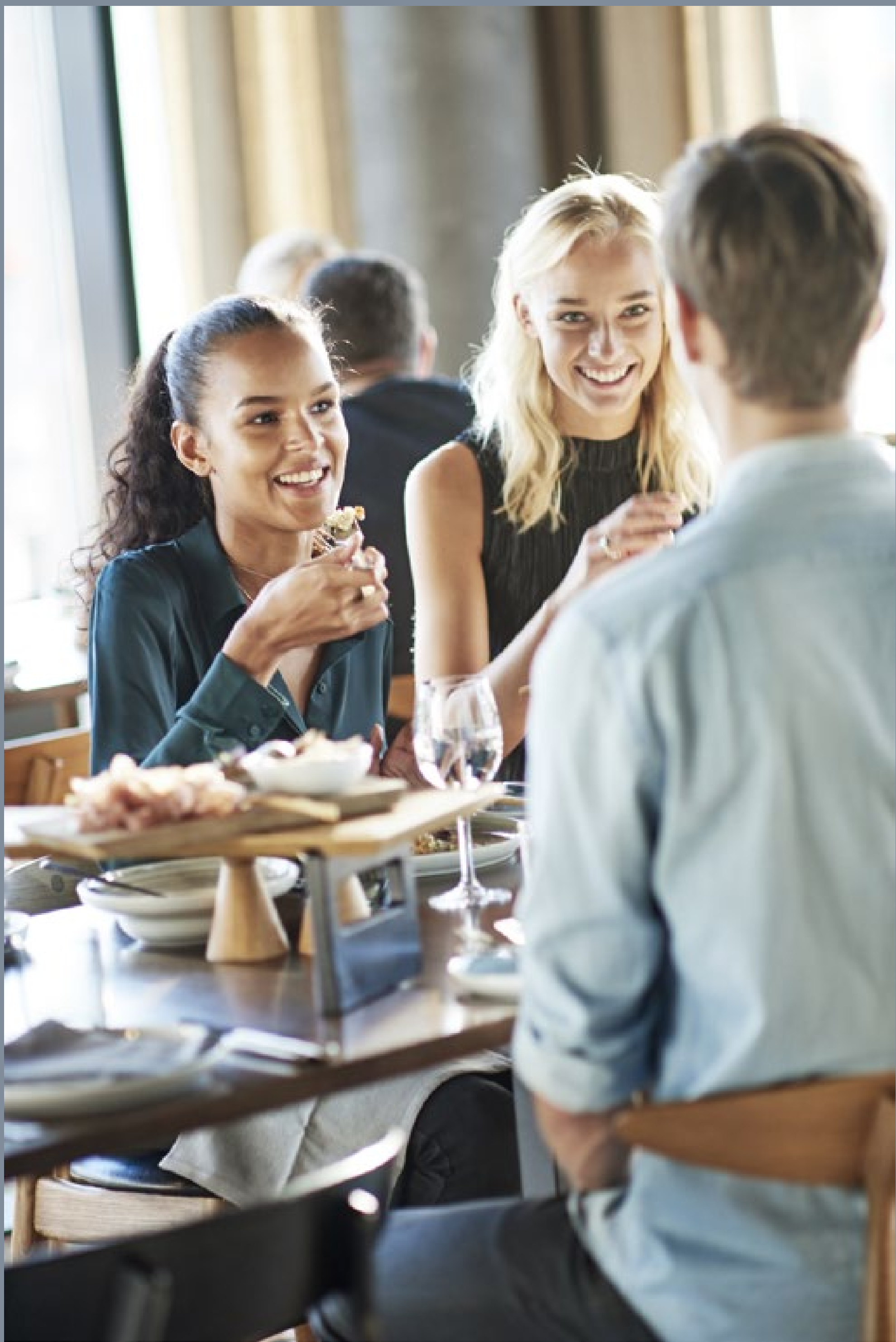
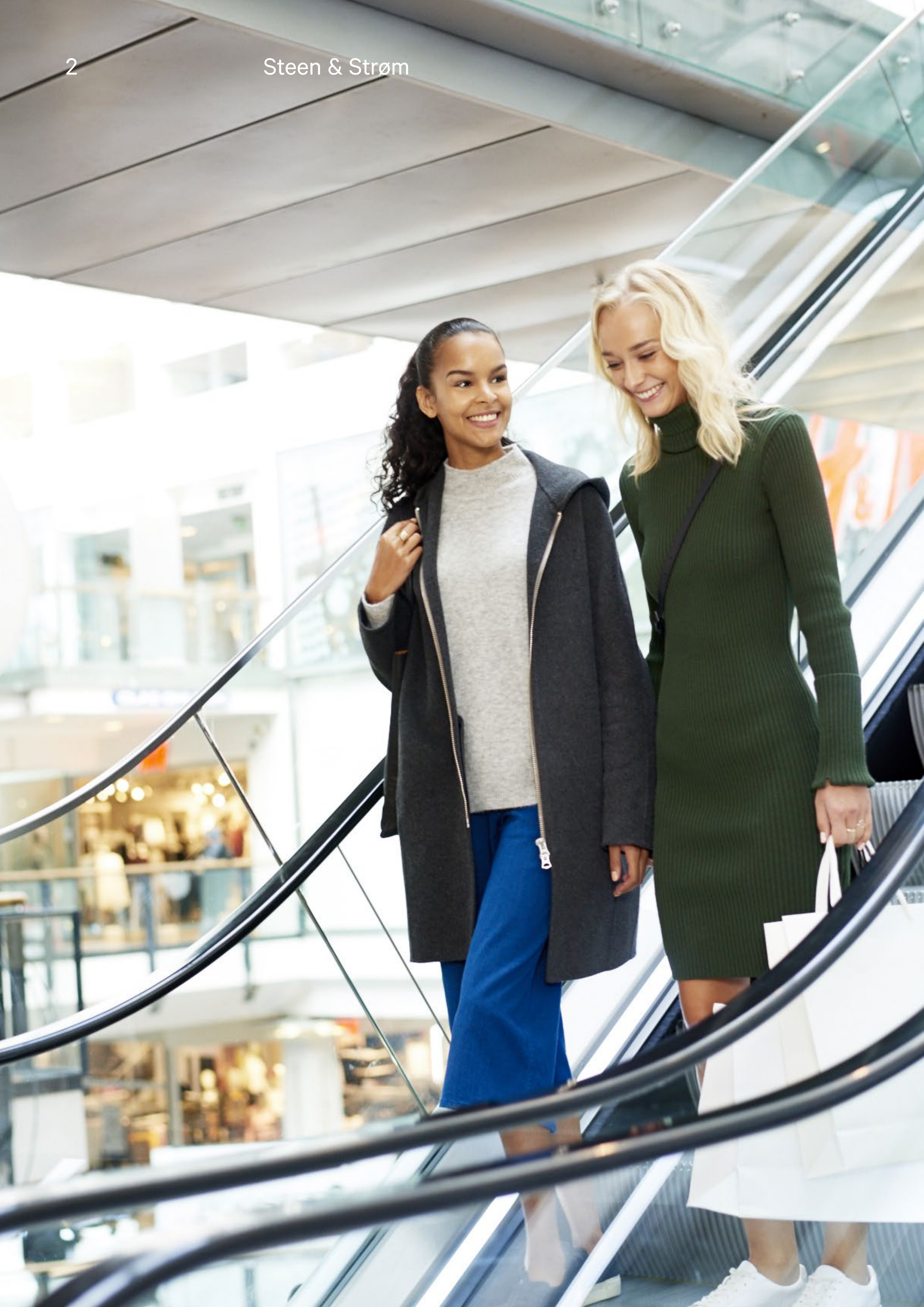
ANNUAL REPORT 2018

SHOP. MEET. CONNECT.



STEEN & STRØM



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BOARD OF DIRECTORS' REPORT 2018

Steen & Strøm's shopping center portfolio saw a positive development in rental income also in 2018. During the year, the group has further strengthened its financial position through debt redemption. Steen & Strøm has an A-rating from Standard & Poor's.

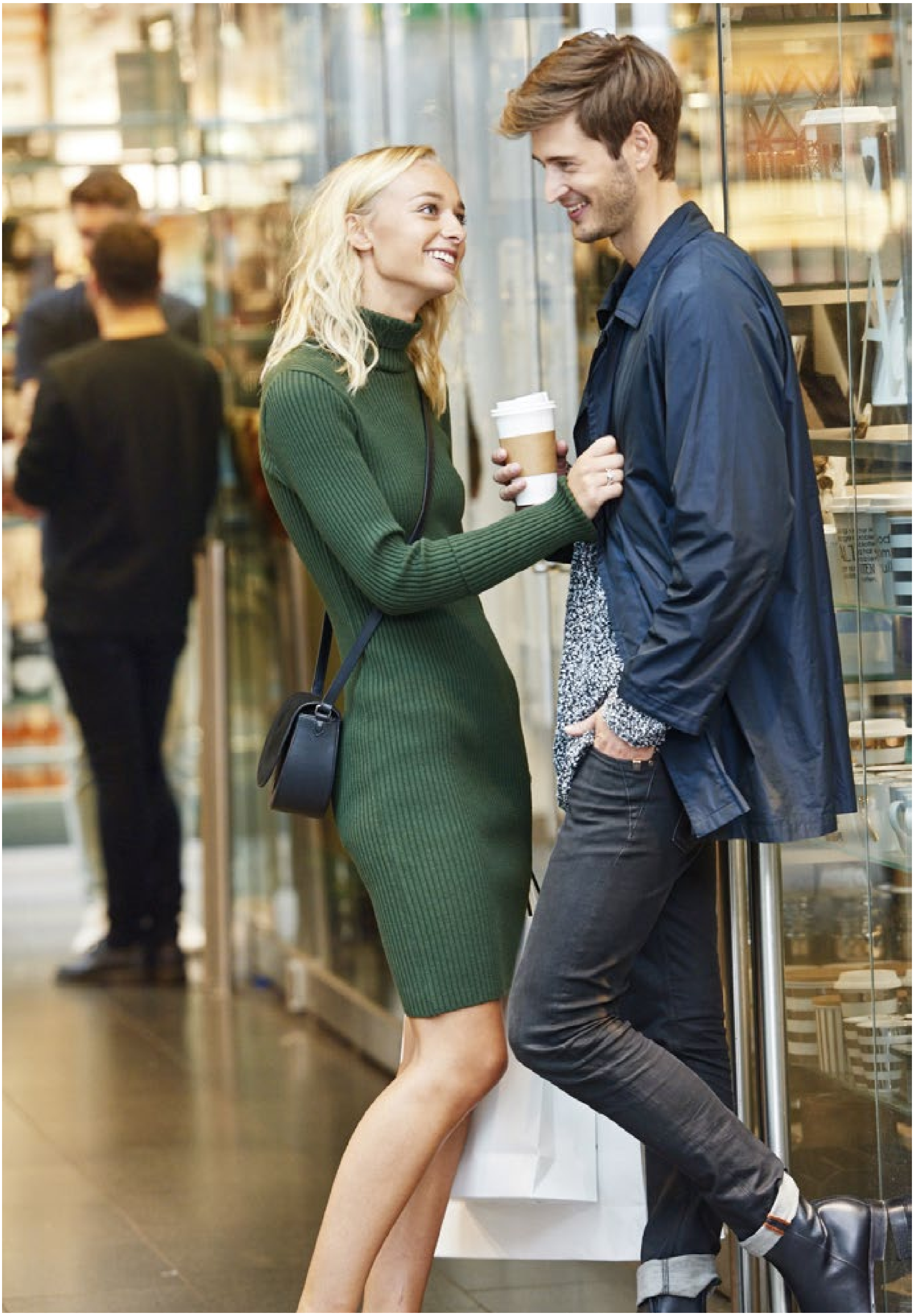
The GDP of the Scandinavian countries (Norway, Sweden and Denmark) continued to grow at the same pace over the second half of 2018, supporting the rise in employment. In Norway, the GDP is expected to increase by 1.6% in 2018 driven by recent oil price increases and rising consumption in the private sector. In Sweden, GDP growth (+2.5% in 2018) was mainly fueled by a strong international demand for Swedish products positively influenced by a weaker Swedish krona. Lastly, the Danish economy is anticipated to continue its steady growth in the coming years following strong domestic demand and a supportive external environment for Denmark's export-oriented industries; GDP is estimated at +1.2% for 2018 and +1.9% in 2019.

The like-for-like growth in net rental income saw a 2.4% increase in 2018 (Norway +1.5%, Sweden +3.0% and Denmark +2.9%) thanks to a 1.4% leasing indexation, a healthy reversion rate of 9.1% and additional income from specialty leasing activities especially in Denmark.

Steen & Strøm did not perform any major investments or divestments in 2018.

In 2018, a majority of Steen & Strøm's free cash flow has been allocated for cash distribution to shareholders and debt redemption. Net interest bearing debt decreased by 407.3 MNOK to 11 855.2 MNOK by year-end and the group's Loan-to-Value decreased from 31.9% in 2017 to 30.7% in 2018. The book equity ratio strengthened from 53.6% in 2017 to 54.8% by year-end 2018. These figures reflect a long-time trend in which Steen & Strøm has improved its financial position through an active asset rotation strategy

Steen & Strøm has maintained its official credit rating of A- with the rating agency Standard & Poor's. This rating continues to affect the group's borrowing costs positively. Steen & Strøm is well positioned for further investment opportunities or development projects.



Key figures

Steen & Strøm’s operational business model is to lease rental spaces at its shopping centers to various retailers. Retail sales in Steen & Strøm’s shopping center portfolio was slightly negative in 2018. Total retail sales for Steen & Strøm’s shopping centers decreased by 1.4% in 2018 on a like-for-like basis. Per country, sales evolution decreased by 1.2% in Norway, 3.1% in Denmark and 0.6% in Sweden. In the following, please notice that numbers in brackets are 2017 comparisons.

Net rental income

Net rental income from shopping center operations was NOK 1 616.6 million (NOK 1 609.0 million), of which gross rental income made up NOK 1 805.3 million (NOK 1 795.5 million). Direct operating expenses at the shopping centers, included in net rental income, amounted to NOK 188.7 million (NOK 186.4 million). Figures exclude rental income from joint venture operated shopping centers consolidated under the equity method (Metro, Nordbyen and Økern). Total net rental income, including equity investments, was NOK 1 676.0 million in 2018 (NOK 1 669.0 million).

The average duration of lease contracts is 3.3 years for Norway and 3.0 years for Sweden. The duration of contracts in Denmark is indefinite.

Operating expenses

In addition to direct operating expenses as defined above, other operating expenses include, salaries, other general expenses and depreciation, amounting to NOK 231.7 million in 2018 (NOK 238.0 million).

Change in the fair value

Total fair value change of investment properties was NOK 174.3 million (NOK 1 491.1 million). The valuation of the shopping centres is based on an average yield of 4.5% (4.7%). The shopping centres and projects have a book value of NOK 38.6 billion (NOK 38.4 billion) as of 31.12.2018, including equity method investments. The majority of the group’s assets consist of investment properties. The group has established routines whereby investment properties are valued twice a year by an external appraiser. The valuation of investment properties is based on assumptions and estimates that require significant judgment and may vary significantly dependent on the assumptions applied.

Operating income

Steen & Strøm’s operating income was NOK 1 665.6 million (NOK 3 021.5 million) after fair value adjustments. Income from disposal of investment properties and equity investments is NOK 22.0 million in 2018 (NOK 67.7 million), while other operating revenue amounted to NOK 7.7 million (NOK 8.3 million).

Cost of net debt

Net cost of debt amounts to NOK 258.4 million (NOK 215.8 million), including a NOK 29.0 million currency translation loss. Interest expense on external loans and hedges was NOK 269.4 million in 2018, compared to NOK 288.0 million in 2017. Net interest expense from swaps was NOK 85.4 million in 2018 (NOK 98.7 million). In addition, NOK 7.5 million (NOK 127.9 million) has been recognised as income from other investments (equity method shares).

