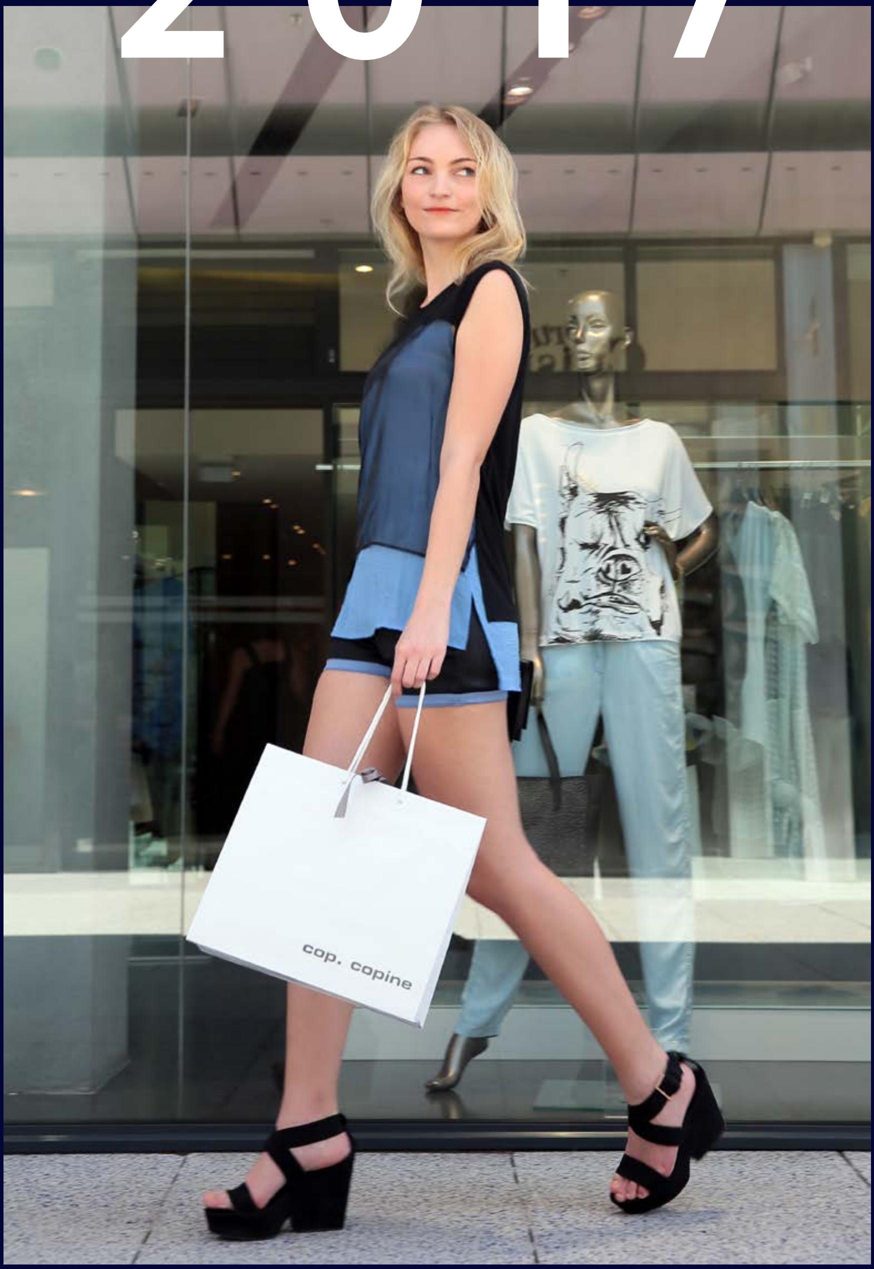
STEEN & STRØM

ANNUAL REPORT

2017



STEEN & STRØM

CONTENT

BOARD OF DIRECTORS' REPORT 2017

Steen & Strøm's shopping centers portfolio saw a positive development in rental income during 2017. The Group has during the year strengthened its financial position and in August Steen & Strøm received an A-rating from Standard & Poor's.

Gross rental income decreased by 2.2% in 2017, while net rental income decreased by 4.9% to NOK 1 609.0 million (NOK 1 691.3 million), implying a net to gross rent ratio of 89.6% (92.1%). Gross and net rental incomes were impacted negatively by the divestment of Lillestrøm Torv in January 2017 and the Emporia offices in March 2017. On a like-for-like basis, net rental income increased by 4.6% in 2017, whereof 4.3% in Norway, 4.7% in Sweden and 4.7% in Denmark.

The group generated pre-tax profits of NOK 2 919.0 million in 2017 (NOK 3 900.2 million). The main difference between pre-tax profit in 2017 and the year before is due to lower positive value adjustments of investment properties of NOK 1 491.1 million (NOK 2 343.3 million) and lower income from disposals.

As announced in December 2016, Lillestrøm Torv (100% Steen & Strøm share) was divested to DNB Scandinavian Property Fund based on a property value of NOK 800 million. The closing of the transaction for Lillestrøm Torv took place in January 2017.

As also announced in December 2016, Steen & Strøm completed the divestment of a non-core office property tied to the Emporia shopping center in Malmö, to Kungsleden AB. The closing of the transaction, based on a property value of SEK 470 million, took place on March 31st 2017, following the partition of the office property from the shopping center.

The proceeds from the disposals have mainly been used for debt redemption, distribution to shareholders and general corporate purposes. Gross interest bearing debt decreased by 834.6 MNOK during the year to 12 840.6 MNOK and the group's loan-to-value (gross interest bearing debt to value of investment properties) decreased from 37.5% in 2016 to 33.4% in 2017. The book equity ratio (book equity to total assets) strengthened from 51.3% in 2016 to 53.6% by year-end 2017.

These figures reflect a long-time trend in which Steen & Strøm has improved its financial position through an active asset rotation strategy that targets high-quality, large shopping centers in high-density areas. In August 2017, Steen & Strøm received an official credit rating of "A-" from the rating agency Standard & Poor's, positively impacting the group's borrowing cost.

Steen & Strøm is well positioned for further selected acquisition opportunities or development projects within the group's portfolio strategy. In November 2017, Steen & Strøm received approval for the building permit (Norwegian: "Rammetillatelse") of Økern Sentrum. The project, which includes 45 000 sqm retail area, will be the largest shopping center development in Norway for many years and is part of an approved zoning plan of 163 000 sqm located by the Økern subway station in Oslo.

KEY FIGURES

Steen & Strøm leases premises at its shopping centers to tenants. The rent that retail tenants are able to pay depends, over time, primarily on their store turnover. Hence, the rental income for Steen & Strøm depends mainly on the development in the tenants' retail turnover at the centers. Retail sales in Steen & Strøm's shopping center portfolio experienced a slight decline in 2017.

Total retail sales for Steen & Strøm's shopping centers decreased by 0.4% in 2017 on a like-for-like basis. Per country, sales evolution increased by 1.5% in Sweden, decreased by 1.6% in Norway, and 1.4% in Denmark.

NET RENTAL INCOME

Net rental income from shopping center operations amounted to NOK 1 609.0 million (NOK 1 691.3 million), of which gross rental income made up NOK 1 795.5 million (NOK 1 836.3 million). Direct operating expenses tied to shopping center operations, that are included in net rental income, amounted to NOK 186.4 million (NOK 145.0 million).

These figures exclude rental income from partly owned centers consolidated under the equity method (Metro, Nordbyen and Økern). Total net rental income, including equity investments, amounted to NOK 1 669.0 million in 2017 (1 795.6 million).

Most of the leasing contracts are based on a percentage of the tenants' net turnover, but also includes a minimum guaranteed rent. The minimum guaranteed rent makes up approximately 95% of the total rent in 2017. The average duration of remaining contracts is approximately 3.3 years for Norway and 2.8 years for Sweden. The duration of contracts in Denmark is indefinite.

OPERATING EXPENSES

In addition to direct operating expenses as defined above, operating expenses include, salaries, other general expenses and depreciation, amounted to NOK 238.0 million in 2017 (NOK 261.6 million).

FAIR VALUE ADJUSTMENTS

Total fair value adjustment of investment properties was NOK 1 491.1 million (NOK 2 343.3 million). The valuation of the shopping centers is based on an average yield of 4.72% (4.83%). The shopping centers and projects have a book value of NOK 38.4 billion (NOK 36.6 billion) as of 31.12.2017, including equity method investments and assets held for sale.

The majority of the group's assets consist of investment properties and valuation of investment properties is assessed as a critical accounting estimate. The group has established routines where the investment properties are valued semi-annually by an external appraiser. The valuation of investment properties are based upon assumptions and estimates that require significant judgment and may vary significantly dependent on the assumptions applied.

OPERATING INCOME

The group's operating income was NOK 3 021.5 million (NOK 4 037.5 million) after fair value adjustments.

Income from disposal of investment properties and equity investments was NOK 67.7 million in 2017 (NOK 166.5 million), while other operating revenue amounted to NOK 8.3 million (NOK 10.4 million).

FINANCIAL EXPENSES

Net financial expense amounted to NOK 215.8 million (NOK 391.4 million), including a NOK 3.2 million currency translation gain. Interest expense on external loans and hedges was NOK 288 million in 2017. Net interest expense from swaps was NOK 98,7 million in 2017 (NOK 148,1 million).
In addition, NOK 127.9 million (NOK 253.6 million) has been recognised as income from other investments (equity method shares).

PRE-TAX PROFIT

Pre-tax profits amounted to NOK 2 919.0 million (NOK 3 900.2 million). Adjusted for fair value and income from disposals, the pre-tax profit amounted to NOK 1 360.2 million, which is NOK 30.1 million lower than in 2016.

CASH FLOW

Net cash flow from operational activities was NOK 1 783.2 million (NOK 1 698.8 million), while net cash flow from investment activities was NOK 397.0 million (NOK 1 308.2 million). Net cash flow from financial activities was NOK -1 770.5 million (NOK -3 006.4 million). Cash and cash equivalents increased by NOK 432.3 million in 2017 and amounted to NOK 578.0 million at 31.12.2017.
The group has liquidity reserves through unused credit facili ties of approximately NOK 950 million and un-mortgaged properties of approximately NOK 15.7 billion.

BALANCE SHEET

Group assets as of 31.12.2017 were booked at NOK 39.9 billion (NOK 38.7 billion), of which investment properties amounted to NOK 38.5 billion (NOK 36.6 billion). As the Group has no R&D activities, no such cost appear neither as operating expense nor as capitalised expense.

Book equity amounted to NOK 21.4 billion as of 31.12.2017, corresponding to an equity ratio of 53.6% (51.3%).

Mainly due to the impact of disposals in 2017 and a higher cash position, net interest-bearing debt decreased to NOK 12.3 billion (NOK 13.5 billion) at 31.12.2017. The average interest rate was 2.2% in 2017 and 2.4% in 2016.

SHOPPING CENTER OPERATIONS

Steen & Strøm is responsible for operations of 18 shopping centers in Scandinavia. Of these, Steen & Strøm owns all or part of 10 centers in Norway, 5 centers in Sweden and 3 centers in Denmark. Our strategy is to own and develop market-leading shopping centers in large and fast-growing population areas and to create the most attractive retail locations in Scandinavia.

SHOPPING CENTERS IN NORWAY

Steen & Strøm fully owns 8, and partly owns 2 shopping centers in Norway after the divestment of Lillestrøm Torv in January 2017. Økern Senter is classified as a development project and not included in these figures.

The shopping centers saw a decrease in retail sales of 1.6% on a constant portfolio basis in 2017. The decrease in sales is partly explained by an unfavourable winter climate. Centers in the Oslo area slightly outperformed with a turnover increase of 1.4% at Metro, decrease of 1.4% at Vinterbro, 3,4% at Gulskogen and 1,6% at Oslo City.

The shopping centers had total gross rental income of NOK 675.0 million (NOK 697.6 million) in 2017. Operating income, adjusted for fair value changes and income from disposals, amounted to NOK 550.0 million (NOK 566.0 million). Like-for-like increase in net rental income was +4.3% in 2017.

SHOPPING CENTERS IN DENMARK

Steen & Strøm owns and operates 3 shopping centers in Denmark.

The three fully owned shopping centers in Denmark decreased retail sales by 1.4% in 2017.

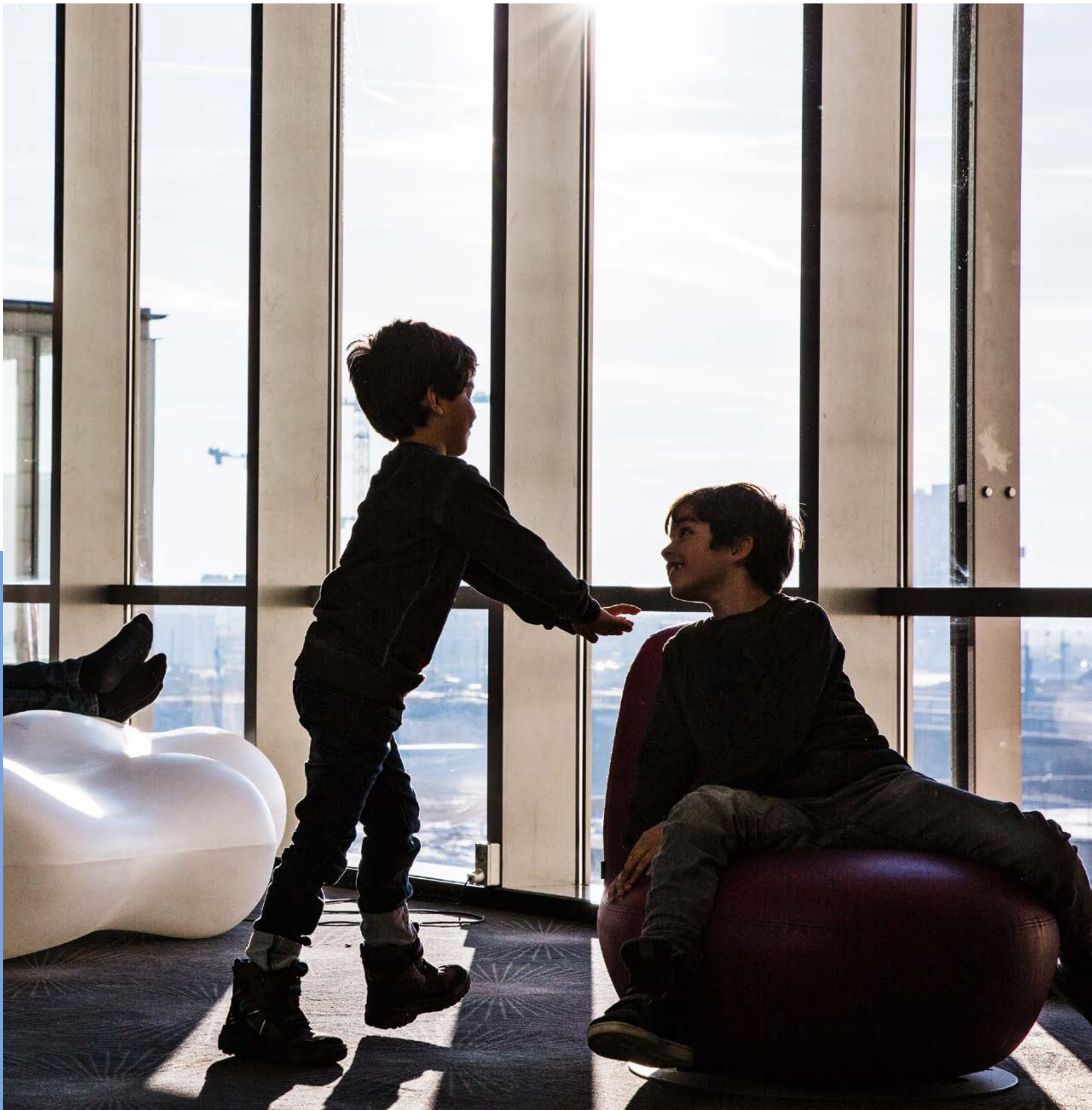
Gross rental income for the Danish centers amounted to NOK 538.7 million (NOK 507.7 million). Operating income, adjusted for valuation changes and income from disposals, amounted to NOK 445.0 million (NOK 449.8 million). Like-for-like increase in net rental income was +4.7% in 2017, outperforming index-linked adjustments by +2.6%. Major leasing and re-letting initiatives at Bruun's Galleri, Bryggen and Field's and an increase in parking revenues in the centres has contributed to this upside.

SHOPPING CENTERS IN SWEDEN

Steen & Strøm owns and operates 5 shopping centers in Sweden.

