OLAV THON EIENDOMSSELSKAP

ANNUAL REPORT 2011

ENGLISH SUMMARY

INTRODUCTION

BACKGROUND/ADMINISTRATION
Olav Thon Eiendomsselskap ASA was founded and given its present structure in 1982, when a number of properties belonging to the Olav Thon Group were transferred to the company. It was introduced on the Oslo Stock Exchange in 1983. Since then, the company has grown considerably. The annual rental value of the company's property portfolio has increased from NOK 27 million in 1983 to NOK 2.025 million as at 1 January 2012.

The company is a part of the Olav Thon Group, which is a collective term for all operations and companies owned directly or indirectly by Mr. Olav Thon. The Group is mainly involved in real estate and hotel operations.

Mr. Dag Tangevald-Jensen is the managing director. The company does not have its own administration. A management agreement with the Olav Thon Group ensures that the company draws at all times upon the collective resources of the organisation.

MAIN STRATEGY
The company's main strategy is to acquire, develop and own properties in central locations.

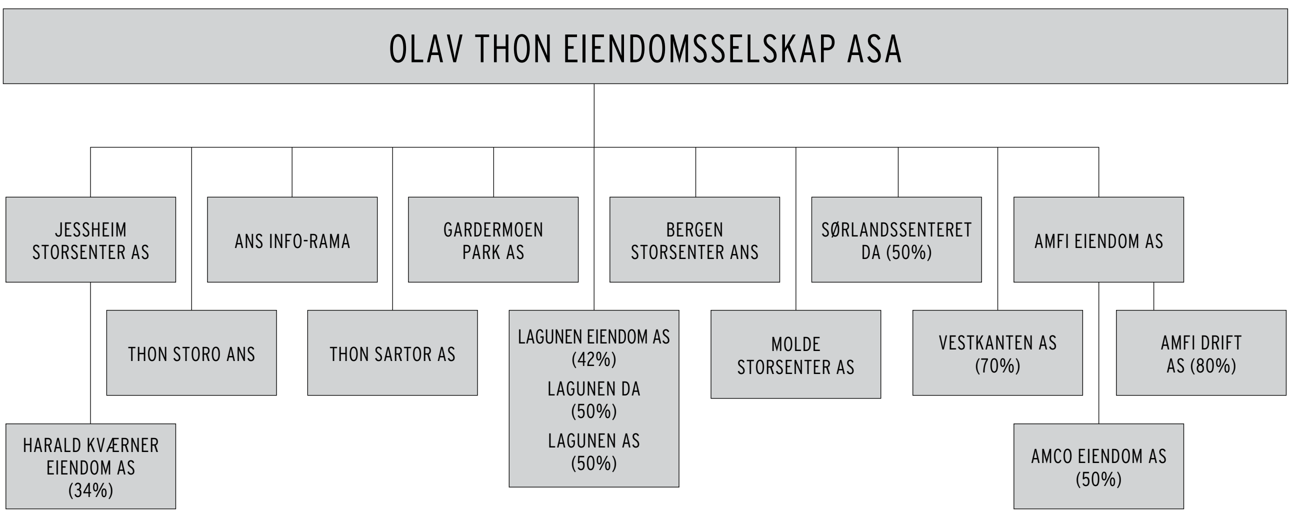
Through the redevelopment and efficient operation of the properties, the company aims in the long term to achieve the highest possible added value as a combination of current high operating yield and the long term increase in the value of the properties.

SHAREHOLDERS
As at 31 December 2011, the company had 1,641 shareholders. After Thon Gruppen AS (owned by Mr. Olav Thon), who holds about 71.5% of the shares, the second and third largest shareholders at the turn of the year were Folketrygdfondet (National Insurance Fund) and Otto Olsen Eiendom AS with 9.0% and 2.4% of the shares respectively.

2011

- Result before taxes amounted to NOK 1.036 million (NOK 1,902 million).
- Net cash flow from operations rose by 14% to NOK 1.007 million
- Equity per share rose by 6% to NOK 943.
- The group's position as Norway's leading shopping mall company was further strengthened by expansion of shopping malls, and at year-end the group owned and managed 76 shopping malls.
- Turnover in the group's shopping mall portfolio increased by 6% to NOK 47.9 billion.
- Interest-bearing debt fell to of NOK 14.008 million, and loan to value fell to 49%
- The share price fell by 13%, in line with the main index of Oslo Stock Exchange. Market capitalisation at the turn of the year was NOK 8.4 billion, making Olav Thon Eiendomsselskap the third largest listed property companies in the Nordic countries.

