

# ANNUAL REPORT 2021

**OLAV THON**  
EIENDOMSELSKAP



# OLAV THON EIENDOMSSSELSKAP IN BRIEF

## HISTORY

Olav Thon Eiendomsselskap ASA was founded in 1982 and its shares were listed on the Oslo Stock Exchange in 1983.

The company has grown significantly since its start-up, with its annual rental income from properties having risen from NOK 27 million originally to NOK 3,270 million at the start of 2022. In the same period, the company's market capitalisation has increased from NOK 200 million to NOK 20.3 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
- Sissel Berdal Haga Thon, Board Member
- Stig O. Jacobsen, Board Member
- Line Norbye, Board Member
- Elisabeth Holvik, Board Member
- Ole-Christian Hallerud, Deputy Member/Acting CEO
- Dag Tangevald-Jensen, CEO

# HIGHLIGHTS 2021

- Profit before income tax amounted to NOK 4,767 (338) million.
- Profit before income tax, fair value adjustments and currency result amounted to NOK 2,068 (1,936) million.
- The Group's financial position is solid, and the Group's equity ratio at year end was 51% (47%), while its liquidity reserves were NOK 8,214 (7,226) million.
- Retail sales in the shopping centre portfolio owned by the Group were NOK 54,999 million, up 3.8% on 2020.



# KEY FIGURES

	ARM <sup>1</sup>	31.12.21	31.12.20
(Amounts in MNOK)			
Net rental income		2 774	2 707
Fair value adjustments in investment properties and interest rate derivatives	1	2 647	-1 548
Profit before income tax		4 767	338
Profit before income tax, fair value adjustments and currency result	2	2 068	1 936
Equity ratio	3	51%	47%
Equity per share (NOK)	4	298	268
Long-term net asset value per share (NOK)	4	351	318
Net cash flow from operations	5	1 997	1 710
Liquidity reserves	6	8 214	7 226
Amortisation next 12 months	7	3 335	5 533
Interest-bearing debt	8	20 114	21 003
Interest per balance sheet date	9	3.16%	3.06%
Loan to value ratio	8	35%	38%
Net investments	10	559	914
Market value properties	11	56 734	54 656
Annualized rental income level	12	3 270	3 250
Net yield properties	13	4.97%	5.19%
Sales, owned shopping centres		54 999	52 993
Share price per balance sheet date (NOK)		195.6	183.5

<sup>1</sup> Definitions, calculations and explanations on the use of alternative performance measures (APM) are included at page 21 of the report.

# BOARD OF DIRECTORS' REPORT 2021

## THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

In accordance with the requirements of the Norwegian Accounting Act, the Board of Directors confirms that the basis for continued operations is still present. The annual financial statements for 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 note 31 for information concerning the uncertainty surrounding the coronavirus pandemic and its effects on the consolidated financial statements.

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.

## IMPACT OF THE CORONAVIRUS PANDEMIC ON OLAV THON EIENDOMSSSELKAP

Like 2020, 2021 was affected by the coronavirus pandemic and the infection control measures that were introduced.

Olav Thon Eiendomsselskap was affected by this. A number of the company's tenants were hit by periods with bans on physical trading, bans on social activities and other infection control measures. At times, the infection control measures resulted in lower footfalls in the shopping centres.

Overall, shopping centre tenants achieved substantial sales growth in 2021, but this varied from tenant to tenant.

Both the Norwegian and Swedish authorities introduced support schemes for businesses that were adversely affected by the infection control measures, which some of the Group's tenants took advantage of.

To alleviate the situation further, the Group granted temporary rent reductions to tenants who were severely affected by the infection control measures.

As of February 2022, nearly all of the infection control measures 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 62,000 (59,958) million, with investment properties accounting for NOK 56,530 (54,453) million of that figure.

Equity amounted to NOK 31,342 (28,136) million and the equity ratio was 51% (47%).

Equity per share (majority share) was NOK 298 (268), while the triple net asset value per share was calculated at NOK 351 (318).

Interest-bearing debt was NOK 20,114 (21,003) million, with a loan to value ratio of 35% (38%).

The Group's share of the equity in joint ventures and associated companies was NOK 3,004 (2,740) million.

### Summary of the income statement for 2021

Profit before income tax was NOK 4,767 (338) million.

Fair value adjustments of investment properties and interest rate derivatives (inclusive of joint ventures and associated companies) amounted to NOK 2,647 (-1,548) million.

Profit before income tax, fair value adjustments and currency result amounted to NOK 2,068 (1,936) million.

### RENTAL INCOME AND PROPERTY-RELATED EXPENSES

Rental income amounted to NOK 2,990 (2,962) million.