The shopping centers saw an increase in retail sales of 1.5% on a constant portfolio basis in 2017, supported by strong performance posted by retailers at Emporia of +4.9%.

Gross rental income for the Swedish centers amounted to NOK 581.8 million (NOK 630.9 million). Operating income, adjusted for valuation changes and income from disposals, amounted to NOK 467.9 million (NOK 511.9 million). Like-for-like increase in net rental income was +4.7% in 2017. The performance is attributable to higher variable rents as a result of solid retailers' sales growth and the positive impact of leasing actions and renewal campaigns.



SHAREHOLDER CONCERNS

SHAREHOLDER POLICY

Steen & Strøm's long-term goal is to ensure a competitive return on invested capital and equity. Assets are managed to give optimal long-term return.

OWNERSHIP STRUCTURE

The shares in Steen & Strøm AS are held by Storm Holding Norway AS. The French shopping center group Klépierre (56.1%) and Stichting Depositary APG Strategic Real Estate Pool (43.9%) indirectly owns Storm Holding Norway AS. Klépierre is one of Europe's leading shopping center companies and is represented in 16 countries, including Scandinavia. APG is one of the world's largest pension fund managers, based in the Netherlands.

ORGANISATION AND ENVIRONMENTAL ASPECTS

EMPLOYEES

Steen & Strøm had 149 (159) employees at the end of 2017 and 13 (14) of these were employed in the parent company. Employees working for the group are by gender 62% women and 38% men. The group's main office is located in Oslo. The group also has offices in Copenhagen and Stockholm in addition to the offices at the shopping centers.

Women constitute the majority in positions and departments like accounting, rental, marketing and shopping center assistants, while men constitute the larger part in corporate management, operations managers, development and leasing. Normal work hours are the same for all employees.
Steen & Strøm is an equal opportunity employer. The average yearly salary of women is lower than that of men. The main reason is that more men are working at management level in the group. The board of directors has five male members. The executive management and the board of directors want to recruit women to new or available positions.

The group constantly strive to avoid any kind of discrimination. The group has both local and group level working environment committees, working closely together with employee representatives for a pleasant and positive work environment.

Absence due to illness was 1.67% for the group (1.4% in 2016). There have been no injuries or accidents of any significance in the group.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY STATEMENT

Steen & Strøm has for years managed a sustainability program with the vision of being one of the leaders within corporate responsibility in our industry. Shopping centers are important social players in the local communities' and this constitute the best possible basis for influencing both the environment and the society around in a positive direction. To meet this vision, Steen & Strøm has implemented ISO-14001 in all units and centers. The multisite certificate was signed by SP Technical Research Institute of Sweden in May 2014. The current certificates issued in May 2017 are valid until 15. September 2018.

Upgrade of the ISO-14001:2004 to ISO-14001:2005 standard started up in October 2017 in sufficient time before the next external audit. The next external ISO 14001 audit will be undertaken by RISE Technical research institute in February 2018.

The pollution from the group's activities is limited. However, Steen & Strøm has put a lot of effort into environmental issues and developed individual action plans to improve the group's environmental performance level. Renewable Energy Guarantees of Origin (GO) exists for all power supplies in Norway and Sweden. In Denmark, the power supplies is based on Danish power mix where approx. 65.7% comes from renewable energy (according to the European Commission country datasheet update for 2017).

Steen & Strøm is also investing in new and existing centers to create the best retail destinations for the future; hence, responsible decision making in relation to development projects is required. In major development projects we comply with the international classification system *"BREEAM",* aiming for level "excellent".

In 2017, Steen & Strøm's participation in *"GRESB's"* annual benchmark confirmed that the group still maintain a very high level of sustainable performance. Steen & Strøm rated as one of the most sustainable shopping center companies in Europe, classified as *"Green Star"* and ranked as number 3 out of 63 actors within the pier: "Unlisted Retail real estate companies". *"Green Star"* is the highest level of rating in the *"GRESB"* quadrant benchmark methodology.

STRATEGY

Environmental and social responsibility is a strategic key element in Klépierre, our French parent company. This includes both the Klépierre Group and subsidiaries in all countries, as well as in the operation, regardless of its own real estate portfolio and/or managed portfolio.

A comprehensive "GRESB" report on environmental and social responsibility describes the group's commitment to meet its goal of being among the leaders in environmental and social responsibility in the shopping centre industry. The report highlights key policies, target areas and action plans, as well as case studies that highlight focus areas within the Klépierre group and Steen & Strøm.

ORGANISATION

The group has a steering committee for CR (Sustainable Committee) consisting of the following management representatives: CEO, Scandinavian Technical Director and Group Quality Director.

ENVIRONMENTAL FOCUS

Steen & Strøm aims to reduce the environmental impact in both the near and distant surroundings, by systematically analysing and mapping each shopping center's environmental impact, definition of targets for the sustainable development and continuous improvements by individual actions, measurement and reporting.

MANAGEMENT REPORTING

The group has developed a framework for monitoring and reporting of environmental performance based on SharePoint *"Superview".* The key performance indicators build around seven significant environmental aspects with the underlying action plans for corporate level, and individual plans for each shopping center.

Steen & Strøm has identified the following priority areas and significant environmental aspects for measurement and reporting:

1. **Energy** (Reduce energy consumption, increased share of renewable energy)
2. **Waste** (Increased sorting and recycling)
3. **Water** (Reduce water consumption)
4. **Transportation** (Reducing environmental impact in general)
5. **Shopping** (Environmental and focus on environmentally friendly choice)
6. **Tenants** (Reducing environmental impact within coordination and agreements)
7. **Project** (BREEAM rating, aiming for level "Excellent")

KEY TARGET AREAS

Steen & Strøm will continue the project for harmonisation of existing Energy Management system into one common system covering all centers. This means one common reporting tools that ensure reporting of consumptions down to hourly values per building and consumption blocks.

Within energy management, the group is working proactively to reduce energy consumption and increase its share of renewable energy. Within waste management, the goal is to achieve the highest possible degree of sorting. The goals are set individually for each country and shopping center, with an effectiveness of about 62% recycling degree for the shopping centers by the end of 2017.

Within procurement, the goal is to purchase from certified vendors and contractors (ISO 14001, EMAS, Eco-lighthouse or similar standards). Within water management, consumption to be reduced in comparison to 2013 by the end of 2020. Within transport, one of the main goals is to increase the number of charging stations/points for electric cars. By the end of 2020, 2% of all parking spaces are desired to be prepared for electric and hybrid cars, assuming standard charging station and third party suppliers are available in the marked.

All shopping centers under development should achieve a BREEAM rating. The planned development of ØKERN SENTRUM in Oslo will also follow this classification standard.

CORPORATE GOVERNANCE

Steen & Strøm aims to comply with requirements from laws, regulations and general good business ethics. The group also strives to be open about economic conditions and other issues. Corporate governance is built on systematic application of principles laid down in Norwegian recommendations in this field, and we aim to harmonise with current international guidelines for good corporate governance.

RISK MANAGEMENT AND CONTROL

Risk management is a part of the Group system for risk management and internal control. The purpose of this system is to ensure there is a link between the overall strategy and goals, and the daily business, in a perspective where the main goal is to create values for the shareholders. During 2017, Steen & Strøm have continued to ensure harmonisation of procedures for risk and control in accordance to the Klépierre based framework. This includes coordination of methodology for 1st and 2nd level of controls, as well as internal audits on selected fields.

The Group has established a five-year strategy, which is the basis for yearly plans and budgets. Group activities involve different kinds of risk; operational risk, market risk, credit risk, liquidity risk and risks related to floating/fixed interest rates. The Board of Directors set the goals and frameworks for operational- and financial risks.

The main driver of the operational business of the group is the development in retail spending. Based on public forecasts we have reason to believe that the growth will be stable in the Scandinavian markets. The shopping center business share of the retail spending is stable. A further sustainable development is dependent on high standards for taking care of the environment. The Group has a very active approach in these issues.

The group's credit risk is primarily related to the ability of the tenants to pay rent. The group has more than 2000 rental contracts. Prominent, stable retail chains form the major group of our tenants. The tenants normally present some kind of security for the rent, and good routines have been established to follow-up and collect on rent due. The group loss on receivables is limited.

The liquidity risk is managed by always having reserves in the form of liquid current assets, unused credit facilities and un-mortgaged properties. We aim to limit liquidity risk that arises from the refinancing of group debts by scheduling maturity dates for loans at different times of the year and by having sufficient reserves to cover short-term refinancing needs.

To reduce the exposure to interest rate changes in the short-term interest market, the group has signed fixed interest agreements for approximately 70% of its loan portfolio.

EMPLOYEES AND WORKING ENVIRONMENT

Steen & Strøm's most important resource is its employees. The group aims to promote a healthy working environment for all employees. This by involving employees and follow-up in terms of employee satisfaction surveys.

The physical work environment is monitored through meetings concerning the group's working environment. Risk assessment has been prepared for each center, as well as feedback from employees. The group strives to offer regular courses in safety, first aid and fire fighting for all relevant staff. The number of work-related accidents is in general very low.

ACTIONS AGAINST CORRUPTION

Steen & Strøm has employee manual and ethical guidelines where regulations are incorporated to highlight the Groups attitude to prevent corruption, and in line with the Working Environment Act, established procedures for whistleblowing and notification.

Steen & Strøm has also established actions to reveal eventual corruption, this implies actions of control that are organised through internal control, ordinary audit and internal/external audit.

FINANCIAL REPORTING AND PROCESS

Steen & Strøm AS has listed bonds, and hence the external financial reporting is in line with the Oslo Stock Exchange regulations, in addition to general regulations.

Internal financial reporting is made on a monthly and quarterly basis where the results are assessed and analysed against budgets and last year figures.

The number of board meetings was 4 in 2017, and financial statements were on the agenda.

The Group and parent company financial statements are prepared by the Group financial department. The financial statements are audited with a full report on a yearly basis, and with a limited audit on a semi-annual basis. In addition, there are also audits and control by externals on specific issues.

Routines for reporting and benchmarking will contribute to make irregular costs visible.

Investment properties are carried in the balance sheet at fair value (IAS 40). Value of investment properties makes 96.0% of all Group assets, and is therefore the most important item in the accounts.

The valuation of the investment properties is made by an independent external appraiser. Cushman & Wakefield has appraised the portfolio in 2017.

The valuations are carried out according to the Red Book issued by the Royal Institution of Chartered Surveyors (RICS). The valuation methods used are the discounted cash flow method (DCF) and capitalisation of net market rental value.

ACTIONS OF CONTROL

Steen & Strøm organises internal and external actions of control. Internal control actions comprise mainly ordinary internal control within the financial and operational fields. External controls actions comprise ordinary audit, extended audit, IT audit, risk analyses and insurance analyses.

GOING CONCERN

The financial statements have been presented under the assumption of going concern. It is the opinion of the board of directors that the financial statements and notes presented for the year give satisfactory information about the group's operations and financial position at the end of the year. The board of directors confirms that the annual accounts give a true picture of company/group's assets, liabilities, financial position and result for the year. It is the board of directors' opinion that nothing of significance has occurred after the end of the year that would harm the group's reputation or change the group's financial position. In accordance with Section 3-3a of the Norwegian Accounting Act, we hereby confirm that conditions for going concern is fulfilled. The group has a shopping center portfolio of high quality, a strong financial position and employees with high competence within the shopping center business.

STEEN & STRØM AS

Steen & Strøm AS had a profit for the year of NOK 454.7 million.

FUTURE PROSPECTS

THE MARKET IN GENERAL

In historical terms, consumer spending has been stable in Scandinavia. Following lower growth in 2009 and 2010 due to the financial crisis, growth in consumer spending has since picked up and remains positive in all Scandinavian countries.

STEEN & STRØM'S MARKET POSITION

Steen & Strøm is one of Scandinavia's leading shopping center companies. The board of directors and group administration consider our market position to be a good reason to maintain a high level of activity, yet being responsible. Statistics for turnover show that customers appreciate the extensive modernisations, expansions and upgrades being carried out by Steen & Strøm at many of our shopping centers. We are also working actively to maintain a low level of vacancy and a high level of commercial activity at all shopping centers.

LEGAL DISPUTES

Steen & Strøm is not involved in any legal disputes that could be of significance for our economic position.

THE BOARD OF DIRECTORS WOULD LIKE TO THANK ALL EMPLOYEES AND CUSTOMERS FOR GREAT EFFORTS AND POSITIVE CONTRIBUTIONS IN 2018.

OSLO, 27.04.2018

Jean-Marc Jestin
Chairman of the Board

Jean-Michel Gault
Member of the Board

Roland Mangelmans
Member of the Board

Benat Ortega
Member of the Board

Rafael Torres Villalba
Member of the Board

Philippe Grenet
Chief Executive Officer

STEEN & STRØM GROUP

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EPRA MODEL)

In thousands of NOK	**Note**	**2017**	**2016**
Gross Rental Income		1.795.479	1.836.272
Land expenses (real estate)		-7.817	-7.748
Non-recovered rental expenses		-135.172	-128.556
Building expenses (owner)		-43.457	-8.649
Net rental income	**2.4**	**1.609.033**	**1.691.320**
Management, administrative and related income		83.463	87.500
Other operating revenue	2.4	8.308	10.412
Change in the fair value of investment property	5.3	1.491.109	2.343.349
Payroll expenses	10	-143.889	-154.661
Other general expenses, provisions, survey and research costs		-71.119	-77.352
Depreciation and impairment allowance on investment properties	5.3	-267	-280
Depreciation and impairment allowance on intangible assets and property, plant and equipment	5.1, 5.2	-22.764	-29.268
Proceeds from disposal of investment properties and equity investments		*1.048.104*	*1.967.628*
Net book value of investment properties and equity investments sold		*-980.439*	*-1.801.106*
Income from disposal of investment properties and equity investments	6.1	67.665	166.522
Operating income		**3.021.540**	**4.037.542**
Net dividends and provisions on non-consolidated investments		92	416
Financial income		*429.242*	*544.166*
Financial expenses		*-645.051*	*-935.521*
Net cost of debt	6.2	-215.809	-391.355
Change in the fair value of financial instruments		-14.727	-
Share of earnings in equity investment entites	5.4	127.860	253.579
Profit before tax		*2.918.957*	*3.900.183*
Corporate income tax	7	-568.979	-814.859
Net income of consolidated entity		**2.349.978**	**3.085.324**
Of which			
Group share		*2.349.979*	*3.085.333*
Non-controlling interests		*-1*	*-9*
Average number of shares (in thousands)	**5.9**	**29.303**	**29.303**
Earnings per share - Group share		**80**	**105**

In thousands of NOK		**2017**	**2016**
Net income of consolidated entity		**2.349.978**	**3.085.324**
Other comprehensive income items recognised directly as equity			
Items that may be reclassified subsequently to profit or loss			
Effective portion of profits and losses on cash-flow hedging instruments (IAS 39)	5.10	91.502	70.412
Tax on cash-flow hedging instruments	7	-20.846	-19.395
Translation profits and losses		778.258	-760.035
Items that will not be reclassified subsequently to profit or loss			
Total comprehensive income		**3.198.892**	**2.376.306**
Of which			
Group share		3.198.888	2.376.328
Non-controlling interests		5	-22
Comprehensive earnings per share - Group share		**109**	**81**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EPRA MODEL)

In thousands of NOK	Note	31/12/2017	31/12/2016
Goodwill	4.2	348.425	348.425
Intangible assets	5.1	82.749	97.385
Property, plant and equipment and work in progress	5.2	38.858	30.051
Investment properties and properties under construction	5.3, 5.10, 9, 11.1	36.646.692	33.562.567
Equity method securities	5.4	1.781.099	1.676.240
Other non-current assets	5.5, 11.1	2.614	1.148.328
Non-current derivatives	8, 5.10	13.338	-
Deferred tax assets	7	102.090	107.017
NON-CURRENT ASSETS		**39.015.865**	**36.970.013**
Investment properties held for sale	5.3, 5.10, 11.1	-	1.247.203
Trade accounts and notes receivables	5.6, 11.1	136.624	238.955
Other receivables	5.7, 11.1	145.829	147.994
Cash and cash equivalents	5.8, 11.1	578.037	145.704
CURRENT ASSETS		**860.490**	**1.779.857**
TOTAL ASSETS		**39.876.355**	**38.749.870**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EPRA MODEL)