GROUP STRUCTURE AS AT MARCH 2012



KEY FIGURES

(NOK million)	2011	2010	2009
OPERATIONS AND FAIR VALUE ADJUSTMENTS			
Gross rental income	1 889	1 745	1 573
Fair value adjustments investments properties and interest rate derivatives	-24	920	-114
Net interest expenses	643	575	514
Result before taxes	1 036	1 902	788
CAPITAL STRUCTURE			
Equity per share (NOK)	943	890	772
Equity share	33%	33%	32%
Total assets	30 623	29 064	26 162
LIQUIDITY			
Liquid reserves [1]	3 513	3 167	2 486
Amortization next 12 months	1 206	293	474
Cash flow from operating activities [2]	1 007	883	837
Net interestbearing debt /Cash flow from operating activitie	13.3	14.9	7.4
Interest coverage ratio [3]	2.6	2.7	2.7
FINANCING			
Interest bearing debt	14 008	14 200	13 253
Loan to value	49%	53%	54%
Average duration debt (years)	4.8	6.1	6.6
Interest rate, year end	4.8%	4.5%	4.2%
Hedged interest bearing debt (> 1 year)	64%	58%	52%
PROPERTIES			
Net investments	853	1 721	2 218
Book value property portfolio	28 304	27 003	24 389
Annual rental value [4]	2 025	1 940	1 740
Net yield	6.4%	6.5%	6.7%
Turnover shopping malls [5]	47 434	44 919	34 441
SHARES (NOK)			
Stock exchange quotation, year end	788	910	770
Market capitalization, year end	8 388	9 687	8 196
Dividend per share [6]	10	10	8
EPRA [7]			
EPRA Earnings [8]	942	911	808
EPRA NNNAV [9]	12 991	12 152	10 509
EPRA NIY (net initial yield)	6.4%	6.5%	6.7%
EPRA Vacancy rate	2.1%	3.2%	3.8%

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

[1] Bank deposits and unutilized borrowing facilities

[2] Net cash flow from operating activities - operations - related accruals

[3] (Operating profit - depreciation - share of results of associated companies - fair value adjustments investments properties) / net interest expenses

[4] Gross rental income from assosiated companies included

[5] Owned and / or managed shopping malls

[6] Proposed dividends for 2011

[7] European Public Real Estate Association

[8] Majority share of profit after tax payable without changes in value

[9] Majority share of equity + deferred taxes - Rated debt obligation (deferred tax 8%)

REPORT OF THE BOARD OF DIRECTORS

In 2011 Olav Thon Eiendomsselskap delivered good results, characterised by higher rental income and positive performance of the group's investment properties.

The key points in the group's accounts for 2011 are as follows:

- Gross rental income amounted to NOK 1.889 million (NOK 1.745 million) whilst net rental income was NOK 1.700 million (NOK 1.546 million).
- Fair value adjustments on the group's investment properties and interest rate derivatives came to - NOK 25 million (+ NOK 920 million).
- Result before taxes amounted to NOK 1.036 million (NOK 1.902 million).
- Cash flow from operations came to NOK 1.007 million (NOK 883 million).
- Equity per share rose in 2011 by 6% to NOK 943 (NOK 890) and the equity ratio at the turn of the year was 33% (33%).
- The group's liquid reserves at the year-end stood at NOK 3.513 million (NOK 3.167 million).

SUMMARY OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

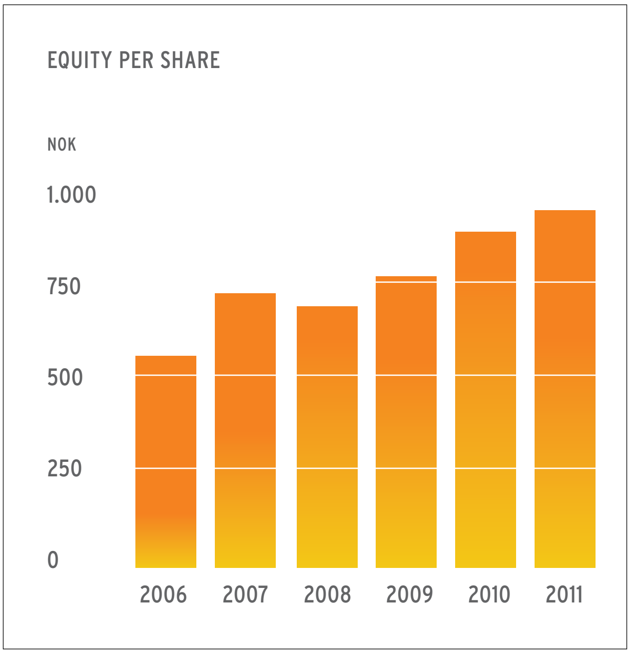
STATE OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

The aggregate value of the group's assets was NOK 30.623 million (NOK 29.064 million). Of this sum, the value of the investment properties was NOK 28.304 million (NOK 27.003 million).

Total shareholders' equity was NOK 10.208 million (NOK 9.655 million) and the equity ratio was 33% (33%).

Equity per share (shareholders' share) amounted to NOK 943 (NOK 890), and long-term net asset value per share (EPRA NNNAV) is estimated to be NOK 1.220 (NOK 1.142).

Interest-bearing debt was NOK 14.008 million (NOK 14.200 million), and the loan-to-value ratio was 49% (53%).



Equity per share has rosen by 70% (76% adjusted for dividend) in the last five years, to NOK 943.

RESULTS IN 2011

Result before taxes were NOK 1.036 million (NOK 1.902 million), whilst comprehensive income for the year amounted to NOK 755 million (NOK 1.381 million).

Operating result before fair value adjustments on the investment properties came to NOK 1.710 million (NOK 1.561 million), whilst the group's net operating result amounted to NOK 2.265 million (NOK 2.588 million).

