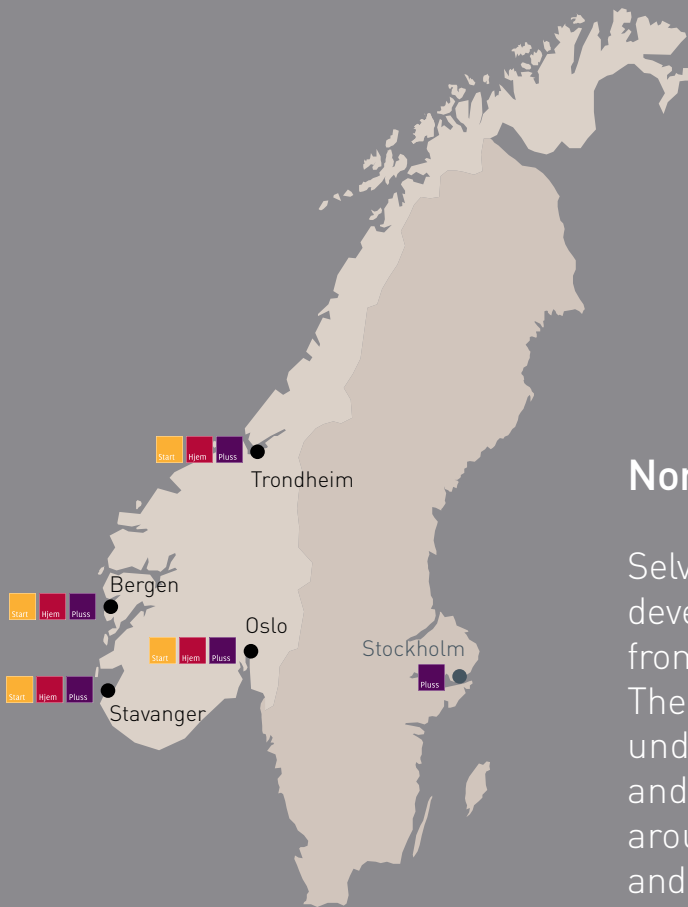


SELVAAG BOLIG

2015

ANNUAL REPORT





Norway's leading housebuilder

Selvaag Bolig ASA is a residential property developer controlling the entire value chain from acquisition of land to sale of homes. The company has several thousand homes under development at any given time, and focuses on the growth areas in and around Greater Oslo, Bergen, Stavanger and Trondheim. Selvaag Bolig represents a continuation of Selvaag's 60-year history and experience, and offers a broad variety of property types marketed under the brand names Start, Hjem and Pluss. The company is headquartered at Ullern in Oslo.

www.selvaagboligasa.no/en

Lervig Brygge, Stavanger.



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Best results in the industry

The year 2015 was good for us, our customers and our shareholders. House sales were strong, customer satisfaction was high, and our results were the best in the industry. A number of forward-looking investments were also made.

We have a clear business model which yields top results compared with the rest of the industry and reduces risk. Our attention is concentrated exclusively on areas with strong housing demand and market depth. We subject all construction to competitive tendering, and build large projects with most homes in the NOK 2-4 million price category. This means that many people can afford to buy the homes we build, which increases earnings and reduces risk both when the economy is booming or in recession. Risk is moreover further reduced because we are lightly staffed and require 60 per cent of a project to be sold before building starts. This business model proved to work well in 2015.

Developments varied over the past year in the markets where we have a presence. Demand for new homes was good in Bergen and Trondheim. In Greater Oslo, demand and prices were driven up by record numbers of people moving in and record-low availability, while the Stavanger market declined because of uncertain economic prospects and record supply. However, our business model ensures that we can capitalise on good markets and adjust quickly to downturns. We have very few unsold home in the Stavanger area and will not be starting sales for new projects until the market improves. Where the other markets are concerned, we can look forward to a number of highly interesting sale starts in major projects. We expect these variations to persist in 2016. Bergen and Trondheim will continue to show a good balance between supply and demand, while it will take time for supply to decrease and demand to grow in the Stavanger area. In the Oslo region, on the other hand, it will take a long time before the supply side can meet demand because insufficient land is available with planning permission for housing.

We demonstrated in 2015 that we are living up to our ambition of being a leading player for quality, volume and profits. Even with few sales in the Stavanger area, we sold a total of 935 homes for NOK 3.2 billion. That made 2015 one of the best years for sales in our history. The financial results were also good. We achieved operating revenues of NOK 3.46 billion, and EBITDA came to NOK 428 million. That represents a margin of 13.2 per cent. We initiated the construction of 858 new homes during the year, completed 828 and had 1 339 under construction at 31 December with a combined sales value of NOK 4.74 billion. Seventy-nine per cent of these were already sold at the end of the year, which means low risk and very substantial value creation in the time to come.

Our goal is to provide shareholders with a competitive return both through a rising share price and through dividend, and the good results have made it possible for us to reach our goal of paying out up to 50 per cent of our net profit. A dividend on NOK 0.50 per share was already paid in 2013, two years ahead of schedule. The payout in 2014 was NOK 1.20 per share, while the board has recommended NOK 1.50 per share for 2015 – NOK 0.70 for the first half and NOK 0.80 for the second six months. It was also decided during 2015 that dividends will be paid twice a year in order to improve liquidity for our shareholders.

We have had our own offices in Greater Oslo, Stavanger and Trondheim during recent years. To ensure better progress and growth, we also decided in 2015 to establish our own organisation in Bergen. The goal is to become one of the biggest players in that city within the near future, and to deliver about 150-200 homes per annum. We are accordingly present with local staff in Norway's four largest urban areas, where the need for new homes is greatest, and now have a solid land bank for more than 11 600 homes. The bulk of our portfolio will remain in the Oslo region, but we will also be making a stronger commitment to our other core areas in order to meet long-term goals. We will be developing large and profitable projects and acquire land on a continuous basis to secure value creation and growth. Over the past year, our purchases have included sites at Lade and Heimdal in Trondheim, Torvmyra in Bergen, and Kjelsås, Valle Hovin and Fornebu in Greater Oslo. Sales started for a number of these projects in the same year the land was acquired, while other purchases represent long-term investment.

We are very well prepared for the future, both in the short term and in a longer perspective. We possess a sound business model, deliver very good results, and have a strengthened foundation for growth.



Baard Schumann
CEO

KEY FIGURES

In 2015, Selvaag Bolig sold 935 homes, initiated construction of 858 and delivered 893 to buyers. The company had 1 339 homes under construction at 31 December.