In thousands of NOK	Note	31/12/2017	31/12/2016
Share capital	5.9	76.005	76.005
Additional paid-in capital		4.028.585	4.028.585
Consolidated reserves		14.919.925	12.703.372
Treasury shares		*-2.747*	*-2.747*
Hedging reserves		*-156.721*	*-227.378*
Other consolidated reserves		*15.079.393*	*12.933.497*
Consolidated earnings		2.349.979	3.085.333
Shareholders' equity, group share		**21.374.494**	**19.893.295**
Non-controlling interests		125	120
Non-controlling interests		**125**	**120**
SHAREHOLDERS' EQUITY		**21.374.619**	**19.893.415**
Non-current financial liabilities	5.10, 11.1	9.978.015	9.426.403
Non-current derivatives	8, 5.10	212.690	314.943
Security deposits and guarantees	11.1	115.231	109.503
Deferred tax liabilities	7	4.811.360	4.293.693
NON-CURRENT LIABILITIES		**15.117.296**	**14.144.543**
Current financial liabilities	5.10, 11.1	2.862.543	4.248.725
Trade payables		238.105	190.005
Payables to fixed assets suppliers		22.500	20.493
Other liabilities	5.11, 11.1	126.906	108.987
Social and tax liabilities	5.11	134.386	143.702
CURRENT LIABILITIES		**3.384.440**	**4.711.913**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**39.876.355**	**38.749.870**

OSLO, 27.04.2018

Jean-Marc Jestin
Chairman of the Board

Jean-Michel Gault
Member of the Board

Roland Mangelmans
Member of the Board

Benat Ortega
Member of the Board

Rafael Torres Villalba
Member of the Board

Philippe Grenet
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of NOK	**Note**	**2017**	**2016**
Net income from consolidated companies		2.349.978	3.085.324
Elimination of expenditures and income with no cash effect or not related to operating activities			
Depreciation, amortisation and provisions		*23.031*	*29.548*
Change in the fair value of investment properties		*-1.491.109*	*-2.343.349*
Capital gains and losses on asset disposals net of taxes and deferred taxes		*-70.281*	*-166.522*
Income taxes		*568.979*	*814.859*
Share of earnings in equity method investees		*-127.860*	*-253.579*
Reclassification of financial interests and other items		*452.489*	*500.264*
Gross cash flow from consolidated companies		**1.705.226**	**1.666.545**
Paid taxes		-12.029	-6.974
Change in operating working capital		90.009	39.256
Net cash flow from operating activities		**1.783.206**	**1.698.827**
Proceeds from sale of investment properties	6.1	2.763	605
Proceeds from sale of other fixed assets		605	1.275
Proceeds from disposal of subsidiaries (net of cash disposed)	6.1	1.059.627	1.967.023
Acquisitions of investment properties	5.3	-67.968	-12.814
Payments in respect of construction work in progress	5.3	-124.754	-102.775
Acquisitions of other fixed assets	5.1, 5.2	-16.448	-25.554
Acquisitions of subsidiaries and deduction of acquired cash *		-	-44.972
Movement of loans and advance payments granted and other investments		-456.826	-474.623
Net cash flow from investment activities		**396.998**	**1.308.165**
Dividends paid to non-controlling interests		-	-1.501
Change in capital from equity-method securities		-25.000	167.290
New loans, borrowings and hedging instruments	5.10	3.522.931	2.911.000
Repayment of loans, borrowings and hedging instruments	5.10	-4.829.660	-5.530.858
Interest paid		-389.129	-447.580
Other cash flows related to financing activities		-49.651	-104.786
Net cash flow from financial activities		**-1.770.510**	**-3.006.435**
Net changes in cash		**409.694**	**557**
Cash at the start of the period		**145.705**	**172.268**
Effect of foreign exchange differences		22.638	-27.120
Cash at the end of the period, according to Balance sheet and note 5.8		**578.038**	**145.705**

* Including the repayment of external loans previously held by the acquired companies.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31/12/2016 In thousands of NOK	Share capital	Additional paid-in capital	Treasury shares	Hedging reserves	FX conversion reserves	Consolidated reserves	Consolidated earnings	Equity, group share	Equity, non-controlling interest	Total Equity
Opening statement	**76.005**	**4.028.585**	**-2.199**	**-278.395**	**1.544.984**	**9.789.184**	**2.435.386**	**17.593.550**	**1.643**	**17.595.193**
Share capital transactions	-	-	-	-	-	-	-	**-**	-	**-**
Reclassification of last years net income	-	-	-	-	-	2.435.386	-2.435.386	**-**	-	**-**
Net income for the period	-	-		-	-		3.085.333	**3.085.333**	-9	**3.085.324**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**3.085.333**	**3.085.333**	**-9**	**3.085.324**
Income from cash-flow hedging	-	-	-	51.017	-	2.435.386	649.947	**51.017**	-	**51.017**
Translation profits and losses	-			-	-811.028	-	-	**-760.022**	-13	**-760.035**
Gains and losses recognised directly in equity	**-**	**-**	**-**	51.017	**-811.028**	**51.006**	**-**	**-709.005**	**-13**	**-709.018**
Group contribution	-	-	-	-	-	-76.494	-	**-76.494**	-	**-76.494**
Dividends paid	-	-	-	-	-	-	-	**-**	-	**-**
Other Movements	-	-	**-548**	-	12.525	-12.066	-	**-89**	-1.501	**-1.591**
Closing statement	**76.005**	**4.028.585**	**-2.747**	**-227.378**	**746.481**	**12.187.016**	**3.085.333**	**19.893.295**	**120**	**19.893.415**

31/12/2017 In thousands of NOK	Share capital	Additional paid-in capital	Treasury shares"	Hedging reserves	FX conversion reserves	Consolidated reserves	Consolidated earnings	Equity, group share	Equity, non-controlling interest	Total Equity
Opening statement	**76.005**	**4.028.585**	**-2.747**	**-227.378**	**746.481**	**12.187.016**	**3.085.333**	**19.893.295**	**120**	**19.893.415**
Share capital transactions	-	-	-	-	-	-	-	**-**	-	**-**
Reclassification of last years net income	-	-	-	-	-	3.085.333	-3.085.333	**-**	-	**-**
Net income for the period	-	-	-	-	-	-	2.349.979	**2.349.979**	-1	**2.349.978**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**3.085.333**	**-735.354**	**2.349.979**	**-1**	**2.349.978**
Income from cash-flow hedging	-	-	-	70.656	-	-	-	**70.656**	-	**70.656**
Translation profits and losses	-	-	-	-	778.252	-	-	**778.252**	6	**778.258**
Gains and losses recognised directly in equity	**-**	**-**	**-**	**70.656**	**778.252**	**-**	**-**	**848.908**	**6**	**848.914**
Group contribution	-	-	-	-		-67.500	-	**-67.500**	-	**-67.500**
Dividends paid	-	-	-	-	-	-1.650.175	-	**-1.650.175**	-	**-1.650.175**
Other Movements	-	-	-	-	-7.210	7.197	-	**-13**	-	**-13**
Closing statement	**76.005**	**4.028.585**	**-2.747**	**-156.721**	**1.517.523**	**13.561.870**	**2.349.979**	**21.374.494**	**125**	**21.374.619**

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT EVENTS

Lillestrøm Torv, a subsidiary owned 100% by Steen & Strøm, was divested to DNB Scandinavian Property Fund based on a property value of NOK 800 million. The closing of the transaction for Lillestrøm Torv took place in January 2017.

In addition, Steen & Strøm signed an agreement with Kungsleden in December 2016 for the divestment a non-core office property tied to the Emporia shopping center in Malmö. The transaction, based on a property value of SEK 470 million, took place in Q1 2017 following the partition of the office property from the shopping center.

2 ACCOUNTING PRINCIPLES

General information

Steen & Strøm AS (the Company) is a limited liability company incorporated in Norway. The Company's principal offices are located at Støperigata 1, N-0118 Oslo.

The consolidated financial statements for the accounting period of 1. January 2017 to 31. December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on April 2018. The principal activities of the Company and its subsidiaries (the Group) are described in note 3.

2.1 BASIS OF PREPARATION

The consolidated financial statements for the year 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group's statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity are presented with comparable numbers for the prior year. Reporting currency is Norwegian Krone (NOK).
The consolidated financial statements have been prepared on a historical cost basis, except for following accounting items, reference to IFRS 13:

- Financial instruments at fair value (including financial derivatives and shares)
- Investment properties at fair value

In addition for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- **Level 3** inputs are unobservable inputs for the asset or liability

The consolidated financial statements are prepared with same principles for same transactions and events under similar conditions.

From 2015, the Steen & Strøm Group adopted the EPRA-model for reporting of consolidated statements of comprehensive income and consolidated statement of financial position.

EPRA is an abbreviation for the European Public Real Estate Association. EPRA's mission is to promote, develop and represent the European public real estate sector. The EPRA reporting model makes the financial statements of public real estate companies clearer and more comparable across Europe which in turn enhances the transparency and coherence of the sector.

The EPRA reporting model is used by more than 80% of Europe's real estate companies, including Klépierre.
Please visit the Association using the following link www.EPRA.com.

2.2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Amendments to IFRSs that are mandatory effective for the current year

- **Amendments to IAS 7 – Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Groups liabilities arising from financing activities consists of Bond, Loan, and Commercial papers (note 5.10). A reconciliation between opening and closing balance of these items is provided in the note.

NOTES TO THE FINANCIAL STATEMENTS

Application of these amendments has no impact on the Group's consolidated financial statements.

New IFRS standards, amendments and interpretations issued but not effective for the financial year ending 31.12.2017 and not early adopted.

- **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the completed version of IFRS 9 Financial Instruments that replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 brings together all aspects of the accounting for the financial instruments, and changes substantially the IAS 39 accounting rules for the following three specific areas: classification and measurement of financial assets; impairment of financial assets; and hedge accounting. IFRS 9 was approved by the EU in November 2016. The standard shall be applied for all annual periods beginning on or after 1 January 2018. Retrospective application is required in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* except for the specific exceptions given in IFRS 9. One exception is that the providing of restated comparative information for prior years is optional if it can be done without using hindsight. Entities with hedge accounting under IAS 39 are given the choice to continue with their IAS 39 accounting policies. IFRS 9 hedge accounting requirements shall be applied prospectively only (no retrospective hedge accounting is allowed).

The Group will adopt IFRS 9 in its entirety as of 1 January 2018, including the IFRS 9 hedge accounting requirements. The new rules will be applied retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated. Management has performed a detailed IFRS 9 implementation assessment related to the effect of IFRS 9 on the opening 2018 statement of financial position and the other financial statements.

Classification and measurement of financial assets
Financial assets comprise the following current assets: Trade account and notes receivable, Current derivatives, Other receivables and Cash and cash equivalents. All of these current assets are in the IAS 39 category of Loans and Receivables and measured at amortised cost. Upon adoption of IFRS 9, these financial assets have been determined to be within a business model of hold to collect and meet the SPPI criteria. Classification and measurement will continue to be at amortised cost under IFRS 9. There is no implementation impact on the financial statements related to the classification and measurement of the Group's financial assets.

Impairment
Upon implementation of IFRS 9 the Group will adopt the new impairment requirements for financial assets, and make the accounting policy choice of measuring the loss allowance at the lifetime expected credit loss (ECL) for lease receivables. All other financial assets will use the 3-stage ECL model, and a 12-month loss allowance will be recognised for the financial assets that are classified as performing (stage 1). Management's assessment is that there will be no initial adjustment to the opening 1 January 2018 equity as the 31 December 2017 financial assets taken as a whole are in stage 1, and have a low estimated probability of default. The 2017 closing loss allowance is sufficient in amount as the opening loss allowance under the new impairment rules.

Hedge accounting
The Group engage in the hedging of interest rate risk by using swap derivative contracts and hedge accounting to recognise the derivative's fair value changes through Other comprehensive income. The interest rate swaps are used to hedge against fluctuations due to changes in the level of interest rates. IFRS 9 does not change the general principles for cash flow hedge accounting. Management has confirmed that its current hedging relationships will qualify as a continuing hedge upon the adoption of IFRS 9, and the expected implementation effect is null.

Overall implementation effect
Management's expectation is that there will not be any implementation effects related to the IFRS 9 classification, impairment and hedge accounting rule changes that would have affected the 1 January 2018 opening equity balance and/or the statement of comprehensive income during 2018.

- **IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue. IFRS 15 *Revenue from Contracts with Customers* will, from its effective date of 1 January 2018, replace IAS 18 *Revenue*, IAS 11 *Construction contracts*, and related interpretations. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

IFRS 15 establishes a new set of principles that shall be applied to reported information related to the nature, amount, timing and uncertainty of revenue arising from contracts with customers. In order to operationalise these
principles, the standard introduces a five-step model;

1. Identify customer contracts
2. Identify performance obligations in the contracts
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue when (or as) a performance obligation is satisfied

Under IFRS 15 an entity recognises revenue when (or as) the "control" of the goods or services underlying
the particular performance obligation is transferred to the customer.

Steen & Strøm has performed an impact assessment of the aspects of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

Overall, management has not identified any significant impact to the Group's consolidated financial statements or opening equity, and as of year-end 2017 the implementation effect to equity is estimated to be immaterial. Steen & Strøm Group will apply the modified retrospective approach, which allows for any potential adjustments to the opening balance of equity at the date of initial application 1 January 2018. No prior year comparatives are restated when using the modified retrospective approach.

Areas of specific importance for Steen & Strøm Group when assessing the impact of applying IFRS 15 are as follows:

Revenue from leasing contracts
Steen & Strøm Group's main business model is based on the leasing of office- and business premises at its shopping centers to its tenants, and rental income from customers is consequently derived from the leasing contracts. As leasing contracts are explicitly exempt from the scope of IFRS 15, the new revenue standard will have a very limited impact on the nature, amount, timing and uncertainty of revenue and cash flows for future financial statement periods.

Income from allocation of common services- and marketing costs
The Group is contractually liable for the provision of certain common service activities for its shopping center tenants, e.g. sanitation, security, mutual center marketing activities etc. All these services are provided for the benefit of the Group's tenants only, and external suppliers are used when providing the services. The service- and marketing activities provided by the Group are identified by management as separate performance obligations under IFRS 15, but the entity's sole obligation is to arrange for other parties to provide the services. The Group obtains legal title of the services only briefly before the title is transferred to the customer, hence Steen & Strøm are acting as an agent on behalf of their tenants. As the Group receives no fees or commissions by acting as an agent, no revenue related to the reimbursement of the services cost will be recognised as revenue under IFRS 15.

Overall implementation effect
Management's expectation is that there will not be any implementation effect related to the implementation of IFRS 15 in the opening 1 January 2018 balance or in the statement of comprehensive income.

- **IFRS 16 – Leases**

IFRS 16 *Leases* was issued by the IASB in January 2016. This new standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (the rental payments) are recognised. The only exceptions for recognition in the balance sheet are short-term leases (12 months or less) and low-value leases. While the accounting for lessees changes significantly, the accounting for lessors will not significantly change.

The Group's primary business is the leasing of properties, and as a lessor the Group will not be materially affected by the adoption of IFRS 16. However, as of the reporting date, the Group as a lessee has future minimum lease payments related to non-cancellable operating lease commitments of NOK 33,6 million over the next 1-5 years (see note 9 Leases). A significant portion of these non-cancellable leases are facilities that the Group subleases to their shopping centre tenants. Management is still evaluating the impact of IFRS 16 for these leasing agreements. This evaluation includes making an assessment of what other adjustments, if any, will be necessary, for example, because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group is still evaluating their choice of transition approach for IFRS 16.

2.3 CONSOLIDATION

The consolidated financial statements include the financial statements of Steen & Strøm AS and entities controlled by Steen & Strøm AS (the Group). Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Control normally exists when the Group has more than 50% of the voting power through ownership or agreements. Non-controlling interests in subsidiaries are presented within Group's equity.

The Group applies the acquisition method under IFRS 3 to account for business combinations. Subsidiaries are fully consolidated from the date on which control is obtained and ceases from the date control is lost.

Investments in associated companies, where the Group has significant influence but not control, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the

NOTES TO THE FINANCIAL STATEMENTS

relevant activities require unanimous consent of the parties sharing control.
The Group report its interests in joint ventures using the equity method of accounting. Using the equity method, an investment in a joint venture is initially recognised in the financial statements at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture.

When the Group's share of losses of an associate or joint venture exceeds the Group's interest in the associate or the joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.
Intercompany transactions and related balance sheet items, including internal profit and unrealised gains and losses are eliminated. Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 CLASSIFICATION OF INCOME AND EXPENSES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group applies these classifications in Net rental income:

Gross rental income
Gross rental income includes rents from investment property and rent-related income such as car park rentals and early termination indemnities, income from entry fees and other related income.

Steeped rents, rent-free periods and entry fees are recognised over the fixed term of the lease contracts.