Rental income is affected by temporary rent reductions of NOK 25 (-53) million being granted in connection with the coronavirus pandemic.

Property-related income amounted to NOK 939 (857) 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 1,155 (1,112) million, including the above-mentioned service charges of NOK 756 (709) million.

Maintenance expenses for the property portfolio amounted to NOK 111 (132) million.

Net rental income amounted to NOK 2,774 (2,707) million.

### FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The value of the Group's investment properties increased by NOK 1,802 (-909) million.

The Group's property portfolio consists of the following property segments:

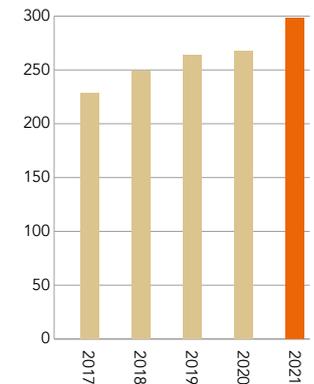
- Shopping centre properties in Norway and Sweden
- Commercial property including rental housing, primarily in the Oslo area

Both main segments saw positive value development in 2021.

The value of the Group's commercial property increased by NOK 957 (1,051) million, while the value of the shopping centre properties increased by NOK 845 (-1,960) million.

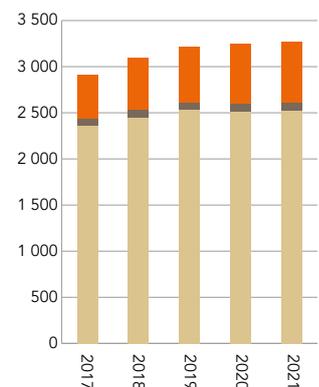
For further details please refer to the section on property activities later in the report and note 14 in the consolidated annual financial statements.

### EQUITY PER SHARE (NOK)



### ANNUAL RENTAL INCOME LEVEL

NOK millions



■ Other commercial property  
■ Shopping centres  
■ Property

### **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 283 (-22) million.

For the most part, the increase is explained by fair value adjustments of shopping centre properties and interest rate derivatives amounting to NOK 140 (-219) million in these companies, and income tax amounting to NOK 61 (-12) million.

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

### **OTHER OPERATING INCOME AND EXPENSES**

Other operating income amounted to NOK 165 (148) million and consisted mainly of sales revenue from other activities of NOK 125 (113) million and income from property management for external owners, which amounted to NOK 40 (36) million.

Other operating and administrative expenses amounted to NOK 351 (341) million, while scheduled depreciation amounted NOK 32 (35) million.

### **FINANCIAL INCOME AND EXPENSES**

The Group's net financial expenses were NOK 581 (792) million, while net interest expenses amounted to NOK 665 (705) million.

Net gains related to the SEK exchange rate amounted to NOK 113 (-63) million.

### **FAIR VALUE ADJUSTMENTS OF FINANCIAL INSTRUMENTS**

The value of the Group's interest rate derivatives increased by NOK 716 (-407) million, primarily due to higher long-term market interest rates during 2021.

### **Cash flow and liquidity**

Net cash flow from operations in 2021 was NOK 1,997 (1,710) million.

Net cash flow from operating activities was NOK 1,684 (1,373) million.

Net cash flow from investing activities was NOK -492 (-410) million, while financing activities reduced liquidity by NOK 1,226 (868) million.

The exchange rate effect on cash was NOK -2 (4) million, and liquidity reserves fell by NOK 36 (98) million in 2021.

The Group's liquidity reserves were NOK 8,214 (7,226) million at year end, consisting of short-term investments of NOK 448 (484) million and undrawn long-term credit facilities of NOK 7,766 (6,742) 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 financial statement of 2020 is affected by the reorganisation of the parent company into a pure holding company, and the parent company's property portfolio is now owned indirectly through subsidiaries. Further information on this can be found in the Group's Annual Report for 2020.

The parent company's operating income amounted to NOK 0 (0) million, while profit before income tax was NOK 1,465 (1,693) million as a result of dividends from subsidiaries.

Profit after income tax for the year was NOK 1,320 (1,823) million.

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

Proposed dividend	
NOK 6.50 per share:	NOK 674 million
Transferred from other equity capital:	NOK 646 million
Allocated net result	NOK 1,320 million

The book value of the parent company's assets was NOK 22,808 (23,569) million at year end. As at the same date, book equity was NOK 2,827 (2,699) million and the equity ratio was 12.4% (11.5%).

## PROPERTY OPERATIONS

### Property portfolio as at 31 December 2021

The Group's portfolio of investment properties is carried at fair value. For information about the valuation model and the variables used in the valuation, please see note 14.