RENTAL INCOME AND PROPERTY OPERATING EXPENSES

The group's net rental income came to NOK 1.700 million (NOK 1.546 million).

Gross rental income was NOK 1.889 million (NOK 1.745 million). The increase was due to both the completion of property projects and a fall in the portfolio vacancy rate.

Other property operating income was NOK 496 million (NOK 470 million) and relates to payments from the group's lessees to cover the property service charges.

Property operating expenses came to NOK 685 million (NOK 669 million) and include the aforementioned service charges of NOK 496 million (NOK 470 million).

OTHER OPERATING INCOME AND EXPENSES

In 2011 the value of the group's investment properties saw an upward adjustment of NOK 555 million (NOK 1.027 million). The increase in value is the result of lower yield, completed property projects and higher rental income.

The share of profit of associated companies came to NOK 54 million (NOK 56 million), and is attributable primarily to fair value adjustments on investment properties.

Other operating income amounted to NOK 449 million (NOK 432 million) and consists primarily of income from sales and the management of properties for external owners.

Other operating expenses, administration costs and ordinary depreciation came to NOK 493 million (NOK 473 million).

FINANCIAL INCOME AND EXPENSES

Net financial expenses in 2011 came to NOK 650 million (NOK 579 million).

The increase from the preceding year is due to both a larger interest-bearing debt (NOK 300 million) and a slightly higher average interest rate (0.2 persentage point).

The value of the group's interest rate derivatives fell by NOK 580 million (NOK 107 million) as a result of a substantial drop in the long-term interest rate level.

Total financial expenses therefore came to NOK 1.229 million (NOK 686 million).

CASH FLOW AND LIQUIDITY

Net cash flow from operations in 2011 was NOK 1.007 million (NOK 883 million), whilst the change in working capital was NOK 245 million (NOK 263 million). Net cash flow from operational activities came to NOK 1.252 million (NOK 1.146 million).

Investment activities generated a net cash flow of - NOK 693 million (- NOK 1.223 million), whilst financing activities put a burden of NOK 410 million (+ NOK 108 million) on the group's liquidity.

This means that liquid holdings in 2011 rose by NOK 149 million (NOK 32 million).

At the turn of the year, the group's liquidity reserves stood at NOK 3.513 million (NOK 3.167 million) and consisted of short-term investments of NOK 746 million (NOK 597 million) and committed long-term credit lines of NOK 2.766 million (NOK 2.569 million).

ALLOCATION OF THE PARENT COMPANY'S PROFIT FOR THE YEAR

The Board of Directors recommends that the profit for the year of the parent company Olav Thon Eiendomsselskap ASA be allocated as follows:

Dividend, NOK 10 per share	NOK 106 million
-Transferred from other equity	- NOK 28 million
Allocated net profit	**NOK 78 million**

The parent company's distributable reserve as at 31 December 2011 was NOK 327 million

ASSUMPTION OF CONTINUED OPERATION

Olav Thon Eiendomsselskap's activities are the purchasing, development and management of real property, and participation in other companies engaged in similar activities. All operations are directed towards the Norwegian property market.

The group has a strong financial position, a high-quality property portfolio, a strong market position in the Norwegian shopping mall market and a highly competent staff. The annual accounts are therefore presented on the assumption of continued operation.

In the Board's view, no matters or circumstances have arisen since the end of the accounting year which significantly affect the assessment of the group's position and results as at 31 December 2011.

ORGANISATION AND WORKING ENVIRONMENT

Olav Thon Eiendomsselskap is a workplace that 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, functional impairment, skin colour, nationality, political views and religion or other belief.

Work is underway 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 conditions mentioned above and the working environment in general to be satisfactory.

At the end of 2011, 381 person-years (317 person-years) were employed by the group. Of the group's employees, 45% are women and 55% are men.

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

Sickness absence was 4.2% (4.6%) in 2011. There have not been any work-related injuries or accidents in the period; and nor have any weaknesses in staff safety or the working environment in general been identified.

ENVIRONMENTAL STATUS

The group makes every effort to minimise the damage operations cause to the external environment, for instance by following environment-friendly procedures in the running of operational activities. Focus on environmental considerations is a natural and integral part of operations in Olav Thon Eiendomsselskap.

Emphasis is placed on environment-friendly measures in the group's own activities and for the lessees' use of the properties. Examples of such measures include energy-saving programmes for the group's properties and environmentally acceptable waste management.

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

Operations satisfy the requirements set as regards limiting pollution of the external environment.

CORPORATE GOVERNANCE

Olav Thon Eiendomsselskap wishes to maintain a high level of confidence with investors, lenders, lessees and the community in general, and therefore strives to practice good corporate governance.

Governance of the group is based on the principles given in the Norwegian Recommendation for Corporate Governance, issued by the Norwegian Corporate Governance Board.

During the course of the year, the Board of Directors of Olav Thon Eiendomsselskap held five meetings.

A more detailed description of corporate governance can be found on the company's home page www.olt.no.

SHARES AND SHAREHOLDERS

At the end of 2011 the closing price of shares in Olav Thon Eiendomsselskap was NOK 788. This means to say that in 2011 the share price fell by 13% (12% adjusted for dividend), in line with the main index of the Oslo Stock Exchange.