Profit before tax

Profit before tax amounted to NOK 1 417.3 million (NOK 2 919.0 million). Adjusted for fair value and income from disposals, the pre-tax profit equals to NOK 1 221.0 million, which was NOK 139.2 million lower than in 2017.

Cash flow

Net cash flow from operational activities was NOK 1 632.3 million (NOK 1 783.2 million), while net cash flow from investment activities was NOK -438.7 million (NOK +397.0 million). Net cash flow from financial activities was NOK -1 343.7 million (NOK -1 770.5 million). Cash and cash equivalents decreased by NOK 131.2 million in 2018 and amounted to NOK 446.8 million at 31.12.2018. The group has liquidity reserves through unused credit facilities of NOK 2 250 million and un-mortgaged properties of approximately NOK 15.3 billion.

Financial position

Group assets as of 31.12.2018 are unchanged from 2017 and booked at NOK 39.9 billion, of which investment properties amounted to NOK 36.8 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 21.8 billion as of 31.12.2018, corresponding to an equity ratio of 54.8% (53.6%). Net interest-bearing debt decreased to NOK 11.9 billion (NOK 12.3 billion) at 31.12.2018 mainly reflecting a strong operational cash flow. The average interest rate was 1.9% in 2018 and 2.2% in 2017.

Shopping center operations

Steen & Strøm operates 18 shopping centers in Scandinavia; 10 centers in Norway, 5 centers in Sweden and 3 centers in Denmark.

Norway

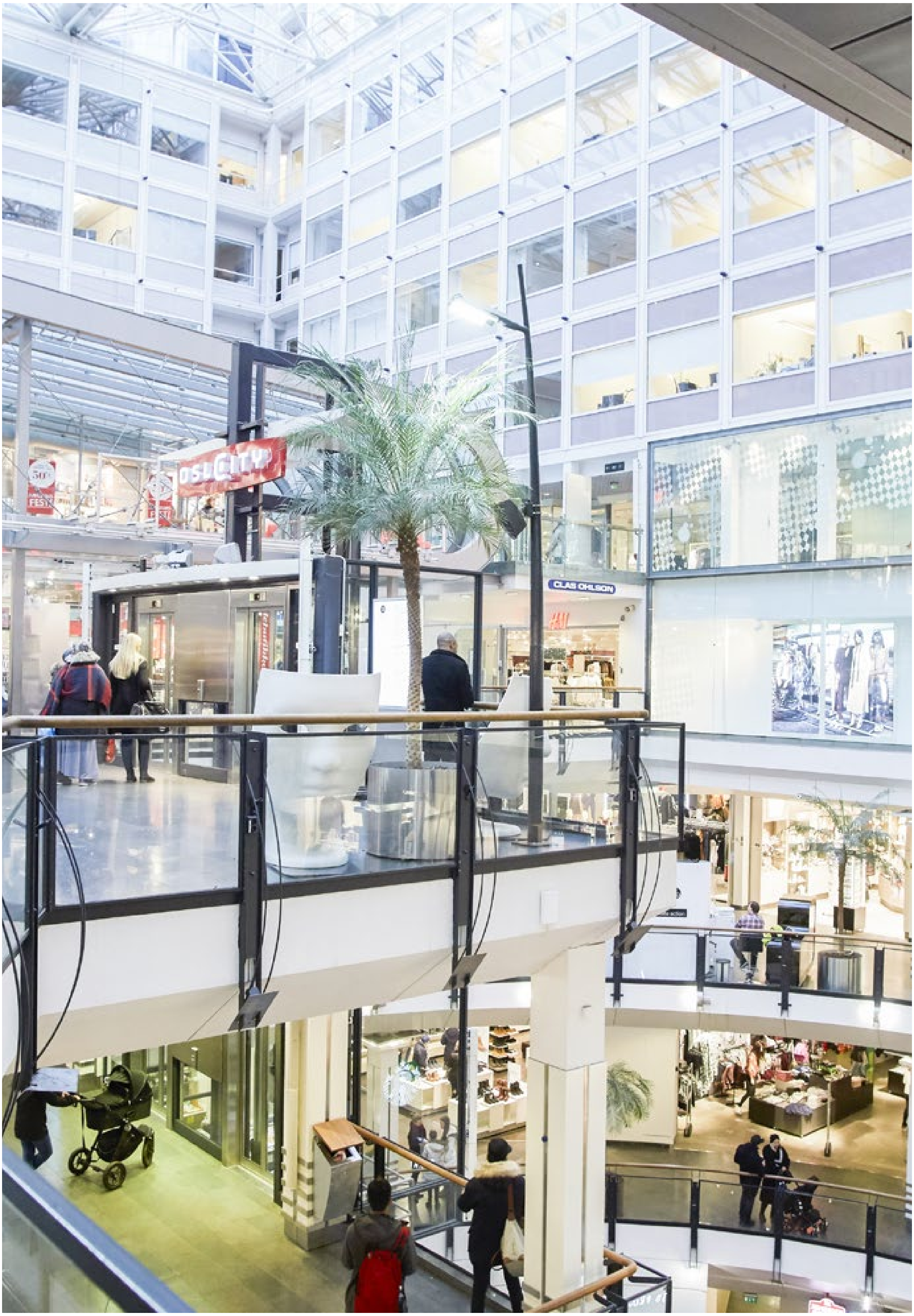
Steen & Strøm has 8 fully owned shopping centers and 2 partly owned shopping centers in Norway. Økern Senter is classified as a part of the Økern Sentrum development project and is not included in the figures. The shopping centers saw a decrease in retail sales of 1.2% on a constant portfolio basis in 2018. The retailer sales is decreasing as structural reconstruction works have started at Gulskogen shopping center as well as structural leasing operations in Maxi Hamar and Farmandstredet. The shopping centers had a total gross rental income of NOK 682.3 million (NOK 675.0 million) in 2018. Operating income, adjusted for fair value changes and income from disposals, amounted to NOK 549.4 million (NOK 549.9 million). Like-for-like increase in net rental income was 1.5% in 2018.

Denmark

Steen & Strøm owns and operates 3 shopping centers in Denmark. The 3 fully owned shopping centers in Denmark decreased retail sales by 3.1% in 2018, mostly due to structuring deals impacting major traffic drivers in Field's. Gross rental income for the Danish centers amounted to NOK 552.9 million (NOK 538.7 million). Operating income, adjusted for fair value changes and income from disposals, amounted to NOK 452.5 million (NOK 445.0 million). Like-for-like increase in net rental income was 2.9% in 2018, outperforming contract indexation by 0.8%. Field's continues its journey to become the best shopping destination in Denmark. A revived retail offer (rightsized Zara and H&M stores) including an outstanding line up of international brands, completes a unique food and leisure offer.

Sweden

Steen & Strøm owns and operates 5 shopping centers in Sweden. The shopping centers saw a decrease in retailer sales of 0.6% on a constant portfolio basis in 2018. Gross rental income for the Swedish centers amounted to NOK 570.1 million (NOK 581.8 million). Operating income, adjusted for fair value changes and income from disposals, amounted to NOK 467.5 million (NOK 467.9 million). Like-for-like increase in net rental income was 3.0% in 2018. Reversion at Emporia was 10.6% including deals with retailers such as Only, Vacker, Gant, Lexington and Peak Performance confirming Emporia's ability to attract differentiating brands.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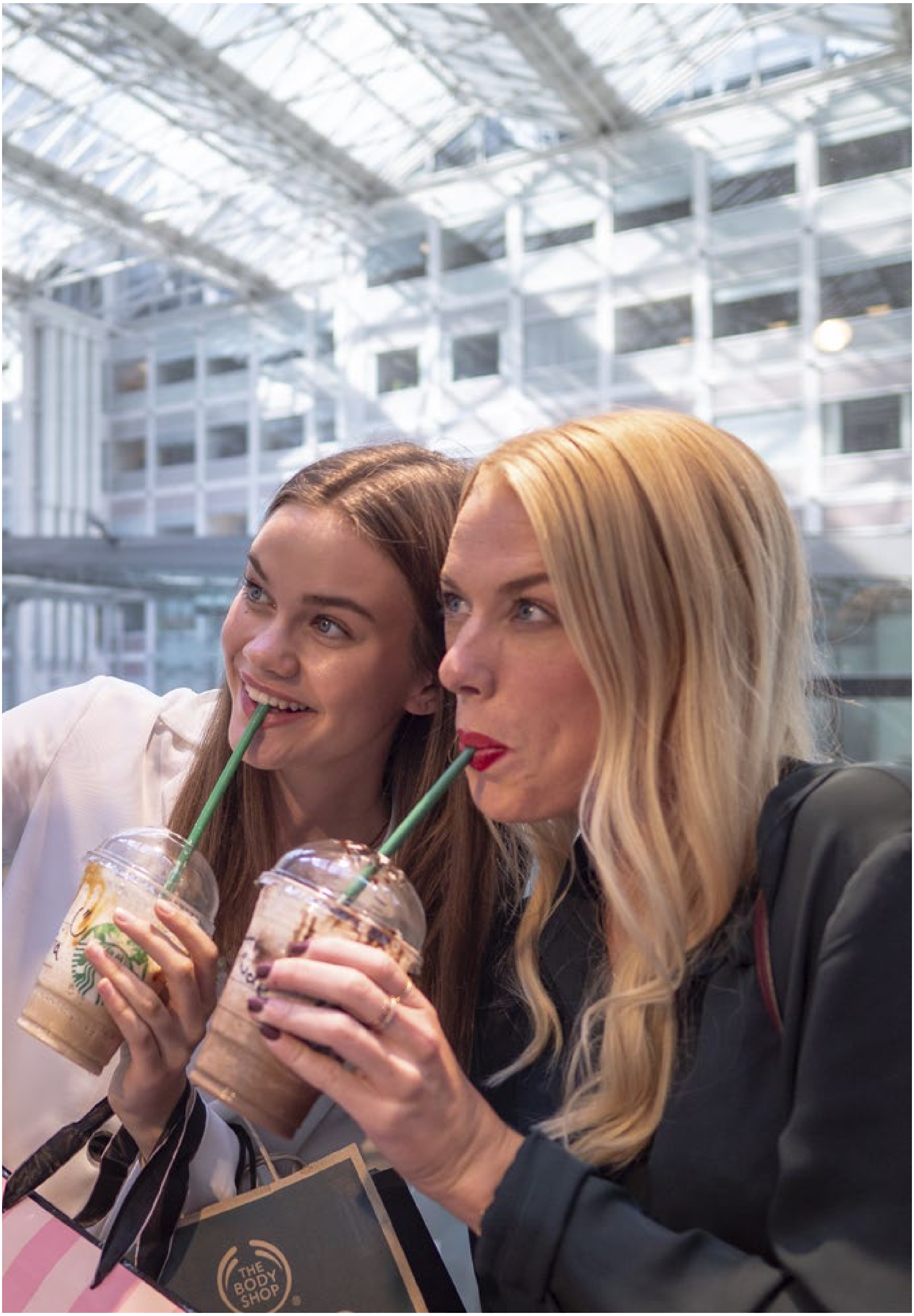

THE BODY SHOP

Shareholders

Ownership structure

All shares in Steen & Strøm AS are held by Storm Holding Norway AS. Klépierre, the pan-European leader in shopping malls (56.1%), and Stichting Depositary APG Strategic Real Estate Pool (43.9%) indirectly owns Storm Holding Norway AS. Klépierre has it's headquarter in Paris and is represented in 16 countries, including Scandinavia. APG is one of the world's largest pension fund managers, based in the Netherlands.

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. In 2018, the group provided NOK 243.0 million in group contribution and NOK 475.5 million in dividend to Storm Holding Norway AS.

General meetings

A general meeting is held when required under the relevant legislation. General meetings are called by the company`s sole shareholder, Storm Holding Norway AS, who also appoints the delegates to represent Storm Holding Norway in the general meeting. Steen & Strøm AS has at present not adopted any resolutions allowing the company to acquire treasury shares.

Board of directors

Steen & Strøm AS' board of directors currently has 5 members, elected by the general meeting. Pursuant to the company`s articles of association, the board of directors shall consist of between 5 and 7 members. The board of directors also acts as the Audit Committee.

Organisation and environmental aspects

Employees

Steen & Strøm had 148 (149) employees at the end of 2018. Employees working for the group are by gender 60% women and 40% 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, development and technical operations. 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 3.9% for the group (1.7% in 2017). 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. The current certificates issued in May 2018 are valid until 24th May 2020. The next external ISO 14001 audit will be carried through by RISE Technical research institute in February 2019.

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 are of mixed origin. As of 1st of January 2019 Denmark will adopt the same market place as Norway and Sweden creating a Scandinavian trading platform of renewable energy.

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". BREEAM in USE certification is targeted for a large part of the portfolio in 2019.

In 2018, 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 10 out of 56 actors within the pier: "Unlisted Retail real estate companies". "Green Star" is the highest level of rating in the "GRESB" quadrant benchmark methodology. Environmental and social responsibility is as a strategic key element in Klépierre, our French majority owner. This includes all subsidiaries in the Klépierre group, as well as in the operation, regardless 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 both Klépierre and Steen & Strøm.

Act for good

In 2018, Steen & Strøm together with majority owner Klépierre, launched the new CSR approach **Act for Good**. **Act for Good** further combines the requirements of operational excellence with environmental, societal and social performance and rests on 3 pillars:

- **Act for the Planet**, which sums up the group's ambition to make a positive contribution to the environment. This pillar consists of 4 initiatives; act for a low-carbon future, contribute to circular economy, innovate for a sustainable mobility and develop a 100% certified portfolio.
- **Act for Territories**, which illustrates the importance of the group's local involvement in the regions in which it operates. 4 initiatives underpin this pillar; promote l ocal employment around our centers, participate in the local community, pursue our responsible citizenship and involve local actors in development projects.
- **Act for People**, which is about the women and men involved with our shopping centres. It is devoted to the well-being of our visitors, our employees and our rental tenants' employees through 5 initiatives; increase the satisfaction of visitors, promote health and well-being in our centres, offer group employees a positive experience, champion ethics in the local communities and be social conscious.

Each of the pillars is broken down into specific quantified commitments with a five-year timeframe until 2023.

Organization

Steen & Strøm has a steering committee for CSR (Sustainable Committee) consisting of the following management representatives: Chief Executive Officer, Scandinavian Technical Director, Chief Operation Officers, Chief Legal Officer and Head of Human Resources.

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.

Key target areas

Steen & Strøm will continue the project for harmonization 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, Steen & Strøm 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 47% recycling degree for the shopping centers by end of 2018.

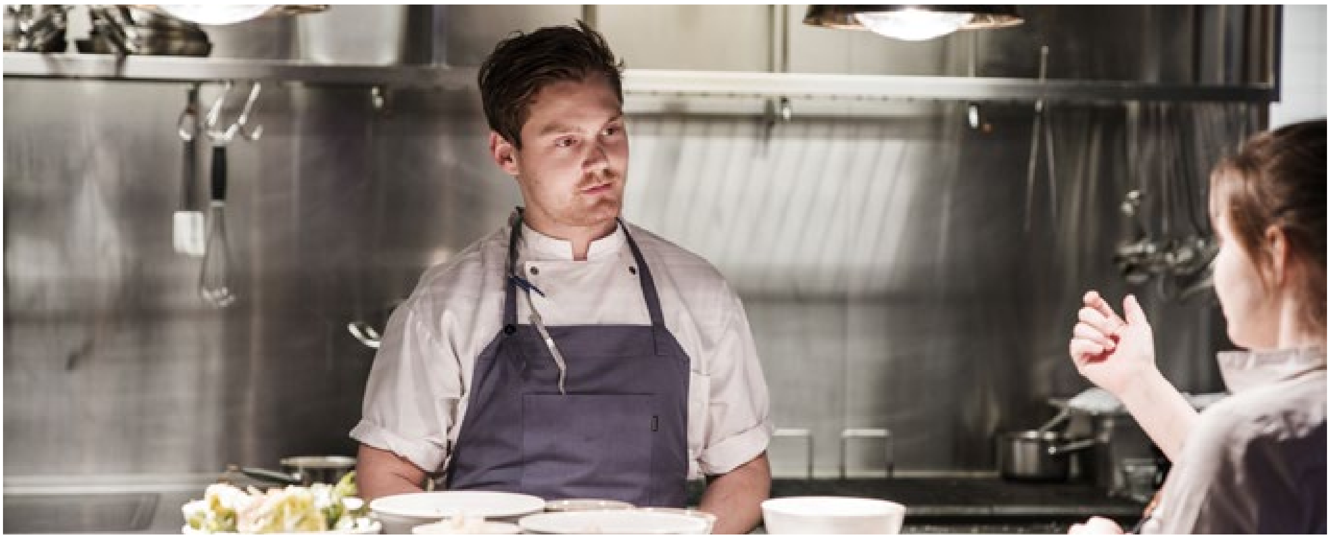
Within water management, consumption to be reduced in comparison to 2013 by the end of 2020. Within transport, one of the main goals is to increase the number of charging stations/points for electric cars. By the end of 2018, Steen & Strøm offers 110 parking spaces for electric or hybrid cars equipped with a standard charging station.