3 246 042
NOK 1 000

Operating revenues

404 336
NOK 1 000

Operating profit/(loss)

371 188
NOK 1 000

Profit/(loss) before taxes

(figures in NOK 1 000)

| | 2015 | 2014 |
|-------------------------------|-----------|-----------|
| Operating revenues | 3 246 042 | 2 945 246 |
| EBITDA adjusted* | 538 949 | 488 593 |
| Operating profit/(loss) | 404 336 | 365 712 |
| Profit/(loss) before taxes | 371 188 | 348 706 |
| Interest-bearing liabilities | 2 618 017 | 2 711 919 |
| Total assets | 6 251 065 | 6 214 244 |
| Equity ratio | 40,8 % | 39,5 % |
| Number of units sold | 935 | 886 |
| Number of construction starts | 858 | 757 |
| Number of units delivered | 893 | 861 |
| Number of units completed | 828 | 923 |

* EBITDA adjusted excludes financial expenses included in project costs.





Executive management Selvaag Bolig ASA



Kristoffer Gregersen
Vice president
communications



Sverre Molvik
CFO



Petter Cedell
Vice president
property investment



Bård Teigland
Vice president sales
and marketing



Halvard Kverne
Vice president portfolio
management



Øystein Klungland
Vice president portfolio
management



Christian Flølo Geithus
Vice president portfolio
management

Description of the business

Business model/strategy

Selvaag Bolig is a housing development company which offers homes tailored for specific customer groups in the growth areas in and around Greater Oslo, Bergen, Stavanger, Trondheim and Stockholm. By offering good housing at competitive prices, the company will give as many people as possible, in all phases of their lives, the opportunity to own a home. The company does not have an in-house construction arm and concentrates primarily on developing large housing projects with more than 150 homes, mostly in the NOK 2-4 million price category. That reduces risk and improves prices.

Housing concepts tailored to the market

Through its Start, Hjem (Home) and Pluss concepts, Selvaag Bolig offers homes tailored to different target groups

with varying needs and preferences. It also develops housing projects which combine the various concepts. That provides a range tailored to the market and helps to optimise the sales and income profile of each project.

Competitive tendering for all contracts

Selvaag Bolig takes an effective approach to housebuilding. This has helped to position it as a cost-effective player, well equipped to meet possible fluctuations in the housing market. The company is solely a developer, without its own construction organisation, which manages the whole value chain from the purchase of land to the sale of turnkey homes. Subjecting all construction activity to competitive tendering offers several advantages:

Fewer employees: about 80 people in the core business – small organisation

boosts cost efficiency.

Predictable construction costs: tenders from several contractors always ensure the right market price.

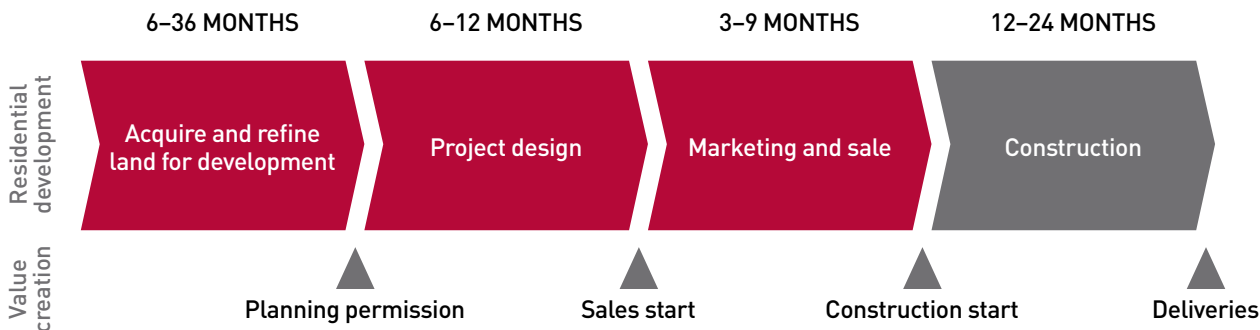
Less capital tied up and lower execution risk: using turnkey contracts reduces tied-up capital and execution risk in the construction phase.

Lower market risk: no big staffing adjustments in the event of market fluctuations.

Right expertise: collaboration with contractors who can overcome the respective challenges in the best possible way, and who vary in their leading-edge expertise.

Improved capacity: required capacity at any given time, no capacity problems when several projects are to be built at the same time.

Value creation in Selvaag Bolig



Value drivers

In addition to subjecting construction to competitive tendering, Selvaag Bolig's strategy for buying and developing new sites is central to value creation at the company. Its existing land bank is large enough to ensure a high level of activity in the time to come. That permits purposeful selection of new sites which fit with the existing portfolio and meet the market requirements prevailing at any given time for location, size, price and development potential.

The company's sales strategy is the key factor in its good progress. Segmentation of housing schemes and optimising composite projects which bring together various housing concepts have yielded positive sales and a favourable selling pace. Selvaag Bolig does not start construction until 60 per cent of the value of a building stage has been sold – ideally within six months. The rest of the building stage is sold during the period up to completion. A sales pace

of that kind indicates that the units in the project are correctly priced.

Furthermore, the attention devoted to detailed planning, standardisation, duplication of projects and strategic land development helps to provide low construction costs and good project margins for the company and sensible housing prices for end customers. Selvaag Bolig sets high internal standards for quality at every level, and has extensive quality requirements for products and operations at its sub-contractors. That helps to reduce the risk of errors in the projects, and to ensure that all homes are good in technical terms and energy-efficient.

Goals

Selvaag Bolig aims to be Norway's leading housebuilder, and has a long-term goal of delivering 1 500 homes per year. Long-term growth will not reduce profitability or increase financial risk. The company's strategy helps to secure

its position as market leader and to strengthen its competitiveness.

Dividend policy

Selvaag Bolig's aim is to manage the group's resources so that shareholders secure a return, in the form of dividend and the rise in the share price. This return should be competitive with other investments. The company's goal is to pay dividends twice a year totalling up to 50 per cent of its net profit.

Value proposition

Low risk business model

60 per cent presale before construction starts
Only present in fast growing urban regions with high demand and large market depth
Very competitive prices ensure a broad customer base

No in-house construction arm

All construction activity put out to competitive tender
Lower building costs
Fixed construction price
Reduced risk
Smaller exposure to market fluctuations

Defined housing concepts

Aimed at broad consumer categories
Profit maximisation in all projects
Large projects with more than 150 apartments

Large land bank

Several thousand homes under development in Norway's four fastest growing urban regions

| | |
|--|--|
|  <p>Start</p> | <ul style="list-style-type: none"> • Space-efficient two- and three-room flats • Close to hubs in and around the big cities • Aimed at young first-time buyers |
|  <p>Hjem</p> | <ul style="list-style-type: none"> • Flats and small houses in and around the big cities • Established housing solutions with solid quality and the emphasis on the living environment • Single people and couples of all ages, with and without children |
|  <p>Pluss</p> | <ul style="list-style-type: none"> • Flats in central and attractive locations in big cities • Lifestyle homes of high quality and standard, with a service concept and common areas • People of all ages who value comfort and convenience |

Risk management

Selvaag Bolig works actively to minimise the risk of cost overruns and delays in ongoing projects. Risk is minimised by entering into turnkey contracts with solid construction companies which are well financed, possess a high level of expertise, and can document the ability to deliver. The turnkey contractor is responsible for delivering the project at the agreed time. In addition, the greater proportion of the project cost is assured by the fact that building does not begin until advance sales reach 60 per cent. Furthermore, a high degree of standardisation, combined with considerable detailing in the specifications to contractors, reduces the risk of delays in the construction process. Repetitive production of standardised projects involves continuous learning at the contractors and contributes to ever more efficient project execution while further reducing the risk of errors and delays.