The property portfolio was valued at NOK 56,530 (54,453) million, based on an average yield of 4.97% (5.19%).

The annual rental income level, which shows the property portfolio's expected market rent for let and vacant spaces, increased by NOK 20 million in 2021 to NOK 3,270 million (3,250).

The property portfolio is made up of the following main segments:

Segment	Market value (Share)	Rental income level (Share)	Yield
Shopping centre properties	71% (72%)	77% (77%)	5.34% (5.54%)
Commercial properties	29% (28%)	23% (23%)	4.08% (4.31%)

As at 31 December 2021, the vacancy rate in the property portfolio was 3.7% (3.9%).

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

In addition to the property portfolio carried on the Group's balance sheet, the Group owns shares in a further 11 shopping centres through joint ventures and associated companies. The stakes in these companies are between 25% and 50%.

The Group's share of the rental income level was NOK 285 (275) million at year end, while the value of the property portfolio is estimated at NOK 4,421 (4,260) million.

### THE SHOPPING CENTRE BUSINESS AREA

At year end, Olav Thon Eiendomsselskap wholly or partly owned 60 shopping centres in Norway and Sweden. The Group also manages 16 centres for external owners.

Olav Thon Eiendomsselskap is Norway's leading shopping centre actor with a solid market position.

The portfolio includes Norway's largest shopping centre in terms of retail sales, Lagunen Storsenter in Bergen, and 6 of the country's 10 largest shopping centres in total.

### Shopping centres owned by the Group

The rental income level in the portfolio of shopping centres owned by the Group was NOK 2,802 (2,830) million at year end (inclusive of the Group's share of jointly owned shopping centres).

Total retail sales amounted to NOK 54,999 (52,933) million in 2021.

### Norway

In Norway, the rental income level in the shopping centres was NOK 2,584 (2,590) million (inclusive of rental income from jointly owned shopping centres) and retail sales were NOK 51,447 (49,469) million.

## Sweden

The rental income level in the Group's Swedish shopping centres was SEK 224 (230) million. Retail sales amounted to SEK 3,545 (3,413) million.

## COMMERCIAL PROPERTY

The rental income level for the Group's commercial property increased to NOK 753 (695) million, inclusive of around NOK 75 million from residential property for rent.

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

## Investments

The Group's net investments in 2021 amounted to NOK 559 (914) million and mainly consist of investments in property projects under construction and upgrades of the existing property portfolio.

## MAJOR PROPERTY ACQUISITIONS

### Amfi Drøbak City, Frogn

In Q3 2021, an agreement was signed acquiring ownership of the property, which the Group has leased since 1996. Amfi Drøbak City is a shopping centre property 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 Q1 2022.

## MAJOR PROPERTY SALES

### Elveveien 65-75, 85 Bærum

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

### Familia Kjøpcentrum, Hyllinge, Sweden

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

## PROPERTY DEVELOPMENT

Property development is an important part of the Group's operations, and the following major property projects were under construction at the end of 2021.

Two logistics buildings totalling 47,000 square metres in Gardermoen Park near Oslo Airport in the Municipality of Ullensaker.

Two new buildings totalling 8,100 square metres with 68 homes for rent, centrally located in Oslo city centre/east side of Oslo.

## Refurbishment of property portfolio

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

## Projects in planning phase

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

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

## FINANCING

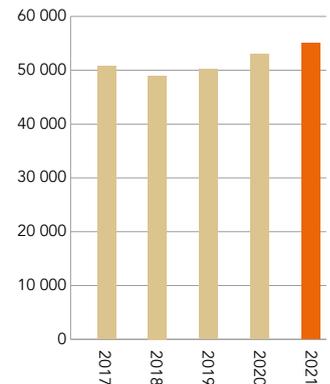
The Group's debt portfolio consists of long-term credit facilities with Nordic banks and direct borrowing in the capital markets in Norway and Sweden.

At year end, total credit facilities were NOK 27,880 (27,745) million, NOK 7,766 (6,742) million of which was undrawn.

Interest-bearing debt therefore amounted to NOK 20,114 (21,003) million.

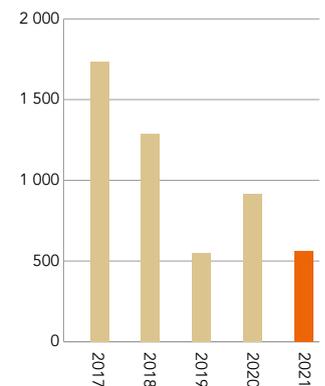
## SHOPPING CENTRE SALES

NOK millions



## NET INVESTMENTS

NOK millions



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

At year end, the outstanding certificate and bond debt amounted to NOK 13,523 (10,914) million, made up as follows:

Norway:	NOK 11,230 (8,723) million
Sweden:	SEK 2,250 (2,100) million

The debt had an average remaining term of 3.0 (2.6) years, and 17% (26%) of the debt is due for repayment within 1 year.