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 Steen & Strøm's 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 2018, Steen & Strøm have continued to ensure harmonisation of procedures for risk and control in accordance to Klépierre's framework. This includes



coordination of methodology for 1st and 2nd level of controls, as well as internal audits on selected fields. Steen & Strøm has established a five-year strategy, which is the basis for yearly plans and budgets. The 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. Steen & Strøm has more than 1600 leasing contracts. Prominent, stable retail chains form the major group of our tenants. Clear routines have been established on credit check of tenants before contract signing and follow-up of due invoices. 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 swaps 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 both at Scandinavian and national level. Risk assessment has been prepared for each centre, 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 group's 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.

Customer-centric mall management

Steen & Strøm is a retailed focused company concentrating its efforts on better serving its direct clients: the retailers. This is achieved through an active marketing policy and specific mall design guidelines, both aimed at enhancing the customer experience in its malls:

- **Retail First** means that Steen & Strøm regularly interacts with national and international retailers in order to facilitate their growth efficiently, whether this means optimizing their presence and their store format or offering new points of sale.
- **Let's Play** launched together with the majority owner Klépierre, sums up the positioning of the Steen & Strøm centres. It conveys the idea of promoting shopping as a game and infusing a "retailtainment" spirit combining retail and entertainment into all Steen & Strøm shopping centers.
- **Clubstore** launched together with majority owner Klépierre, is Steen & Strøm's comprehensive approach to the customer experience. The approach contains a holistic set of detailed standards with respect to 15 touch points with customers, from digital access to welcome desks, from parking to storefronts, from lightening to sound & smell, from break zones to kids' entertainment, etc.

Financial reporting process

Steen & Strøm AS has listed bonds, and hence the external financial reporting is compliant with the Oslo Stock Exchange regulations, in addition to general regulations. Internal financial reporting is made on a quarterly basis where results are assessed and analysed against budgets and last year figures. The number of board meetings was 4 in 2018, and the financial statements were on the agenda. The group financial statements are prepared by the financial department. The financial statements are audited with a full report on a yearly 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 stated in the balance sheet at fair value (IAS 40). Value of investment properties makes 97.0% 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 2018. 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 centre portfolio of high quality, a strong financial position and employees with high competence within the shopping centre business.

Steen & Strøm AS

Steen & Strøm AS had a profit for the year of NOK 480.3 million.

Future prospects

The market in general

In historical terms, consumer spending has been stable in Scandinavia compared to other regions. Growth in consumer spending 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 the administration consider our market position to be a good reason to maintain a high level of activity, yet being responsible. We are also working actively to maintain a low level of vacancy and a high level of commercial activity at all shopping centres.

Legal disputes

Litigations and claims are stated in note 11.2 of the financial statements.

The board of directors would like to thank all employees and customers for great efforts and positive contributions in 2018.

OSLO, 21. 02. 2019

Jean-Marc Jestin
Chairman of the Board

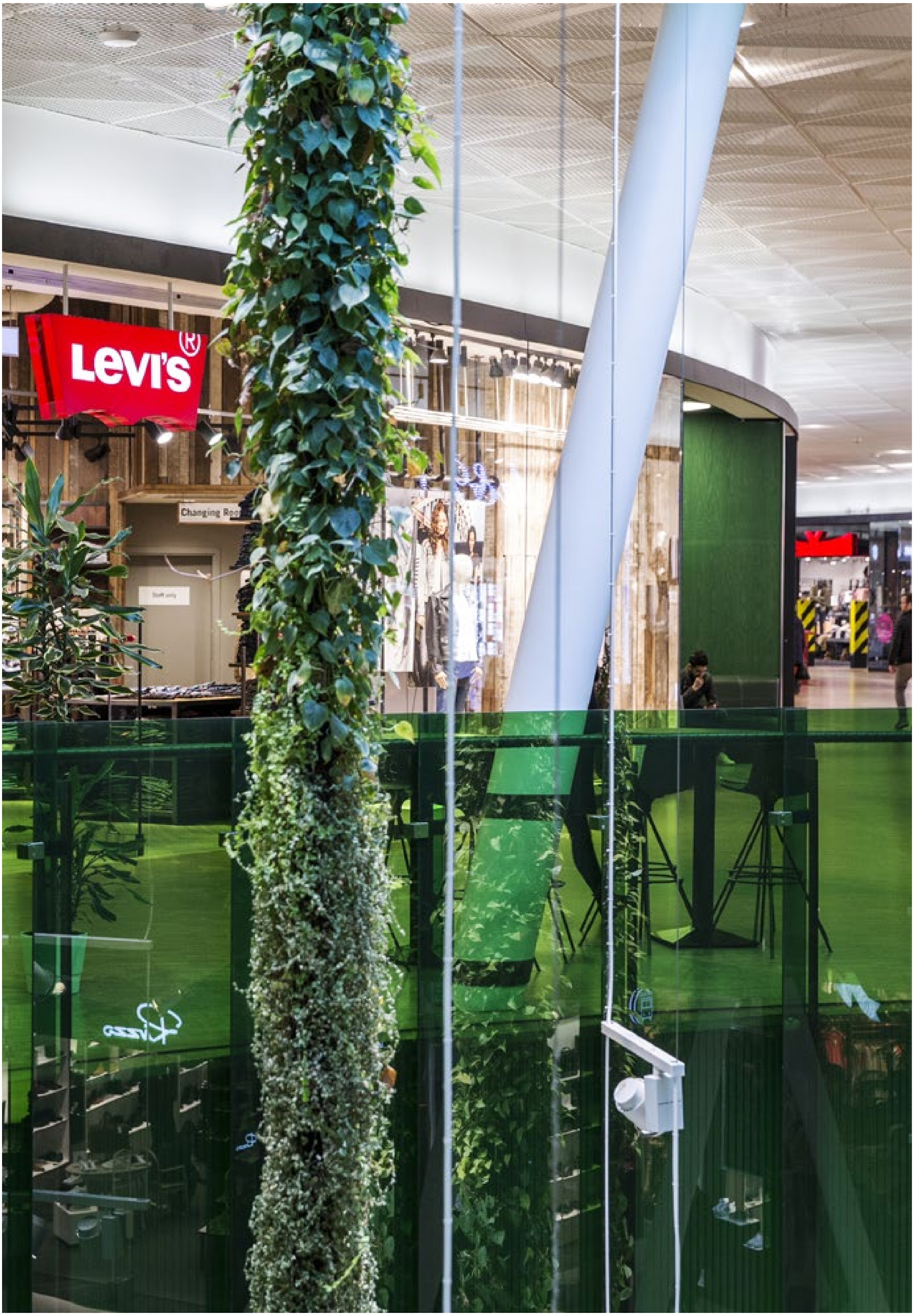
Jean-Michel Gault
Member of the Board

Roland Mangelmans
Member of the Board

Benat Ortega
Member of the Board

Rafael Torres Villalba
Member of the Board

Louis Bonelli
Chief Executive Officer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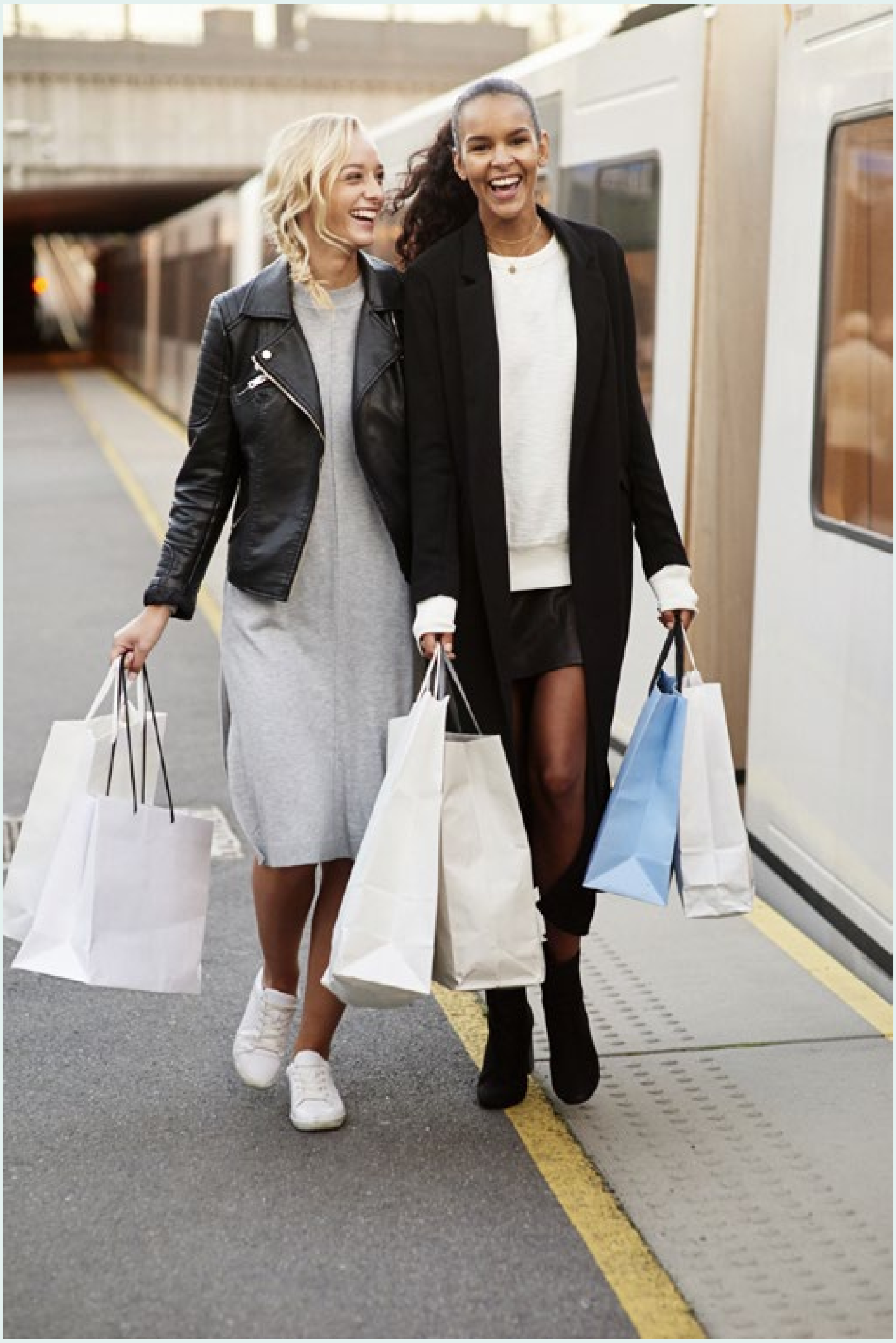
FINANCIAL STATEMENTS



Consolidated statement of comprehensive income

In thousands of NOK	**Note**	**2018**	**2017**
Gross Rental Income		1 805 286	1 795 479
Land expenses (real estate)		-8 017	-7 817
Non-recovered rental expenses		-143 895	-135 172
Building expenses (owner)		-36 784	-43 457
Net rental income		**1 616 590**	**1 609 033**
Management, administrative and related income		76 707	83 463
Other operating revenue		7 716	8 308
Change in the fair value of investment properties	5.3	174 325	1 491 109
Payroll expenses	10	-134 874	-143 889
Other general expenses		-74 958	-71 119
Depreciation and impairment on investment properties	5.1,5.2	-268	-267
Depreciation and impairment on intangible assets and property, plant and equipment	5.1,5.2	-21 605	-22 764
Proceeds from disposal of investment properties and equity investments		45 194	1 048 104
Net book value of investment properties and equity investments sold		-23 234	-980 439
Gain on disposal of investment properties and equity investments	6.1	21 959	67 665
Operating income		**1 665 593**	**3 021 540**
Net dividends and provisions on non-consolidated investments		-	92
Financial income		*347 952*	*429 242*
Financial expenses		*-606 386*	*-645 051*
Net cost of debt	6.2	-258 433	-215 809
Change in the fair value of financial instruments		2 626	-14 727
Share of earnings in equity investment entites	5.4	7 492	127 860
Profit before tax		**1 417 277**	**2 918 957**
Corporate income tax	7	-228 380	-568 979
Net income of consolidated entity		**1 188 897**	**2 349 978**
Of which			
Group share		*1 188 897*	*2 349 979*
Non-controlling interests		*-*	*-1*
Average number of shares (in thousands)		**29 303**	**29 303**
Earnings per share - Group share		**41**	**80**

In thousands of NOK	**2018**	**2017**
Net income of consolidated entity	**1 188 897**	**2 349 978**
Other comprehensive income items recognized directly as equity		
Items that may be reclassified subsequently to profit or loss		
Gains on cash flow hedges	78 294	91 502
Income tax related to cash flow hedges	-18 705	-20 846
Exchange differences on translation of foreign operations	-124 468	778 258
Items that will not be reclassified subsequently to profit or loss		
Total comprehensive income	**1 124 018**	**3 198 892**
Of which		
Group share	*1 124 018*	*3 198 888*
Non-controlling interests	-	5
Comprehensive earnings per share - Group share	**38**	**109**

The accompanying notes are an integral part of the consolidated finansial statements.

Consolidated statement of financial position

In thousands of NOK	Note	31/12/2018	31/12/2017
Goodwill	4.2	348 425	348 425
Intangible assets	5.1	63 545	82 749
Furniture and equipment	5.2	14 119	38 858
Investment properties and properties under construction	5.3, 5.10, 9, 11.1	36 820 609	36 646 692
Equity method securities	5.4	1 766 591	1 781 099
Other non-current assets	5.5	2 341	2 614
Non-current derivatives	5.10,8	9 610	13 338
Deferred tax assets	7	75 040	102 090
NON-CURRENT ASSETS		**39 100 279**	**39 015 865**
Trade accounts receivable	5.6, 11.1	134 254	136 624
Other receivables	5.7, 11.1	180 682	145 829
Current derivatives	5.10,8	3 466	-
Cash and cash equivalents	5.8, 11.1	446 821	578 037
CURRENT ASSETS		**765 223**	**860 490**
TOTAL ASSETS		**39 865 502**	**39 876 355**

Consolidated statement of financial position

In thousands of NOK	Note	31/12/2018	31/12/2017
Share capital	5.9	73 258	76 005
Additional paid-in capital		4 028 585	4 028 585
Consolidated reserves		16 547 513	14 919 925
Treasury shares		*-*	*-2 747*
Hedging reserves		*-97 132*	*-156 721*
Other consolidated reserves		*16 644 645*	*15 079 393*
Consolidated earnings		1 188 896	2 349 979
Shareholders' equity, group share		**21 838 252**	**21 374 494**
Non-controlling interests		-	125
Non-controlling interests		**-**	**125**
SHAREHOLDERS' EQUITY		**21 838 252**	**21 374 619**
Non-current financial liabilities	5.10, 11.1	10 227 708	9 978 015
Non-current derivatives	5.10,8	139 054	212 690
Security deposits and guarantees	5,12	114 119	115 231
Deferred tax liabilities	7	4 931 491	4 811 360
NON-CURRENT LIABILITIES		**15 412 372**	**15 117 296**
Current financial liabilities	5.10, 11.1	2 074 354	2 862 543
Trade payables	11.1	183 593	238 105
Payables to fixed asset suppliers	11.1	-	22 500
Other liabilities	5.11, 11.1	230 350	126 906
Social and tax liabilities	5.11, 11.1	126 582	134 386
CURRENT LIABILITIES		**2 614 879**	**3 384 440**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**39 865 502**	**39 876 355**

The accompanying notes are an integral part of the consolidated finansial statements.