External risk factors

Norway has low interest rates, low unemployment and a high level of

purchasing power in households. Combined with high population growth and insufficient housebuilding in areas experiencing growth pressures, this contributes to a big need for new housing.

However, experience from earlier years indicates that negative shifts could occur in demand despite solid underlying market conditions. This is often because consumer perceptions of the market may be out of step with actual conditions.

Key figures

Selvaag Bolig sold 935 homes in 2015. Construction started on 858, and 893 were delivered to customers. At 31 December, the company had 1 339 homes under construction.

The company has an expressed goal of achieving a project margin of 12 per cent.





Kilenkollen, Greater Oslo

Corporate governance in Selvaag Bolig

Selvaag Bolig wishes to maintain a high standard of corporate governance. This will strengthen confidence in the company, and contribute to long-term value creation by regulating the division of roles between shareholders, board and executive management over and above legal and regulatory requirements.

Corporate governance in Selvaag Bolig is based on the following main principles.

- Relevant and reliable information to all stakeholders, and identical information to all shareholders.
- The independence of Selvaag Bolig's board from the company's executive management.
- A clear internal division of roles and duties between board and executive management.
- All shareholders treated equally and in accordance with applicable legislation.

1. Implementation and reporting on corporate governance

Compliance

Selvaag Bolig regards corporate governance as an important subject, which deals with the relationship between society, the shareholders, the board of directors and the executive management of the company.

Selvaag Bolig ASA is a Norwegian public limited liability company listed on the Oslo Stock Exchange. The company is subject to section 3, sub-section 3b of the Norwegian Accounting Act, which requires it to provide an annual statement of its principles and practice for corporate governance. This rule specifies the minimum information which the presentation must provide.

The Norwegian Corporate Governance Board (NCGB) has established the Norwegian code of practice for corporate

governance (the code). Listed companies are required by the Oslo Stock Exchange to provide an annual overall presentation of their principles for corporate governance in line with the prevailing code. The current obligations for listed companies are available at www.oslobors.no, and the NCGB code can be found at www.nues.no.

Selvaag Bolig observes the applicable code, published on 30 October 2014, in accordance with the "comply or explain" principle. This means that the individual points in the code are observed, but possible variances are accounted for. The company provides an annual overall presentation of its principles for corporate governance in its annual report, and this information is available at www.selvaagbolig.no/en.

Values base, ethical guidelines and CSR

Ethical guidelines and other policy documents have been formulated in accordance with the company's values base. The company's core values are concern for others and creativity, and these are well entrenched throughout the business.

The ethical guidelines contain general principles for business practice and personal behaviour, and are intended to serve as a starting point for the attitudes and basic views which will permeate Selvaag Bolig's corporate culture.

Selvaag Bolig is also concerned with its corporate social responsibility (CSR), and wants to build homes in a positive manner which creates the greatest possible "residential value" for its customers, in part by developing homes which as many people as possible can afford to buy.

Continuous efforts are made by Selvaag Bolig to minimise emissions, discharges and environmental pollution. At the same time, the company is an active driver in the public debate on housing issues, and speaks on behalf of its customers. No separate guidelines on CSR have been drawn up, since this subject is covered in the eth-

ical guidelines and in policy documents related to the company's values base.

More information related to the company's vision, strategy, values and CSR can be found on its website at www.selvaagboligasa.no/en.

The group's general policy is that no unequal treatment or other forms of discrimination will occur on the basis of gender or ethnic background.

Selvaag Bolig pays special attention to environmental considerations in pursuing its housing development activities, and has incorporated concern for the natural environment in its planning and management systems.

2. The business

The business purpose of Selvaag Bolig is "to acquire and develop housing projects with a view to sale, to buy and sell real property, and other activities associated with this, including business property. The company can participate in other companies at home and abroad related to housing development". This appears in article 3 of the company's articles of association, which are available on the company's website at www.selvaagboligasa.no/en. Selvaag Bolig's goals and principal strategies are described in this annual report and on the website at www.selvaagboligasa.no/en. Through annual strategy processes, the board considers whether the goals and guidelines derived from the strategies are unambiguous, adequate, well operationalised and communicated to employees, customers and other stakeholders.

3. Equity and dividends

Selvaag Bolig had an equity of NOK 2 549.2 million at 31 December 2015. The board regards this as acceptable in relation to the company's business purpose, strategy and risk profile.

Dividend

Selvaag Bolig's aim is to manage the group's resources in such a way that shareholders achieve a return in the form of dividend and rising share price which is competitive with comparable investments. The company's goal is to pay dividends twice a year which total up to 50 per cent of its net profit. It will nevertheless be important to secure good financial freedom of action for the company, and this consideration could mean at times that a somewhat lower level of dividend is paid than the long-term goal would indicate.

NOK 0.70 per share was paid in October 2015 as dividend for the first half-year. The board has proposed a dividend of NOK 0.80 per share for the second half of 2015. That will make the total dividend for 2015 NOK 1.50 per share. This corresponds to 50 per cent of net profit and amounts to NOK 140.6 million.

Purchase of Treasury shares

The board of Selvaag Bolig was mandated by the annual general meeting of 29 April 2015 to acquire up to 9 376 569 of the company's own shares, corresponding to about 10 per cent of the share capital. This mandate can be used for a possible later reduction in the share capital with the consent of the general meeting, for remuneration of the directors, for incentive programmes or as settlement for the possible acquisition of businesses, and for the purchase of shares where this is financially advantageous. The mandate can be exercised several times, and remains valid until the AGM in 2016 and in any event no longer than to 30 June 2016.

Share saving programme for all employees and share purchase programme for management

The company has a share saving programme for those of its employees working more than half-time. This is because co-ownership by the workforce is expected to promote value creation through increased commitment and greater loyalty. A share saving programme encourages broad and long-term ownership and gives employees the opportunity to acquire a direct stake in the company's value creation. Employees can purchase shares to a value of NOK 50 000 per year.