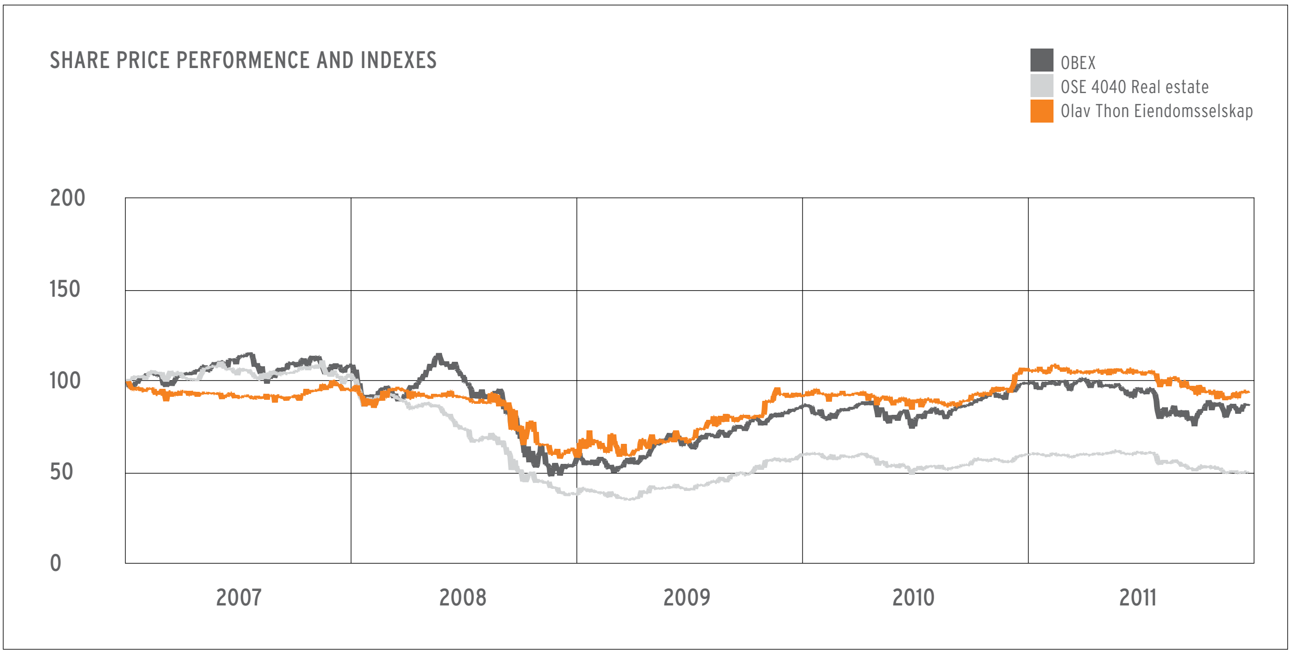
During the year 350.400 shares (248.000) were traded on the Oslo Stock Exchange, and the highest and the lowest price were NOK 940 and NOK 752, respectively.

The company's market capitalisation at the turn of the year was NOK 8.4 billion, making Olav Thon Eiendomsselskap the third largest listed property company in the Nordic countries.

At the year-end the company had 1.641 shareholders.

The company's five largest owners as at 31 December 2011 were:

• Thon Gruppen AS (with related parties)	71.5%
• Folketrygdfondet (National Insurance Fund)	9.0%
• Otto Olsen Eiendom AS (with related parties)	2.4%
• MP Pensjon	1.9%
• Skagen Vekst	1.7%
Total - 5 largest owners	**86.5%**



The share price performance of Olav Thon Eiendomsselskap has fallen by 7% in the last five years (3% adjusted for dividend) in the same period the main index and the OSE 4040 Real estate of the Oslo Stock Exchange fell by 13% and 56%.

At the company's Annual General Meeting in 2011 it was decided that a dividend of NOK 10 per share should be paid for 2010. The Board proposes that a dividend of NOK 10 per share be paid for 2011.

TRANSACTIONS WITH RELATED PARTIES

Major transactions with related parties can be seen in Note 29 to the Annual Report.

The transactions have been entered into on ordinary market terms and conditions as if they had taken place between independent parties.

PROPERTY OPERATIONS

THE PROPERTY PORTFOLIO AS AT 31 DECEMBER 2011

At the year-end the group owned 120 properties with a total lettable area of about 1.300.000sqm. In addition, the group owns substantial parking areas and plots of land which make future project development possible.

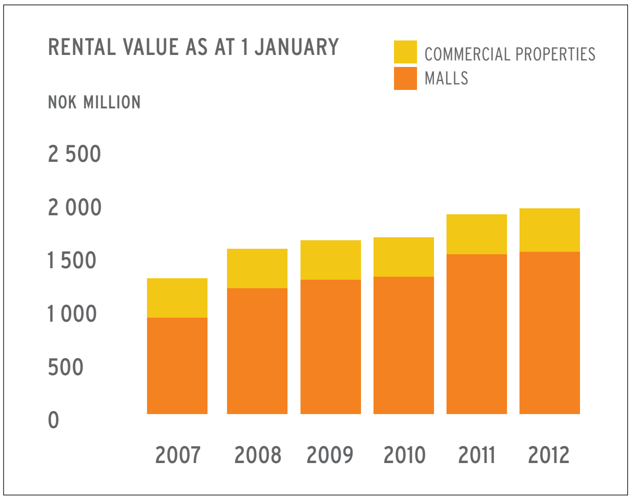
The (theoretical) rental value rose in 2011 by NOK 85 million to NOK 2.025 million. The increase is due to new properties, the completion of property projects and a general rent growth in the property portfolio.