OSLO, 21. 02. 2019

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

Louis Bonelli
Chief Executive Officer

Consolidated statement of cash flows

In thousands of NOK	**Note**	**2018**	**2017**
Net income from consolidated companies		1 188 897	2 349 978
Depreciation, amortization and provisions		21 873	23 031
Change in the fair value of investment properties		*-174 325*	*-1 491 109*
Capital gains and losses on asset disposals net of taxes and deferred taxes		*-21 959*	*-70 281*
Income taxes		*228 380*	*568 979*
Share of earnings in equity method investees		*-7 492*	*-127 860*
Reclassification of financial interests and other items		*404 412*	*452 489*
Gross cash flow from consolidated companies		**1 639 786**	**1 705 226**
Paid taxes		-7 168	-12 029
Change in operating working capital		-307	90 009
Net cash flow from operating activities		**1 632 311**	**1 783 206**
Proceeds from sale of investment properties	6.1	44 253	2 763
Proceeds from sale of other fixed assets		-	605
Proceeds from disposal of subsidiaries (net of cash disposed)	6.1	582	1 059 627
Acquisitions of investment properties	5.3	-19 742	-67 968
Payments in respect of construction work in progress	5.3	-239 596	-124 754
Acquisitions of other fixed assets	5.1,5.2	-30 805	-16 448
Movement of loans and advance payments granted and other investments		-193 388	-456 826
Net cash flow from investing activities		**- 438 696**	**396 998**
Dividends paid to the parent company's shareholders		-475 520	-
Change in capital from subsidiaries with non-controlling interests		-28 500	-25 000
New loans, borrowings and hedging instruments	5,10	2 768 905	3 522 931
Repayment of loans, borrowings and hedging instruments	5,10	-3 244 711	-4 829 660
Interest paid		-376 480	-389 129
Other cash flows related to financing activities		12 572	-49 651
Net cash flow from financing activities		**-1 343 734**	**-1 770 510**
Net changes in cash		**-150 120**	**409 694**
Cash at the start of the period		**578 038**	**145 705**
Effect of foreign exchange differences		18 903	22 638
Cash at the end of the period		**446 821**	**578 038**

The accompanying notes are an integral part of the consolidated finansial statements.

Consolidated statement of changes in equity

31/12/2017	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**
Reclassification of last year's 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 recognized 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**

31/12/2018	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**	**-156 721**	**1 517 523**	**13 561 870**	**2 349 979**	**21 374 494**	**125**	**21 374 619**
Reclassification of last year's net income	-	-	-	-	-	2 349 979	-2 349 979	**-**	-	**-**
Net income for the period	-	-	-	-	-	-	1 188 897	**1 188 897**	-	**1 188 897**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**2 349 979**	**-1 161 083**	**1 188 897**	**-**	**1 188 897**
Income from cash-flow hedging	-	-	-	59 589	-	-	-	**59 589**	-	**59 589**
Translation profits and losses	-	-	-	-	-124 468	-	-	**-124 468**	-	**-124 468**
Gains and losses recognized directly in equity	**-**	**-**	**-**	**59 589**	**-124 468**	**-**	**-**	**-64 879**	**-**	**-64 879**
Group contribution	-	-	-	-	-	**-184 740**	-	**-184 740**	-	**-184 740**
Dividends paid	-	-	-	-	-	**-475 520**	-	**-475 520**	-	**-475 520**
Other Movements	-2 747	-	2 747	-	-	-	-	**-**	-125	**-125**
Closing statement	**73 258**	**4 028 585**	**-**	**-97 132**	**1 393 055**	**15 251 589**	**1 188 896**	**21 838 252**	**-**	**21 838 252**

The accompanying notes are an integral part of the consolidated finansial statements.

1 GENERAL INFORMATION

The consolidated financial statements for the accounting period of 1 January 2018 to 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 21 February 2019. The principal activities of the Company and its subsidiaries (the Group) are described in Note 3.1 Segment information.

2 ACCOUNTING PRINCIPLES

2.1 Basis of preparation

The consolidated financial statements for the year 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group's consolidated statement of comprehensive income (EPRA model), consolidated statement of financial position (EPRA model), consolidated statement of cash flows and consolidated statement of changes in equity are presented with comparable numbers for the prior year. The functional currency of Steen & Strøm AS is the Norwegian krone (NOK). The Steen & Strøm group accounts are presented in NOK. Presentation and classification of items in the financial statements is consistent for the periods presented. The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities which are presented at fair value (primarily derivatives contracts and investment properties).

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.

Steen & Strøm Group uses the EPRA model for reporting of consolidated statements of comprehensive income and consolidated statements 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. For more information, visit the Association's website using the following link www.EPRA.com.

2.2 Application of new and revised international financial reporting standards and amendments

New standards and amendments adopted as of 1 January 2018

IFRS 9 Financial Instruments

The Group adopted IFRS 9 in its entirety as of 1 January 2018, including the IFRS 9 hedge accounting requirements. The new rules were applied retrospectively from 1 January 2018, with the practical expedients permitted under the standard. As is allowed by IFRS 9, comparatives for 2017 have not been 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.

Overall implementation effect
IFRS 9 has been implemented by the Group with no material implementation effects related to the classification and impairment of financial assets held by the Group. All hedge accounting relationships as of year-end 2017 qualify for hedge accounting as of 1 January 2018 under IFRS 9, and gives no implementation effect related to existing hedges as of 31 December 2017.

Classification and measurement of financial assets
Financial assets comprise the following current assets: Trade receivables, Other receivables and Cash and cash equivalents. All of these current assets as of 31 Desember 2017 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 therefore is also 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 of trade receivables
Upon implementation of IFRS 9 the Group has adopted the new impairment requirements for financial assets, and made the accounting policy choice of measuring the loss allowance for trade account receivables at the lifetime expected credit loss (ECL) for lease receivables. There is no 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 year-end 2017 loss allowance is sufficient in amount as the opening loss allowance under the new IFRS 9 impairment rules. The Group implemented as of 1 January 2018 a methodology for measuring the loss allowance for trade receivables using a lifetime ECL modelling approach.

Hedge accounting
The Group engages in the hedging of their floating-rate interest risk by using various types of derivative contracts, and uses hedge accounting to recognise the derivative's fair value changes in Other comprehensive income (OCI). IFRS 9 does not change the general principles for cash flow hedge accounting. All hedge accounting relationships at 31 December 2017 qualify as a continuing hedge upon the adoption of IFRS 9, and the implementation effect is null.

IFRS 15 Revenue from Contracts with Customers
Overall implementation effect
IFRS 15 *Revenue from Contracts with Customers* was adopted by the Group as of 1 January with no effect related to the opening (1 January 2018) equity balance, and no impact in the 2018 statement of comprehensive income (EPRA model). The Group adopted IFRS 15 using a modified retrospective approach. No prior year comparatives are restated when using the modified retrospective approach.

Revenue from customers and income from allocation of common services- and marketing costs
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 explicitly exempt from the scope of IFRS 15. The Group is also contractually liable for the provision of certain common service activities for its shopping center tenants, e.g. sanitation, security, and mutual center marketing activities. 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.

Amendments to IAS 40 – Transfers of investment property
Transfers of investment property, Amendments to IAS 40 *Investment Property* is effective for annual periods beginning on or after 1 January 2018 and has been adopted by the EU in March 2018. The amendment clarifies when assets are transferred to, or from, investment properties. At the date of initial application, an entity shall reassess the classification of property held at that date, and if applicable, reclassify property to reflect conditions that exist at that date. The Group adopted the amendment to IAS 40 on 1 January 2018 with no effect or reclassification of investment properties.

New IFRS standards, amendments and interpretations issued but not effective for the financial year ending 31.12.2018 and not early adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by the lessee, 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 to pay rentals are recognised. The only exceptions are short-term (less than 12 months) and low-value leases.

The Group has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases where the group is the lessee.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has made the following accounting policy choices and elected to apply the following practical expedients related to the implementation of IFRS 16:

- Leases with a lease term of 12 months or shorter, will not be capitalized.
- Low-value leases, meaning mainly office equipment, will not be capitalized.
- The Group has elected to apply the modified retrospective approach for transition to IFRS, meaning the Group will not restate the comparatives for 2018.
- Leases that management has assessed as likely to be extended by use of the renewal option are included at the longer lease term period.

The change in accounting policies for lessees will have a positive impact on EBITDA for the Group, as lease expenses will be reduced. Depreciation and financial expenses will increase. There will be no net effect for the income statement over the lease period. Total assets and net debt will increase. The implementation effect for the 2019 after adoption of IFRS 16 will be:

- An increase in fixed assets and financial liabilities of approximately NOK 275-355 million in the opening balance sheet as of 1 January 2019.
- A net effect in the income statement of approximately NOK 1-2 million as additional cost, as a result of a decrease in external expenses of NOK 24-26 million, offset by increases in depreciation of NOK 16-18 million and financial expenses of NOK 8-10 million.
- In the consolidated statement of cash flows, operating cash flows will increase and financing cash flows decrease by approximately NOK 15-17 million as repayment of the principal portion of the lease liabilities will be reclassified as cash flows from financing activities upon implementation of IFRS 16.

As of year-end 2018, the Group has non-cancellable operating lease commitments of NOK 779 million, see note 9 Leases.

2.3 Consolidation
the consolidated financial statements include the financial statements of Steen & Strøm AS (the Company) 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
- as 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 the 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 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 (Epra Model)

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.

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

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 rental expenses
Non-recovered building rental expenses are stated net of charges re-invoiced to tenants and mainly comprise expenses related to vacant premises.

Building expenses (owner)
Building expenses (owner) consist of owner's rental expenses related to construction work, legal costs, bad debt expense 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. See note 5.8 for information related to bank credit facilities.

2.6 Trade accounts receivable

trade receivables are primarily lease receivables from tenants, and meet the requirments of SPPI and the business model of hold to collect. These receivables are initially recognised at fair value and subsequently measured at amortised cost less any loss allowance for expected credit losses (ECL). The loss allowance for the trade receivables is measured each period at an amount equal to lifetime expected credit losses, as an accounting policy choice allowed in IFRS 9 for lease receivables. See notes 2.12 and 5.6 for additional information.

2.7 Hedge accounting

at the inception of each hedge relationship a specific derivative is designated as a hedge of future cash flows related to a highly probable forecasted transaction, normally for the Group this is a floating-rate interest payment. Documentation is created at the inception of the hedge for the relationship between the hedging instrument (derivative) and the hedged item (future cash flows), as well as to document possible sources of hedge ineffectiveness and the evaluation of hedge effectiveness. All hedges, both at hedge inception and on an ongoing basis, are assessed prospectively for hedge effectiveness.

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedge instruments for a cash flow hedge is recognised in other comprehensive income (OCI). The ineffective portion is recognised in the profit or loss statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in OCI and is recognised when the forecasted transaction is ultimately recognised in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to profit or loss.

2.8 Non-current assets

non-current 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, these assets 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 profit or loss.

Historical cost includes expenditures that are directly attributable to the acquisition of the fixed asset. Subsequent costs such as repairs and maintenance are charged to profit or loss when incurred. Depreciation on Intangible asset and Property, plant and equipment is calculated using the straight-line method to allocate the 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

in accordance with 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. Lease payments are an operating expense in consolidated statement of comprehensive income and measured 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 investment properties in the consolidated statement of financial position. 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 profit or loss 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 balance sheet date. 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 and amortised cost.

(I) Financial assets at fair value through profit and loss

A financial asset is classified in this category if it does not meet the conditions of SPPI (solely payments of principal and interest). Derivatives are by definition always at fair value over profit or loss (FVOPL) unless designated as a hedging instrument. Financial assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(II) Amortised cost

All non-derivative financial assets held by the Group with fixed or determinable payments meet the SPPI criteria and have a business model of hold to collect. These financial assets are measured at amortised cost in the statement of financial position, and any interest income earned and impairment on the assets is recognised in the profit or loss statement. These financial assets are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period. These financial assets are classified as non-current assets.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less any loss allowance. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The Group classifies its financial liabilities in the following categories: fair value through profit and loss and amortised cost. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the liability. The difference between the carrying amount of the financial liability and the consideration paid and payable is recognised in profit or loss at the date of derecognition.

(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 irrevocably designated at fair value to eliminate or reduce an accounting mismatch or when the financial liability (or group of liabilities) is managed and performance is evaluated on a fair value. Liabilities designated at fair value are subsequently measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

(II) Amortised cost

Unless designated at fair value, financial liabilities are initially recognised at amortised cost. Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

2.12 Impairment of financial assets

the Group has adopted the accounting policy to use the simplified approach for measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for trade accounts receivable (lease receivables). To measure the expected credit losses, trade account receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates are based on payment profiles over a period of 36 months. Historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the tenants ability to settle their liabilities. Such factors include the probability of bankruptcy and general market conditions for specific shopping centers. Bank or other forms for guarantees and off-balance sheet tenant deposits are included as a reduction in the measurement of the expected credit losses on trade account receivables.

2.13 Equity

(I) Debt and equity

Financial instruments are classified as debt or equity in accordance with the underlying economic reality and IFRS requirements. Interest, dividends, gains and losses related to a financial instrument which is classified as debt are recognised, as an expense 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 wcancellation 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 transaction costs related to equity transactions are recognised in equity.

(IV) Other equity

Financial instruments are classified as debt or equity in accordance with the underlying economic reality and IFRS requirements. Interest, dividends, gains and losses related to a financial instrument which is classified as debt are recognized , 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.

(a) Reserve for ex change differences on translation of foreign operations (FX conversion reserves)

Foreign currency exchange differences on translation of foreign operations occurs in connection with currency differences in the consolidation of foreign companies. At the disposal or sale of a foreign entity, the foreign currency translation differences related to the subsidiary are reversed and recognised in the consolidated statement of comprehensive as in the same period as the recognition of the gain or loss related to the transaction.

(b) Hedging reserves

Hedging reserves is the total net change in fair value of the derivatives designated as instrments for a cash flow hedge, until the hedged cash flow occurs or is no longer expected to occur.

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. At termination of a lease, the tenant's lease payment is recognised over the remaining lease term, or until the new tenant moves in. Income from rental agreement guarantees is treated the same way as terminations. In the event of the Company releasing a tenant from the lease contract, the costs are expensed immediately.

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.

2.15 Foreign currency

(I) Foreign currency transactions

Transactions in foreign currency are initially recognised in the functional currency of the entity 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 gains or losses are recognised in profit or loss.

(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 for the accounting period.

Translation differences arising from translation of net investments in foreign operations are classified as exchange differences on translation of foreign operations and recognised as part of OCI. A foreign operations's accumulated translation differences in OCI is recognised in profit or loss upon disposal of the foreign operation.

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 obligation 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.

2.17 Borrowing costs

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

2.18 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.

2.19 Income taxes

Tax expense consists of current tax and changes in deferred tax. The 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.

2.20 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 the Group are reported as a financing activity.