The price per share is the stock market price less a factor which reflects the reduction in value owing to the two-year lock-up period/restriction on sale. For the same incentive and reason, the company also has a share purchase programme for its executive management. The ceiling for annual investment in the share purchase programme is the individual's annual gross bonus. The price per share is the stock market price less a factor which reflects the reduction in value owing to the three-year lock-up period/restriction on sale. Selvaag Bolig owned 10 531 of its own shares at 31 December 2014, and purchased a further 459 853 Treasury shares between 12 October and 31 December 2015 for use with the employee share programmes. Of these, 75 590 were sold in connection with the company's employee share saving programme. Selvaag Bolig thereby owned 394 794 of its own shares at 31 December 2015. Since the share programmes will continue in 2016, the board will propose to the GM that the mandate be extended by one year until the AGM in 2017.

Capital increase

The same AGM mandated the board to increase the company's share capital by up to NOK 18 753 137, equivalent to 9 376 569 shares. This mandate can be exercised several times, and remains valid until the AGM in 2016 and in any event no longer than to 30 June 2016. It replaces earlier mandates for similar purposes, and embraces capital increases in exchange for non-monetary considerations or the right to involve the company in special obligations. The mandate has not been utilised, and the board will propose to this year's AGM that it be extended by one year until the AGM in 2017.

4. Equal treatment of shareholders and transactions with related parties

Equal treatment of shareholders

Selvaag Bolig has one class of share and all the shares have equal voting rights. Emphasis is given in the work of the board and the executive management to treating all shareholders equally and to giving them

the same opportunities to exercise influence. The company's articles of association impose no restrictions on voting rights.

The company's transactions in its own shares are conducted via the stock exchange or in other ways at the stock market price. In the event of an increase in share capital, existing shareholders will have a pre-emptive right to subscribe unless special considerations justify waiving this right. Any such waivers will be justified and published in a stock exchange announcement in connection with the increase in share capital.

Transactions with related parties

To protect the company's reputation, Selvaag Bolig is concerned to maintain an open and cautious approach to investments on terms which could be perceived as an undesirably close transaction or relationship between the company and a director, a senior executive or related parties of these. This is outlined in the company's ethical guidelines and instructions for the board. Each director is duty-bound to assess at all times whether conditions exist which could objectively weaken general confidence in their impartiality or which could give rise to conflicts of interest. The company also monitors the various offices and the like held by directors as a source of information for the executive management in avoiding unintentional conflicts of interest.

Where transactions take place with related parties, they must be conducted at arm's length and on market terms. The board has guidelines which ensure that executive personnel report to the board if they have a material interest, directly or indirectly, in a contract entered into by the company. In the event of not immaterial transactions between the company and related parties, the board will commission an independent valuation and make this known to the shareholders.

Transactions with related parties are reported in note 23 to the financial statements in the company's annual report, and in the half-year report.

Principal shareholder

Selvaag Gruppen AS is the principal shareholder in Selvaag Bolig ASA, and Selvaag Bolig ASA is a subsidiary of the Selvaag Gruppen group.

5. Freely negotiable shares

No restrictions are placed on the negotiability of shares in Selvaag Bolig ASA by its articles of association.

6. General meetings

About the general meeting

Shareholders exercise the highest authority in Selvaag Bolig ASA through the general meeting. The board makes provision to ensure that the general meeting is an effective forum for shareholders and directors.

Notice

The AGM is scheduled to take place from 10.00 on 29 April 2016 in the company's premises at Silurveien 2 in Oslo.

Notice of meetings is sent to the shareholders by post and is made available on the company's website 21 days before the general meeting at the latest. Detailed supporting documentation relating to items on the agenda, including the nomination committee's recommendations, are posted to the company's website 21 days before the general meeting at the latest. See article 9 in the articles of association. A shareholder can nevertheless request that supporting documentation for the general meeting be sent to them by post, and this right is enshrined in the company's articles of association. The supporting documentation must contain all the details required by the shareholders to form a view of every item on the agenda.

All shareholders registered in the Norwegian Central Securities Depository (VPS) will receive the notice, and have the right to submit motions and to vote directly or by proxy. A financial calendar, which includes the date of the AGM, is available on the company's website.

Registration and proxy form

Registration must be made in writing, by post, telefax, VPS account or e-mail. The board wishes to facilitate attendance by the largest possible number of shareholders at the general meeting. Shareholders who cannot attend in person are encouraged to appoint a proxy. Provision is made for the shareholder to specify separate voting instructions to their proxy for every item on the agenda. All information on the appoint-

ment of a proxy and the appropriate forms can be found on the company's website.

Agenda and execution

The general meeting elects its own chair. The meeting is opened by the chair of the board, who also arranges for the election of a chair for the meeting. The AGM's duties include adopting the annual financial statements and directors' report, and considering the board's declaration on the determination of executive pay and other remuneration.

Members of the nomination committee and its chair are elected by the general meeting. In addition, the general meeting considers such other matters as are assigned to it by legislation or the articles of association. The minutes of the general meeting are published via a stock exchange announcement and are made available on the company's website at www.selvaagboligasa.no/en after the meeting.

The AGM in 2015 took place on 29 April, and about 61 per cent of the total issued shares and votes were represented.

Deviation from the code: According to the code, the board, the nomination committee and the auditor should attend. The chairs of the board and the nomination committee, as well as the chief executive, are always present to answer possible question. The whole board will attend if this is considered necessary in view of items on the agenda.

7. Nomination committee

Article 7 of the articles of association specifies that the company will have a nomination committee. Guidelines have been established on this committee's duties and composition, and on the eligibility of candidates for election. These guidelines were adopted by the general meeting held on 30 August 2011.

Pursuant to the articles of association, the nomination committee will have three members elected for a two-year term. The majority of these members must be independent of the company's board and executive management, and the committee must act in the interests of shareholders in general. The chair of the nomination committee is elected by the general meeting, which

also determines the remuneration of the committee's members. The nomination committee itself recommends members of the committee.

The present committee was elected at the AGM of 10 April 2013, with the exception of Leiv Askvig. He was elected at the extraordinary general meeting of 9 December 2014 to replace Peter Groth, who was elected to the company's board at the same time. All the members of the nomination committee are up for election in 2016. The nomination committee currently comprises

- Steinar Mejl  nder-Larsen (chair)
- Helene Langlo Volle
- Leiv Askvig

The chair of the nomination committee is employed by Selvaag Gruppen AS. The duties of the nomination committee are to propose candidates for election as directors and to recommend fees for the directors, members of board sub-committees and members of the nomination committee. The report of the board's annual self-assessment is considered by the committee. The committee will account for its work and present its recommendations, with justifications, to the general meeting. The recommendations must encompass relevant information about the candidates and an assessment of their independence from the company's executive management and board. The committee should be in contact with shareholders, directors and the chief executive during its work on proposing candidates for the board, and entrench its recommendations with the company's largest shareholders. The committee's recommendations, with justifications, are made available 21 days at the latest before the general meeting takes place. Recommendations from the committee must meet the requirements for the composition of the board which derive at any given time from applicable legislation and statutory regulations.

