Group's tenants in the retail trade were affected by the coronavirus pandemic and provisions for losses on trade receivables were therefore increased in 2020.

Provisions were kept at the same level in 2021, but there is much less uncertainty at the start of 2022.

Realised losses did not increase significantly during 2021, and in recent years rent losses have represented less than 0.5 % of the Group's rental income.

#### 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

The Norwegian economy is getting back to normal following the reopening of society.

Norges Bank has increased its key policy rate from 0 % to 0.75 % and is indicating that the rate will rise further as the Norwegian economy returns to normal.

There is uncertainty regarding development in the hotel market following the pandemic in consequence of demand for hotel rooms among both Norwegian and foreign customers being expected to be lower going forward.

The war in Ukraine is causing increased uncertainty regarding future economic development and is having a negative impact on the Olav Thon Group's framework conditions.

All in all, the Group's solid market position and finances are expected to help maintain good profit development in the future, even with increased uncertainty and higher interest rates.

Oslo, 10 May 2022,

Board of Directors, Olav Thon Gruppen AS



Sissel Berdal Haga Thon  
Styremedlem



Olav Thon  
Styrets Formann



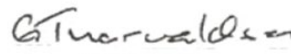
Ole-Christian Hallerud  
Styremedlem



Thomas E. Rønning  
Styremedlem



Dag Tangevald-Jensen  
Styrets nestleder/adm. direktør



Geir Thorvaldsen  
Styremedlem

## OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

**STATEMENT OF COMPREHENSIVE INCOME**

(Figures in NOK millions)	2021	2020 (restated) *
Rental income	4 478	4 437
Room revenue	1 319	971
Sale of goods	2 682	1 841
Other operating income	1 804	1 746
<b>Operating income</b>	<b>10 282</b>	<b>8 995</b>
Cost of goods	-1 534	-1 069
Payroll costs	-1 335	-1 272
Ordinary depreciation	-707	-922
Other operating expenses	-2 958	-2 868
<b>Operating expenses</b>	<b>-6 534</b>	<b>-6 133</b>
<b>Net income from property management</b>	<b>3 748</b>	<b>2 863</b>
Fair value adjustments, investment property	3 156	-752
Fair value adjustments, right-of-use investment property	-12	-12
Results from joint ventures and associates	528	18
<b>Operating profit</b>	<b>7 421</b>	<b>2 116</b>
Financial income	178	19
Financial expenses	-1 038	-1 312
Fair value adjustments, financial instruments	1 255	-685
<b>Net financial items</b>	<b>395</b>	<b>-1 978</b>
<b>Profit before income tax</b>	<b>7 815</b>	<b>139</b>
Change in deferred tax	-1 272	68
Income tax payable	-339	-139
<b>Income tax</b>	<b>-1 611</b>	<b>-71</b>
<b>Profit</b>	<b>6 204</b>	<b>68</b>
<b>Other Comprehensive income</b>		
<i>Items to be reclassified to P&amp;L in subsequent periods:</i>		
Exchange differences from foreign operations	-404	589
Hedging of net investment	-	-128
Income taxes on other comprehensive income	-	28
<b>Total comprehensive income</b>	<b>5 801</b>	<b>557</b>
<b>Profit attributable to:</b>		
Shareholders of the parent	5 116	118
Non-controlling interests	1 089	-50
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent	4 778	545
Non-controlling interests	1 023	12

\*The figures have been restated according to the accounts in 2020.

## OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

**STATEMENT OF FINANCIAL POSITION**

(Figures in NOK millions)	2021	2020 (restated) *
<b>ASSETS</b>		
Deferred tax asset	0	396
Investment properties	89 899	86 200
Owner-occupied properties	15 247	14 920
Right-of-use assets	648	742
Other fixed assets	1 237	1 024
Investments in joint ventures and associates	4 342	3 723
Non-current financial assets	636	607
<b>Total non-current assets</b>	<b>112 009</b>	<b>107 611</b>
Inventories	795	980
Trade and other receivables	2 496	2 524
Bank deposits and cash	704	788
<b>Total current assets</b>	<b>3 996</b>	<b>4 292</b>
<b>Total assets</b>	<b>116 005</b>	<b>111 904</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	410	410
Share premium	86	86
Other equity	55 268	50 460
Non-controlling interests	9 290	8 413
<b>Total equity</b>	<b>65 053</b>	<b>59 369</b>
Deferred tax liabilities	14 280	13 488
Lease liabilities	623	710
Interest-bearing non-current liabilities	25 278	26 065
Non-current liabilities	1 117	2 057
<b>Total non-current liabilities</b>	<b>41 298</b>	<b>42 320</b>
Income tax payable	337	200
Interest-bearing current liabilities	5 573	6 291
Trade payables and other current liabilities	3 743	3 724
<b>Total current liabilities</b>	<b>9 653</b>	<b>10 215</b>
<b>Total liabilities</b>	<b>50 951</b>	<b>52 535</b>
<b>Total equity and liabilities</b>	<b>116 005</b>	<b>111 904</b>

\*The figures have been restated according to the accounts in 2020.



## OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

**STATEMENT OF CASH FLOW**

(Figures in NOK millions)	2021	2020 (restated) *
Profit before income tax	7 815	139
Fair value adjustment, investment property	-3 156	752
Fair value adjustment, interest rate derivatives	-1 248	710
Fair value adjustment, investments	-7	-25
Expensed interest	1 005	1 026
Paid interest	-1 001	-1 063
Paid income tax	-181	-242
Share of profit from joint ventures and associated companies	-528	-18
Depreciation of fixed assets	707	922
Change in operating related accruals	470	-1 078
<b>Net cash flow from operating activities</b>	<b>3 876</b>	<b>1 124</b>
Proceeds from sale of property, plant and equipment	372	-
Purchase of investment properties and property, plant and equipment	-2 777	-2 173
Payments linked to acquisition of subsidiaries	-122	-101
Other investment	-120	386
<b>Net cash flow from investment activities</b>	<b>-2 648</b>	<b>-1 888</b>
Proceeds from interest-bearing liabilities	19 138	15 981
Repayment of interest-bearing liabilities	-20 240	-15 248
Payment on leasing liabilities	-57	-54
Dividends paid	-143	-77
<b>Net cash flow from financing activities</b>	<b>-1 303</b>	<b>602</b>
Currency translation effects on cash and cash equivalents	-9	14
<b>Net change in cash and cash equivalents</b>	<b>-84</b>	<b>-148</b>
Cash and cash equivalents as at 1 January	788	936
Cash and cash equivalents as at 31 December	704	788
Unutilized overdrafts and other credit facilities	10 780	8 434

\*The figures have been restated according to the accounts in 2020.

OLAV THON GRUPPEN AS, CONSOLIDATED FINANCIAL STATEMENTS

# STATEMENT OF CHANGES IN EQUITY

(NOK million)	Share capital	Share premium	Currency translation differences	Other Equity	Hedging reserve	Majority share of equity	Non-controlling interests	Total
<b>Equity 31 Dec 2019 (restated)*</b>	<b>410</b>	<b>86</b>	<b>222</b>	<b>49 114</b>	<b>88</b>	<b>49 919</b>	<b>8 951</b>	<b>58 870</b>
Profit			-	118	-	118	-50	68
Other comprehensive income			527	-	-100	427	62	489
Dividends paid			-	-50	-	-50	-27	-77
Other changes			-	540	-	540	-522	18
<b>Equity 31 Dec 2020 (restated)*</b>	<b>410</b>	<b>86</b>	<b>748</b>	<b>49 723</b>	<b>-12</b>	<b>50 955</b>	<b>8 413</b>	<b>59 369</b>
Profit			-	5 116	-	5 116	1 089	6 204
Other comprehensive income			-338	-	-	-338	-66	-404
Dividends paid			-	-	-	-	-143	-143
Other changes (own shares)			-	30	-	30	-3	27
<b>Equity 31 Dec 2021</b>	<b>410</b>	<b>86</b>	<b>411</b>	<b>54 869</b>	<b>-12</b>	<b>55 764</b>	<b>9 290</b>	<b>65 053</b>

\*The figures have been restated according to the accounts in 2020.

## **OLAV THON GRUPPEN AS**

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