2.21 Segment information

For internal management reporting purposes, the Group is organised into business segments and geographic regions. The management team monitors the operating results of each business segment independently as a basis for segment decision-making and performance evaluation. Financial information for 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 Group'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 Group's financial position in a subsequent period, are disclosed as subsequent events.

2.24 Critical accounting judgments and key sources of estimation uncertainty

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The principal assumptions made in respect of future events and other sources of uncertainty relating to the use of estimates for which there is a significant risk of material change to the net book values of assets and liabilities are presented below:

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 december 2018 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 performs the valuations on the basis of the information they have received, regularly scheduled on-site visits, and estimates of 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.). Additional details are presented in Note 11.1.

Measurement of Goodwill

Goodwill in the Group consolidated financial statements arises from the acquisition of investment properties recognised as a business combination and is mainly related to the discount on deferred tax liabilities attached to the acquisition. Goodwill is assessed for impairment on an annual basis.

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 business 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.

2018		**Segment income statement**		
In thousands of NOK	**Denmark**	**Norway**	**Sweden**	**Total**
Gross Rental Income	552 887	682 292	570 106	1 805 286
Land expenses (real estate)	-8 017	-	-	-8 017
Non-recovered rental expenses	-47 574	-49 591	-46 730	-143 895
Building expenses (owner)	-26 668	16 599	-26 715	-36 784
Net rental income	**470 628**	**649 300**	**496 662**	**1 616 590**
Management, administrative and related income	16 465	36 989	23 253	76 707
Other operating revenue	2 187	4 540	990	7 716
Change in the fair value of investment properties	381 143	-239 266	32 448	174 325
Payroll expenses	-24 554	-72 203	-38 117	-134 874
Other general expenses	-11 534	-48 534	-14 890	-74 958
Depreciation and impairment allowance on investment properties	-	-268	-	-268
Depreciation and impairment allowance on intangible assets, property, plant and equipment	-734	-20 418	-453	-21 605
Proceeds from disposal of investment properties and equity investments	-	*28 063*	*17 131*	*45 194*
Net book value of investment properties and equity investments sold	-	*-20 143*	*-3 091*	*-23 234*
Income from disposal of investment properties and equity investments	-	7 920	14 039	21 959
Operating income	**833 599**	**318 060**	**513 933**	**1 665 593**
Net dividends and provisions on non-consolidated investments				-
Financial income				*347 952*
Financial expenses				*-606 386*
Net cost of debt				-258 433
Change in the fair value of financial instruments				2 626
Share of earnings in equity investment entities				7 492
Profit before tax				**1 417 277**
Corporate income tax				-228 380
Net income of consolidated group				**1 188 897**

3.1 - Segment information (continued)

2017

In thousands of NOK	**Denmark**	**Norway**	**Sweden**	**Total**
Gross Rental Income	538 691	675 024	581 764	1 795 479
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 properties	354 682	566 054	570 373	1 491 109
Payroll expenses	-22 578	-77 451	-43 859	-143 889
Other general expenses	-8 551	-47 296	-15 272	-71 119
Depreciation and impairment allowance on investment properties	-	-267	-	-267
Depreciation and impairment allowance on intangible assets, 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 group				**2 349 978**

3.2 Net book value of investment property by operating segment

In thousands of NOK	31/12/2018	31/12/2017
Denmark	10 744 773	10 236 727
Norway	12 445 685	12 624 747
Sweden	12 078 506	12 337 985
Investment properties	**35 268 965**	**35 199 459**

In thousands of NOK	31/12/2018	31/12/2017
Denmark	1 105 405	966 672
Norway	92 839	78 303
Sweden	353 400	402 259
Investment property under construction	**1 551 644**	**1 447 234**

3.3 Investment by operating segment

2018 In thousands of NOK	Intangible assets	Property, plant and equipment and work in progress	Investment property	Investment property under construction	Total investment
Denmark	-	219	-	158 012	158 231
Norway	-	227	32 763	39 668	72 658
Sweden	-	74	20 379	19 415	39 868
Total	**-**	**520**	**53 142**	**217 096**	**270 757**

2017 In thousands of NOK	Intangible assets	Property, plant and equipment and work in progress	Investment property	Investment property under construction	Total investment
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**

4.1 - Subsidiaries

	Country	Headquarter	% of interest	
Full consolidated companies			**31/12/2018**	**31/12/2017**
Head of the Group				
Steen & Strøm AS	Norway	Oslo	100,0%	100,0%
Bruun's Galleri ApS	Denmark	Copenhagen	100,0%	100,0%
Bryggen, Vejle A/S	Denmark	Copenhagen	100,0%	100,0%
Field's Copenhagen I/S	Denmark	Copenhagen	100,0%	100,0%
Field's Eier I ApS	Denmark	Copenhagen	0,0%	100,0%
Field's Ejer II A/S	Denmark	Copenhagen	0,0%	100,0%
Steen & Strøm CenterService A/S	Denmark	Copenhagen	100,0%	100,0%
Steen & Strøm CenterUdvikling VI A/S	Denmark	Copenhagen	100,0%	100,0%
Steen & Strøm Danmark A/S	Denmark	Copenhagen	100,0%	100,0%
Steen & Strøm Holding AS	Denmark	Copenhagen	0,0%	100,0%
Viva, Odense A/S	Denmark	Copenhagen	100,0%	100,0%
Amanda Storsenter AS	Norway	Oslo	100,0%	100,0%
Farmandstredet Eiendom AS	Norway	Oslo	100,0%	100,0%
Gulskogen Senter AS	Norway	Oslo	100,0%	100,0%
Hamar Storsenter AS	Norway	Oslo	100,0%	100,0%
Nerstranda AS	Norway	Oslo	100.0%	100.0%
Slagenveien 2 AS	Norway	Oslo	100,0%	100,0%
Stavanger Storsenter AS	Norway	Oslo	100,0%	100,0%
Vinterbro Senter DA	Norway	Oslo	100,0%	100,0%
Oslo City Kjøpesenter AS	Norway	Oslo	100,0%	100,0%
Oslo City Parkering AS	Norway	Oslo	100,0%	100,0%
Steen & Strøm Mediapartner Norge AS	Norway	Oslo	100,0%	100,0%
Steen & Strøm Senterservice AS	Norway	Oslo	100,0%	100,0%
FAB Allum	Sweden	Stockholm	100,0%	100,0%
FAB Borlange Köpcentrum	Sweden	Stockholm	100,0%	100,0%
FAB Centrum Västerort	Sweden	Stockholm	100,0%	100,0%
FAB CentrumInvest	Sweden	Stockholm	100,0%	100,0%
FAB Emporia	Sweden	Stockholm	100,0%	100,0%
FAB Lackeraren Borlänge	Sweden	Stockholm	100,0%	100,0%
FAB Marieberg Galleria	Sweden	Stockholm	100,0%	100,0%
FAB P Åkanten	Sweden	Stockholm	100,0%	100,0%
FAB P Brodalen	Sweden	Stockholm	100,0%	100,0%
FAB P Porthälla	Sweden	Stockholm	100,0%	100,0%
Fastighets AB Västra Götaland	Sweden	Stockholm	100,0%	100,0%
Grytingen Nya AB	Sweden	Stockholm	0,0%	64,8%
Partille Lexby AB	Sweden	Stockholm	100,0%	100,0%
Steen & Ström Holding AB	Sweden	Stockholm	100,0%	100,0%
Steen & Ström Sverige AB	Sweden	Stockholm	100,0%	100,0%

Change in scope are essentially due to mergers of companies and will not have any effect on future financial position and earning.

4.2 - Goodwill

After the recognition of Oslo City Kjøpesenter AS and Oslo City Parkering AS in 2016 as fully consolidated subsidiaries of Steen & Strøm AS there has been no further business combinations. The goodwill of NOK 348,4 million consists mainly of the discounted value of deferred tax liabilities in the purchase price. Goodwill is allocated to the following cash-generating units (CGU):

In thousands of NOK	Oslo City Kjøpesenter AS	Oslo City Parkering AS	Total
Goodwill	**332 518**	**15 907**	**348 425**
Total estimated sales value CGU	3 963 823	185 906	4 149 729
Total Group book value equity CGU	**3 877 096**	**181 763**	**4 058 859**

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

Sales value approach

The best estimate of property sales value is the bi-annuall valuation, which in turn equals book value.

Cash and working capital (such as account receivables, payables etc.) are in general valued at nominal value in a sale. As cash and working capital are recorded at nominal value, book value is assumed to approximate sales value.

The deferred tax balance is currently estimated to be discounted at a value of 10% of the temporary difference between the property sales value and tax value. The deferred tax balance is currently recognized at 22% of the temporary difference between book value (equal to fair value) and tax value.

As book value equals sales value for all assets and liabilities except the deferred tax balance, it is only required to estimate the gain to be received from the discount applied to the deferred tax balance. If the estimated discount is greater than the book value of the goodwill, it is assumed that goodwill balance is not impaired.

5.1 Intangible assets

In thousands of NOK	31/12/2017	Acquisitions	Disposals and retirement of assets	Amortisation and impairment allowances	31/12/2018
Total gross value	**184 986**	**-**	**-**	**-**	**184 986**
Software	-102 237	-	-	-19 204	-121 441
Total depreciation and amortization	**-102 237**	**-**	**-**	**-19 204**	**-121 441**
Intangible assets - Net value	**82 749**	**-**	**-**	**-19 204**	**63 545**

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Amortisation and impairment allowances	31/12/2017
Total gross value	**180 313**	**4 673**	**-**	**-**	**184 986**
Software	-82 928	-	-	-19 309	-102 237
Total depreciation and amortization	**-82 928**	**-**	**-**	**-19 309**	**-102 237**
Intangible assets - Net value	**97 385**	**4 673**	**-**	**-19 309**	**82 749**

5.2 - Furniture and equipment

In thousands of NOK	31/12/2017	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Other movements	31/12/2018
Furniture and equipment	112 215	30 805	-	-	-1 180	-52 785	89 055
Total gross value	**112 215**	**30 805**	**-**	**-**	**-1 180**	**-22 500**	**89 055**
Furniture and equipment	-73 357	-	-	-2 401	821	1	-74 936
Total depreciation and amortization	**-73 357**	**-**	**-**	**-2 401**	**821**	**1**	**-74 936**
Furniture and equipment	**38 858**	**30 805**	**-**	**-2 401**	**-359**	**-22 499**	**14 119**

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 amortization	**-67 750**	**-**	**1 491**	**-3 455**	**-3 643**	**-**	**-73 357**
Furniture and equipment	**30 051**	**11 613**	**-35**	**-3 455**	**684**	**-**	**38 858**

5.3a - Investment property

In thousands of NOK	31/12/2017	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustments	Other movements	31/12/2018
Shopping centers								
Land	2 529 585	-	-3 091	-	-6 590	-	2 875	2 522 779
Structures	14 625 633	20 375	-19 893	-268	-132 178	-	21 221	14 514 890
Facades, cladding and roofing	908 501	-	-	-	-6 903	-	23 831	925 429
General and Technical Installations	2 587 711	-637	-4 574	-	-5 446	-	25 607	2 606 598
Fixtures	1 056 367	4	4	-	-9 321	-	75 545	1 122 599
Cost value	**21 707 797**	**19 742**	**-27 554**	**-268**	**-160 438**	**-**	**149 079**	**21 692 295**
Fair value adjustment	**13 491 662**	**11 625**	**-**	**-**	**-104 758**	**178 808**	**-667**	**13 576 669**
Fair value shopping centers	**35 199 459**	**56 633**	**-27 554**	**-268**	**-265 196**	**178 808**	**127 084**	**35 268 965**

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustments	Other movements	31/12/2017
Shopping centers								
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	-	9 943	908 501
General and Technical Installations	2 479 615	23 497	-17 803	-	97 284	-	5 118	2 587 711
Fixtures	954 472	55 090	-995	-	25 152	-	22 649	1 056 367
Cost value	**20 857 547**	**161 089**	**-212 871**	**-267**	**864 590**	**-**	**37 710**	**21 707 797**
Fair value adjustment	**11 348 501**	**-**	**0**	**-**	**482 740**	**1 458 995**	**0**	**13 491 662**
Fair value shopping centers	**32 206 048**	**161 089**	**-212 871**	**-267**	**1 347 330**	**1 458 995**	**37 710**	**35 199 459**

5.3b - Investment property under construction

In thousands of NOK	31/12/2017	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustments	Other movements	31/12/2018
Fixed assets in progress	1 447 234	208 587	-13 493	-	-1 141	-4 484	-85 059	1 551 644
Investment property under construction	**1 447 234**	**239 596**	**-13 493**	**-**	**-1 141**	**-4 484**	**-129 561**	**1 551 644**

In thousands of NOK	31/12/2016	Acquisitions	Disposals and retirement of assets	Depreciation and impairment allowances	Currency fluctuations	Fair Value adjustments	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**

5.3c -Sensitivity

When calculating the value of the investment properties the following average yields were used:

Average yields (%)	2018	2017
Norwegian investment property	4,70 %	4,76 %
Swedish investment property	4,32 %	4,56 %
Danish investment property	4,21 %	4,90 %
Weighted average	4,43 %	4,72 %

Sensitivities yeld

The following table shows the sensitivity in fair value of the investment property as a result of a change in yield:

In thousands of NOK	Yield	Value
Reduced yield by -0,5%	-0,5%	41 505 164
Fair value 31/12/2018	0,0%	36 820 609
Increased yield by 0,5%	0,5%	33 086 267

Sensitivities cash flows

The following table show the sensitivity in fair value of investment property as a result of a change in cash-flow:

In thousands of NOK	Cash flow	Value
Increased cash-flow by 1%	1,0%	37 188 815
Fair value 31/12/2018	0,0%	36 820 609
Reduced cash-flow by 1%	-1,0%	36 452 402

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

Ongoing construction contracts

The Group has no ongoing construction contracts as of 31 December 2018 and 2017.