8. Composition and independence of the board

Composition of the board

Pursuant to article 5 of the company's arti-

cles of association, the board of Selvaag Bolig will comprise three-nine members. The chair and the shareholder-elected directors are elected by the general meeting, based on recommendations from the nomination committee.

The board currently comprises seven directors, of whom three are women.

Selvaag Bolig's board is composed in such a way that it meets the company's need for expertise, capacity and diversity. Weight is given to the whole board being in possession of a broad business and management background as well as in-depth understanding of the housing industry and property development. An overview of each director's expertise, background and shareholding in the company is available on the company's website at www.selvaagboligasa.no. Employees of the business are represented on the board, and the number of these worker directors is specified in the applicable agreement on pay and conditions. At present, two worker directors are elected by the employees. None of the shareholder-elected directors are employed by or have carried out work for Selvaag Bolig.

Shareholder-elected directors are elected for one-year terms. Employee-elected directors are elected for two-year terms. All shareholder-elected directors are up for election in 2016. Directors' fees are determined by the general meeting on the basis of a recommendation from the nomination committee.

Independence of the board

The composition of the board ensures that it can act independently of special interests, and it must also function effectively as a collective body to the benefit of the shareholders in general.

No shareholder-elected director is involved in the executive management. The chair, Olav H Selvaag, is an executive vice president of Selvaag Gruppen, and director Karsten Bomann Jonsen is the chief executive of Selvaag Gruppen. Selvaag Gruppen is the company's principal shareholder and, through subsidiaries and other investments, may have business relations with Selvaag Bolig as a supplier.

The other shareholder-elected directors are independent of Selvaag Bolig's executive management and significant business relations.

See note 22 to the annual financial statements for information on the shareholdings of directors in Selvaag Bolig at 31 December 2015. By virtue of their position, each director is subject to the regulations on primary insiders, with clear rules related to such issues the duty to investigate and report in the event of trading in the company's shares.

9. The work of the board of directors

The board's duties

The board of directors bears the ultimate responsibility for management of the group and for supervising the chief executive and the group's operations.

That makes the board responsible for ensuring an acceptable organisation of the business and determining strategies, plans and budgets. The board participates in strategic discussions during the year and conducts an annual revision of the company's three-year strategy. Outlines were drawn up by the board during 2015 for a share saving programme covering all employees and a share purchase programme for the company's senior executives. These were introduced by the company during the second half, and are described in detail in this report under section 3. Furthermore, the board is responsible for establishing control systems and for ensuring that the group is operated in compliance with the established values base and ethical guidelines, and with the expectations of the owners for socially responsible operation. The board has a duty to ensure that the accounts and asset management are subject to satisfactory controls. Matters of significant strategic or financial importance are dealt with by the board. The board is responsible for appointing the chief executive, establishing the chief executive's instructions, authorities and terms of employment, and determining the chief

executive's remuneration. In addition, the board will protect the interests of the shareholders while also having a responsibility for the company's other stakeholders.

A total of nine board meetings were held in 2015, all as physical gatherings.

Instructions for the board

The board has adopted instructions which specify the rules and guidelines for its work and administrative procedures. These are reviewed annually or as required. The instructions for the board define the duties and obligations associated with its work, and its relationship with the chief executive. The chair is responsible for ensuring that the work of the board is conducted in a correct and efficient manner. The board works on the basis of an annual plan, with specified topics and issues for board meetings. The board evaluates its work and competence on an annual basis. This is done through a self-assessment which is summarised for the nomination committee. At least once a year, the board reviews the most important areas of risk as well as internal control in the company.

Instructions for the chief executive

The chief executive of Selvaag Bolig ASA is responsible for the executive management of the Selvaag Bolig group. The chief executive must also ensure that the accounts comply with legislation and other relevant provisions, and that the group's assets are managed in an acceptable manner. The chief executive is appointed by the board of directors and reports to it. The chief executive is duty-bound to keep the board continuously informed on the group's financial position, operations and asset management. The board has also approved an authority structure for the company which clarifies the authority of the chief executive and the executive management in terms of which issues must be considered by the board.

| | Meetings | % attendance |
|-----------------------|----------|--------------|
| Olav Hindahl Selvaag | 9 of 9 | 100 |
| Karsten Bomann Jonsen | 8 of 9 | 89 |
| Gisele Marchand | 9 of 9 | 100 |
| Anne Sofie Bjørkholdt | 8 of 9 | 89 |
| Peter Groth | 6 of 9 | 67 |
| Christopher Brunvoll | 9 of 9 | 100 |
| Marianne Ørmsrud | 9 av 9 | 100 |

Financial reporting

The board receives periodic reports with comments on the company's financial status. Where interim reporting is concerned, the company observes the deadlines specified by the Oslo Stock Exchange.

Board committees

The board has found it appropriate to establish sub-committees to serve as preparatory and advisory bodies for the board.

Audit committee

The audit committee is elected by and from among the directors, and must comprise at least two directors. At least one of these should have experience from the exercise of accounting or financial management, or of auditing. Members of the audit committee are appointed by the board, and changes to its composition are made when the board might wish to do so or when the members cease to be directors of the company. The audit committee currently comprises the following members:

- Gisele Marchand (chair)
- Karsten Bomann Jonsen

The company's auditor also attends all the meetings.

The audit committee serves as a preparatory and advisory body for the board. It will (a) prepare the board's follow-up of the financial reporting process, (b) monitor the systems for internal control and risk management, (c) maintain ongoing contact with the company's elected auditor concerning the audit of the annual accounts, and (d) assess and monitor the independence and objectivity of the auditor in relation to the company, and particularly the extent to which services other than audit provided by the auditor represent a threat to the latter's independence and objectivity in relation to the company. The audit committee met seven times in 2015.

Compensation committee

A compensation committee has also been established, comprising two directors who are independent of the company's executive management. The members of the compensation committee are appointed by the board for two-year terms or until they

cease to be directors of the company. The compensation committee currently comprises the following members:

- Olav H Selvaag
- Peter Groth

The compensation committee serves as a preparatory and advisory body for the board, and prepares issues for consideration and decision by the board concerning remuneration for the company's executive management and associated matters. The compensation committee helps the board to shape principles and strategies for remunerating senior executives. While the compensation committee reports and makes recommendations to the board, the latter is responsible for acting on such proposals. The company has drawn up separate instructions for the compensation committee's work, which contain further details on the committee's duties, composition and procedures. The committee met once in 2015.