The Group's average interest rate was 3.16% (3.06%), divided between the following currencies:

Currency	Average interest rate	Share of debt
NOK	3.50%	86%
SEK	1.04%	14%

At year end, the Group had a fixed-rate ratio of 57% (55%), with an average fixed-rate period of 3.9 (3.6) years.

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

## ORGANISATION AND WORKING ENVIRONMENT

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

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

Olav Thon Eiendomsselskap has defined equal pay for men and women with

comparable positions as a goal for its gender equality work. No systematic differences in pay between men and women have been identified in the Group.

Work is in progress to promote universal design of the 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 391 (374) FTEs in the Group. At the same time, the parent company Olav Thon Eiendomsselskap had 1 (2) FTEs.

44% of the Group's employees are women and 56% are men. The Group's sick leave rate in 2021 was 3.8% (3.4%).

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.

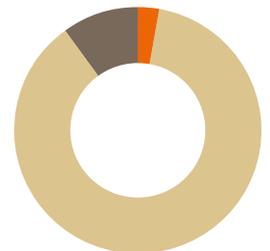
The company's Board of Directors consists of three women and two men.

At the company's Annual General Meeting on 22 June 2021, Elisabeth Holvik was elected as a new board member for a term of 2 years ending in 2023.

Olav Thon Eiendomsselskap 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 company's website: olt.no.

### UNUTILIZED CREDIT FACILITIES



■ < 12 months (3%)  
 ■ 1-5 years (87%)  
 ■ > 5 years (10%)

### REPAYMENT STRUCTURE



■ < 12 months (19%)  
 ■ 1-5 years (66%)  
 ■ > 5 years (14%)

### INTEREST MATURITY STRUCTURE



■ < 12 months (43%)  
 ■ 1-5 years (24%)  
 ■ > 5 years (33%)

## ENVIRONMENTAL STATUS

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

Environmental work is an integral part of operations in Olav Thon Eiendomsselskap and environmentally friendly initiatives are implemented both for 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 company's website: olt.no.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Olav Thon Eiendomsselskap follows Olav Thon Group's guidelines for sustainable development 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 with targets and measures in an annual Sustainability Report in accordance with the Global Reporting Initiative (GRI) standards.

Olav Thon Eiendomsselskap presented carbon accounts for the first time in 2021, and in 2022 will also present a separate report for sustainability in Olav Thon Eiendomsselskap in addition to the carbon accounts.

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

## CORPORATE GOVERNANCE

Olav Thon Eiendomsselskap aims to maintain a high level of trust among investors, lenders, tenants and society in general, and therefore strives to achieve 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).

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

Olav Thon Eiendomsselskap ASA's Board of Directors held five board meetings in 2021.

## SHARES AND SHAREHOLDERS

The price of Olav Thon Eiendomsselskap shares at the end of 2021 was NOK 195.60, up from NOK 183.50 at the start of the year.

At year end, the company's market capitalisation was NOK 20.3 (19.0) billion.

In recent years, the Olav Thon Eiendomsselskap share has generated the following return compared with the Oslo Stock Exchange:

	Share price and dividend OLT	Main index Oslo Stock Exchange
2021	9%	23%
Last 3 years	42%	50%
Last 5 years	28%	47%

## SHARE PRICE AND OSEBX DEVELOPEMENT LAST 5 YEARS



**Share trades**

In 2021, 5.3 (7.6) million shares were traded and 18,024 (27,051) transactions in the share were conducted on the Oslo Stock Exchange.

The highest and lowest prices in 2021 were NOK 214 (189.60) and NOK 157 (85.90), respectively.

**Dividend**

The company's dividend policy is that shareholders should receive a dividend equivalent to 30-40% of the Group's profit excluding fair value adjustments, given a satisfactory solvency ratio and liquidity.

In 2021, a dividend of NOK 5 per share for 2020 was paid to shareholders in the company on 31 August 2021.

The Board proposes that a dividend of NOK 6.50 (5.00) per share should be paid for 2021.

Further information on shares and shareholders can be found on the company's website: olt.no.

**OLAV THON EIENDOMSSSELKAP'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 property markets, which are affected by both general macroeconomic developments and demand for commercial property as an investment object.

The market risk is related to both the development of properties' market value and the development of rental prices for retail, office and residential properties.

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

Changes in the market yields used in the sale of commercial property and changes in market rents for properties have a direct effect on property values. Calculations of this effect can be found in note 14 in the annual report.