Land expenses (real estate)
Land expenses (real estate) correspond to lease payments (or depreciation of initial payments) for properties built on land subject to a building lease or an operating contract (concession).
Non-recovered building rental expenses
Non-recovered building rental expenses are stated net of charges re-invoiced to tenants and mainly comprise of expenses related to vacant premises.
Building expenses (owner)
Building expenses (owner) compose of owner's rental expenses related to construction work, legal costs, expenses on bad debts and costs related to real estate management.

In addition Revenue classified as part of Operating income is:
Other operating revenues
Other operating revenues include building works re-invoiced to tenants and other income.

2.5 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Note 5.8 present details of facilities and policy throughout the Group.

2.6 TRADE ACCOUNTS AND NOTES RECEIVABLE

Trade receivables are recognised and carried at amortised cost less provision for impairment.

2.7 HEDGING

At the inception of each hedge relationship the Group designates certain derivatives as hedges of future cash flow related to a recognised asset or liability or a highly probable forecast transaction.
The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised in the income statement.

When the forecast transaction that is hedged results in the recognition of an asset or liability, the gain and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or

NOTES TO THE FINANCIAL STATEMENTS

loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.8 NON-CURRENT ASSETS

Fixed assets, consists of software (note 5.1); vehicles, machines, furniture, fittings and equipment (note 5.2); Investment property in existence and under construction (note 5.3). Except for investment properties, they are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs as repairs and maintenance are charged to the income statement.
Depreciation on Intangible Asset and Property, Plant and Equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:

• Software	8 years
• Vehicles and machines	3-5 years
• Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.9 LEASING

According to IAS 17, the Group distinguishes between financial leases and operational leases.

(I)
The Group as lessee
- Finance leases

The Group has not entered into any finance leasing agreements.

- Operational leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made are charged to the income statement on a straight-line basis over the period of the lease.

(II)
The Group as lessor
- Finance leases

The Group has not entered into any finance leasing agreements.

- Operational leases

The Group presents assets leased to third parties as fixed assets in the balance sheet. Lease income is recognised on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amounts of the leased asset and recognised on the same basis as lease income over the lease terms. Stepped rents, rent-free periods and entry fees are spread over the fixed term of the lease.

2.10 INVESTMENT PROPERTIES

Investment properties comprise land and buildings for rent. Investment properties are initially recognised at cost and subsequently measured at fair value and changes in fair value are recognised in the income statement in the period in which they occur. Fair value is the estimated value of the asset in a transaction between independent parties, without any deduction for transaction costs.

Fair value represents an estimated gross sales value of the asset at the year end. The investment properties are valued twice a year by external appraisers who use a cash-flow based model in the calculation of fair value. For further details, see Note 5.3 and Note 11.1.
Sale of subsidiaries where the main asset is an Investment Property is presented as gain (loss) sale of assets. The gain (loss) is calculated as the Fair Value of the received payments reduced for the Net Book Value of the assets and liabilities connected to the asset.

2.11 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, and available for sale.

NOTES TO THE FINANCIAL STATEMENTS

(I) Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designed as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading. These assets are subsequently measured at fair value, with any gains or losses arising on re-measurement recognised in the income statement.

(II) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.
Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(III) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. At 31.12.2017 there is no assets classified as Available-for-sale.

Financial assets classified as available-for-sale are recognised at fair value at the year end, without deduction of the transaction costs related to sale.

For a description of accounting policies for impairment of financial assets, see Note 2.19.
The Group classifies its financial liabilities in the following categories: at fair value through profit and loss, and other financial liabilities.

(I) Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading. These liabilities are subsequently measured at fair value, with any gains or losses arising on re-measurement recognised in the income statement.

(II) Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

2.12 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value money and the risks specific to the obligation.

2.13 EQUITY

(I) Debt and equity
Financial instruments are classified as debt or equity in accordance with the underlying economic reality. Interests, dividends, gain and losses related to a financial instrument which are classified as debt, will be presented as cost or income. Payments to holders of the financial instruments which are classified as equity will be recognised directly through equity.

(II) Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gains or losses are recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.
(III) Costs of equity transactions
Costs of equity transactions are recognised directly through equity (net of tax). Only costs of transactions related to equity transactions are recognised in equity.

(IV) Other equity
(a) Reserve for foreign currency translation
Foreign currency translation occurs in connection with currency differences in the consolidation of foreign companies.
At disposal of a foreign entity, the foreign currency translation differences related to the unit, is reversed and recognised in the income statement in the same period as the recognition of the gain or loss related to the transaction.

(b) Hedging reserve
Fund for hedging include the total net change in fair value on a cash flow hedge, until the hedged cash flow occurs or is no longer expected to occur. See Note 2.7.

NOTES TO THE FINANCIAL STATEMENTS

2.14 REVENUE RECOGNITION

Revenues are recognised when it is probable that economic benefits from the transactions will flow to the Group and the revenues can be reliably measured. Revenues are measured at the fair value of consideration received, net of discounts and sales related taxes.

Rental income from investment properties is recognised using the straight-line method over the lease period. The termination a tenant's lease payment is recognised over the remaining lease term, or until the new tenant moves in. Income from guarantees is treated in the same way as terminations.

Interest income is recognised using the effective-interest method as it is earned.
Dividends are recognised when the shareholder's right to receive dividends is established by the General Assembly. In the event of the Company releasing a tenant from the lease contract, the costs are expensed immediately.

2.15 FOREIGN CURRENCY TRANSLATION

(I) Foreign currency transactions
Transactions in foreign currency are initially recognised in the functional currency at the exchange rate at the date of the transaction. Monetary assets in foreign currencies are translated to the functional currency at the Group's exchange rate at the reporting date. Non-monetary items that are measured at historical cost in foreign currency are translated using exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in foreign currency are translated using exchange rates determined on the fair value valuation date. All exchange differences are recognised in the income statement.

(II) Foreign entities
Assets and liabilities of foreign operations, including goodwill and fair value adjustments, arising on consolidation, are converted to the presentation currency (NOK) using the Group's closing rate. Revenues and expenses of foreign operations are converted to the presentation currency using a weighted average exchange rate.

Translation differences arising from translation of net investments in foreign operations are classified as translation differences in equity. Translation differences in equity are recognised in the income statement on disposal of foreign operations.

2.16 EMPLOYEE BENEFITS

(I) Pension obligations
All employees of the Group are on defined contribution plans.
For the defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(II) Incentive agreements with employees of the management team
For the Group's incentive agreements for employees of the management team, see note 10.1.

2.17 BORROWING COSTS

Borrowing costs are capitalised to the extent they are directly related to the purchase, construction or production of a fixed asset. Capitalisations of borrowing costs occur when interest costs accrue during the construction period of the asset. Capitalisation of borrowing costs is made up to the time asset is ready for use.

2.18 INCOME TAXES

Tax expense consists of current tax and changes in deferred tax. Deferred tax liability/tax asset is calculated on all differences between accounting and tax values of assets and liabilities with the exception of:

- temporary differences related to the initial recognition of goodwill, and
- temporary differences related to investments in subsidiaries, joint ventures or associates where the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and deferred tax assets are recognised regardless of when the differences will be reversed. Deferred tax liabilities and deferred tax assets are recognised at their nominal value and are classified as non-current liability (non-current financial asset) in the balance sheet.

Current tax and deferred tax are recognised directly in equity as long as they relate to items that are recognised directly in equity.
Current tax and deferred tax liabilities/assets are measured using the tax rates enacted or substantively enacted on the balance sheet date and which are applicable to the obligation to be settled.

2.19 IMPAIRMENT OF ASSETS

Impairment of financial assets
Financial assets carried at amortised cost are impaired when there is objective evidence that it is likely that the instrument's cash flows

NOTES TO THE FINANCIAL STATEMENTS

have been negatively affected by one or more events that occurred after the initial recognition of the instrument. The impairment amount is recognised in the income statement. If the reason for the impairment in a later period expires, and the loss can be related to an event occurring after the impairment was recognised, the previous impairment charge is reversed. The reversal shall not result in the carrying amount of the financial asset exceeding the amount of what the amortiswed cost would have been, if the impairment had not been recognised. Reversal of previous impairment is presented as income.

Financial assets classified as available for sale are written down when there is objective evidence that the asset is impaired.

If the fair value of a debt instrument classified as available for sale increases at a later period, and the increase can be related objectively to an event that occurred after the impairment was recognised, the impairment is reversed through profit and loss.

2.20 STATEMENT OF CASH FLOWS

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Dividends distributed to controlling parties outside of group are reported as financing activities.

2.21 SEGMENT INFORMATION

For management purposes the Group is organised into business segments and geographic regions, reference to IFRS 8. The management team monitors the operating results of each business segment independently as a basis for segment decision-making and performance evaluation. Financial information of the operating segments is presented in Note 3.

2.22 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognised in the consolidated financial statements. Significant contingent liabilities, with the exception of contingent liabilities where the likelihood of a settlement is remote, are disclosed.

A contingent asset is not recognised in the consolidated financial statements, but disclosed if it likely that a benefit will accrue to the Group. Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition.

2.23 SUBSEQUENT EVENTS

New information on the balance sheet date that affects the company's financial position at the balance sheet date is recognised in the financial statements. Subsequent events that do not affect the Company's financial position at the balance sheet date, but which will affect the Company's financial position in a subsequent period, are reported if significant.

2.24 USE OF MATERIAL JUDGMENTS AND ESTIMATES

During the preparation of the consolidated financial statements in accordance with IFRS, the Group management used estimates and made a number of realistic and reasonable assumptions. Some facts and circumstances may lead to changes in these estimates and assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings.

The principal assumptions made in respect of future events and other sources of uncertainty relating to the use of year-end estimates for which there is a significant risk of material change to the net book values of assets and liabilities in subsequent years are presented below:

Measurement of Goodwill
Goodwill in the Group financial statements arise from the acquisition of investment properties recognised as business combinations and is mainly related to discount on deferred tax liabilities attached to the acquisition.

Goodwill is assessed for impairment each year-end.

Fair value of investment properties
Investment properties are measured at their fair value based on external, independent valuations.

Each half-year, an independent, external appraiser values the properties. The valuations at 31.12.2017 were obtained from Cushman & Wakefield. The valuations are based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of cash flows from signed leases, as well as future cash flows based on expected market rent at the end of the lease terms. The fair value of investment properties is therefore mainly affected by expected market rents, discount rates and inflation. The market rent for each property takes into account the property's situation, standard and leases signed for comparable properties in the area. The discount rate is based on interest on investments without risk and a mark-up based on an assessment of the risks related to the cash flows. Inflation is estimated using the consensus of a selection of banks and official statistics.

When carrying out their valuations, the appraiser receives comprehensive details of the leases for the properties, floor space and details of any vacant premises, and up-to-date information about all ongoing projects. Any uncertainties relating to the properties/projects and leases are also clarified verbally and in writing as and when required. The Group management performs internal controls to ensure that all relevant information is included in the valuations.

The appraiser perform the valuations on the basis of the information they have received, regularly on-site visits, and estimate future market rents, yields, inflation and other relevant parameters. Each individual property is assessed in terms of its market position, rental income (contractual rents versus market rents) and ownership costs, with estimates being made for anticipated vacancy levels and the need for alterations and upgrades. The remaining term of the leases is also assessed for risk, along with any special clauses in the contracts. Each property is also compared with recently sold properties in the segment (location, type of property, mix of tenants etc.).

Details are presented in Note 11.1.

3.1 SEGMENT INFORMATION

Steen & Strøm is a Scandinavian shopping center company, with 18 leading centers located in the most attractive marketplaces in Denmark, Norway, and Sweden.

For management purposes, the Group is structured into operating segments which are geographic regions. There are in total three operating segments. These three operating segments are structured as follows:
· Denmark
· Norway
· Sweden
The management team monitors the operating results of each operating segment independently as a basis for segment decision-making and performance evaluation. Group financial policy (including the impact of financial income and expenses), corporate activities and tax result calculation are handled at Group level, and are not allocated to the operating segments.

2017 Segment income statement

In thousands of NOK	**Denmark**	**Norway**	**Sweden**	**Total**
Gross Rental Income	538.691	675.024	581.764	1795.479
Land expenses (real estate)	-7.709	-108	-	-7.817
Non-recovered rental expenses	-45.033	-42.283	-47.856	-135.172
Building expenses (owner)	-26.746	13.435	-30.145	-43.457
Net rental income	**459.203**	**646.068**	**503.762**	**1.609.033**
Management, administrative and related income	15.744	44.952	22.767	83.463
Other operating revenue	1.949	4.625	1.735	8.308
Change in the fair value of investment property	354.682	566.054	570.373	1.491.109
Payroll expenses	-22.578	-77.451	-43.859	-143.889
Other general expenses, provisions, survey and research costs	-8.551	-47.296	-15.272	-71.119
Depreciation and impairment allowance on investment properties	-	-267	-	-267
Depreciation and impairment allowance on intangible assets and property, plant and equipment	-799	-20.719	-1.246	-22.764
Proceeds from disposal of investment properties and equity investments	-	*738.298*	*309.806*	*1.048.104*
Net book value of investment properties and equity investments sold	-	*-655.336*	*-325.103*	*-980.439*
Income from disposal of investment properties and equity investments	-	*82.962*	*-15.297*	*67.665*
Operating income	**799.649**	**1.198.928**	**1.022.963**	**3.021.540**
Net dividends and provisions on non-consolidated investments				92
Financial income				*429.242*
Financial expenses				*-645.051*
Net cost of debt				-215.809
Change in the fair value of financial instruments				-14.727
Share of earnings in equity investment entities				127.860
Profit before tax				**2.918.957**
Corporate income tax				-568.979
Net income of consolidated entity				**2.349.978**

2016 Segment income statement

In thousands of NOK	Denmark	Norway	Sweden	Total
Gross Rental Income	507.677	697.647	630.947	1.836.272
Land expenses (real estate)	-7.661	-87	-	-7.748
Non-recovered rental expenses	-38.698	-43.286	-46.572	-128.556
Building expenses (owner)	12.188	7.624	-28.416	-8.649
Net rental income	**473.507**	**661.898**	**555.959**	**1.691.320**
Management, administrative and related income	15.709	47.186	24.605	87.500
Other operating revenue	1.501	8.160	689	10.412
Change in the fair value of investment property	290.613	861.432	1.191.304	2.343.349
Payroll expenses	-30.402	-70.700	-54.326	-154.661
Other general expenses, provisions, survey and research costs	-10.260	-53.626	-13.221	-77.352
Depreciation and impairment allowance on investment properties	-	-268	-12	-280
Depreciation and impairment allowance on intangible assets and property, plant and equipment	-846	-26.602	-1.820	-29.268
Proceeds from disposal of investment properties and equity investments	-	*934.223*	*1.033.405*	*1.967.628*
Net book value of investment properties and equity investments sold	-	*-961.545*	*-839.561*	*-1.801.106*
Income from disposal of investment properties and equity investments	-	-27.322	193.844	166.522
Operating income	**739.823**	**1.400.158**	**1.897.022**	**4.037.542**
Net dividends and provisions on non-consolidated investments				416
Financial income				*544.166*
Financial expenses				*-935.521*
Net cost of debt				-391.355
Change in the fair value of financial instruments				-
Share of earnings in equity investment entities				253.579
Profit before tax				**3.900.183**
Corporate income tax				-814.859
Net income of consolidated entity				**3.085.324**

3.2 NET BOOK VALUE OF INVESTMENT PROPERTY BY OPERATING SEGMENT

In thousands of NOK	31/12/2017	31/12/2016
Denmark	10.236.727	9.023.141
Norway	12.624.747	12.060.391
Sweden	12.337.985	11.122.516
Investment property	**35.199.459**	**32.206.048**

In thousands of NOK	31/12/2017	31/12/2016
Denmark	966.672	946.756
Norway	78.303	42.235
Sweden	402.259	367.528
Investment property under construction	**1.447.234**	**1.356.519**

3.3 INVESTMENTS BY OPERATING SEGMENT

2017 In thousands of NOK	Intangible assets	Property, plant and equipment and work in progress	Investment property	Investment property under construction	Total investments
Denmark	-	845	79.647	16.368	96.860
Norway	4.673	9.243	19.938	14.700	48.554
Sweden	-	1.525	61.503	80.918	143.946
Total	**4.673**	**11.613**	**161.088**	**111.986**	**289.360**

2016 In thousands of NOK	Intangible assets	Property, plant and equipment and work in progress	Investment property	Investment property under construction	Total investments
Denmark	-	492	-	46.855	47.346
Norway	9.266	15.655	3.315.769	42.809	3.383.499
Sweden	-	141	1.056	36.392	37.589
Total	**9.266**	**16.288**	**3.316.825**	**126.055**	**3.468.434**

2016 Investments in Investment property in operating segment Norway include recognition of the companies which comprise of the shoppingcenter Oslo City as fully consolidated subsidiaries. Refer to note 4.2 for further information.