10. Risk management and internal control

Responsibility and purpose of the board Risk management and internal control in Selvaag Bolig are intended to help ensure that the company takes a coherent approach to its operations, financial reporting and compliance with applicable legislation and regulations. The board is required to conduct an annual review of Selvaag Bolig's risk management and internal control. Internal control also embraces the company's values base, CSR and ethical guidelines, which apply to all employees.

Board reviews and reporting

An annual strategy meeting is held by Selvaag Bolig to lay the basis for the board's consideration and decisions during the year. The most important risk exposure areas and the internal control system are reviewed at this meeting.

A survey of the company's risk factors and management is conducted annually. This exercise plays a key role for the board's strategy meeting, and defines the direction of further work on the company's risk management. An overarching management model has been established for con-

tinuous follow-up, based on the group's strategy, values base and ethical guidelines. In addition, principles have been drawn up for reporting in the key areas, as well as guidelines for central processes and activities. An authority matrix has also been established for delegating responsibilities to defined roles in the organisation. All employees have clear guidelines on the scope of their own authority and on the next level up for decisions or approvals.

Selvaag Bolig has established a set of internal procedures and systems which are intended to secure uniform and reliable financial reporting and operations. A quality assurance system has also been established to safeguard quality when executing the group's projects. One component of this system is a review, conducted at least once a quarter, of risk in the projects and other parts of the business with a view to securing reliable financial reporting and, if required, specifying necessary risk measures. Planning, management, execution and financial follow-up of construction and production processes and projects are integrated in the Selvaag Bolig group's commercial operation. Construction projects report systematically to the group management.

Selvaag Bolig's consolidated financial statements are prepared in accordance with the applicable IFRS. The board receives periodic reports on the group's financial results as well as a description of the status of the most important individual projects. In addition, quarterly financial reports are prepared and approved by the board ahead of interim reporting. The auditor attends meetings of the audit committee and board meetings related to the presentation of the interim annual financial statements. The company's key risk factors are described in the directors' report.

11. Remuneration of the board of directors

The general meeting determines directors' fees annually on the basis of a recommendation from the nomination committee.

A total of NOK 1 627 000 was paid in directors' fees for 2015. Fees paid to each director in 2015 are presented in note 22 to the annual financial statements. Directors' fees are not linked to the group's perfor-

mance. No options are awarded to directors, and shareholder-elected directors have no agreement on a pension plan or payment after their period of service has ended. None of the shareholder-elected directors do work for the company in addition to their directorship.

Directors observe general insider regulations for trading in the company's shares. See note 22 to the consolidated financial statements for an overview of shares owned by directors.

12. Remuneration of executive personnel

As mentioned in section 9, a compensation committee comprising two directors has been established to support the board's work on the conditions of employment for the chief executive and on the strategy for and main principles of remuneration for the company's senior executives. The group's guidelines for the remuneration of executive personnel are described in note 22 to the consolidated financial statements.

The main element in the remuneration scheme is fixed basic pay. Variable pay takes the form of bonus payments, based on objective, definable and measurable criteria. Such variable pay (bonuses) cannot exceed 60 per cent of basic pay for the executive management and 67 per cent for the chief executive. No options have been awarded to employees or elected officers of the company.

These guidelines are presented annually to the general meeting in connection with its consideration of the financial statements.

13. Information and communication

Selvaag Bolig endeavours to ensure that all reporting of financial and other information is timely and correct, and based on openness and equal treatment of players in the securities market. The company observes the recommendations of the Oslo Stock Exchange on reporting investor information, which came into force on 1 January 2012. Information from Selvaag Bolig is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations.

All information regarded as significant for the valuation of the company is distributed and published by Thomson Reuters, the Oslo Stock Exchange messaging system and the company's website at www.selvaagboligasa.no/en.

The company presents its interim annual results by the end of February. Full financial statements, together with the directors' report and the rest of the annual report, are made available to shareholders every year at least three weeks before the AGM, and by the end of April at the latest. Interim figures are reported within 60 days of the end of the quarter, in accordance with the rules of the Oslo Stock Exchange.

A financial calendar is published by the company for a year at a time, before 31 December as required by the rules of the Oslo Stock Exchange. This calendar is available on the websites of the company and the Oslo Stock Exchange.

The primary purpose of information from the company will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors. The company's guidelines for investor relations provide more detailed specifications for the way information is handled in the group. Who will act as the company's spokesperson on various matters has been defined. The chief executive of Selvaag Bolig will be the primary spokesperson to the financial market on behalf of the company.

14. Take-overs

The company's articles of association place no restrictions on the purchase of shares in the company. In the event of a take-over bid, the board will help to ensure that the company's shareholders are treated equally and that the group's day-to-day operations are not disrupted unnecessarily. The board will seek to help ensure that the shareholders have sufficient information and adequate time to form an opinion on a take-over bid.

The instructions for the board of Selvaag Bolig ASA specify how the company will respond should an offer be made for the company's shares. In such cases, the board will issue a statement which contains an assessment of the offer and a recommendation to the shareholders on whether they

should accept it. In this assessment, the board should take account of such considerations as the way a possible take-over would affect long-term value creation in the company. A justification of the recommendation must be provided.

15. Auditor

The group's auditor is elected by the general meeting. The board's audit committee will present its report when the general meeting comes to elect the auditor. Selvaag Bolig's auditor is PricewaterhouseCoopers.

Auditor's relationship with board and audit committee

The auditor gives the board an account of its work and provides an assessment of the company's financial reporting and internal control in connection with the annual financial statements. At this meeting, the board is briefed on which services in addition to auditing have been provided during the year. The auditor meets the board at least once a year without the executive management being present. The auditor has the right to attend Selvaag Bolig's general meeting. Written confirmation must be provided once a year by the auditor to the board that the specified requirements for the independence of the auditor have been met.

The auditor attends the meetings of the audit committee. Once a year, the auditor must present the committee with the main features of the plan for conducting the audit work. The auditor will review possible significant changes in Selvaag Bolig's accounting principles, assessment of significant accounting estimates and all significant conditions where disagreement has occurred between the auditor and the executive management. At least once a year, the auditor must review Selvaag Bolig's internal control system with the audit committee – including identifiable weaknesses and proposals for improvement.

The board briefs the general meeting on the auditor's fee, broken down between audit work and other services in addition to auditing.

Corporate social responsibility (CSR)

Selvaag Bolig will meet requirements related to

- human rights and social dumping
- worker rights and social conditions
- impact on the natural environment
- combating corruption and price fixing

The company ranks among the leading housing developers in Norway. Its operations have big spin-offs for Norwegian sub-contractors, public welfare and value creation. The business achieved a turnover of NOK 3.2 billion in 2015 with the help of 99 work-years. Activities in 2014 generated overall demand from Norwegian sub-contractors corresponding to roughly NOK 2.25 billion and secured some 1 500 work-years of employment throughout the value chain.