5.4 - Investments in jointly controlled companies

In thousands of NOK	31/12/2017	Share in net income	Dividends received	Capital increases and reductions	Changes in the scope of consolidation and other movements	31/12/2018
Investments in jointly controlled companies	1 781 099	7 492	-50 500	28 500	-	1 766 591
Equity method securities	**1 781 099**	**7 492**	**-50 500**	**28 500**	**-**	**1 766 591**

In thousands of NOK	31/12/2016	Share in net income	Dividends received	Capital increases and reductions	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**

			% of interest	
Equity Method Companies: jointly controlled	**Country**	**Headquarter**	**31/12/2018**	**31/12/2017**
Nordbyen Senter DA	Norway	Oslo	50,0%	50,0%
Nordbyen Senter 2 AS	Norway	Oslo	50,0%	50,0%
Nordal ANS	Norway	Oslo	50,0%	50,0%
Økern Sentrum AS	Norway	Oslo	50,0%	50,0%
Økern Eiendom ANS	Norway	Oslo	50,0%	50,0%
Økern Sentrum ANS	Norway	Oslo	50,0%	50,0%
Metro Shopping AS	Norway	Oslo	50,0%	50,0%
Metro Senter ANS	Norway	Oslo	50,0%	50,0%

5.4 b equity method - P&L

	2018		2017	
In thousands of NOK	**100 %**	**Group share**	**100 %**	**Group share**
Gross Rental Income	145 177	72 589	147 608	73 804
Non-recovered rental expenses	-14 917	-7 459	-18 158	-9 079
Building expenses (owner)	-11 451	-5 726	-9 368	-4 684
Net rental income	**118 809**	**59 405**	**120 082**	**60 041**
Other operating revenue	281	141	78	39
Change in the fair value of investment property	-118 616	-59 308	158 745	79 373
Other general expenses	-263	-132	-594	-297
Operating income	**211**	**106**	**278 311**	**139 156**
Financial income	*61*	*31*	*158*	79
Financial expenses	*-541*	*-271*	*-70*	-35
Net cost of debt	-480	-240	88	44
Profit before tax	**-269**	**-135**	**278 399**	**139 200**
Corporate income tax	15 253	7 627	-22 679	-11 340
Net income of joint venture entities	**14 984**	**7 492**	**255 720**	**127 860**

5.4 b equity method - Statement of financial position

In thousands of NOK	31/12/2018 100 %	31/12/2018 Group share	31/12/2017 100 %	31/12/2017 Group share
Property, plant and equipment and work in progress	-	-	11 816	5 908
Investment property	2 501 684	1 250 842	2 592 413	1 296 207
Investment property under construction	1 202 621	601 311	1 139 796	569 898
Deferred tax assets	-	-	163	82
Non-current assets	**3 704 305**	**1 852 153**	**3 744 188**	**1 872 094**
Trade accounts and notes receivable	3 120	1 560	3 012	1 506
Other receivables	11 653	5 827	10 855	5 428
Cash and cash equivalents	31 117	15 559	51 522	25 761
Current assets	**45 890**	**22 945**	**65 389**	**32 695**
Total assets	**3 750 195**	**1 875 098**	**3 809 577**	**1 904 789**
Share capital	2 122 102	1 061 051	2 165 902	1 082 951
Additional paid-in capital	1 857	929	1 857	929
Consolidated reserves	1 394 238	697 119	1 138 718	569 359
Consolidated earnings	14 984	7 492	255 720	127 860
Shareholders’ equity, group share	3 533 181	1 766 591	3 562 197	1 781 099
Shareholders' equity	**3 533 181**	**1 766 591**	**3 562 197**	**1 781 099**
Deffered tax liabilities	193 832	96 916	209 248	104 624
Non-current liabilities	**193 832**	**96 916**	**209 248**	**104 624**
Trade payables	16 485	8 243	7 361	3 681
Other liabilities	3 645	1 823	22 805	11 403
Social and tax liabilities	3 052	1 526	7 966	3 983
Current liabilities	**23 182**	**11 591**	**38 132**	**19 066**
Total liabilities and shareholders’ equity	**3 750 195**	**1 875 098**	**3 809 577**	**1 904 789**

5.5 - Other non-current assets

In thousands of NOK	31/12/2018	31/12/2017
Other long term investments	230	230
Deposits	2 111	2 384
Total	**2 341**	**2 614**

5.6 - Trade recceivables

In thousands of NOK	31/12/2018	31/12/2017
Trade receivables	152 668	160 433
Gross Value	**152 668**	**160 433**
Loss allowance	-18 413	-23 809
Net value	**134 254**	**136 624**

The trade receivables are spread across several shopping centers throughout Scandinavia (Norway, Sweden and Denmark). There is no one single customer who represents a significant share of the trade receivables. The majority of the Group's rental contracts have deposit and bank guarantees which secure up to 3 to 6 month's rent, including the outstanding trade receivables.

Trade receivables aging and loss allowance

In thousands of NOK	Total	Not due	< 30 days	30-60 days	60-90 days	> 90 days
Trade receivables, gross as of 31/12/2018	152 668	114 720	10 651	219	9 442	17 635
Loss allowance	-18 413	-12 759	-1 385	-31	-1 416	-2 822
Trade receivables, net as of 31/12/2018	**134 255**	**101 961**	**9 266**	**188**	**8 026**	**14 814**
Trade receivables, gross as of 31/12/2017	160 433	109 107	21 688	6 996	-984	23 626
Loss allowance*	-23 809					
Trade receivables, net as of 31/12/2017	**136 624**	**109 107**	**21 688**	**6 996**	**-984**	**23 626**

* Loss allowance for 2017 measured under the rules for IAS 39 and is not allocated to the varioues aging buckets.

On 1 January 2018 the Group adopted IFRS 9, and made the accounting principle choice for the lease receivables (trade receivables) to measure the loss allowance at an amount equal to lifetime expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the probability of a tenants' bankruptcy and location of the shopping centers to be the most relevant factors, and accordingly adjusts the historical loss rates appropriately.

IFRS 9 does not require a restatement of comparative figures. Therefore, the loss allowance for 2017 is not restated. Adoption of IFRS 9 did not give a material difference in the loss allowance ending balances or estimated credit losses for the year.

In thousands of NOK	2018	2017
Opening balance loss allowance	-23 809	-19 874
Increase in loss allowance recognised in the profit and loss during the period	-9 862	-10 363
Impairment losses on trade receibavles	10 450	3 807
Reversal of previously impairment losses	4 657	3 186
Foreign exchange effects	152	-564
Closing balance	**-18 413**	**-23 809**

5.7 - Other receivables

In thousands of NOK	31/12/2018	31/12/2017
Tax receivables	**106 308**	**94 039**
- Corporate income tax	1 039	-
- VAT	105 269	94 039
Other receivables	**74 374**	**51 789**
- Service charges due	18 706	8 667
- Prepaid expenses	2 236	10 268
- Other	53 432	32 854
Total	**180 682**	**145 829**

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	31/12/2018	31/12/2017
Bank	443 740	578 037
Treasury instruments	3 081	-
Gross cash and cash equivalents	**446 821**	**578 037**
- Bank facilities not utilised	**-**	**-**
Net cash and cash equivalents	**446 821**	**578 037**

The Group maintain a Group account scheme for bank accounts in Norway and Sweden which are linked to the Group's overdraft accounts. The outstanding balance of these bank and bank overdraft accounts are presented net, while the interest income and interest expenses arising from these accounts are presented gross. At 31 December 2018 and 2017, the Group held a total bank credit facility available of NOK 2.249 million and NOK 950 million, respectively.

Restricted bank deposits
As of 31 December 2018 and 2017, restricted funds amounted to NOK 1.9 million and NOK 2.8 million.

5.9 - Shareholders' equity

Share capital
At 31 December 2018 , the share capital of the Company was NOK 73 258 653, divided into 29 303 461 shares at par value NOK 2,50.

In december 2018 the extraordinary general meeting decided to reduce the share capital from NOK 76 005 290 with NOK 2 746 637 to NOK 73 258 653 by redemption of 1 098 655 shares. The reduction is used for the redemption of the company's treasury shares pursuant to Section 9 of the Norwegian Companies Act. The reduction was not registrated as of 31.12.2018.

Shareholders
At 31 December 2018 and 2017, 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 01/01/2018	Cash flow	Reclassification Non Current to Current	Foreign exchange movement	Fair Value changes	Closing Balance 31/12/2018
Non-current financial liabilities						
Bond net costs/premium	2 994 952	1 368 519	-265 734	-24 639	-	4 073 098
Loans and borrowings from credit institutions - more than one year	6 983 063	-747 943	3 344	-83 853	-	6 154 610
Non-current derivatives (Note 8)	199 352	11 400	-525	-4 852	-69 788	135 588
Total non-current financial liabilities	**10 177 367**	**631 976**	**-262 916**	**-113 344**	**-69 788**	**10 363 296**
Current financial liabilities						
Bond net costs/premium	400 000	-400 000	300 000	-	-	300 000
Loans and borrowings from credit institutions - less than one year	285 447	-11 256	3 027	-1 847	-	275 371
Accrued interest	27 096	-15 789	3 686	19	-	15 012
Commercial paper	2 150 000	-685 126	24 749	-5 652	-	1 483 971
Total current financial liabilities	**2 862 543**	**-1 112 171**	**331 462**	**-7 480**	**-**	**2 074 354**
Total non-current and current financial liabilities	**13 039 910**	**-480 194**	**68 546**	**-120 824**	**-69 788**	**12 437 650**

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

In thousands of NOK	Opening Balance 01/01/2018	Cash flow	Reclassification Non Current to Current	Foreign exchange movement	Fair Value changes	Closing Balance 31/12/2018
NOK	**5 600 701**	**267 285**	**63 805**	**-30 291**	**-23 240**	**5 878 260**
SEK	3 232 553	-460 747	-1 754	-113 952	-37 508	2 618 592
DKK	4 206 656	-286 732	6 495	23 419	-9 040	3 940 798
Total non-current and current financial liabilities	**13 039 910**	**-480 194**	**68 546**	**-120 824**	**-69 788**	**12 437 650**

Contractual repayment of financial liabilities:

In thousands of NOK	31/12/2018	31/12/2017
0 - 1 years	2 074 354	2 862 543
2 - 5 years	4 371 896	3 590 601
More than 5 years	5 991 400	6 586 766
Total non-current and current financial liabilities	**12 437 650**	**13 039 910**

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

In thousands of NOK	31/12/2018	31/12/2017
Investment properties	21 011 965	19 477 984
Investment property under construction	1 551 644	1 447 234
Total book value of pledged assets	**22 563 608**	**20 925 217**

5.11 - Social and tax liabilities and other liabilities

In thousands of NOK	31/12/2018	31/12/2017
Social and tax liabilities		
Staff and related accounts	25 099	29 462
Social security and other bodies	4 934	6 160
Corporate income tax	-1 001	1 221
VAT	14 496	10 283
Other taxes and duties	83 054	87 259
Total social and tax liabilities	**126 582**	**134 386**

Other liabilities		
Deferred income	3 438	8 128
Creditor customers	124 071	9 026
Prepaid gift cards	24 129	24 638
Other loans and borrowings	78 712	85 114
Total other liabilities	**230 350**	**126 906**

5.12 Guarantees, bail declarations and pledges

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

In thousands of NOK	Banking partner	31/12/2018
Bail declaration - surety for Group bank account scheme	DNB Bank ASA	1 000 000
Bail declaration – surety for FX swap	DNB Bank ASA	206 600
Bail declaration - surety for indemnity declaration previous tenants	Nordea Bank AB, filial Norge	2 147
Bail declaration – surety for debt of subsidiaries	Danske Bank	3 767 469
Pledges secured in investment property of subsidiaries	Different partners	8 918 186
Total off balance sheet commitments of guarantees, bail declarations and pledges		**13 897 777**

6.1 - Income from disposal of investment properties and equity instruments

The sales are related to appartments and part of office at Torgterassen in Norway and the subsidiary Gryttingen AB in Sweden.

In thousands of NOK	**2018**
Proceeds from disposal of investment properties and equity investments	45 194
Net book value of investment properties and equity investments sold	-23 234
Income from disposal of investment properties and equity investments	**21 959**

In thousands of NOK	**2017**
Proceeds from disposal of subsidiaries (net of cash disposed)	1 045 341
Net book value of subsidiaries sold	-291 586
Consolidation capital gains	-641 821
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 of land and projects	2 763
Net book value of projects sold and disposed of	-47 033
Total loss from disposal of land and projects	**-44 270**

6.2 - Net cost of debt

In thousands of NOK	**2018**	**2017**
Financial income		
Interest income on swaps	24 790	20 425
Interest on associates' advances	1	49 995
Other interest received	133 064	123 630
Other revenue and financial income	9 809	7 117
Foreign exchange gains	180 288	228 075
Financial income	**347 952**	**429 242**
Financial expenses		
Interest on bonds	-70 557	-76 502
Interest on loans from credit institutions	-198 866	-211 525
Interest expense on swaps	-110 159	-119 103
Deferral of payments on swaps	-177	-
Interest on associates' advances	-97	-972
Other financial expenses	-17 208	-12 091
Foreign exchange losses	-209 322	-224 858
Financial expenses	**-606 386**	**-645 051**
Net cost of debt	**-258 433**	**-215 809**

Net cost of debt includes net foreign exchange loss of NOK 29 million and exchange gain of NOK 3.2 million in 2018 and 2017, respectively.

Financial expenses includes interest on external bonds, certificates and bank loans.

7 - Tax

In thousands of NOK	2018	2017
Tax expenses:		
Current Tax	-4 842	-13 043
Change in deferred tax	-223 538	-555 936
Tax expenses	**-228 380**	**-568 979**
Profit before tax (including discontinued operations)	1 417 277	2 918 957
Tax calculated on profit before tax	-307 599	-666 915
Taxes without bases in taxable income current period	-5 872	10 003
Effect of changes in tax rates	87 192	83 259
Non taxable elements	-1 882	23 946
Other	-219	-19 272
Tax expenses	**-228 380**	**-568 979**

Non taxable elements in mainly related to sale of shares.

Effective tax rate	**-16,1%**	**-19,5%**

Deferred taxes are composed of:

Deferred tax assets **In thousands of NOK**	31/12/2018	31/12/2017
Tangible fixed assets and investment property	5 311	655
Losses carried forward	68 731	100 132
Capital losses carried forward/capital gain pending taxation	998	1 304
Total for entities in a net asset position	**75 040**	**102 090**

Deferred tax liabilities		
Tangible fixed assets and investment property	4 872 236	4 769 372
Derivatives	-25 991	-32 848
Long-term liabilities and receivables	4 474	311
Capital losses carried forward/capital gain pending taxation	3 986	4 320
Other	76 787	70 204
Total for entities in a net liability position	**4 931 491**	**4 811 360**

NET POSTITIONS	**4 856 451**	**4 709 269**

Summary of losses carried forward		
No due date	511 656	651 531
By the end of 2022	-	-
Total losses carried forward	511 656	**651 531**

Of the total losses carried forward of NOK 511 656 thousand, NOK 143 948 from Swedish companies is not included in the recognition of deferred tax asset in the balance sheet.

Change in deferred tax recognized directly against equity		
Cash flow hedges ex translation profits and losses	18 750	20 846
Translation profits and losses cash flow hedges	1 523	-1 510
Total deferred tax recognized directly against equity	**20 273**	**19 336**

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 rent agreements have been made for approximately 76% 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 2018 and 2017, the Group had interest rate hedges at nominal value NOK 7 210 million and NOK 7 069, 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 IFRS 9, and changes in fair value are recognized directly through other comprehensive income (OCI).

Overview of the Group's hedge 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 %	-998
12/06/2014	12/03/2019	300 000 000	NOK	2,3975 %	-828
12/06/2014	12/03/2019	400 000 000	NOK	2,3875 %	-1 095
05/08/2014	05/08/2019	200 000 000	NOK	1,9850 %	-1 120
30/09/2014	30/09/2019	400 000 000	NOK	1,9950 %	-2 155
23/06/2017	23/06/2022	500 000 000	NOK	1,3415 %	4 035
21/11/2017	21/11/2023	300 000 000	NOK	1,4350 %	3 649
30/10/2012	30/10/2020	300 000 000	SEK	2,7900 %	-15 056
30/09/2011	30/09/2021	300 000 000	SEK	2,6400 %	-20 193
30/09/2011	30/09/2021	300 000 000	SEK	2,6950 %	-20 640
29/06/2012	30/06/2022	300 000 000	SEK	2,1450 %	-18 643
11/02/2013	09/11/2020	300 000 000	SEK	2,7500 %	-15 002
30/06/2017	30/06/2020	500 000 000	SEK	1,0000 %	477
30/12/2017	30/12/2021	400 000 000	SEK	1,0000 %	6
29/06/2012	30/12/2021	466 071 000	DKK	2,3250 %	-42 661
30/06/2017	30/06/2022	800 000 000	DKK	1,0000 %	2 191
30/12/2017	30/12/2020	300 000 000	DKK	0,5000 %	71
21/11/2018	21/08/2023	400 000 000	SEK	1,5000 %	1 984
Total net excess value					**-125 978**

Average rate on interest-bearing loans in 2018 and 2017 was 2.1% and 2.2%, respectively. Based on the financial instruments and interest rate swaps as of 31. December 2018, a general increase of 1% in interest rate levels will reduce profits by NOK 29.7 million.