4.1 SCOPE OF CONSOLIDATION

Full consolidated companies	Country	Headquarter	% of interest 31/12/2017	31/12/2016	Change
Head of the Group					
Steen & Strom AS	Norway	Oslo	100,0%	100,0%	0,0%
Bruun's Galleri ApS	Denmark	Copenhagen	100,0%	100,0%	0,0%
Bryggen, Vejle A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Field's Copenhagen I/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Field's Eier I ApS	Denmark	Copenhagen	100,0%	100,0%	0,0%
Field's Ejer II A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Steen & Strøm CenterService A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Steen & Strøm CenterUdvikling VI A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Steen & Strøm Danmark A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Steen & Strøm Holding AS	Denmark	Copenhagen	100,0%	100,0%	0,0%
Viva, Odense A/S	Denmark	Copenhagen	100,0%	100,0%	0,0%
Amanda Storsenter AS	Norway	Oslo	100,0%	100,0%	0,0%
Farmandstredet Eiendom AS	Norway	Oslo	100,0%	100,0%	0,0%
Gulskogen Senter AS	Norway	Oslo	100,0%	100,0%	0,0%
Hamar Storsenter AS	Norway	Oslo	100,0%	100,0%	0,0%
Nerstranda AS	Norway	Oslo	100,0%	100,0%	0,0%
Slagenveien 2 AS	Norway	Oslo	100,0%	100,0%	0,0%
SSI Lillestrøm Torv AS	Norway	Oslo	0,0%	100,0%	-100,0%
Stavanger Storsenter AS	Norway	Oslo	100,0%	100,0%	0,0%
Vinterbro Senter DA	Norway	Oslo	100,0%	100,0%	0,0%
Oslo City Kjøpesenter AS	Norway	Oslo	100,0%	100,0%	0,0%
Oslo City Parkering AS	Norway	Oslo	100,0%	100,0%	0,0%
Steen & Strøm Mediapartner AS	Norway	Oslo	100,0%	100,0%	0,0%
Steen & Strøm Norge AS	Norway	Oslo	100,0%	100,0%	0,0%
Steen & Strøm Senterservice AS	Norway	Oslo	100,0%	100,0%	0,0%
Phasmatidae Holding AB	Sweden	Stockholm	0,0%	100,0%	-100,0%
FAB Allum	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Borlange Köpcentrum	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Centrum Västerort	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB CentrumInvest	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Emporia	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Lackeraren Borlänge	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Marieberg Galleria	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB P Åkanten	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB P Brodalen	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB P Porthälla	Sweden	Stockholm	100,0%	100,0%	0,0%
FAB Viskaholm	Sweden	Stockholm	0,0%	100,0%	-100,0%
Fastighets AB Västra Götaland	Sweden	Stockholm	100,0%	100,0%	0,0%
Grytingen Nya AB	Sweden	Stockholm	64,8%	64,8%	0,0%
Partille Lexby AB	Sweden	Stockholm	100,0%	100,0%	0,0%
Steen & Strøm Holding AB	Sweden	Stockholm	100,0%	100,0%	0,0%
Steen & Strøm Sverige AB - Developement	Sweden	Stockholm	100,0%	100,0%	0,0%

All changes in the consolidation scope are related to sale of subsidiaries.

4.2 BUSINESS COMBINATIONS

After the recognition of Oslo City Kjøpesenter AS and Oslo City Parkering AS as fully consolidated subsidiaries of Steen & Strøm AS in early 2016, there has been no further business combinations.

The goodwill of NOK 348,4 million comprise mainly of the discounted value of deferred tax liabilities in the purchase price.

Goodwill is allocated to the following cash-generating units (CGU):

	Oslo City Kjøpesenter AS	Oslo City Parkering AS
Goodwill	332.518	15.907
Total estimated sales value CGU	3.622.125	171.360
Total Group book value equity CGU	3.564.380	168.306

As the total estimated sales value exceeds the book value of subsidiaries, goodwill is not impaired.

2016 comparative information relating to Business Combinations
The fair values of the identifiable assets and liabilities of Oslo City Kjøpesenter AS and Oslo City Parking AS at the date of acquisition were as follows:

In thousands of NOK	Fair values at acquisition date
Investment properties	3.310.629
Investment properties under construction	23.352
Other current assets	7.153
Cash and cash equivalents	7.397
Total assets	**3.348.531**
Deferred tax liability	452.375
Other current liabilities	52.308
Total liabilities	**504.683**
Net identifiable assets	2.843.848
Goodwill	348.425
Total consideration for the shares, satisfied by cash	**3.192.273**

The goodwill of NOK 348,4 million comprise mainly of the discounted value of deferred tax liabilities in the purchase price.

For the full year 2016, Oslo City generated Net Rental Income of NOK 160,9 million and Net Income of NOK 259.2 million including

5.1 INTANGIBLE ASSETS

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Other movements	31/12/2017
Total gross value	**180.313**	**4.673**	**-**	**-**	**-**	**-**	**184.986**
Software	-82.928	-	-	-19.309	-	-	-102.237
Total depreciation and amortisation	**-82.928**	**-**	**-**	**-19.309**	**-**	**-**	**-102.237**
Intangible assets - Net value	**97.385**	**4.673**	**-**	**-19.309**	**-**	**-**	**82.749**

In thousands of NOK	31/12/2015	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Other movements	31/12/2016
Total gross value	**171.047**	**9.266**	**-**	**-**	**-**	**-**	**180.313**
Software	-58.092	-	-	-24.836	-	-	-82.928
Total depreciation and amortisation	**-58.092**	**-**	**-**	**-24.836**	**-**	**-**	**-82.928**
Intangible assets - Net value	**112.955**	**9.266**	**-**	**-24.836**	**-**	**-**	**97.385**

5.2 PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Other movements	31/12/2017
Furniture and equipment	97.801	11.613	-1.526	-	4.327	-	112.215
Total gross value	**97.801**	**11.613**	**-1.526**	**-**	**4.327**	**-**	**112.215**
Furniture and equipment	-67.750	-	1.491	-3.455	-3.643	-	-73.357
Total depreciation and amortisation	**-67.750**	**-**	**1.491**	**-3.455**	**-3.643**	-	**-73.357**
Property, plant and equipment	**30.051**	**11.613**	**-35**	**-3.455**	**684**	**-**	**38.858**

In thousands of NOK	31/12/2015	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Other movements	31/12/2016
Furniture and equipment	95.815	16.288	-8.149	-	-6.305	153	97.801
Total gross value	**95.815**	**16.288**	**-8.149**	**-**	**-6.305**	**153**	**97.801**
Furniture and equipment	-75.425	-	7.113	-4.432	4.993	1	-67.750
Total depreciation and amortisation	**-75.425**	**-**	**7.113**	**-4.432**	**4.993**	1	**-67.750**
Property, plant and equipment	**20.390**	**16.288**	**-1.036**	**-4.432**	**-1.312**	**154**	**30.051**

5.3 A INVESTMENT PROPERTY

In thousands of NOK	31/12/2016	Acquisitions*	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustment	Other movements	31/12/2017
Investment property								
Land	2.472.680	800	-21.296	-	77.401	-	-	2.529.585
Structures	14.074.113	62.013	-163.528	-267	653.302	-	-	14.625.633
Facades, cladding and roofing	876.667	19.688	-9.248	-	11.451	-	9.942	908.501
General and Technical Installations	2.479.615	23.497	-17.803	-	97.284	-	5.119	2.587.711
Fixtures	954.472	55.089	-995	-	25.152	-	22.649	1.056.367
Cost value	**20.857.547**	**161.088**	**-212.870**	**-267**	**864.590**	**-**	**37.710**	**21.707.797**
Fair value adjustment	**11.348.501**	**-**	**201.425**	**-**	**482.740**	**1.458.995**	**-**	**13.491.662**
Fair value investment property	**32.206.048**	**161.088**	**-11.444**	**-267**	**1.347.330**	**1.458.995**	**37.710**	**35.199.459**

In December 2016 the Group entered into agreements for divesting the subsidiary Lillestrøm Torv in Norway, and the office property related to the shopping center Emporia in Sweden. For accounting purposes the sales transactions were recognised in in January 2017 when transfer of shares and settlements were done.

Properties related to the sales transactions where valued at fair value, equal to sales value, and reclassified to investment property held for sale as of 31 December 2016. .

In thousands of NOK	31/12/2015	Acquisitions*	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustment	Other movements	31/12/2016
Investment property								
Land	1.461.780	1.133.447	-9.323	-	-81.547	-	-31.678	2.472.680
Structures	13.436.904	2.135.811	-372.023	-280	-864.526	-	-261.774	14.074.113
Facades, cladding and roofing	954.427	14.640	-9.890	-	-24.221	-	-58.289	876.667
General and Technical Installations	2.658.534	27.878	-13.161	-	-97.308	-	-96.328	2.479.615
Fixtures	1.033.647	5.048	-13.832	-	-42.051	-	-28.340	954.472
Cost value	**19.545.293**	**3.316.825**	**-418.228**	**-280**	**-1.109.653**	**-**	**-476.410**	**20.857.547**
Fair value adjustment	**10.879.186**	**-**	**-801.815**	**-**	**-579.465**	**2.547.138**	**-696.544**	**11.348.501**
Fair value Investment property	**30.424.478**	**3.316.825**	**-1.220.043**	**-280**	**-1.689.117**	**2.547.138**	**-1.172.954**	**32.206.048**

* Additional acquisitions in existing properties

5.3 B INVESTMENT PROPERTY UNDER CONSTRUCTION

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Deprecia-tions and impairment allowances	Currency fluctuations	Fair Value adjustment	Other movements	31/12/2017
Fixed assets in progress	1.356.519	111.986	-113.359	-	93.407	32.115	-33.434	1.447.234
Investment property under construction	**1.356.519**	**111.986**	**-113.359**	**-**	**93.407**	**32.115**	**-33.434**	**1.447.234**

In thousands of NOK	31/12/2015	Acquisitions	Disposals and retirement of assets	Deprecia-tions and impairment allowances	Currency fluctuations	Fair Value adjustment	Other movements	31/12/2016
Fixed assets in progress	1.608.811	126.055	-5.365	-	-94.790	-203.790	-74.402	1.356.519
Investment property under construction	**1.608.811**	**126.055**	**-5.365**	**-**	**-94.790**	**-203.790**	**-74.402**	**1.356.519**

5.3 C SENSITIVITY

AVERAGE YIELDS (%) When calculating the value of the investment properties the following average yields were used:	**31/12/2017**	**31/12/2016**
Norwegian investment property	4,76%	4,86%
Swedish investment property	4,56%	4,64%
Danish investment property	4,90%	5,08%
Weighted average	4,72%	4,83%

SENSITIVITIES The following table show sensitivity in fair value of investment property as a result of change in yield:	**Yield**	**Value**	**Change**
Reduced yield by -0,5%	4,22%	40.988.718	4.342.025
Value 31/12/2017	4,72%	36.646.692	-
Increased yield by 0,5%	5,22%	33.136.473	-3.510.220

SENSITIVITIES The following table show sensitivity in fair value of investment property as a result of change in cash-flow:	**Cash flow**	**Value**	**Change**
Increased cash-flow by 1%	1,0%	37.013.159	366.467
Value 31/12/2017	0,0%	36.646.692	-
Reduced cash-flow by 1%	-1,0%	36.280.226	-366.467

There are no significant contractual commitments to purchase, construct or develop investment property.

Interest on building loans
Initial cost of Investment property include building loan interests in connection with the construction of certain assets. Capitalised interest on building loans in 2017 and 2016 amounts to NOK 1,5 million and NOK 3,3 million, respectively.

Ongoing construction contracts
The Group has no ongoing construction contracts as of 31 December 2017 and 2016.

5.4 A INVESTMENTS IN JOINTLY CONTROLLED COMPANIES

In thousands of NOK	**31/12/2016**	**Share of net income**	**Dividends received**	**Capital increases and reductions**	**Currency fluctuations**	**Changes in the scope of consolidation and other movements**	**31/12/2017**
Investments in jointly controlled companies	1.676.240	127.860	-48.000	25.000	-	-1	1.781.099
Equity method securities	**1.676.240**	**127.860**	**-48.000**	**25.000**	**-**	**-1**	**1.781.099**

In thousands of NOK	**31/12/2015**	**Share in net income**	**Dividends received**	**Capital increases and reductions**	**Currency fluctuations**	**Changes in the scope of consolidation and other movements**	**31/12/2016**
Investments in jointly controlled companies	5.739.006	253.579	-	-167.290	-	-4.149.056	1.676.240
Equity method securities	**5.739.006**	**253.579**	**-**	**-167.290**	**-**	**-4.149.056**	**1.676.240**

During 2016, Oslo City Kjøpesenter AS demerged it's office premises into Oslo City Kontor AS and its parking premises into Oslo City Paring AS and Oslo City Parking 2 A. Upon demerger, the Company took ownership of 100% of the shares in the remaining parts of Oslo City Kjøpesenter AS and the demerged company Oslo City Parkering AS. As a result of the change in ownership the companies was derecognised as a jointly controlled companies under the equity method, and recognised as fully consolidated subsidiaries of Steen & Strøm AS.

For further information, refer to Note 1 and Note 4.2.

Equity Method Companies: jointly controlled	Country	Headquarter	% of interest 31/12/2017	31/12/2016	Change
Nordbyen Senter DA	Norway	Oslo	50,0%	50,0%	0,0%
Nordbyen Senter 2 AS	Norway	Oslo	50,0%	50,0%	0,0%
Nordal ANS	Norway	Oslo	50,0%	50,0%	0,0%
Økern Sentrum AS	Norway	Oslo	50,0%	50,0%	0,0%
Økern Eiendom ANS	Norway	Oslo	50,0%	50,0%	0,0%
Økern Sentrum ANS	Norway	Oslo	50,0%	50,0%	0,0%
Metro Shopping AS	Norway	Oslo	50,0%	50,0%	0,0%
Metro Senter ANS	Norway	Oslo	50,0%	50,0%	0,0%

5.4 B EQUITY METHOD - P&L

	31/12/2017		31/12/2016	
In thousands of NOK	**100%**	**Group share**	**100%**	**Group share**
Gross Rental Income	147.608	73.804	246.605	123.207
Land expenses (real estate)	-	-	-	-
Non-recovered rental expenses	-18.158	-9.079	-23.094	-11.538
Building expenses (owner)	-9.368	-4.684	-14.714	-7.351
Net rental income	**120.082**	**60.041**	**208.797**	**104.318**
Other operating revenue	78	39	1.825	911
Change in the fair value of investment property	158.745	79.373	265.923	132.925
Other general expenses	-594	-297	-495	-247
Proceeds from disposal of investment properties and equity investments	-	-	*23*	*11*
Net book value of investment properties and equity investments sold	-	-	*-1.577*	*-787*
Income from disposal of investment properties and equity investments	-	-	-1.554	-775
Operating income	**278.311**	**139.156**	**474.496**	**237.131**
Financial income	*158*	*79*	*402*	*201*
Financial expenses	*-70*	*-35*	*-92*	*-46*
Net cost of debt	88	44	310	155
Profit before tax	**278.399**	**139.200**	**474.806**	**237.286**
Corporate income tax	-22.679	-11.340	32.562	16.294
Net income of consolidated entity	**255.720**	**127.860**	**507.368**	**253.579**

5.4 B EQUITY METHOD - BALANCE

		31/12/2017		31/12/2016
In thousands of NOK	**100%**	**Group share**	**100%**	**Group share**
Property, plant and equipment and work in progress	11.816	5.908	19.000	9.500
Investment property	2.592.413	1.296.207	2.421.565	1.210.783
Investment property under construction	1.139.796	569.898	1.081.179	540.590
Deferred tax assets	163	82	135	68
NON-CURRENT ASSETS	**3.744.188**	**1.872.094**	**3.521.879**	**1.760.940**
Trade accounts and notes receivable	3.012	1.506	3.114	1.557
Other receivables	10.855	5.428	11.941	5.971
Tax receivable	*1.184*	*592*	*1.449*	*725*
Other debtors	*9.671*	*4.836*	*10.492*	*5.246*
Cash and cash equivalents	51.522	25.761	37.859	18.930
CURRENT ASSETS	**65.389**	**32.695**	**52.914**	**26.457**
TOTAL ASSETS	**3.809.577**	**1.904.789**	**3.574.793**	**1.787.397**
Share capital	2.165.902	1.082.951	2.211.902	1.105.951
Additional paid-in capital	1.857	929	1.857	929
Consolidated reserves	1.138.718	569.359	736.009	368.005
Other consolidated reserves	*1.138.718*	*569.359*	*736.009*	*368.005*
Consolidated earnings	255.720	127.860	402.711	201.356
Shareholders' equity, group share	**3.562.197**	**1.781.099**	**3.352.479**	**1.676.240**
Minority interest	**-**	**-**	**-**	**-**
SHAREHOLDERS' EQUITY	**3.562.197**	**1.781.099**	**3.352.479**	**1.676.240**
Deffered tax liabilities	209.248	104.624	186.541	93.271
NON-CURRENT LIABILITIES	**209.248**	**104.624**	**186.541**	**93.271**
Trade payables	7.361	3.681	9.385	4.693
Other liabilities	22.805	11.403	21.399	10.700
Social and tax liabilities	7.966	3.983	4.989	2.495
CURRENT LIABILITIES	**38.132**	**19.066**	**35.773**	**17.887**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3.809.577**	**1.904.789**	**3.574.793**	**1.787.397**

5.5 OTHER NON-CURRENT ASSETS

In thousands of NOK	31/12/2017	31/12/2016
Other long term investments	230	855
Loan and advances to non-consolidated companies	-	1.145.261
Deposits	2.384	2.212
Total	**2.614**	**1.148.328**

Loan and advances to non-consolidated companies, entirely loans to Storm Holding AS and Nordica HoldCo AB, has been settled as of 31/12/2017.