The portfolio vacancy rate fell to 2% (3%) in 2011.

A property segment breakdown
of the rental value of the portfolio is as follows:
- 79% shopping mall property
- 21% commercial property

The rental income comes from the following geographical areas:
- 48% the Oslo region
- 21% other city regions in Norway
- 31% other smaller urban regions in Norway

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



The group´ s rental value has risen by 52% in the last five years.

THE MARKET VALUE OF THE PROPERTY PORTFOLIO

At the turn of the year, the value of the property portfolio was NOK 28.304 million (NOK 27.003 million).

Investment properties are recorded at actual value (market value). The value assessment as at 31 December 2011 is based on an average yield of 6.4% (6.5%), with the yield on individual properties varying between 5.5% and 10.0%.

The average yield for the different property segments is as follows:
- Shopping mall properties 6.2% (6.4%)
- Other commercial properties 7.0% (7.1%)

SHOPPING MALL PROPERTY

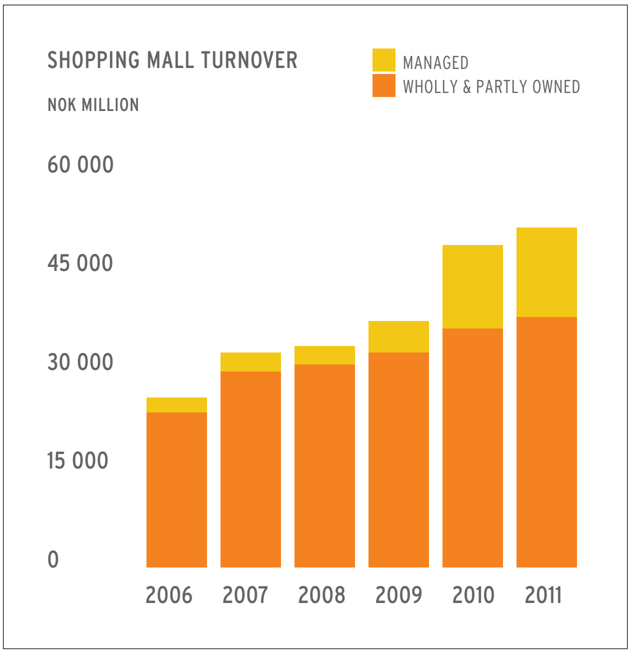
The (theoretical) rental value of the shopping mall properties rose in 2011 by 6% (13%) to NOK 1.598 million (NOK 1.511 million).

At the turn of the year, the group had 52 (50) shopping malls under its ownership and 24 (21) under its management.

The group's market position in the Norwegian shopping mall market is strong, and the portfolio includes Norway's five largest malls based on turnover.

In 2011 the shopping malls saw an increase in turnover of 6%, up to NOK 47.4 billion (NOK 44.9 billion), including NOK 12.7 billion (NOK 11.7 billion) in malls managed for external owners.

In the malls owned by the group the organic growth in turnover is estimated to be about 2%.



Turnover in shopping malls owened and managed by the group has risen by 96% in the last five years.

OTHER COMMERCIAL PROPERTY

The (theoretical) rental value of the group's other commercial property was NOK 427 million (NOK 429 million) at the start of 2012.

INVESTMENTS IN 2011

The group's total investments in 2011 came to NOK 853 million (NOK 1.721 million) and relate to investments in property projects under construction, the rehabilitation of the existing property portfolio and property purchases.

STØRRE EIENDOMSKJØP

- **Lillehammer Strandpark**
  The group has purchased a 90% interest in Lillehammer Strandpark ANS, which owns a building complex of about 15.700sqm in Lillehammer. This property is located next to the Strandtorget shopping mall, and there are plans to extend it by about 36.000sqm.

- **The Geilosenteret and Tunet shopping malls**
  The group has acquired 50% of the shares in Geilosenteret AS. This company owns the Tunet and Geilosenteret (80%) shopping malls in Geilo in the Municipality of Hol. The malls have a total retail space of about 9.000sqm and are managed by the group.

COMPLETED PROPERTY PROJECTS

		Sqare meter	
Project	**Segment**	**Addition**	**After addotion**
Sørlandssenteret trinn 1, Kristiansand	Mall	23.300 sqm	65.400 sqm
Amfi Stord, Stord	Mall	3.000 sqm	12.500 sqm
Amfi Os, Os	Mall	2.300 sqm	17.100 sqm

PROPERTY PROJECTS UNDER CONSTRUCTION

			Sqare meter	
Project	**Status**	**Segment**	**Addition**	**After addotion**
Vestkanten, Bergen	2012	Mall	9.900 sqm	33.600 sqm
Amfi Moa, Ålesund	2012	Mall	5.700 sqm	63.400 sqm
Sogningen Storsenter, Sogndal	2012	Mall	4.500 sqm	20.200 sqm
Sørlandssenteret trinn 2, Kristiansand	2013	Mall	33.300 sqm	98.700 sqm
Mart'n Senteret, Elverum	2013	Mall	6.800 sqm	21.300 sqm
Calmeyers gate 8b, Oslo	2012	Residential	24 apartm.	24 apartm.