Selvaag Bolig will create value for society by building good homes with the greatest possible residential benefit, and which as many people as possible can afford to buy. This means in part that the company gives priority to urban areas experiencing development pressures, develops site-efficient homes with the maximum volume in lower price categories, seeks to be cost-effective and works to ensure positive official policies through a clear presence in the public debate.

Ethical, social and environmental considerations are integrated in its day-to-day operations. The company's goal is to be a good and secure workplace, and it requires that the company and its suppliers pursue their operations in compliance with applicable legislation and statutory regulations. Furthermore, Selvaag Bolig will be a responsible social player and minimise emissions/discharges and damage to the natural environment. The company has ethical guidelines which are described at www.selvaagboligasa.no/en.

The company also reports on its cor-

porate governance in this annual report and on the website at www.selvaagboligasa.no/en. Continuous efforts are made to ensure that employees are familiar with and apply all the company's guidelines. In order to ensure compliance, a mandatory e-learning course on ethics and social responsibility was developed and implemented for all employees in 2015. The whole workforce had taken and passed this course by 31 December.

Human rights and social dumping

Selvaag Bolig does not have its own construction company, and accordingly spends substantial amounts on purchasing construction services every year. This provides big opportunities for influencing the industry in the fight against social dumping. Selvaag Bolig sets requirements for and works continuously to help ensure that suppliers and sub-suppliers have normal or statutory pay and working conditions. The bulk of the company's operations are in Norway, and it purchases services primarily from Norway, Estonia and Poland. It does not accept any form of harassment or discrimination on such grounds as race, religion, nationality, sexual orientation or gender, and does not tolerate any behaviour which can be perceived as threatening or demeaning. Selvaag Bolig requires that its suppliers do not practise social dumping and that all statutory requirements are observed. This requirement is included, for example, in contracts with suppliers of construction services. In this way, the company helps to ensure that its partners and suppliers work in accordance with applicable legislation and rules, and that no social dumping occurs in the value chain. Work done in Norway by supplier and/or partner employees complies with Norwegian pay agreements and legislation. Suppliers doing work on Norwegian

building sites must, for example, be able to document at all times that the labour force used on these sites is legal. This is followed up with regular inspections.

To the best of the company's knowledge, no social dumping or breaches of human rights occurred in Selvaag Bolig or at its suppliers during 2015. The company's routines for safeguarding human rights and countering social dumping are considered to function well, and work on improving them will continue in 2016. Reference is also made to section 3.8 of the company's ethical guidelines on the working environment, available on its website at www.selvaagboligasa.no/en.

Worker rights and social conditions

Selvaag Bolig will be an inclusive workplace, where the rights of all employees are safeguarded in accordance with applicable legislation.

Expertise enhancement

All employees are given opportunities for professional development and expertise enhancement, including through courses, seminars and specialist gatherings both in-house and externally. All managers with personnel responsibility must conduct annual job reviews. Expertise enhancement is a key item in these discussions.

Job satisfaction

The working environment in Selvaag Bolig is regarded as good. The company measures job satisfaction among employees on an annual basis. Results from these surveys are used as the basis for developing measures and routines which improve job satisfaction and the working environment. Job satisfaction in the company is good, and the goal is for the company to be one of the industry's most attractive workplaces. On the basis of the employee survey, a num-

ber of measures were implemented in 2014. These included strengthening the internal flow of information in the company as well as special measures in the respective department. New surveys indicate that these measures have worked well. Selvaag Bolig was certified in 2015 as a good place to work. This certification has been developed by the Great Place to Work Institute on the basis of a global standard on what characterises a good workplace.

Working environment and sickness absence

Ensuring that efforts to reduce sickness absence and prevent injury have a high priority in the companies is given emphasis by the board. The group's target is that sickness absence will be below three per cent. It was 3.5 per cent for the group for 2015, compared with 3.1 per cent for 2014 and four per cent in 2013. The corresponding figures for the parent company were 2.7, 3.3 and 4.3 per cent. No lost-time injuries were recorded among the company's employees during 2015. The company works continuously on measures to reduce sickness absence.

Health, safety and the working environment (HSWE)

Selvaag Bolig has adopted guidelines based on ISO standards for health, safety and environment. Through the Norwegian construction client and internal control regulations, the company fulfils the requirements posed for construction clients to monitor health, safety and the working environment (HSWE) at building sites. Contracts for all projects accord with regulatory requirements, and HSWE performance is reported regularly to the chief executive and board as specified by the guidelines to the regulations. Selvaag Bolig sets special requirements for HSWE in all turnkey contracts. Specific provisions are included in all contracts entered into by the company with contractors on turnkey contracts. As the construction client, Selvaag Bolig prepares an HSWE plan for its construction projects and ensures that the turnkey contractor follows up all the requirements defined in the contract. Regular inspections are conducted at the building

sites. Immediate action is taken if non-conformities are detected. These routines function well and will be continued.

Equal opportunities

The group's general policy is that no unequal treatment or other form of discrimination related to gender or ethnic background will occur. It gives emphasise to expertise rather than gender, age or ethnic background when making appointments. Women account for 47 per cent of the workforce, compared with 50 per cent in 2014.

Impact on the natural environment

Selvaag Bolig pays special attention to environmental considerations when pursuing its housing development activities, and has taken account of the natural environment in its planning and management systems. The company will seek to minimise its negative impact on the environment and climate. Its environmental impact relates primarily to energy consumption, materials, waste, interventions in and use of natural resources, and the way the housing projects contribute to good local and urban development. Selvaag Bolig builds houses in accordance with applicable legislation and statutory regulations. These include strict requirements for climate-friendly and energy-efficient homes. The company is continuing to work on industrialising the construction of environment-friendly buildings so that these can be erected more cheaply and so that the company can adapt its homes more easily to possible future and tougher official requirements. Internal work is evaluated regularly. The buildings and the construction process are followed up continuously through internal and external inspections. The company's routines and management systems are regarded as good, and are being continued without change.

Combating corruption and price fixing

Selvaag Bolig does not accept any form of corruption. Its employees must exer-

cise caution in accepting or providing gifts, services or other benefits from or to business contacts.

Selvaag Bolig does not accept any form of price fixing with other players. Employees must not contribute to any form of price collusion with business contacts or others which could distort competition or conflict with applicable regulations against price fixing and/or cartel operations. The regulations and how they are to be practised are known to the employees, in part through training programmes for new recruits and reviews in group meetings, and are available on the company's website. No cases of price fixing or corruption were exposed in 2015, and continuous efforts are made to strengthen knowledge of the company's routines among employees – in part through a mandatory course on ethics and social responsibility, which also deals with this topic.