The Groups parent company Steen & Strøm AS is owned 100% by Storm Holding AS, while Storm Holding AS is owned 100% by Nordica HoldCo AB.

5.6 TRADE ACCOUNTS AND NOTES RECEIVABLES

In thousands of NOK	31/12/2017	31/12/2016
Trade receivables	89.689	192.357
Stepped rents and rent-free periods of leases	70.744	66.473
Gross Value	**160.433**	**258.829**
Provisions on bad debts	-23.809	-19.874
Net value	**136.624**	**238.955**

There is no single customer who represents a large share of the trade receivables and therefore pose a material credit risk. The trade receivables are spread across industries in different countries. The majority of the Group's rental contracts have deposit and bank guarantees which secure 3 to 6 month's rent, including trade receivables.

Trade receivables not impaired

In thousands of NOK	Total	Not due	< 30 days	30-60 days	60-90 days	>90 days
2017	136.624	96.454	16.883	220	7.453	15.614
2016	238.955	207.503	21.688	6.996	-984	3.752

Specification of provision for bad debt
The group policy for impairment of trade receivables apply only to receivables not secured by deposit or bank guarantee. When such receivables reach 4 months overdue they are considered 50% recoverable. If the receivable is still outstanding after 7 months, it is considered unrecoverable.

Each provision is considered individually and may be impaired to a larger extent then the policy implies.

In thousands of NOK	2017	2016
Opening balance	-19.874	-26.733
Provisions for bad debts for the year	-10.363	-8.754
Confirmed losses for the year	3.807	9.753
Reversed provisions for bad debts previous years	3.186	3.488
Foreign exchange effects	-1.006	1.915
Reclassifications and other movements	442	457
Closing balance	**-23.809**	**-19.874**

5.7 OTHER RECEIVABLES

In thousands of NOK	31/12/2017	31/12/2016
Tax receivables	**94.039**	**98.073**
Corporate income tax	-	81.638
VAT	94.039	16.435
Other receivables	**51.789**	**49.922**
Service charges due	8.667	4.098
Down payments to suppliers	-	701
Prepaid expenses	10.268	11.670
Other	32.854	33.453
Total	**145.829**	**147.994**

The item Other consists primarily of funds managed by the Group on behalf of tenants and third parties.

5.8 CASH AND CASH EQUIVALENTS

In thousands of NOK	31/12/2017	31/12/2016
Banks	578.037	145.704
Cash	-	-
Gross cash and cash equivalents	**578.037**	**145.704**
- Bank facilities	**-**	**-**
Net cash and cash equivalents	**578.037**	**145.704**

The Group maintain a Group account scheme for bank accounts in Norway and Sweden which are linked to the Groups overdraft accounts. The outstanding balance of these bank and bank overdraft accounts are presented net, as is the interest income and interest expenses arising from these accounts. At 31 December 2017 and 2016, the Group held a total bank credit facility of NOK 950,0 million and NOK 597,5 million, respectively.

Restricted bank deposits

As of 31 December 2017 and 2016, restricted funds amounted to NOK 2 826 thousand and NOK 3 549 thousand.

5.9 SHAREHOLDERS' EQUITY

Share capital
At 31 December 2017 and 2016, the share capital of the Company was NOK 76 005 290, divided into 30 402 116 fully paid ordinary shares at par value NOK 2,50.

At 31 December 2017 and 2016, the Company held 1 098 655 treasury shares.

Shareholders
At 31 December 2017 and 2016, 100% of the shares in the Company were held by Storm Holding Norway AS. Storm Holding Norway AS is 100% owned by Nordica HoldCo AB, which in turn is owned 56.1% by Klèpierre Nordica BV, corporate identity number 34261791 with headquarters in Amsterdam, Holland and 43.9% by Storm ABP Holding BV, corporate identity number 34313617, with headquarters in Schipol, Holland.

5.10 NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

In thousands of NOK	Opening Balance 01/01/2017	Cash flow	Reclas-sification Non Current to Current	Foreign exchange movement	Fair Value changes	Other changes	Closing Balance 31/12/2017
Non-current financial liabilities							
Bond net costs/premium	2.000.000	1.210.340	-212.300	-3.088	-	-	2.994.952
Loans and borrowings from credit institutions - more than one year	7.426.403	-1.546.204	-145.350	451.696	-	796.518	6.983.063
Non-current derivatives (Note 8)	314.943	-	-	10.984	-91.502	-35.073	199.352
Total non-current financial liabilities	**9.741.346**	**-335.864**	**-357.650**	**459.592**	**-91.502**	**761.445**	**10.177.367**
Current financial liabilities							
Bond net costs/premium	2.089.671	-	212.300	-	-	-1.901.971	400.000
Loans and borrowings from credit institutions - less than one year	934.941	-1.920.865	145.350	15.813	-	1.110.208	285.447
Accrued interest	24.114	-	-	-12	-	2.994	27.096
Commercial paper	1.200.000	950.000	-	-	-	-	2.150.000
Total current financial liabilities	**4.248.725**	**-970.865**	**357.650**	**15.801**	**-**	**-788.769**	**2.862.543**
Total non-current and current financial liabilities	**13.990.072**	**-1.306.729**	**-**	**475.394**	**-91.502**	**-27.324**	**13.039.910**

Recognised value of the Groups non-current and current financial liabilities are denominated in currencies as follows:

In thousands of NOK	Opening Balance 01/01/2017	Cash flow	Reclas-sification Non Current to Current	Foreign exchange movement	Fair Value changes	Other changes	Closing Balance 31/12/2017
NOK	6.795.984	-1.152.382	-	-3.107	-22.440	-17.354	5.600.701
SEK	3.160.871	-23.456	-	158.171	-58.374	-4.658	3.232.553
DKK	4.033.217	-130.891	-	320.330	-10.688	-5.312	4.206.656
Total financial liabilities	**13.990.072**	**-1.306.729**	**-**	**475.394**	**-91.502**	**-27.324**	**13.039.910**

Contractual repayment of liabilities:

In thousands of NOK	31/12/2017	31/12/2016
0 - 1 years	2.862.543	4.248.725
2 - 5 years	3.590.601	2.342.840
More than 5 years	6.586.766	7.398.506
Total non-current and current financial liabilities	**13.039.910**	**13.990.072**

Certain loans are secured by pledge in certain assets. Pledged assets are specified in the table below:

In thousands of NOK	31/12/2017	31/12/2016
Investment property	19.477.984	26.953.251
Investment property under construction	1.447.234	1.356.519
Total book value of pledged assets	**20.925.217**	**28.309.770**

5.11 SOCIAL AND TAX LIABILITIES AND OTHER LIABILITIES

In thousands of NOK	31/12/2017	31/12/2016
Social and tax liabilities		
Staff and related accounts	29.462	33.446
Social security and other bodies	6.160	8.548
Tax payables		
Corporate income tax	1.221	-
VAT	10.283	10.904
Other taxes and duties	87.259	90.804
Total social and tax liabilities	**134.386**	**143.702**
Other liabilities		
Prepaid income	8.128	12.811
Creditor customers	9.026	18.250
Prepaid gift cards	24.638	34.467
Other loans and borrowings	85.114	43.459
Total other liabilities	**126.906**	**108.987**

5.12 GUARANTEES, BAIL DECLARATIONS AND PLEDGES

The Group has given the following guarantees, bail declarations and pledges:

In thousands of NOK	Banking partner	31/12/2017
Rent guarantee	DNB Bank ASA	3.375
Bail declaration - surety for FX Swap	DNB Bank ASA	201.435
Bail declaration - surety for Group bank account scheme	DNB Bank ASA	250.000
Bail declaration - surety for indemnity declaration previous tenants	Nordea Bank AB, filial Norge	2.147
Pledges secured in investment property of subsidiaries	DNB Bank ASA	21.718.877
Total off balance sheet commitments of guarantees, bail declarations and pledges		**22.175.834**

6.1 INCOME FROM DISPOSAL OF INVESTMENT PROPERTIES AND EQUITY INSTRUMENTS

In December 2016 the Group entered into agreements for divesting the subsidiary Lillestrøm Torv in Norway, and the office property related to the shopping center Emporia in Sweden. For accounting purposes the sales transactions were recognised in January 2017 when transfer of shares and settlements were done.

Sale of subsidiaries, affect Cash Flow and Comprehensive Income by:

Proceeds from disposal of subsidiaries (net of cash disposed)	1.045.341
Net book value	-933.407
Total income from disposal of subsidiaries	**111.935**

Sale and disposal of land and projects affect Cash Flow and Comprehensive Income by:

Proceeds from sale	2.763
Net book value	-47.033
Total loss from disposal of land and projects	**-44.270**

Analysis of assets and liabilities over which control was lost

NON-CURRENT ASSETS	
Property, plant and equipment	1.260.097
CURRENT ASSETS	
Trade accounts and notes receivables	4.469
Other receivables	2.478
Cash and cash equivalents	7.245
NON-CURRENT LIABILITIES	
Non-current financial liabilities	-122.033
Deferred tax liabilities	-121.068
CURRENT LIABILITIES	
Trade payables	-4.373
Payables to fixed assets suppliers	-5.000
Other liabilities	-19.603
Social and tax liabilities	-21.773
Net assets disposed of	**980.439**

Final settlement from DNB Scandinavian Property Fund for Lillestrøm Torv was received in January 2018. There is no diviation in settlement

On 1 November 2016 the Group sold all shares in companies related to the fully owned shopping center Torp in Sweden and the jointly controlled shopping center Åsane Storsenter in Norway. Income from disposal of investment properties and equity instruments in 2016 arise entirely from the disposal of Torp and Åsane Storsenter.

6.2 NET COST OF DEBT

In thousands of NOK	31/12/2017	31/12/2016
Financial income		
Interest income on swaps	20.425	34.220
Interest on associates' advances	49.995	26.298
Other interests received	123.630	123.722
Other revenue and financial income	7.117	9.547
Foreign exchange gains	228.075	350.379
Financial income	**429.242**	**544.166**
Financial expenses		
Interest on bonds	-76.502	-92.687
Interest on loans from credit institutions	-211.525	-252.453
Interest expense on swaps	-119.103	-182.337
Interest on associates' advances	-972	-2.287
Other financial expenses	-12.091	-9.677
Foreign exchange losses	-224.858	-396.080
Financial expenses	**-645.051**	**-935.521**
Net cost of debt	**-215.809**	**-391.355**

Net cost of debt include net foreign exchangegain of NOK 3,2 million and loss of NOK 45,7 million in 2017 and 2016, respectively.

Financial expenses include both interest on external bonds, certificates and bank loans, and interest on loans to related parties Storm Holding Norway AS and Nordica HoldCo AB. Storm Holding Norway AS is the parent company of Steen & Strøm AS, while Nordica HoldCo AB is the parent company of Storm Holding Norway AS.

7 TAX

IN THOUSANDS OF NOK	2017	2016
Tax expenses:		
Current Tax	-13.043	-12.754
Change in deferred tax	-555.936	-802.105
Tax expenses	**-568.979**	**-814.859**
Profit before tax (including discontinued operations)	2.918.957	3.900.183
Tax calculated on profit before tax	-666.915	-900.555
Taxes without bases in taxable income current period	10.003	20.878
Effect of changes in tax rates	83.259	62.842
Non taxable elements	23.946	30.971
Other	-19.272	-28.995
Tax expenses	**-568.979**	**-814.859**

Non taxable elements is mainly related to sale of shares.

Effective tax rate	**-19,5%**	**-20,9%**

Deferred taxes are composed of:

Deferred tax assets

In thousands of NOK	31/12/2017	31/12/2016
Tangible fixed assets and investment property	655	-16.938
Losses carried forward	100.132	122.253
Capital losses carried forward/capital gain pending taxation	1.304	1.701
Total for entities in a net asset position	**102.090**	**107.017**
Deferred tax liabilities		
Tangible fixed assets and investment property	4.769.372	4.341.668
Losses carried forward	64.603	-9.630
Derivatives	-32.848	-52.184
Long-term liabilities and receivables	311	3.358
Capital losses carried forward/capital gain pending taxation	4.320	5.635
Other	5.601	4.845
Total for entities in a net liability position	**4.811.360**	**4.293.692**
NET POSITIONS	**4.709.269**	**4.186.676**

Summary of losses carried forward

No due date	408.451	823.478
By the end of 2020	-	-
Total losses carried forward	**408.451**	**823.478**

Change in deferred tax recognised in other comprehensive income

Cash flow hedges ex translation profits and losses	20.846	19.395
Translation profits and losses cash flow hedges	-1.510	4.078
Total deferred tax recognised in other comprehensive income	**19.336**	**23.473**

8 EXPOSURE TO RISK

The procedures for managing risk are approved by the Board of Directors.

Interest rate risk
Interest rate risk arises in the short and medium term, following the part of the Company's debt which has a floating interest rate. The loan portfolio currently has a combination of floating and fixed rates, where long-term interest agreements have been made for approx. 70% of the Group's loan portfolio.

The Group uses various types of interest rate derivatives to hedge against fluctations due to changes in interest rate levels. As of 31 December 2017 and 2016, the Group had interest rate swaps valued at NOK 7 069.0 million and NOK 5 137.3 million, respectively, where the Group receives a variable interest rate and pays a fixed interest rate.

The interest rate swaps are used to hedge against fluctations due to changes in the level of interest rates. The secured loans and the swap agreements have the same terms and conditions. The swaps satisfy the requirements for hedge accounting under IAS 39, and changes in fair value are recognised directly through equity.

Overview of the Group's swap agreements:

Start Date	End Date	Amount	Currency	Int. rate	Excess value (thousand NOK)
28/04/2014	28/01/2019	300.000.000	NOK	2,3950 %	-5.794
12/06/2014	12/03/2019	300.000.000	NOK	2,3975 %	-5.654
12/06/2014	12/03/2019	400.000.000	NOK	2,3875 %	-7.489
05/08/2014	05/08/2019	200.000.000	NOK	1,9850 %	-3.685
30/09/2014	30/09/2019	400.000.000	NOK	1,9950 %	-7.134
23/06/2017	23/06/2022	500.000.000	NOK	1,3415 %	162
21/11/2017	21/11/2023	300.000.000	NOK	1,4350 %	941
29/09/2012	29/09/2018	200.000.000	SEK	2,8000 %	-4.912
30/10/2012	30/10/2020	300.000.000	SEK	2,7900 %	-23.965
30/09/2011	30/09/2021	300.000.000	SEK	2,6400 %	-27.594
30/09/2011	30/09/2021	300.000.000	SEK	2,6950 %	-28.223
29/06/2012	30/06/2022	300.000.000	SEK	2,1450 %	-24.092
11/02/2013	09/11/2020	300.000.000	SEK	2,7500 %	-23.771
30/06/2017	30/06/2020	500.000.000	SEK	1,0000 %	306
30/12/2017	30/12/2021	400.000.000	SEK	1,0000 %	2.459
29/06/2012	30/12/2021	466.071.000	DKK	2,3250 %	-51.480
30/06/2017	30/06/2022	800.000.000	DKK	1,0000 %	9.591
30/12/2017	30/12/2020	300.000.000	DKK	0,5000 %	981
Total excess value					**-199.352**

Average rate on interest-bearing loans in 2017 and 2016 was 2.2% and 2.4%, respectively. Based on the financial instruments and interest rate swaps as of 31. December 2017, a general increase of 1% in interest rate levels will reduce profits by NOK 64.2 million.