FINANCES AND FINANCING

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

Such a strategy is intended to help reduce the financial risk and to ensure the group the financial freedom of action to be able to capitalise quickly on investment opportunities.

At the turn of the year, the group had an interest-bearing debt of NOK 14.008 million (NOK 14.200 million). The group's loan portfolio is composed of long-term credit lines arranged with Nordic banks and loans raised directly in the Norwegian capital market. Total loans and credit lines at the year-end were NOK 16.775 million (NOK 16.769 million).

The capital market is becoming an increasingly more important source of financing, and at the end of the year the group had outstanding bond and certificate loans of NOK 2.615 million (NOK 2.090 million).

The group's debt at the year-end had an average remaining term to maturity of 4.8 years (6.1 years). Eight percent of the debt falls due for payment in 2012, and the refinancing need could be covered in its entirety by the existing liquidity reserves.

OLAV THON EIENDOMSSELSKAP'S RISK FACTORS

The group's risk factors can be divided into the following main groups:

- Market risk
- Financial risk
- Operational risk.

MARKET RISK

The group's market risk is linked to developments in the Norwegian property market.

The Norwegian property market is affected by macroeconomic developments in Norway and by the general demand for commercial property as an investment object.

Changes in the market's required rate of return employed in connection with property sales and market rent for the properties have a direct effect on property values.

The commercial Growth in the Norwegian economy in 2011 was on the rise, although it was still relatively low.

The demand for commercial property was relatively high, but the financial turbulence in the second half of the year contributed to a lower transaction volume than previously estimated. All in all, 2011 is regarded as a positive year for commercial property.

The rental market
Rental prices in the shopping malls, on the whole, saw a stable or slightly upward trend.

The vacancy rate in the office market in Oslo exhibited a slightly falling tendency, but rental prices showed a weak rising tendency.

The transaction market
The total volume of transactions in the market for commercial property (with a value of over NOK 50 million) in 2011 was roughly at the same level as in 2010, and prices for the most attractive properties tended to move upwards.

The major factor behind this price rise for the most attractive properties was a drop in the required rate of return or yield on investments in this type of property

THE GROUP'S MARKET RISK

Shopping malls generate 79% of the group's rental income, with most coming from malls in the major cities. A substantial proportion of the lessees are international and national chains in the retail trade and the lease agreements have a balanced expiry structure.

Growth in consumer spending in Norway in 2011 was relatively low, and the group's malls had a growth in turnover in line with the performance of the Norwegian retail trade. An increase in consumer spending is expected in the future, and the operating conditions for shopping malls and centrally located retail properties are therefore regarded as favourable.

Commercial property, predominantly office space, in the Oslo area accounts for 21% of the group's rental income. The properties are let to a large number of lessees in different business sectors, and in this segment, too, the lease agreements have a balanced expiry structure.

The risk of a substantial rise in the vacancy rate and a sharp fall in income in this segment of the portfolio is considered to be moderate.

FINANCIAL RISK

The greatest financial risk for Olav Thon Eiendomsselskap is related to the group's access to and price of financing in the bank and capital market. The price of financing depends on the short-term and long-term market interest rates and the specific credit margin that the group must pay in the market. The credit margin is dependent on the group's credit rating and the price of comparable credit in the market.

INTEREST RATE DEVELOPMENTS

The short-term and long-term market rates developed differently in 2011. The short-term market rate (3 month NIBOR) rose to 2.89% (2.60%), whereas the long-term market rate (10 year swap) fell to 3.54% (4.40%).

THE CREDIT MARKET

The indicated credit margin for Olav Thon Eiendomsselskap's five-year bond loan rose to 1.40% (1.25%), whilst the credit margin for certificate loans with a 12-month term fell to 0.00% (0.05%).

THE GROUP'S FINANCIAL RISK CAN BE BROKEN DOWN INTO:

- Liquidity risk
- Interest rate risk
- Credit risk

LIQUIDITY RISK / REFINANCING RISK

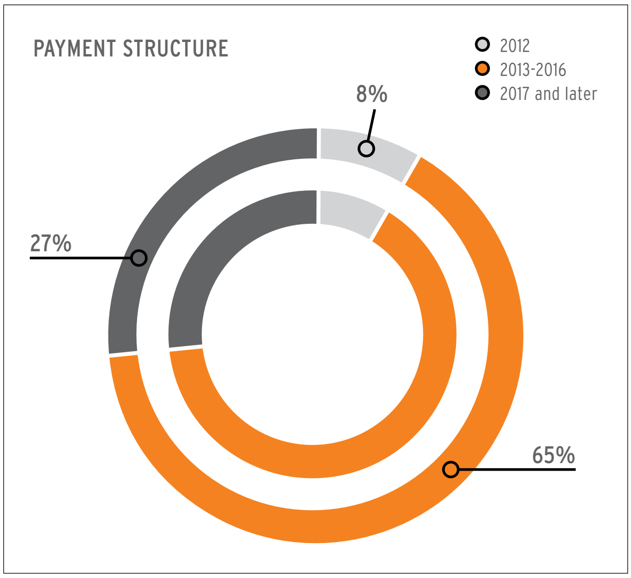
Liquidity risk is associated with the group's ability to service payment and other debt obligations as they fall due.