**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 in Norway 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.

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 yield and rental income would have on property values and the equity ratio can be found in note 14 and on the company's website: olt.no.

### Financial risk

Olav Thon Eiendomsselskap's financial risk is considered mainly to be the Group's access to financing in the banking and capital markets and the 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 again linked to the Group's creditworthiness and developments in the credit market.

### Official credit rating

In February 2021, Olav Thon Eiendomsselskap was awarded an Investment Grade Rating of Baa2 with stable outlook by Moody's.

The credit rating has further increased the Group's access to financing in both the Norwegian and international capital markets.

### Trends in the financing 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 official credit rating awarded to the company in February.

### Development of interest rates

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 Norwegian 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 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, but the short-term money market interest rate (3-month STIBOR) was unchanged at -0.05% during the year. The long-term money market rate (10-year swap rate) rose from 0.39% to 0.96% at year end.

### The credit market

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 spread for 5-year unsecured bond issues in Norway was indicated at 0.95% (1.05%), while 12-month unsecured commercial papers were indicated at 0.25% (0.35%).

### The Group's financial risk factors

The Group's operations entail various types of financial risk factor.

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

Descriptions of financial risk management and financial risk objectives can be found in note 18 in the annual report for 2021. The status of the different risks factors at year end is described below.

### Liquidity risk

The Group's liquidity reserves at year end amounted to NOK 8,214 (7,226) million. The debt portfolio had an average remaining term of 3.0 (2.6) years with 17% (26%) of the debt falling due for repayment within one year.

As at 31 December 2021, the liquidity reserve represents 240% of debt maturing in the next 12 months.

### Interest rate risk

At year end, the Group had a fixed-rate ratio with a fixed-rate period exceeding one year of 57% (55%), with an average fixed-rate period of 3.9 (3.6) years.

The average interest rate at year end was 3.16% (3.06%).

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

At year end, the portfolio of interest rate derivatives was NOK 18,087 (13,875) million and had a market value of NOK -988 (-1,748) million.

Fair value is affected by changes in long-term interest rates and the remaining term on interest rate swaps. It is estimated that a change of 1 percentage point in interest rates would change the market value of the portfolio by approximately NOK 600-700 million.

### Currency risk

At year end, the Group had a hedge ratio of 96%, which means that 96% of the Group's assets in Sweden are financed with Swedish kroner.

At year end, 86% of the Group's interest-bearing debt was nominated in Norwegian kroner, with an average interest rate of 3.50%. 14% of the debt was borrowed in Swedish kroner and had an average interest rate of 1.04%.

### Credit risk

The Group's credit risk is primarily the risk of losses as a result of tenants' failure to pay the agreed rent. 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.

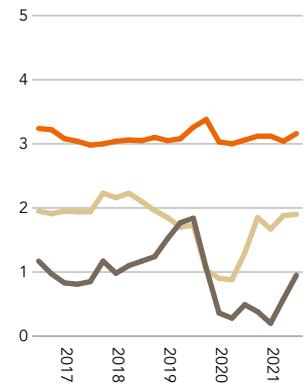
Some of the Group's tenants in the retail trade were affected by the coronavirus pandemic and provisions for losses on trade receivables were therefore increased in 2020. Provisions were kept at the same level in 2021, but there is much less uncertainty at the start of 2022. Realised losses did not increase much 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.

### INTEREST RATES LAST FIVE YEARS



■ OLT average rate  
■ 10-years swap rent  
■ 3-month NIBOR

**OUTLOOK**

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

Norges Bank increased its key policy rate from 0% to 0.50% in the second half of 2021 and is indicating that the rate will rise further as the Norwegian economy returns to normal. Interest rates are expected to remain moderate in the next few years.

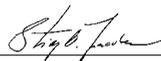
It is assumed that the Group's solid market position and financial position will contribute to maintain good profit development in the future.

Oslo, 23 March 2022

Board of Directors, Olav Thon Eiendomsselskap ASA



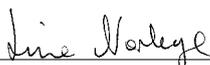
Olav Thon  
(Chairman of the Board)



Stig O. Jacobsen



Sissel Berdal Haga Thon



Line Norbye



Elisabeth Holvik



Ole-Christian Hallerud  
(Acting CEO)

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

We confirm that the company's annual financial statements for 2021 have been prepared, to the best of our knowledge, in accordance with current accounting standards, and that the accounts give a true and fair view of the Group's and the company's assets, liabilities, financial position and results.

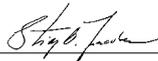
To the best of the Board's knowledge, the Board of Directors' Report provides a fair overview of the development, result and position of the Group and the company, and describes the Group's most important risks and uncertainty factors.