The Group expensed in 2018 and 2017 NOK 110.2 million and NOK 119.1 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)	31/12/2018	31/12/2017
SEK	2 618 592	3 102 759
DKK	3 940 779	4 186 619

Exchange rate on the balance sheet date	31/12/2018	31/12/2017
SEK	97,01	99,96
DKK	133,22	132,18

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 derivative transactions counterparties. The Group only conducts marketable securities and hedging instruments with leading Scandinavian financial institutions recognized 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 2018 and 2017 were as follows:

In thousands of NOK	31/12/2018	31/12/2017
Total loans	12 302 062	12 840 558
Cash and interest-bearing receivables	450 287	578 037
Net interest bearing debt	**11 851 775**	**12 262 521**
Total fixed assets	**38 664 863**	**38 549 398**
Debt ratio	**30.7 %**	**31.8 %**

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 consists of the following:

In thousands of NOK	31/12/2018	31/12/2017
Vehicles and machinery	1 545	1 394
Facilities and leased land	24 601	25 037
Total	**26 146**	**26 431**

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

In thousands of NOK	31/12/2018	31/12/2017
Within 1 year	26 367	26 147
1 to 5 years	71 229	71 229
After 5 years	681 449	689 743
Total	**779 045**	**787 119**

* Including leasing comittment related to 85 year lease of land in Denmark.

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 2018, 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	31/12/2018	31/12/2017
Buildings	36 820 608	36 646 692
Total	**36 820 608**	**36 646 692**

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

In thousands of NOK	31/12/2018	31/12/2017
Within 1 year	1 132 253	1 100 181
1 to 5 years	3 509 669	2 221 089
After 5 years	662 063	2 888 446
Total	**5 303 985**	**6 209 716**

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:

	31/12/2018	31/12/2017
Norway	94,8 %	93,3 %
Sweden	93,0 %	93,3 %
Denmark	95,0 %	94,0 %
Average	94,3 %	93,5 %

Finance leases
The Group has no finance leases.

10 - Payroll Expenses

In thousands of NOK	2018	2017
Wages, bonuses and indemnities	97 234	103 329
Social security tax	18 245	20 106
Pension costs	11 478	12 844
Other costs	7 557	7 560
Payroll expenses	**134 874**	**143 889**

Employees
The average number of employees in the Group in 2018 and 2017 were 149 and 154, respectively. At 31 December 2018 the Group had 148 employees.

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 2018 and 2017 NOK 4,3 million and NOK 13,3 million, respectively, have been accrued to cover the Group's bonus scheme. The bonus provision includes public and social taxes.

Remuneration of senior executives

2018 (in thousands of NOK)	Salary	Bonus	Payment in kind	Pension	Total
Group Management					
Louis Bonelli - Chief Executive Officer [1]	849	-	295	44	**1 188**
Philippe Grenet - Chief Executive Officer [2]	2 030	-	676	199	**2 905**
Bjørn Tjaum - Chief Investment Officer	2 202	462	465	256	**3 386**
Nils Eivind Risvand- Chief legal Officer	1 711	549	282	182	**2 725**
Total compensation	**6 793**	**1 011**	**1 718**	**681**	**10 203**

2017 (in thousands of NOK)	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**

[1)] Louis Bonelli joined the Company 20 august 2018 as CEO of Scandinavia.

[2)] Philippe Grenet left the Company 31 august 2018 as CEO of Scandinavia. No remuneration was paid upon termination of employment

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

11.1 - Fair Value Measurements

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

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 obtained from financial institutions.

All accounting items measured at Fair Value have been categorized 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 approximates 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.

in thousands of NOK	Level 1	Level 2	Level 3	Total
				31/12/2018
Total investment property			**36 820 608**	**36 820 608**
Total financial derivatives		**-139 054**		**-139 054**
Other financial assets		314 936	2 341	317 277
Other financial liabilites		-12 956 706	-	-12 956 705
Total other financial assets and liabilites	**-**	**-12 641 769**	**2 341**	**-12 639 428**
Total	**-**	**-12 780 823**	**36 822 949**	**24 042 127**

in thousands of NOK	Level 1	Level 2	Level 3	Total
				31/12/2017
Total investment property	**-**	**-**	**36 646 692**	**36 646 692**
Total financial derivatives	**-**	**-212 690**	**-**	**-212 690**
Other financial assets	-	282 453	2 614	285 067
Other financial liabilites	-	-13 477 686	-	-13 477 686
Total other financial assets and liabilites	**-**	**-13 195 233**	**2 614**	**-13 192 619**
Total	**-**	**-13 407 923**	**36 649 306**	**23 241 383**

11.2 - Litigations and claims

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 organization 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. The date for the court hearing has not yet been set. In the main hearing, the court will also consider Steen & Strøm`s claim that the case must be referred to the ECJ (European Courts of Justice). The decision of the court can be appealed, and a final decision is not expected for several years.

The tax authorities at the Central Tax Office have decided that taxable income in a former subsidiary of Steen & Strøm AS shall be increased by NOK 85,3 million for the income year 2015. The amount entails a tax of NOK 23 million.

The reason for the decision is that a property transferred to another group company in 1997, by mistake, remained in the transferring company’s books. This was corrected when it was discovered in 2015, but the tax authorities’ opinion was that the realization first took place in 2015. Steen & Strøm strongly disagrees with the decision and will pursue this further by complaint or litigation. The Group has a provision of NOK 1 million to cover the requirement.

Tele 2 requires a compensation related to leases in Allum Sweden. The amount is immaterial and no provision has beed made in 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	2018	2017
Standard IT fee	-16 263	-14 343
Total	**-16 263**	**-14 343**

Net cost of debt

Interest income on receivables towards related parties were as follows:

In thousands of NOK	2018	2017
Storm Holding Norway AS	-	32 492
Nordica HoldCo AB	-	17 488
Total	**-**	**49 980**

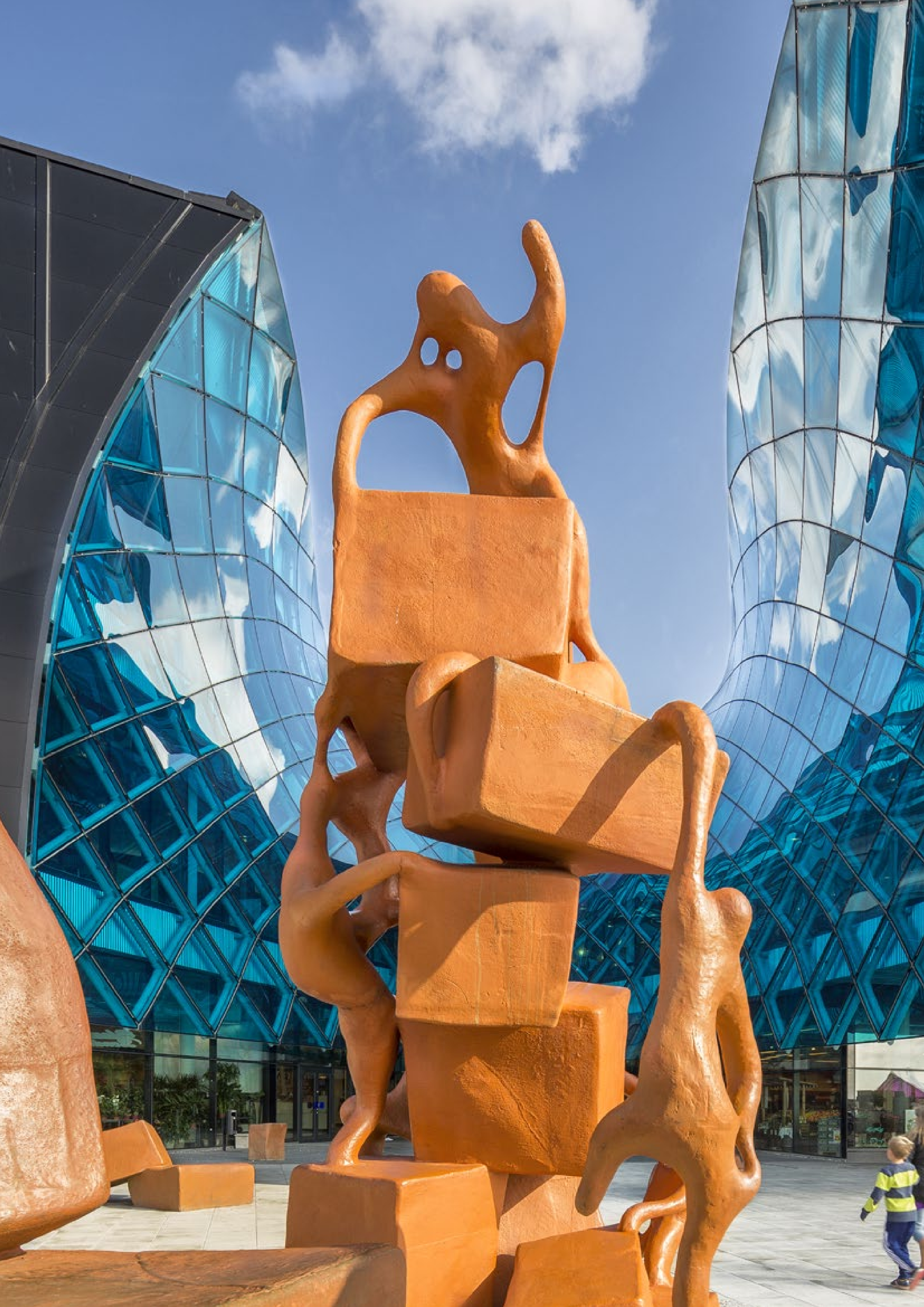
Steen & Strøm AS have receivables to Steen & strøm Holding AB . The receivables are interest bearing at STIBOR +1.0% margin. The receivables are eliminated in the consolidated financial statements.

11.4 - Post-balance sheet date events

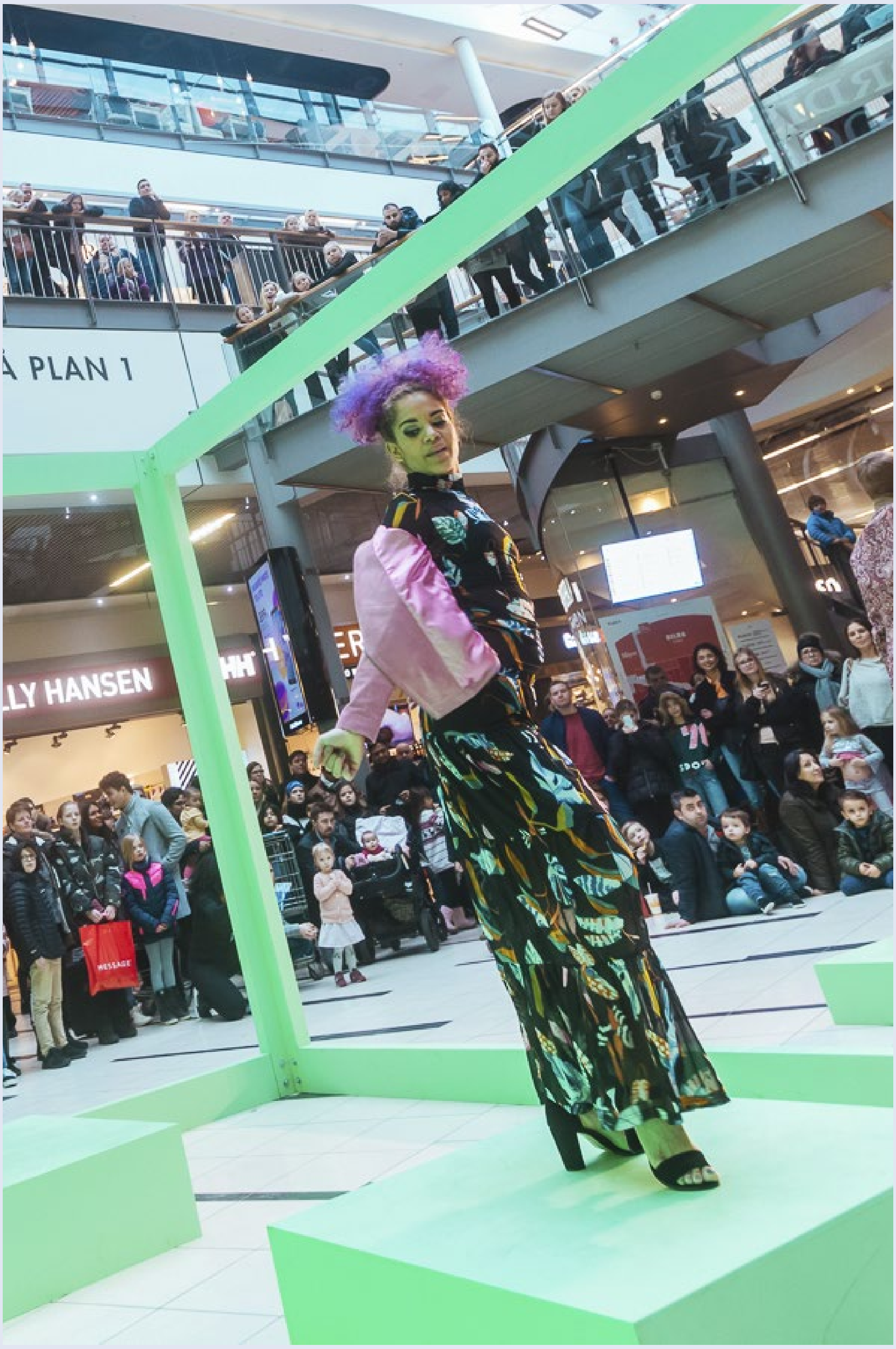
There were no significant events after the balance sheet date which can effect the evaluation of the reported accounts

11.5 - Audit fees

In thousands of NOK	2018	2017
Statutory audit	3 223	3 606
Other certification services	-	-
Other services	140	266
Total	**3 363**	**3 872**



FINANCIAL STATEMENTS



Statement of comprehensive income

In thousands of NOK	Note	2018	2017
Other operating income		111 765	65 439
Gain from sales of assets	4	0	241
Total operating income		**111 765**	**65 680**
Payroll expenses	1	86 493	29 833
Depreciation	4	20 370	19 774
Other operating expenses	1, 10	55 127	39 624
Total operating expenses		**161 990**	**89 231**
Operating income		**-50 226**	**-23 551**
Financial income and expenses			
Income from investments in subsidiaries and joint ventures	6	702 280	155 040
Interest received from group companies		6 215	56 731
Net interest on Cash pool		59	1 373
Other financial income	12	31 842	29 025
Write down on shares in subsidiaries	6	-48 000	-44 646
Interest paid to group companies		-2 792	-3 686
Interest on borrowings	8	-110 747	-142 357
Reversal of write down of shares	6	0	15 000
Gain/Loss from sales of shares		2 160	446 760
Other financial expenses	12	-63 377	-29 554
Net financial income and expenses		**517 642**	**483 686**
Profit before tax		**467 416**	**460 134**
Corporate income tax	11	12 835	-5 425
Corporate income tax		**12 835**	**-5 425**
Net income		**480 251**	**454 709**
Other comprehensive income items recognized 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)		31 746	22 440
Tax on cash-flow hedging instruments		-7 252	-5 653
Items that will not be reclassified subsequently to profit and loss			
Total comprehensive income		**504 745**	**471 495**

Statement of financial position

In thousands of NOK	**Note**	**31/12/2018**	**31/12/2017**
Intangible assets			
Deferred tax assets	11	139 401	132 620
Software	4	63 545	82 749
Total intangible assets		**202 946**	**215 370**
Property, plant & equipment			
Company cabin	4	3 021	3 289
Cars, machinery and equipment	4	997	853
Total property, plant & equipment		**4 018**	**4 142**
Financial assets			
Investment in subsidiaries	6	9 282 854	9 354 513
Loans to subsidiaries	7, 12	1 497 560	1 129 779
Investments in joint ventures	5	1 159 350	1 130 850
Investments in shares	6	230	230
Total financial assets		**11 939 993**	**11 615 373**
Non-current assets		**12 146 957**	**11 834 884**
Receivables			
Trade receivables		3 208	15
Loans to group companies	7	6 241	6 751
Other receivables		0	2 187
Total receivables		**9 449**	**8 952**
Cash and cash equivalents			
Cash and cash equivalents	1	34 875	302 120
Current assets		**44 324**	**311 072**
Total assets		**12 191 282**	**12 145 956**