The Group expensed in 2017 and 2016 NOK 98.7 million and NOK 148.1 million, respectively, for interest rate hedging. Other movements in interest rate hedging that are not recognised through the income statement are itemised in the statement of equity.

Liquidity risk
The Group's strategy is to, at all times, have sufficient cash and cash equvalents or credit facilities to be able to finance operations and investments for the next three years, in accordance with the Company's strategic plan for the same period.

Currency risk
Changes in exchange rates involve both direct and indirect financial risk for the Group. The currency exposure is mainly limited to the equity portion of shopping center investments in Sweden and Denmark. Hedging is achieved by using the same currency for assets and liabilitites in each country.

Non-Current and Current Interest bearing Financial Liabilities in foreign currency (in thousand)	31/12/2017	31/12/2016
SEK	3.102.759	3.628.095
DKK	4.186.619	3.283.511

Exchange rate on the balance sheet date	31/12/2017	31/12/2016
SEK	99,96	95,12
DKK	132,18	122,22

Counterparty risk
Counterparty risk is limited by the fact that Steen & Strøm AS is structurally a borrower. The Group is therefore limited essentially to investments made by the Group and the Group's derivate transactions counterparties. The Group only conducts marketable securities and hedging instruments with leading Scandinavian financial institutions recognised as financially sound.

Debt ratio
The Group's objective is to secure continued operations by ensuring sustainable returns for shareholders and other stakeholder, and to maintain an optimal capital structure to reduce capital costs.

To improve the capital structure , the Group may adjust the level of dividends to shareholders repay capital to shareholders, issue new shares or sell assets in order to repay loans.

Debt ratio as of 31 December 2017 and 2016 were as follows:

In thousands of NOK	31/12/2017	31/12/2016
Total loans	12.840.558	13.675.128
Cash and interest-bearing receivables	580.650	1.294.033
Net interest bearing debt	**12.259.907**	**12.381.096**
Total fixed assets	**38.549.398**	**36.613.446**
Debt ratio	**31,8 %**	**33,8 %**

9 LEASES

The Group as lessee - operating leases
The Group has entered into several operating leases for machinery, offices and other facilities. Several of these leases have an extension option. The agreements do not contain restrictions on the Company's didivdend policy or financing opportunities.

Lease expense consist of the following:

In thousands of NOK	31/12/2017	31/12/2016
Vehicles and machinery	2.271	2.663
Facilities	8.434	16.428
Total	**10.705**	**19.091**

Future minimum lease payments related to non-cancellable leases fall due as follows:

In thousands of NOK	31/12/2017	31/12/2016
Within 1 year	9.337	16.278
1 to 5 years	24.228	60.008
After 5 years	-	641.015
Total	**33.566**	**717.301**

Group as lessor - operating leases
The Group's main activity is that of being a lessor of the Group's investment properties. Leases as described in the tables below are based on agreements as of 31 December 2017, and in nominal amounts. The Group's lease agreements are adjusted with changes in consumer price index on an annual basis.

The carrying value of assets leased under operating leases is as follows:

In thousands of NOK	31/12/2017	31/12/2016
Buildings	36.646.692	33.562.567
Total	**36.646.692**	**33.562.567**

Future minimum lease payments related to non-cancellable leases fall due as follows:

In thousands of NOK	31/12/2017	31/12/2016
Within 1 year	1.100.181	1.325.567
1 to 5 years	2.221.089	2.676.396
After 5 years	2.888.446	2.310.545
Total	**6.209.715**	**6.312.508**

The Group's rental contracts can be divided into
[1] Fixed rent,
[2] Minimum rent + percentage of tenants turnover, and
[3] Percentage of tenants turnover.

Percentage of rental rates that are fixed are as follows:	31/12/2017	31/12/2016
Norway	93,3 %	92,2 %
Sweden	93,3 %	95,5 %
Denmark	94,0 %	96,8 %
Average	93.5 %	94,8 %

Finance leases

The Group has no finance leases

10.1 PAYROLL EXPENSES

In thousands of NOK	2017	2016
Wages, bonuses and indemnities	-103.329	-114.276
Social security tax	-20.106	-22.585
Pension costs	-12.844	-10.762
Other costs	-7.560	-5.782
Payroll expenses	**-143 889**	**-154 661**

Employees
The average number of employees in the Group in 2017 and 2016 were 154 and 177, respectively. At 31 December 2017 the Group had 149 emploees.

Pension cost
All employees in the Group are on defined contribution plans. The contribution plans are in compliance with the legal requirements of each country.

Bonus scheme
Bonus is decided based on the Company's achieved results and an individual assessment of each employee. As of 31 December 2017 and 2016 NOK 13,3 million and NOK 19,1 million, respectively, have been accrued to cover the Group's bonus scheme. The bonus provision includes public and social taxes.

Remuneration of senior executives

2017 In thousands of NOK	Directors' fees	Salary	Bonus	Payment in kind	Pension	Total
Group Management						
Philippe Grenet - Chief Executive Officer	-	-2.550	-463	-927	-209	**-4.148**
Total compensation	**-**	**-2.550**	**-463**	**-927**	**-209**	**-4.148**

2016 In thousands of NOK	Directors' fees	Salary	Bonus	Payment in kind	Pension	Total
Group Management						
Philippe Grenet - Chief Executive Officer1)	-	-2.398	-472	-1.208	-207	**-4.285**
Total compensation	**-**	**-2.398**	**-472**	**-1.208**	**-207**	**-4.285**

1) Philippe Grenet joined the Company 1 June 2016 as CEO of Scandinavia.

None of the Company's employees or Members of the Board have shares or stock options in the Company.

11.1 FAIR VALUE MEASUREMENT

This note provides information about how the Group determines Fair Values of various assets and liabilities.

Description of adapted methods for determining Fair Value on liabilities and assets measured at Fair Value in the balance sheet.

Investment Property
The Group has appointed Cushman & Wakefield as external appraiser for determining the fair value of the Group's investment property. The fair value was determined based on the income approach. The model is based on the actual tenant situation, long-term predictions based on expected inflation and market developments. The shopping centers are appraised twice a year by the external appraiser.

Hedging items
Interest rate swaps are included in the balance sheet at fair value. The fair value of interest rate swaps is determined using implicit yield curves and obtained by financial institutions.

All accounting items measured at Fair Value have been categorised to assess valuation uncertainty. Level 1 includes investments where Fair Value has been determined based on quoted prices in active markets. Level 2 includes investments where Fair Value has been determined based on valuation modelling and market information. These investments are more uncertain than Level 1. Investments in Level 3 is determined using valuation models that, in material aspect, uses input that is non observable market data which implies that there exist a considerable uncertainty in determining Fair Value.

Description of adapted methods for determining Fair Value on liabilities and assets measured at other than Fair Value in the balance sheet.

The carrying value of cash, cash equivalents and bank overdrafts approximates their fair value as these instruments have short maturities. Similarly, the book value of accounts receivable and accounts payable is close to fair value.

For other financial assets and liabilities, except the accounting items described above, fair value is calculated as the present value of estimated cash flows discounted at the rate applicable to similar liabilities and assets on the balance sheet date. This value is approximately equal to fair value.

The fair value of held-to-maturity investments are determined using available market prices.

				31/12/2017
In thousands of NOK	**Level 1**	**Level 2**	**Level 3**	**Total**
Total investment property	**-**	**-**	**36.646.692**	**36.646.692**
Total financial derivatives	**-**	**-212.690**	**-**	**-212.690**
Cash and bank equivalents	-	578.037	-	578.037
Other financial assets	-	282.453	2.614	285.067
Other financial liabilites	-	-387.512	-13.090.174	-13.477.686
Total other financial assets and liabilites	**-**	**472.978**	**-13.087.561**	**-12.614.583**
Total	**-**	**260.288**	**23.559.132**	**23.819.420**

				31/12/2016
In thousands of NOK	**Level 1**	**Level 2**	**Level 3**	**Total**
Total investment property	**-**	**-**	**34.809.770**	**34.809.770**
Total financial derivatives	**-**	**-314.943**	**-**	**-314.943**
Cash and bank equivalents	-	145.704	-	145.704
Other financial assets	-	386.949	1.148.328	1.535.277
Other financial liabilites	-	-319.485	-13.928.333	-14.247.818
Total other financial assets and liabilites	**-**	**213.168**	**-12.780.005**	**-12.566.837**
Total	**-**	**-101.775**	**22.029.765**	**21.927.990**

11.2 LITIGATIONS AND CLAIMS

At the end of the year, Steen & Strøm was involved in the following material legal disputes:

Field´s – "Naturklagenævnet"
On 17th February 2011 the High Court of Eastern Denmark validated a decision from the Nature Protection Board of Appeal, which stated that the construction permission for Field´s did not comply with the local development plan. The party in this decision was the Municipality of Copenhagen, however Steen & Strøm has a right to appeal.

Steen & Strøm has thus taken the matter to court, and has claimed that the decision of the Nature Protection Board of Appeal is void, on several grounds. The court process is likely to take several years.

In 2016, a specific issue was separated from the case and heard for Copenhagen City Court. Steen & Strøm stated that the case should be dismissed, as the organisation making the initial protest, did not have sufficient legal interest. However, Steen & Strøm was not successful with this argument. The case now continues on its merits, and Steen & Strøm has requested the case to be referred to the ECJ (European Courts of Justice). This matter is now being considered by the Danish courts, and a decision is expected in the first half of 2018.

11.3 RELATED PARTIES

The parent company of the Steen & Strøm Group, Steen & Strøm AS is a 100% owned subsidiary of Storm Holding Norway AS. Storm Holding Norway AS is fully owned by Nordica HoldCo AB, which in turn is owned by subsidiaries of SA Klépierre and Stichting Pensionenfonds ABP.

Transactions between related parties are mainly related to provision of group shared services, and financing. All transactions with related parties are carried out at arm's length.

Other general expenses

In thousands of NOK	2017	2016
Standard IT fee	-14.343	-13.631
Total	**-14.343**	**-13.631**

Net cost of debt
Interest income on receivables towards related parties were as follows:

In thousands of NOK	2017	2016
Storm Holding Norway AS	32.492	9.812
Nordica HoldCo AB	17.488	16.477
Total	**49.980**	**26.289**

Steen & Strøm AS have receivables on both Storm Holding Norway AS and Nordica HoldCo AB. The receivables are interest bearing at NIBOR +1.0% margin.

Other non-current assets
Balance of receivables towards related parties where as follows:

In thousands of NOK	31/12/2017	31/12/2016
Storm Holding Norway AS	-	664.467
Nordica HoldCo AB	-	480.794
Total	**-**	**1.145.261**

Loan and advances to non-consolidated companies, entirely loans to Storm Holding AS and Nordica HoldCo AB, has been settled as of 31/12/2017.

11.4 POST BALANCE SHEET DATE

Post-balance sheet date events
There were no significant events after the balance sheet date which can effect the evaluation of the reported accounts.

11.5 AUDIT FEES

In thousands of NOK	2017	2016
Statutory audit	3 606	3.917
Other certification services	-	596
Other services	266	408
Total	**3 872**	**4.921**

STEEN & STRØM AS

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

In thousands of NOK	**NOTE**	**2017**	**2016**
Other operating income		65.439	57.292
Gain from sales of assets	6	241	319
Total operating income		**65.680**	**57.611**
Payroll expenses	1	29.833	27.422
Depreciation	6	19.774	25.296
Other operating expenses	1, 12	39.624	36.856
Total operating expenses		**89.231**	**89.574**
Operating income		**-23.551**	**-31.963**
Financial income and expenses			
Income from investments in subsidiaries		155.040	307.354
Interest received from group companies		56.731	38.975
Net interest on Cash pool		1.373	1.598
Other financial income	14	29.025	93.354
Write down on shares in subsidiaries		-44.646	-15.000
Interest paid to group companies		-3.686	-1.671
Interest on borrowings	10	-142.357	-226.922
Reversal of write down of shares	8	15.000	18.700
Gain/Loss from sales of shares		446.760	628.807
Other financial expenses	14	-29.554	-275.151
Net financial income and expenses		**483.686**	**570.045**
Profit before tax		**460.134**	**538.083**
Corporate income tax	13	-5.425	-134.383
Net income		**454.709**	**403.700**

In thousands of NOK		
Net income	**454.709**	**403.700**
Other comprehensive income items recognised directly as equity		
Items that may be reclassified subsequently to profit or loss		
Effective portion of profits and losses on cash-flow hedging instruments (IAS 39)	22.440	76.837
Tax on cash-flow hedging instruments	-5.653	-19.701
Item that will not be reclassified subsequently to profit and loss		
Total comprehensive income	**471.495**	**460.835**

STATEMENT OF FINANCIAL POSITION

In thousands of NOK	Note	31/12/2017	31/12/2016
Intangible assets			
Deferred tax assets	13	132.620	143.699
Total intangible assets		**132.620**	**143.699**
Property, plant & equipment			
Company cabin	6	3.289	3.557
Cars, machinery and equipment	6	83.602	97.528
Total property, plant & equipment		**86.891**	**101.084**
Financial assets			
Investment in subsidiaries	8	9.354.513	9.675.071
Loans to subsidiaries	9, 14	1.129.779	1.588.818
Investments in joint ventures	7	1.130.850	1.105.850
Investments in shares	8	230	855
Loans to group companies	9, 14	-	1.128.784
Total financial assets		**11.615.373**	**13.499.377**
Non-current assets		**11.834.884**	**13.744.161**
Receivables			
Trade receivables		15	380
Loans to group companies	9	6.751	31.609
Other receivables	9	2.187	5.851
Total receivables		**8.952**	**37.840**
Cash and cash equivalents			
Cash and cash equivalents	1	302.120	124.520
Current assets		**311.072**	**162.360**
Total assets		**12.145.956**	**13.906.520**

STATEMENT OF FINANCIAL POSITION

In thousands of NOK	Note	31/12/2017	31/12/2016
Contributed equity:			
Share capital	3,4	76.006	76.006
Additional paid-in capital		4.028.584	4.028.584
Treasury shares	5	-2.747	-2.747
Total contributed equity		**4.101.843**	**4.101.843**
Retained earnings:			
Other equity		755.921	1.934.601
Total earned equity		**755.921**	**1.934.601**
Shareholders' equity		**4.857.764**	**6.036.444**
Bonds	10	2.996.300	2.000.000
Borrowings to financial institutions	10	-	600.000
Liabilities to group companies	9	566.153	342.215
Non-current liabilities		**3.562.453**	**2.942.215**
Trade payables		243	816
Social and tax liabilities		2.423	2.380
Liabilities to group companies	9	1.110.019	722.035
Certificates and bonds and other debt	10	2.550.000	4.098.681
Other current liabilities	14	63.054	103.949
Current liabilities		**3.725.739**	**4.927.861**
Total liabilities		**7.288.192**	**7.870.077**
Total liabilities and shareholder's equity		**12.145.956**	**13.906.520**

OSLO, 27.04.2018

Jean-Marc Jestin
Chairman of the Board

Jean-Michel Gault
Member of the Board

Roland Mangelmans
Member of the Board

Benat Ortega
Member of the Board

Rafael Torres Villalba
Member of the Board

Philippe Grenet
Chief Executive Officer

STATEMENT OF CASH FLOWS

In thousands of NOK	2017	2016
Net income	454.709	403.700
Corporate income tax	5.425	134.383
Gain/Loss on sale of non-current assets	-241	-319
Gain/Loss on sale of shares	-446.760	-514.808
Depreciation on fixed assets	19.774	25.296
Write-down/reversal of write-down on financial assets	29.646	-19.700
Changes in trade receivables	365	149
Changes in trade payable	-574	-1.946
Changes in social and tax liabilities	42	-4.978
Changes in other current assets & other current liabilities	-14.793	-41.174
Net cash flow from operating activities	**47.595**	**-19.397**
Proceeds from sale of non-current assets	738.298	937.493
Payments on acquisitions of non-current assets	-25.000	-23.746
Proceeds from sale of non-current assets	241	567
Payments on acquisitions of other assets	-5.580	-9.418
Payments/proceeds from borrowings	186.414	1.496.330
Net cash flow from investment activities	**894.372**	**2.401.226**
Payments on borrowings	-1.010.750	-1.495.226
Proceeds from borrowings	246.383	-115.819
Change in bank overdraft	-	-3.502.773
Net cash flow from financial activities	**-764.367**	**-5.113.818**
Net changes in cash	**177.600**	**-2.731.990**
Cash at the start of the period	**124.520**	**2.856.510**
Net changes in cash	**177.600**	**-2.731.990**
Cash at the end of the period	**302.120**	**124.520**

STATEMENT OF CHANGES IN EQUITY

31/12/2016 **In thousands of NOK**	**Share capital**	**Not registered equity**	**Additional paid-in capital**	**Treasury shares**	**Other equity**	**Total equity**
Opening statement	**58.134**	**17.872**	**4.028.584**	**-2.199**	**1.473.218**	**5.575.609**
Share capital transactions	17.872	-17.872	-	-548	548	-
Net income for the period					403.700	403.700
Income from cash-flow hedging					57.136	57.136
Closing statement	**76.006**	**-**	**4.028.584**	**-2.747**	**1.934.601**	**6.036.444**

31/12/2017 **In thousands of NOK**	**Share capital**	**Not registered equity**	**Additional paid-in capital**	**Treasury shares**	**Other equity**	**Total equity**
Opening statement	**76.006**	**-**	**4.028.584**	**-2.747**	**1.934.601**	**6.036.444**
Dividends paid	-	-	-	-	-1.650.175	-1.650.175
Net income for the period					454.709	454.709
Income from cash-flow hedging					16.786	16.786
Closing statement	**76.006**	**-**	**4.028.584**	**-2.747**	**755.921**	**4.857.764**

NOTES TO THE FINANCIAL STATEMENTS

All amounts in thousands of NOK , unless otherwise specified.