Oslo, 23 March 2022

Board of Directors, Olav Thon Eiendomsselskap ASA



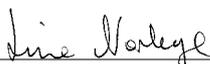
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(Acting CEO)

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

## GROUP

## STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
(Figures in NOK millions)		
Rental income	2 990	2 962
Property-related income	939	857
Property-related expenses	-1 155	-1 112
<b>Net rental income</b>	<b>2 774</b>	<b>2 707</b>
Other operating income	165	148
Other operating expenses	-154	-151
Administrative expenses	-197	-190
Depreciation	-32	-35
<b>Net income from property management</b>	<b>2 558</b>	<b>2 479</b>
Fair value adjustments, investment property	1 802	-909
Fair value adjustments, right-of-use assets	-12	-12
Share of profit from joint ventures and associates	283	-22
<b>Operating profit</b>	<b>4 631</b>	<b>1 537</b>
Financial income	118	10
Financial expenses	-699	-802
Fair value adjustments, interest rate derivatives	716	-407
<b>Net financial items</b>	<b>136</b>	<b>-1 198</b>
<b>Profit before income tax</b>	<b>4 767</b>	<b>338</b>
Change in deferred tax	-736	89
Income tax payable	-208	-170
<b>Income tax</b>	<b>-944</b>	<b>-81</b>
<b>Profit</b>	<b>3 822</b>	<b>257</b>
<b>Other Comprehensive income</b>		
Items to be reclassified to P&L in subsequent periods:		
Currency translation differences from foreign operations	-103	165
Hedging of net investment in foreign operations	0	-128
Income taxes on other comprehensive income	0	28
<b>Total comprehensive income</b>	<b>3 720</b>	<b>322</b>
<b>Profit attributable to:</b>		
Shareholders of the parent	3 770	315
Non-controlling interests	53	-57
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent	3 667	379
Non-controlling interests	53	-57
Earnings per share, basic and diluted (NOK)	36	3

# GROUP

## STATEMENT OF FINANCIAL POSITION

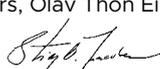
	2021	2020
(Figures in NOK millions)		
<b>ASSETS</b>		
Deferred tax asset	0	326
Investment properties	56 530	54 453
Right-of-use assets	337	347
Owner-occupied properties	187	189
Fixed assets	58	73
Investments in joint ventures and associates	3 004	2 740
Other non-current assets	445	440
<b>Total non-current assets</b>	<b>60 560</b>	<b>58 570</b>
Trade receivables and other current receivables	992	905
Cash and cash equivalents	448	484
<b>Total current assets</b>	<b>1 440</b>	<b>1 388</b>
<b>Total assets</b>	<b>62 000</b>	<b>59 958</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	104	104
Share premium	318	318
Other equity	30 484	27 331
Non-controlling interests	436	385
<b>Total equity</b>	<b>31 342</b>	<b>28 136</b>
Deferred tax liabilities	7 493	7 138
Lease liabilities	341	347
Interest-bearing non-current liabilities	16 780	15 470
Non-current liabilities	712	1 406
<b>Total non-current liabilities</b>	<b>25 325</b>	<b>24 360</b>
Income tax payable	209	170
Interest-bearing current liabilities	3 335	5 533
Trade payables and other current liabilities	1 790	1 759
<b>Total current liabilities</b>	<b>5 333</b>	<b>7 462</b>
<b>Total liabilities</b>	<b>30 658</b>	<b>31 822</b>
<b>Total equity and liabilities</b>	<b>62 000</b>	<b>59 958</b>

Oslo, 23 March 2022

Board of Directors, Olav Thon Eiendomsselskap ASA



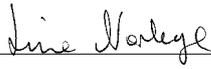
Olav Thon  
(Chairman of the Board)



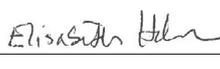
Stig O. Jacobsen



Sissel Berdal Haga Thon



Line Norbye



Elisabeth Holvik



Ole-Christian Hallerud  
(Acting CEO)