The greatest financial risk for Olav Thon Eiendomsselskap is related to the group's access to financing in the bank and credit markets.

The risk is mitigated by having substantial available liquidity reserves, a moderate loan-to-value ratio and long-term agreements. Further measures to minimise the risk include using different financing sources and markets and having a balanced distribution among the group's lenders.

At the turn of the year, the group's liquidity reserves stood at NOK 3.513 million (NOK 3.167 million) and consisted of short-term investments of NOK 746 million (NOK 597 million) and committed long-term credit lines of NOK 2.766 million (NOK 2.569 million).

The group's long-term interest-bearing debt of NOK 14.008 million (NOK 14.200 million) has the following repayment profile:



At the year-end, the loan portfolio had an average remaining life of 4.8 years (6.1 years).

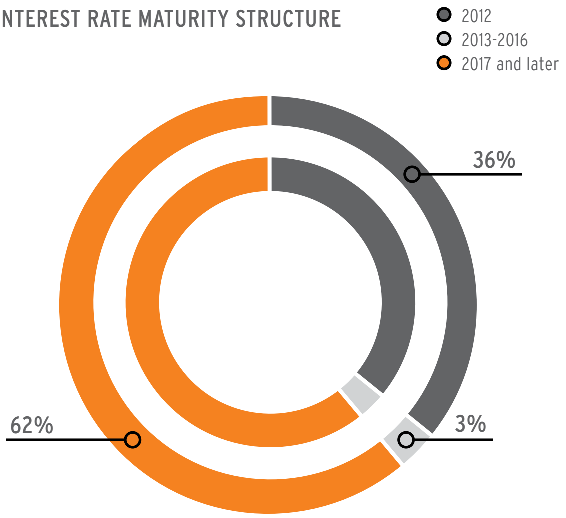
INTEREST RATE RISK / DEVELOPMENTS IN THE VALUE OF THE GROUP'S FINANCIAL INSTRUMENTS

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

One of the ways in which the risk is managed is through the use of financial instruments which are adjusted to the group's rate expectations and objectives for interest rate risk. For instance, in order to reduce the cash flow impact of rate changes in the short-term interest market, the group has a substantial proportion of long-term interest rate guarantees.

At the end of the year, the group had the following interest rate maturity structure:

INTEREST RATE MATURITY STRUCTURE



The average interest rate guarantee period was 5.3 years (4.6 years). At the turn of the year, the group's average interest rate (including credit margin) was 4.8% (4.5%).

The group's financial instruments (interest rate swaps) are recorded at their market value on the balance date. The interest rate swaps are used primarily to secure the group long-term interest rate guarantees and a stable cash flow. If the agreed fixed interest rate differs from the market rate there arises an increase or reduction in value that is recorded as income or expense in the profit and loss accounts.

At the turn of the year, the group's portfolio of long-term interest rate swaps amounted to about NOK 9.120 million (NOK 8.344 million) and had a market value of - NOK 951 million.

It is estimated that a change in the long-term interest rate level of one percentage point will result in a change in the market value of about NOK 800 million.

A change in the short-term interest rate level of one percentage point is estimated to mean a change in the group's average interest rate of about 0.4 percentage points. Net interest expenses would then see a change of about NOK 50 million.

CREDIT RISK

The group's credit risk relates primarily to the risk of losses as a result of lessees failing to pay the agreed rent.

The properties are let to a large number of lessees from different business sectors and good routines have been established for the conclusion and follow-up of lease agreements.

In the last few years, the group has had relatively low losses on rent claims, and the risk of the group suffering substantial losses as a result of bankruptcy among its lessees is regarded as moderate.

OPERATIONAL RISK

The group's operational risk is primarily related to the failure of staff and operation management systems to function as expected. Management of the group is organised so as to ensure that the risk related to the activities and absence of individuals is relatively low, and the group's management systems are considered to be robust.

As a form of quality assurance, the group's auditor also conducts systematic risk assessments of various aspects of the group's operation and management.

OUTLOOK

Growth in the global economy is slowing down, and substantial uncertainty surrounds future macroeconomic developments. There is a risk that the government debt crisis will lead the industrialised countries into long-term economic decline.

In Norway growth is still relatively high and most areas of the Norwegian economy are performing well. However, international developments are also eroding the economic prospects of this country, and the Central Bank of Norway therefore lowered the interest rate to 1.75% in December, and then lowered it again to 1.50% in March 2012.

It is expected that consumer spending will continue to see relatively high growth in Norway, and therefore the operating conditions for the group's shopping malls are regarded as favourable. Should the Norwegian economy also slip into economic decline, it has been found that the turn-over of the malls is slightly less sensitive to cyclical changes than other areas of the retail trade.