Statement of financial position

In thousands of NOK	Note	31/12/2018	31/12/2017
Contributed equity:			
Share capital		73 259	76 006
Additional paid-in capital		4 028 584	4 028 584
Treasury shares		0	-2 747
Total contributed equity	**2**	**4 101 843**	**4 101 843**
Retained earnings:			
Other equity		871 961	755 921
Total earned equity		**871 961**	**755 921**
Shareholders' equity		**4 973 805**	**4 857 764**
Bonds	8,12	4 073 098	2 996 300
Liabilities to group companies	7	0	566 153
Non-current liabilities		**4 073 098**	**3 562 453**
Trade payables		18 605	243
Social and tax liabilities		7 936	2 423
Liabilities to group companies	7	1 165 205	1 110 019
Certificates, bonds and other current debt	8	1 922 096	2 550 000
Other current liabilities		30 536	63 054
Current liabilities		**3 144 378**	**3 725 739**
Total liabilities		**7 217 477**	**7 288 192**
Total liabilities and shareholder's equity		**12 191 282**	**12 145 956**

OSLO, 21. 02. 2019

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

Louis Bonelli
Chief Executive Officer

Statement of cash flows

In thousands of NOK	Note	2018	2017
Net income		480 251	454 709
Corporate income tax	11	-12 835	5 425
Gain/Loss on sale of non-current assets		-2 160	-241
Gain/Loss on sale of shares		0	-446 760
Depreciation on fixed assets	4	20 370	19 774
Write-down/reversal of write-down on financial assets	6	48 000	29 646
Changes in trade receivables		-3 193	365
Changes in trade payable		18 362	-574
Changes in social and tax liabilities		5 514	42
Changes in other current assets & other current liabilities		21 155	-14 793
Net cash flow from operating activities		**575 463**	**47 595**
Proceeds from sale of non-current assets		0	738 298
Payments on acquisitions of non-current assets	5	-28 500	-25 000
Proceeds from sale of non-current assets		2 411	241
Payments on acquisitions of other assets		-1 043	-5 580
Payments on convertion of intercompany debt		6 846	0
Payments/proceeds from borrowings		-939 365	186 414
Net cash flow from investment activities		**-959 652**	**894 372**
Proceeds from borrowings	8,12	1 076 798	246 383
Payments on borrowings	8	-573 622	-1 010 750
Payments of dividends		-475 520	0
Net cash flow from financial activities		**27 656**	**-764 367**
Net changes in cash		**-356 532**	**177 600**
Cash at the start of the period		**302 120**	**124 520**
Cash from merger		**89 287**	**0**
Net changes in cash		**-356 532**	**177 600**
Cash at the end of the period		**34 875**	**302 120**

Statement of changes in equity

31/12/2017 In thousands of NOK	Share capital	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**

31/12/2018 In thousands of NOK	Share capital	Additional paid-in capital	Treasury shares	Other equity	Total equity
Opening statement	**76 006**	**4 028 584**	**-2 747**	**755 921**	**4 857 764**
Share capital transaction, not registered	-2 747		2 747	-	-
Mergers				90 348	90 348
Group contribution				-3 533	-3 533
Dividends paid	-	-	-	-475 520	-475 520
Net income for the period				480 251	480 251
Income from cash-flow hedging				24 494	24 494
Closing statement	**73 259**	**4 028 584**	**-**	**871 962**	**4 973 805**

Notes to the financial statements

GENERAL INFORMATION

As of 1 January 2018, the subsidiary Steen & Strøm Norge AS was merged into Steen & Strøm AS with accounting and taxable continuance.

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 accouting policies also apply to the parent company, and the notes to the consolidationed financial statements will in som 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 as income from investments in subsidiaries in the year the group contribution and dividends has been approved.

1 Payroll expenses

	2018	2017
Wages, bonuses and indemnities	65 321	22 372
Social security tax	11 285	3 433
Pension costs	581	22
Other benefits	9 305	4 007
Total payroll expenses	**86 493**	**29 833**

Employees

The average number of employees in Steen & Strøm AS in 2018 and 2017 were 77 and 13, respectively.

The increase in empolyees is due to the merger with the subsidiary Steen & Strøm Norge AS in 2018.

Remuneration of senior executives

See note 10 of the consolidated financial statements.

Audit fees

The audit fee for Steen & Strøm AS in 2018 was NOK 921 thousand (NOK 834 thousand in 2017).

Restricted funds

As of 31 December 2018 and 2017, restricted funds amounted to NOK 3.784 thousand and NOK 1.427 thousand.

2 Shareholder's equity and treasury shares

See note 5.9 of the consolidated financial statements.

3 Shares owned by the CEO or members of the board

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

See note 10 of the consolidated financial statements.

4 Software, property, plant & equipment

Intangible assets - software	**2018**	**2017**
Acquisition cost as of 01/01	184 986	180 313
Acquisition	-	4 673
Acquisition cost as of 31/12	184 986	184 986
Acc. depreciation as of 31/12	121 441	102 237
Net book value as of 31/12	**63 545**	**82 749**
Depreciation for the year	19 204	19 309

Vehicles, furniture and office equipment and machinery	**2018**	**2017**
Acquisition cost as of 01/01	2 714	2 447
Acquisition	-	5 580
Merger	8 438	-
Disposal	-	640
Acquisition cost as of 31/12	11 152	2 714
Acc. depreciation as of 31/12	10 154	1 862
Net book value as of 31/12	**997**	**853**
Depreciation for the year	898	197

Company cabin	**2018**	**2017**
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	3 410	3 142
Acc. depreciation as of 31/12	3 678	3 410
Net book value as of 31/12	**3 021**	**3 289**
Depreciation for the year	268	268

5 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**	**Capital increase**	**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 %	351 250	28 500	379 750
Total		**1 130 850**	**28 500**	**1 159 350**

6 Investments in subsidiaries and other companies

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

	2018	2017
Book value of investments in subsidiaries	9 282 854	9 354 513

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 2018 there has been a write down of investments in subsidaries of NOK 48.000 thousand.

Income from investments in subsidiaries and joint ventures	2018	2017
Dividends from subsidiaries	554 670	-
Distributions from joint ventures	50 500	48 092
Received group contribution	97 111	106 948
Total income from investments	**702 280**	**155 040**

7 Intercompany receivables and payables

Current assets and current liabilities	2018	2017
Current receivables from group companies	6 241	6 751
Current receivables from parent company	-	2 187
Total current receivables	**6 241**	**8 937**
Non-current receivables from group companies *)	1 497 560	1 129 779
Total receivables	**1 503 800**	**1 138 716**
*) Non-current receivables/liabilities to group companies have a maturity of 3 years.		
Current liabilities to group companies	**1 165 205**	**1 110 019**
Non-current liabilities to group companies	-	566 153
Total liabilities	**1 165 205**	**1 676 172**

The Steen & Strøm group maintain a group account scheme for bank accounts in Norway which are linked to the groups overdraft accounts. The subsidiaries' bank accounts included in this scheme is formally receivables or liabilities against the parent company, and are classified in Steen & Strøm's balance sheet accordingly.

8 Liabilities

Non-current interest bearing borrowings	2018	2017
Bonds	4 073 098	2 996 300
Total non-current interest bearing borrowings	**4 073 098**	**2 996 300**
Current borrowings		
Certificates	1 483 971	2 150 000
Bonds	300 000	400 000
Borrowing to financial institutions	138 125	-
Total current borrowings	**1 922 096**	**2 550 000**
Repayment plans and renegotiation of non-current debt:		
Between 1 and 5 years	4 073 098	1 996 300
More than 5 years	-	1 000 000
Total	**4 073 098**	**2 996 300**

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.

9 Guarantees, bail declarations 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	2 479	1 240	50,0 %
Nordbyen Senter DA	4 252	2 126	50,0 %
Metro Senter ANS	14 006	7 003	50,0 %
Total	**20 737**		

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

Type	Banking partner	Amount at 31/12
Bail declaration - surety for Group bank account scheme	DNB Bank ASA	1 000 000
Bail declaration – surety for FX swap	DNB Bank ASA	206 600
Bail declatration - surety for indemnity declaration previous tenants	Nordea Bank AB, filial Norge	2 147
Bail declaration - surety for debt of subsidiaries	Danske Bank	3 767 469
Pledges secured in investment property of subsidiaries	Different partners	8 918 186
Total off balance sheet commitments of garantees, bail declarations and pledges		**13 897 777**

10 Breakdown of other operating expenses

	2018	2017
Rental space	4 915	4 933
Management and other fees	5 217	6 284
Other operating expenses	15 035	15 035
Other administrative costs	29 961	13 372
Total other operating expenses	**55 127**	**39 624**

11 Tax

Temporary differences	**2018**	**2017**
Fixed assets	-973	477
Non-current receivables	70 537	74 585
Shares in partnerships	-615 431	-537 189
Taxable profit and loss account	12 341	14 596
Accrual of interest rate swap	1 638	-959
Other differences	4 959	-26 788
Net temporary differences	-526 929	-475 279
Losses carried forward	0	0
Group Contribution	-102 073	-97 110
Basis for deferred tax / tax assets	**-629 002**	**-572 388**
22 % / 23 % deferred tax / deferred tax assets	-144 670	-137 373
Change in tax rate	6 290	5 724
Change in tax rate - effect on group contribution	-1 021	-971
Total deferred tax assets (-) / liabilities (+)	**-139 401**	**-132 620**

Explanation of the tax expense	**2018**	**2017**
23 % / 24 % tax on profit before tax	107 506	110 432
Effect of group contribution - change in tax rate	-1 021	-971
Effect on change in tax rate	6 290	5 724
Change in tax papers 2017	1 572	1 088
Change of shares in partnerships from previous years	-17 927	-18 614
Tax on received group contribution adopted this year	23 306	26 737
Permanent differences	-132 489	-118 703
The tax effects recognized in equity	50	
Other differences	-121	-268
Corporate income tax expense	-12 835	5 425

Analysis of tax expense	**2018**	**2017**
Taxes payable	0	0
Change in deferred tax	-12 050	6 326
Change in tax rate (from 23 % to 22 % /24% to 23%)	5 269	4 753
Change in tax papers 2017	1 055	
The tax effects recognized in equity	-7 252	-5 653
Corporate income tax expense	**-12 835**	**5 425**

Basis for tax payable	**2018**	**2017**
Profit before tax	467 416	460 134
Write-downs on shares	48 000	29 646
Income from partnerships	78 242	77 557
Profit (-) /loss (+) from sale of shares	0	-446 760
Revenue from companies within the exemption method	-605 170	-48 092
Other permanent differences	-526	0
Basis for this year's tax	-12 037	72 485
Change in temporary differences	7 075	47 748
Received group contribution adopted this year	-97 110	-106 948
Taxable income	**-102 072**	**13 285**
Use of tax losses carried forward	102 072	-13 285
Basis for tax payable	**0**	**0**

12 Financial intruments - 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 31/12/2018 recorded a receivable of NOK 3.412 thousand related to financial instruments.

The corresponding amount for 31/12/2017 was in debt NOK 28.653 thousand.

Summary of receivables and debts in foreign currency	**2018**	**2017**
Non-current receivables		
In thousands of SEK	1 543 445	1 073 675
Non-current debt		
In thousands of SEK	900 000	500 000
In thousands of DKK	-	430 967
Exchange rate on the balance sheet date		
SEK	1,03	0,95
DKK	-	1,31
In thousands of NOK		
Non-current receivables	**1 497 560**	**1 124 946**
Non-current debt	**873 245**	**1 061 105**

Assets and liabilities are recorded at estimated exchange rates per 31/12/2018. Changes in exchange rates compared with last year's exchange rates at 31/12/2017 is posted in the accounts as a loss / gain.

Steen & Strøm AS has in 2018 had a net loss on foreign currency of NOK 28.672 thousand. Of this amount a loss of NOK 29.936 thousand is realized. The corresponding amounts in 2017 was a loss of NOK 24.410 thousand of which NOK 3.661 thousand in realized gain.

Remaining lines of credit are NOK 2.249.000 thousands.

13 Litigations and claims

See note 11.2 of the consolidated financial statements.

14 Related parties

See note 11.3 of the consolidated financial statements.

15 Post balance sheet date events

See note 11.4 of the consolidated financial statements.

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 Steen & Strøm AS (the Company), which comprise the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Steen & Strøm AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018 and statement of comprehensive income, statement of changes in equity, statement of cash flow 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 give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.

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 2018 is NOK 36 821 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 1 767 million as at 31 December 2018. 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 information in the annual report, except the financial statements 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.

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 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 consolidated 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 or 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.

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

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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 February 2019
Deloitte AS

Sylvi Bjørnslett

Sylvi Bjørnslett
State Authorised Public Accountant (Norway)

Alternative performance measures (APM)

Net rental income including equity investments

In thousands of NOK	2018	2017
Net rental income of Consolidated Statement of Comprehensive Income	1.616.590	1.609.033
Group share of Net rental income from Equity investments according to note 5.4B	59.405	60.041
Net rental income including equity investments	**1.675.995**	**1.669.074**

Net rental income on like-for-like

2018	Denmark	Norway	Sweden	Total
Net rental income of current operations	470.628	649.300	496.662	1.616.590
Net rental income of constant operations	480.996	617.834	506.728	1.605.558
Variable	-10.368	31.466	-10.066	11.032
2017				
Net rental income of current operations	459.203	646.068	503.762	1.609.033
Net rental income of constant operations	467.398	608.758	492.064	1.568.220
Variable	-8.195	37.310	11.698	40.813
Net rental income increase on like-for-like basis	**2.9%**	**1.5%**	**3.0%**	**2.4%**

Net rental income on like-for-like includes only comparable data (i.e. the portion of the portfolio that has remained the same year over year).

Direct operating expenses

In thousands of NOK	2018	2017
Land expenses (real estate)	8.017	7.817
Non recoverable rental expenses	143.895	135.172
Building expenses (owner)	36.784	43.457
Direct operating expenses	**188.696**	**186.446**

Direct operating expenses occur at the shopping centers and are equal to gross rental income minus net rental income.

Other operating expenses

In thousands of NOK	2018	2017
Payroll expenses	134.874	143.889
Other general expenses	74.958	71.119
Depreciation and impairment allowance on investment properties	268	267
Depreciation and impairment allowance on intangible assets and property, plant and equipment	21.605	22.764
Other operating expenses	**231.704**	**238.038**

Other operating expenses occur in the management companies and relate to commercial management and development of the portfolio.

Net interest bearing debt

In thousands of NOK	31/12/2018	31/12/2017
Non-current financial liabilities	10.227.708	9.978.015
Current financial liabilities	2.074.354	2.862.543
Cash and cash equivalents	-450.287	-578.037
Net interest bearing debt	**11.851.775**	**12.262.521**

Net interest bearing debt is defined as interest bearing debt deducted cash on account.

Loan to Value

In thousands of NOK	31/12/2018	31/12/2017
Investment properties	35.268.965	35.199.459
Investment properties under construction	1.551.644	1.447.234
Equity method securities	1.766.591	1.781.099
Value of portfolio	**38.587.200**	**38.427.792**

In thousands of NOK	31/12/2018	31/12/2017
Net interest bearing debt	11.855.241	12.262.521
Value of portfolio	38.587.200	38.427.792
Loan to Value	**30.7%**	**31.9%**

Loan to Value expresses the ratio of net interest bearing debt to the value of portfolio.

Book equity ratio

In thousands of NOK	31/12/2018	31/12/2017
Shareholders' Equity	21.838.252	21.374.619
Total Assets	39.865.502	39.876.355
Book equity ratio	**54.8%**	**53.6%**

Book equity ratio indicates the relative proportion of equity used to finance the assets.

Reversion rate

In thousands of NOK	Denmark	Norway	Sweden	Total
Previous MGR	43.345	118.333	67.709	229.386
New yearly MGR	43.756	134.306	72.128	250.190
Reversion rate	**0.9%**	**13.5%**	**6.5%**	**9.1%**

Reversion rate expresses the average increase of yearly Minimum Guaranteed Rent (MGR) for re-let and renewed contracts signed during the year.

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