## GROUP

# STATEMENT OF CASH FLOW

	2021	2020
(Figures in NOK millions)		
Profit before income tax	4 767	338
Fair value adjustments, investment property	-1 802	909
Fair value adjustment, interest rate derivatives	-716	407
Expensed interest	670	702
Paid interest	-667	-731
Paid income tax	-169	-251
Share of profit from joint ventures and associated companies	-283	22
Depreciation of fixed assets	32	35
Change in operating related accruals	-147	-57
<b>Net cash flow from operating activities</b>	<b>1 684</b>	<b>1 373</b>
Proceeds from sale of property, plant and equipment	366	-
Purchase of investment properties and property, plant and equipment	-873	-680
Net payments of acquisition of subsidiaries	-	-33
Other investments	14	304
<b>Net cash flow from investment activities</b>	<b>-492</b>	<b>-410</b>
Proceeds from interest-bearing liabilities	14 550	10 257
Repayment of interest-bearing liabilities	-15 245	-11 099
Payment on leasing liabilities	-11	-13
Dividends paid	-520	-13
Payments of purchase of own shares	-	-
<b>Net cash flow from financing activities</b>	<b>-1 226</b>	<b>-868</b>
Currency translation effects on cash and cash equivalents	-2	4
<b>Net change in cash and cash equivalents</b>	<b>-36</b>	<b>98</b>
Cash and cash equivalents as at 1 January	484	386
Cash and cash equivalents as at 31 December	448	484
Unutilized overdrafts and other credit facilities	7 766	6 742

## GROUP

# STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Currency translation differences	Other equity	Hedging reserve	Majority share of equity	Non-controlling interests	Total
(NOK millions)								
<b>Equity 31 Dec 2019</b>	<b>106</b>	<b>318</b>	<b>-132</b>	<b>26 987</b>	<b>88</b>	<b>27 368</b>	<b>452</b>	<b>27 819</b>
Profit				315		315	-57	257
Other comprehensive income			165		-100	65		64
Acquisitions of own shares	-3			3				0
Dividends paid							-13	-13
Other changes				5		5	3	9
<b>Equity 31 Dec 2020</b>	<b>104</b>	<b>318</b>	<b>32</b>	<b>27 310</b>	<b>-12</b>	<b>27 752</b>	<b>385</b>	<b>28 136</b>
Profit				3 770		3 770	53	3 822
Other comprehensive income			-103			-103		-103
Dividends paid				-518		-518	-2	-520
Other changes				5		5	1	6
<b>Equity 31 Dec 2021</b>	<b>104</b>	<b>318</b>	<b>-70</b>	<b>30 567</b>	<b>-12</b>	<b>30 907</b>	<b>436</b>	<b>31 342</b>

## GROUP

**ALTERNATIVE PERFORMANCE MEASURES**

Amounts in NOK million

Olav Thon Eiendomsselskap ASA prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The company also wishes to present alternative performance measures (APM) in order to provide readers with a better understanding of the company's underlying financial results.

**1. Fair value adjustments in investment properties and interest rate derivatives**

Fair value adjustments in investment properties and interest rate derivatives affect the company's profit before tax, both in the Group's financial statements and in joint ventures and associated companies. These income statement items are considered to be more exogenously determined than the other income statement items.

	2021	2020
<b>Fair value adjustments in;</b>		
investment properties recognised in profit and loss	1 802	-909
right-of-use assets recognised in profit and loss	-12	-12
investment properties in joint ventures	129	-175
investment properties in associated companies	-5	-24
interest rate derivatives recognised in profit and loss	716	-407
interest rate derivatives in joint ventures	17	-20
<b>Fair value adjustments, investment properties &amp; interest rate derivatives</b>	<b>2 647</b>	<b>-1 548</b>

**2. Profit before income tax, fair value adjustment and currency result**

Profit before tax, fair value adjustments and currency is intended to give readers a better understanding of the group's operating business development.

	2021	2020
Profit before income tax	4 767	338
Income tax in joint ventures	54	-16
Income tax in associated companies	7	4
Fair value adjustments investment properties / interest rate derivatives	-2 647	1 548
Currency gain	-113	-0
Currency loss	-0	63
<b>Profit before income tax, fair value adjustment and currency result</b>	<b>2 068</b>	<b>1 936</b>

**3. Equity ratio**

Equity ratio is the group's total book equity divided by the group's total equity and debt on the balance sheet date, and indicates the relative proportion of equity used to finance a company's assets.

	2021	2020
Total equity	31 342	28 136
Total equity and debt	62 000	59 958
<b>Equity ratio</b>	<b>51%</b>	<b>47%</b>

#### 4. Long term net asset value per share and equity per share

Long term net asset value per share takes into account a fair value assessment of the deferred tax liabilities. Equity per share is calculated as the majority's share of equity divided by the number of shares.

	2021	2020
Majority share of equity	30 906	27 752
Deferred tax liabilities (deferred tax liabilities current assets excluded)	7 493	7 120
Fair value of debt - deferred tax liabilities - 6%	-2 043	-1 942
<b>Long term net asset value</b>	<b>36 355</b>	<b>32 930</b>
Number of shares (own shares not included)	103 623 171	103 623 171
<b>Long term net asset value per share in NOK</b>	<b>351</b>	<b>318</b>
<b>Equity per share in NOK</b>	<b>298</b>	<b>268</b>

#### 5. Net cash flow from operating activities

Net cash flow from operations is considered to give readers a better understanding of the liquidity generated from the group's operating activities. This is important for assessing the group's financial results and financial position.