The vacancy rate in the office market in Oslo fell last year and rental prices showed a rising tendency. The office rental market is considered to be cyclically sensitive, which means that there is an increased risk of a slow-down in the positive trend in the future.

The demand for commercial property is still high, but the financial turbulence has led to a lower volume of transactions than previously estimated. The government debt crisis in Europe has resulted in poorer access to credit for banks and corporate customers in Norway too.

The consequence of this may be a weaker demand for commercial property and a higher required rate of return in the property market. This will probably contribute to slightly lower commercial property values, although a stable trend is expected for the most attractive properties.

Despite the ongoing uncertainty in the global economy, the Board of Directors considers that Olav Thon Eiendomselskap's sound market position in the property market and its strong financial position will contribute to continued satisfactory profit developments in the future.

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 COMPREHENSIVE INCOME GROUP

OLAV THON EIENDOMSSELSKAP ASA For year ended 31. December (In millions of NOK)	2011	2010
Gross rental revenue	1 889	1 745
Other property operating income	496	470
Property operating expenses	-685	-669
Net rental income	**1 700**	**1 546**
Fair value adjustments - investment properties	555	1 027
Share of profit of associates	54	56
Other operating expenses	-367	-362
Other operating expenses	-367	-362
Administrative expenses	-99	-88
Depreciations property, plant and equipment	-27	-23
Net operating result	**2 265**	**2 588**
Financial income	53	39
Interest rate derivatives	-580	-107
Financial expenses	-702	-618
Result before tax	**1 036**	**1 902**
Deferred tax expenses	-204	-488
Income tax expenses	-77	-33
Total tax expenses	**-281**	**-521**
Net profit	**755**	**1 381**
Other comprehensive income and expenses	0	0
Total comprehensive income	**755**	**1 381**
Total comprehensive income attributable to:		
Owners of the parent	724	1 325
Non-controlling interests	31	56
Earnings per share (basic and diluted)	67.98	124.48

STATEMENT OF FINANCIAL POSITION GROUP

OLAV THON EIENDOMSSELSKAP ASA For year ended 31. December (In millions of NOK)	2011	2010
ASSETS		
Deferred tax assets	287	140
Investment property	28 304	27 003
Other fixed assets	61	42
Other investments	393	345
Non-current assets	**29 045**	**27 531**
Trade receivables and other current assets	831	936
Cash and cash equivalents	746	597
Total current assets	**1 578**	**1 533**
Total assets	**30 623**	**29 064**
EQUITY AND LIABILITIES		
Majority's share of shareholders' equity	10 039	9 469
Non-controlling interests	169	186
Total equity	**10 208**	**9 655**
Deferred tax liabilities	4 133	3 757
Loans and borrowings	13 751	14 303
Current liabilities	2 530	1 349
Total liabilities	**20 415**	**19 409**
Total equity and liabilities	**30 623**	**29 064**

STATEMENT OF CASHFLOWS GROUP

OLAV THON EIENDOMSSELSKAP ASA For the year ended 31. December (In millions of NOK)	2011	2010
Profit for the period	1 036	1 901
Change in fair value of investment property	-555	-1 027
Interest rate derivatives	580	107
Share of profit of associates	-54	-56
Income tax paid	-25	-64
Depreciation	27	23
Difference between expensed and paid interests	-25	36
Change in employee benifits	-1	-2
Other changes in working capital	270	227
Cash flows from operating activities	**1 252**	**1 146**
Proceeds from sale of property	1	80
Acquisition of property	-701	-1 314
Proceeds from sale of other investments	107	323
Acquisition of other investments	-100	-312
Cash flows from investing activities	**-693**	**-1 223**
Proceeds from issue of borrowings	3 647	2 006
Repayment of borrowings	-3 950	-1 813
Dividends paid	-106	-85
Cash flows from financing activities	**-410**	**108**
Net change in cash and cash equivalents	**149**	**31**
Cash and cash equivalents at 1. January	597	566
Cash and cash equivalents at 31. December	**746**	**597**
Unutilized liquid reserves	2 778	2 581

STATEMENT IN CHANGES IN EQUITY GROUP

OLAV THON EIENDOMSSELSKAP ASA For the year ended 31. December (In millions of NOK)		Sharecapital	Reserves	Retained earnings	Non-controlling interests	Total equity
Shareholders equity as at 31.12.2009	**106**	**318**		**7 794**	**101**	**8 320**
Total comprehensive income				1 325	56	1 381
Dividends paid				-85		-85
Acquisition of companies				11	29	40
Shareholders equity as at 31.12.2010	**106**	**318**		**9 045**	**186**	**9 655**
Total comprehensive income				724	31	755
Dividends paid				-106		-106
Acquisition of companies				-48	-48	-96
Shareholders equity as at 31.12.2011	**106**	**318**		**9 614**	**169**	**10 208**

Photo: Nathan Lediard and Olav Thon Gruppen. Design & layout: Design Container

Stenersgata 2
P.O BOX 489 Sentrum
0105 Oslo
Norway

Phone: 23 08 00 00
Fax: 23 08 01 00

www.olt.no
E-mail: firmapost@olavthon.no