Accounting Principles
The accounts have been prepared in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act. See also note 2 in the group's consolidated financial statements. The explanation of the accounting polices also apply to the parent company, and the notes to the consolidated financial statements will in some cases cover the parent company.

Shares in subsidiaries and joint ventures are stated using the cost method. Group contributions and dividends from subsidiaries and joint ventures are recognized in the year the group contribution and dividends has been approved, as income from investments in subsidiaries.

1 PAYROLL EXPENSES, NUMBER OF EPLOYEES, REMUNERATION ETC.

	2017	2016
Salaries and wages	22.372	20.500
Social security tax	3.433	3.279
Pension costs	22	18
Other benefits	4.007	3.625
Total payroll expenses	**29.833**	**27.422**

Number of employees
The average number of employees in Steen & Strøm AS in 2017 was 13 (2016: 12).

Remuneration of senior executives
See note 10 of the consolidated financial statements.

Audit fees
Steen & Strøm AS had in 2017 audit fees of TNOK 834 (TNOK 983 in 2016).

Restricted funds
Of the company's cash and cash equivalents TNOK 675 (2016: TNOK 644) amount to restricted funds.

NOTES TO THE FINANCIAL STATEMENTS

2 DIVIDEND

Capital changes
No dividend was paid to the shareholders in 2016.
A dividend of TNOK 1.650.175 was paid to the shareholders in 2017.

3 SHAREHOLDER'S EQUITY

See note 5.9 of the consolidated financial statements.

4 SHARES OWNED BY THE CEO OR MEMBERS OF THE BOARD

See note 10 of the consolidated financial statements.

5 TREASURY SHARES

See note 5.9 of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT & EQUIPMENT

Vehicles, furniture and office equipment, software and machinery	**2017**	**2016**
Acquisition cost as of 01/01	182.760	174.465
Acquisition	5.580	9.418
Disposal	640	1.123
Acquisition cost as of 31/12	187.700	182.760
Acc. depreciation as of 31/12	104.099	85.233
Net book value as of 31/12	**83.602**	**97.528**
Depreciation for the year	19.506	25.028
Estimated useful life	3- 8 years	3- 8 years

Company Cabin	**2017**	**2016**
Acquisition cost as of 01/01	6.698	6.698
Acquisition cost as of 31/12	6.698	6.698
Acc. depreciation as of 01/01	3.142	2.874
Acc. depreciation as of 31/12	3.410	3.142
Net book value as of 31/12	**3.289**	**3.556**
Depreciation for the year	268	268
Depreciation of property	4%	4%

NOTES TO THE FINANCIAL STATEMENTS

7 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies and joint ventures in the statutory accounts are recorded at cost method.

Company	Ownership 31/12	Value at 01/01	Acquisiton/ Disposal	Value at 31/12
Metro Senter ANS	50,0 %	490.750	-	490.750
Nordbyen Senter DA	50,0 %	288.850	-	288.850
Økern Sentrum ANS	50,0 %	326.250	25.000	351.250
Total		**1.105.850**	**25.000**	**1.130.850**

8 INVESTMENTS IN SUBSIDIARIES AND OTHER COMPANIES

Company	Ownership 31/12	Value at 31/12
AS Kristiania Byggeselskap for smaaleiligheter	1,5 %	230
Total		**230**

	2017	2016
Book value of investments in subsidiaries	9.354.513	9.675.071

All subsidiaries are valued at cost.
For a list of all subsidiaries of Steen & Strøm AS, see note 4.1 of the consolidated financial statements. In 2017 there has been a write down of investments in subsidaries of TNOK 44.646 and a reversal of writedown of investments in subsidaries of TNOK 15.000 due to impairment tests.

In December 2016 the Group entered into agreements for divesting the subsidiary Lillestrøm Torv. For accounting purposes the sales transaction were recognised in in January 2017 when transfer of shares was done.

Final settlement from DNB Scandinavian Property Fund for Lillestrøm Torv was received in January 2018. There is no diviation in settlement.

NOTES TO THE FINANCIAL STATEMENTS

9 INTERCOMPANY RECEIVABLES AND PAYABLES

Current assets and current liabilities	**2017**	**2016**
Current receivables from group companies	6.751	31.609
Current receivables from parent company	2.187	5.851
Total current	**8.937**	**37.460**
Long-term receivables from group companies	1.129.779	2.717.601
Total receivables	**1.138.717**	**2.755.061**
Current liabilities to group companies	1.110.019	722.035
Long-term liabilities to group companies	566.153	342.215
Total liabilities	**1.676.172**	**1.064.250**

Receivables due after one year	**2017**	**2016**
Other long term assets	1.129.779	2.717.601
Total long-term assets	**1.129.779**	**2.717.601**

Long-term receivables/liabilities to group companies have a maturity of 3 years.

Other receivables	**2017**	**2016**
Other	3.601	5.851
Total other receivables	**3.601**	**5.851**

NOTES TO THE FINANCIAL STATEMENTS

10 LIABILITIES

Long term interest bearing borrowings	2017	2016
Bonds	2.996.300	2.000.000
Borrowings to financial institutions	-	600.000
Total	**2.996.300**	**2.600.000**

Current borrowings		
First year repayment term of credit	-	2.087.931
Certificates	2.150.000	1.200.000
Borrowing to financial institutions	400.000	810.750
Total	**2.550.000**	**4.098.681**

Repayment plans and renegotiation of long-term debt:		
Between 1 and 5 years	1.996.300	700.000
More than 5 years	1.000.000	1.900.000
Total	**2.996.300**	**2.600.000**

The table excludes intercompany loans. Secured debt includes also collatoral of other Group companies' assets. See note 4.1 of the consolidated financial statements for a complete listing of subsidiaries in the group.

NOTES TO THE FINANCIAL STATEMENTS

11 GUARANTEES, BAIL DECLATRIONS AND PLEDGES

Steen & Strøm AS is by ownership solely responsible for the debts of the following companies:

	Total debt	SST Share	Ownership
Økern Senter ANS	22.711	11.355	50,0 %
Nordbyen Senter DA	5.629	2.814	50,0 %
Metro Senter ANS	12.796	6.398	50,0 %
Total	**41.135**		

Steen & Strøm AS has given the following guarantees, bail declarations and pledges:

Type	Banking partner	Amount at 31/12
Rent guarantee	DNB Bank ASA	3.375
Bail declaration - surety for FX Swap	DNB Bank ASA	201.435
Bail declaration - surety for Group bank account scheme	DNB Bank ASA	250.000
Bail declatration - surety for indemnity declaration previous tenants	Nordea Bank AB, filial Norge	2.147
Pledges secured in investment property of subsidiaries	DNB Bank ASA	800.000

12 BREAKDOWN OF OTHER OPERATING EXPENSES

	2017	2016
Rental space	4.933	4.707
Management and other fees	6.284	3.410
Other operating expenses	15.035	24.204
Other administrative costs	13.372	4.534
Total other operating expenses	**39.624**	**36.856**

NOTES TO THE FINANCIAL STATEMENTS

13 TAX

Temporary differences	**2017**	**2016**
Fixed assets	477	-2.117
Long-term liabilities	-	-9.386
Long-term receivables	74.585	130.665
Shares in partnerships	-537.189	-459.633
Taxable profit and loss account	14.596	18.245
Accrual of interest rate swap	-959	-959
Other differences	-26.788	-49.228
Net temporary differences	-475.279	-372.414
Losses carried forward	-	-114.927
Group Contribution	-97.110	-106.948
Basis for deferred tax / tax assets	**-572.388**	**-594.289**
23 % / 24 % deferred tax / deferred tax assets	-137.373	-148.572
Change in tax rate	5.724	5.943
Change in tax rate - effect on group contribution	-971	-1.069
Total deferred tax assets (-) / liabilities (+)	**-132.620**	**-143.699**

Explanation of the tax expense	**2017**	**2016**
24 % / 25 % tax on profit before tax	110.432	134.521
Effect of group contribution - change in tax rate	-971	-1.069
Effect on change in tax rate	5.724	5.943
Change in tax papers 2016	1.088	-
Change of shares in partnerships from previous years	-18.614	155.609
Tax on received group contribution adopted this year	26.737	-
Permanent differences	-118.703	-160.129
Other differences	-268	-490
Corporate income tax expense	**5.425**	**134.383**

	2017	**2016**
Analysis of tax charge:		
Taxes payable	-	-
Change in deferred tax	6.326	149.211
Change in tax rate (from 24 % to 23 % /25% to 24 %)	4.753	4.873
The tax effects recognised in equity	-5.653	-19.701
Corporate income tax expense	**5.425**	**134.383**

NOTES TO THE FINANCIAL STATEMENTS

13 TAX

Basis for tax payable	**2017**	**2016**
Profit before tax	460.134	538.083
Write-downs on shares	29.646	-3.700
Income from partnerships	77.557	94.868
Profit (-) /loss (+) from sale of shares	-446.760	-530.808
Revenue from companies within the exemption method	-48.092	-216.025
Other permanent differences	-	8
Basis for this year's tax	72.485	-117.574
Change in temporary differences	47.748	243.809
Received group contribution adopted this year	-106.948	-189.328
Taxable income	**13.285**	**-63.093**
Use of tax loss carryforwards	-13.285	-
Basis for tax payable	**-**	**-63.093**

NOTES TO THE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS - EXPOSURE TO RISK

For a comprehensive description of the Group's strategy, see note 8 of the consolidated financial statements.

The company has as of 31/12/2017 recorded a debt of TNOK 28.653 (2016: TNOK 71.866) related to financial instruments (market value of swaps).

Summary of receivables and debts in foreign currency	2017	2016
Non-current receivables		
TSEK	1.073.675	1.673.675
TDKK	-	-
Non-current debt		
TSEK	500.000	500.000
TDKK	430.967	280.000
Exchange rate on the balance sheet date		
SEK	0,95	1,05
DKK	1,31	1,22
In thousands of NOK		
Non-current receivables	**1.124.946**	**1.591.993**
Non-current debt	**1.061.105**	**817.813**

Assets and liabilities are recorded at estimated exchange rates per. 31/12/2017. This means that changes in exchange rates compared with last year's exchange rates at 31/12/2016 appear in the accounts as a loss/gain.

Steen & Strøm AS has in 2017 had a net gain on foreign currency of TNOK 3.661 (loss 181.645). Of this amount - 24.410 (gain 2016: 2.615) is realized.

Remaining lines of credit are TNOK 650.000.

15 RELATED PARTIES

See note 11.3 of the consolidated financial statements.

16 LITIGATIONS AND CLAIMS

See note 11.2 of the consolidated financial statements.

17 POST BALANCE SHEET DATE EVENTS

See note 11.4 of the consolidated financial statements.

STEEN & STRØM GROUP

AUDITORS' REPORT

Deloitte.

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To the General Meeting of Steen & Strøm AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Steen & Strøm AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2017 and statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of investment property

Key audit matter	How the matter was addressed in the audit
The majority of the group's assets consist of investment properties. The carrying amount of investment properties as at 31 December 2017 is NOK 36 647 million. In addition, the group has interest in investment properties through jointly controlled companies, accounted for using the equity method. The carrying value of the jointly controlled companies is NOK 1 781 million as at 31 December 2017. Investment properties are measured at fair value. Fair value adjustments of investment properties may have a significant affect on the group's operating income and consequently the equity. The fair value is based on estimates as well as property specific information. The basis for management's estimates is valuations performed by external, independent appraisers. The valuations are based on recognized valuation techniques. Refer to note 2.24 "Use of material judgements and estimates" in addition to note 5.3 and 5.4 in the financial statements of the group for details of investment properties and valuation methodology.	We evaluated the design and implementation of the control activities that management has established to ensure that all relevant property information is included in the external valuations. For a sample of leasing contracts, we tested if the information was accurate and correctly applied in the external valuers' reports. We assessed the external valuers' competence and qualifications and that the valuation methods used were in accordance with generally accepted valuation standards and were appropriate to determine fair value of the group's investment properties. In our meetings with the appraisers, we discussed and challenged assumptions used and reason behind significant movements in valuations from previous periods. Were relevant, we compared the assumptions used with observable market data and our knowledge about the market. We reconciled the values used in the financial statements to the valuation reports. We used Deloitte valuation specialists in our audit of the valuation of investment property. We also assessed the adequacy of the related disclosures in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statemetns and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 April 2018
Deloitte AS

Sylvi Bjørnslett

Sylvi Bjørnslett
State Authorised Public Accountant (Norway)

ALTERNATIVE PERFORMANCE MEASURE

The Group apply the following alternative performance measures (APM):
Net rental income: Gross rental income – Direct operating expenses.

- Gross rental income: rents from investment property and rent-related income such as car park rentals and early termination indemnities, income from entry fees and other related income.
- Direct operating expenses: Land expenses + Non-recovered rental expenses + Building expenses.

Like-for-like: Adjusted to include those activities that were in effect during both time periods.

Net rental income on like-for-like by country:

2017	**Denmark**	**Norway**	**Sweden**	**Total**
Net rental income of current operations	459.203	646.068	503.762	1.609.033
Net rental income of constant operations	302.382	617.548	557.080	1.477.010
Variable	156.821	28.520	-53.318	132.023
2016				
Net rental income of current operations	473.507	661.898	555.959	1.691.365
Net rental income of constant operations	288.735	591.898	531.916	1.412.549
Variable	184.772	70.000	24.043	278.815
Net rental income increase on like-for-like basis	**4.7%**	**4.3%**	**4.7%**	**4.6%**

Net rental income including equity investments: Percentage share of Net rental income corresponding to percentage ownership.

In thousands of NOK	**2017**	**2016**
Net rental income of Consolidated Statement of Comprehensive Income	1.609.033	1.691.320
Group share of Net rental income from Equity investments according to note 5.4B	60.041	104.318
Net rental income including equity investments	**1.669.074**	**1.795.638**

Net-to-gross-ratio: Net rental income divided by Gross rental income. This is an indicator of the effectiveness of shopping center operations – Gross rental income less the direct expenses of operation.

Operating expenses

In thousands of NOK	**2017**	**2016**
Payroll expenses	143.889	154.661
Other general expenses	71.119	77.352
Depreciation and impairment allowance on investment properties	267	280
Depreciation and impairment allowance on intangible assets and property, plant and equipment	22.764	29.268
Total operating expenses	**238.038**	**261.560**

Loan-to-value: Gross interest bearing debt to value of investment properties.

- Loan: Non-current + current financial liabilities.
- Value: Investment properties + Investment properties under construction + Investment properties held for sale. Includes property value of equity investment entities.
- For net loan-to-value the loan balance is adjusted for cash and cash equivalents.

Equity ratio: book equity to total assets.

	31/12/2017	**31/12/2016**
Shareholders' Equity	21.347.619	19.893.416
Total Assets	39.876.355	38.749.870
Equity ratio	**53.6%**	**51.3%**

Net interest-bearing debt: Interest bearing loans given, borrowings taken up, bonds and commercial papers. Incudes interest bearing bank deposit /overdraft.

STEEN STRØM