	2021	2020
Net cash flow from operating activities	1 684	1 373
Expensed/paid interest	3	-29
Paid income tax	-169	-251
Change in working capital	-147	-57
<b>Net cash flow from operations</b>	<b>1 997</b>	<b>1 710</b>

#### 6. Liquidity reserves

Calculation of liquidity reserves is considered to give the reader a better understanding of the group's ability to service short-term liquidity needs.

	2021	2020
Unutilized overdrafts and other credit facilities	7 766	6 742
Cash and cash equivalents	448	484
<b>Liquidity reserves</b>	<b>8 214</b>	<b>7 226</b>

#### 7. Amortisation next 12 months

Installments for the next 12 months show interest-bearing debt that falls due over the next 12 months, and provides a picture of the group's future obligations.

	2021	2020
Commercial papers	1 725	926
Bonds	1 583	3 980
Bank loans	27	627
<b>Amortisation next 12 months</b>	<b>3 335</b>	<b>5 533</b>

### 8. Net interest-bearing debt and loan to value ratio

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

	2021	2020
Bonds, non-current	10 215	6 008
Bonds, current	1 583	3 980
Commercial papers, current	1 725	926
Debt to credit institutions, long-term	6 565	9 461
Debt to credit institutions, short-term	27	627
<b>Interest-bearing debt<sup>1)</sup></b>	<b>20 114</b>	<b>21 003</b>
Cash and cash equivalents	-448	-484
<b>Net interest-bearing debt</b>	<b>19 666</b>	<b>20 519</b>
Market value properties	56 734	54 656
<b>Loan to value ratio</b>	<b>35%</b>	<b>38%</b>
<sup>1)</sup> Unsecured part of interest-bearing debt (debt where the group has not provided collateral)	11 843	6 341

### 9. Interest per balance sheet date

Interest on the balance sheet date is accounted interest expenses on the balance sheet date converted to annualized interest divided by interest-bearing debt on the balance sheet date.

	2021	2020
Annualized interest expenses on interest-bearing debt as of the balance sheet date	330	269
Annualized interest expenses on current interest rate swaps per balance sheet date	306	373
<b>Annualized interest expenses per balance sheet date</b>	<b>635</b>	<b>643</b>
Interest-bearing debt	20 114	21 003
<b>Interest per balance sheet date</b>	<b>3.16%</b>	<b>3.06%</b>

### 10. Net investments

Net investments is calculated by using fair value of investments in investment properties in addition to net supply of other fixed assets and other investments.

	2021	2020
Investment properties	859	706
New companies	-369	269
Other fixed assets	12	15
Other investments	57	-76
<b>Net investments</b>	<b>559</b>	<b>914</b>

**11. Market value properties**

Market value of properties shows the sum of the market value of investment properties and owner-occupied properties, which are accounted for according to different accounting principles in the group's balance sheet.

	2021	2020
Market value investment properties	56 530	54 453
Market value owner-occupied properties	205	203
<b>Market value properties</b>	<b>56 734</b>	<b>54 656</b>

In addition, the group owns properties through joint ventures and associated companies:

Market value of properties joint venture (group share)	3 563	3 401
Market value of properties associated with companies (group share)	858	859

**12. Annualized rental income level**

The annualized rental income level shows the real estate portfolio's expected market rent for leased and vacant premises, and provides a picture of the group's earning potential.

	2021	2020
Annualized market rent leased premises	3 150	3 122
Annualized market rent vacant premises	120	128
<b>Annualized rental income level</b>	<b>3 270</b>	<b>3 250</b>

In addition, the Group owns properties through joint ventures and associated companies:

Annualized market rent leased premises owned through joint ventures and associated companies	271	263
Annualized market rent vacant premises owned through joint ventures and associated companies	14	12
<b>Annualized rental income level owned through joint ventures and associated companies</b>	<b>285</b>	<b>275</b>

<b>Total annualized rental income level</b>	<b>3 555</b>	<b>3 525</b>
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**13. Net yield properties**

Net yield is the annualized rental income level less normalized (over time) lessor's owner costs divided by the market value of properties adjusted for plots and the relevant non-rental part of properties.

	2021	2020
Annualized rental income level	3 270	3 250
Lessor's owner cost	477	432
<b>Annualized net rental income level</b>	<b>2 793</b>	<b>2 818</b>
Market value properties	56 734	54 656
Adjustment market value for plots etc	572	385
<b>Market value properties after adjustment</b>	<b>56 163</b>	<b>54 271</b>
<b>Net yield properties</b>	<b>4.97%</b>	<b>5.19%</b>

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