Further information can be found in section 3.9 of the company's ethical guidelines on dealings with customers, suppliers, competitors and government agencies, which are available on the company's website at www.selvaagbolig.no/en.

Breaches of the ethical guidelines

Section 3.15 of the company's ethical guidelines contains provisions on routines to be followed in the event of possible suspicions that formal legal or regulatory rules, or the company's ethical guidelines, have been breached. These routines instruct the employee concerned to raise the issue through the line organisation, possibly with the group's legal officer. The company also established a channel for anonymous whistleblowing on its website in 2015 which goes to the company's legal officer. This is intended to lower the threshold for reporting on breaches. The ethical guidelines are available on the company's website and intranet.

Directors' report



BOARD OF DIRECTORS (STANDING FROM LEFT): Anne Sofie Bjørkholt, Gisele Marchand, Karsten Bomann Jonsen, Marianne Ørnsrud, Christopher Brunvoll and Peter Groth. (SEATED FROM LEFT) Olav Hindahl Selvaag and Baard Schumann.

Selvaag Bolig had a good year in 2015, selling 935 homes with a combined value of NOK 3 214 million. The level of activity in the group was high, and the order backlog is good. At 31 December, 1 339 homes with a combined sales value of roughly NOK 4.74 billion were under construction. That will help to ensure future value creation for the company. Selvaag Bolig has land for about 11 600 homes in and around the four largest Norwegian cities as well as a number of interesting development projects, and is well positioned for continued growth. The board proposes a total dividend of NOK 1.50 per share for 2015.

Overview of 2015

Highlights

The level of activity in Selvaag Bolig was high during 2015, with good sales and strong financial progress. A total of 935 homes with a combined sales

value of NOK 3 214 million were sold during the year. 828 were completed, and 893 delivered to customers.

Selvaag Bolig's production and value creation were high at 31 December. Construction started on 858 homes during the year, and 1 339 were being

built at 31 December. Seventy-nine per cent of these had been sold. While the market was very challenging in the Rogaland core region, housing sales were good and stable for the core areas in and around Greater Oslo, Trondheim and Bergen throughout the year.

A number of dispositions were made by Selvaag Bolig during 2015 to maintain and strengthen its position as one of the leading housebuilders in the markets where it operates. The land bank was strengthened in several of the core areas, particularly in and around Greater Oslo as well as in Trondheim and Bergen. Land

holdings at 31 December would yield some 11 600 homes, with about 80 per cent of these in Greater Oslo. Selvaag Bolig has become well established over time in Greater Oslo, Stavanger and Trondheim, and also established its own organisation in Bergen during 2015 to ensure better progress and growth in this market. The aim is for the company to become one of the biggest players in Bergen within a short space of time. Selvaag Bolig is thereby present in Norway's four largest conurbations, which have the greatest need for new homes, leaving it well positioned for further growth. The company also develops some commercial property, primarily related to major housing projects where planning regulations call for this. The present portfolio embraces a total area of about 100 000 square metres for development as commercial premises.

The group's business

Selvaag Bolig is one of Norway's leading housing developers. It buys and develops new housing land, and manages the whole value chain from acquisition of land to completion and sale of homes. The group concentrates on the areas in and around Greater Oslo, Bergen, Stavanger and Trondheim. It also has collaboration projects in Stockholm. Selvaag Pluss Service AS offers services related to Selvaag Bolig's Pluss concept. The group's housing development business embraces both wholly and partly owned projects, some of which take the form of joint ventures with external investors.

Selvaag Bolig does not build itself, but awards construction contracts on a project-by-project basis. That gives it the opportunity to select the best and most competitive contractor for each project. Subjecting construction contracts to competitive tendering increases flexibility and reduces market risk. Using external contractors also ties up less capital and cuts execution risk during the construction phase.

In addition to traditional site-built homes, the group possesses unique expertise with various construction methods. A modern and industrial approach to housebuilding helps to keep construction costs low, ensure cheaper homes for buyers and provide good profits for the company. The company builds homes, for example, using modules from external sub-contractors in Estonia and Poland with many years of production experience and modern factories. Quality is high, and indoor production helps to reduce the risk of fabrication errors.

Selvaag Bolig continues Selvaag's historical social commitment, where value creation is combined with socially useful measures. The company's goal is to develop and build good homes which provide the greatest possible residential benefit for its customers, and it works to ensure that as many people as possible can afford to buy their own home.

Financial review

Income statement

(Figures for 2014 are presented in brackets)

Operating revenue

Consolidated operating revenue for 2015 totalled NOK 3 246 million (NOK 2 945.2 million). The increase from the year before primarily reflected more homes delivered. During 2015, 893 (861) homes were delivered, including 860 (824) from the consolidated project companies. Units delivered accounted for NOK 3 177.4 million (NOK 2 790.1 million) of total revenues.

Operating costs

Operating costs totalled NOK 2 841.7 million (NOK 2 579.5 million), with project costs accounting for NOK 2 608.5 million (NOK 2 371.8 million). The latter relate mainly to construction costs for homes delivered in the period. Payroll costs accounted for NOK 97.1 million (NOK 82.9 million).

Other operating costs came to NOK 120.4 million (NOK 132.6 million), of

which NOK 51.4 million (NOK 62.7 million) related to sales and marketing.

The item for share of income (loss) from associates and joint ventures came to NOK 8.3 million (NOK 32.4 million). This decline primarily reflects the delivery and recognition of a large joint-venture project in Stockholm during 2014, while an impairment charge of NOK 10 million was taken on a joint venture in western Norway during 2015.

Operating profit

The group made an operating profit of NOK 404.3 million (NOK 365.7 million). Ordinary EBITDA was NOK 428.4 million (NOK 386.9 million) for the year, corresponding to a margin of 13.2 per cent (13.1 per cent). EBITDA adjusted for financial expenses incorporated in project costs came to NOK 538.9 million (NOK 488.6 million).

Financial items

Net financial expenses came to NOK 33.1 million (NOK 17 million).

Pre-tax profit

Profit before tax expense was NOK 371.2 million (NOK 348.7 million). Net tax expense was NOK 91.8 million (NOK 94.2 million). Consolidated tax expense does not include tax liability for tax objects which are not part of the Selvaag Bolig group. Tax on non-controlling shareholders' share of profit for the period is included in the non-controlling share of profit and equity.

Consolidated net profit came to NOK 279.4 million (NOK 254.5 million), of which NOK 281.2 million (NOK 253.4 million) is attributable to the shareholders of Selvaag Bolig ASA and a loss of NOK 1.8 million (profit of NOK 1.2 million) to non-controlling shareholders.

Cash flow

Consolidated net cash flow from operational activities was NOK 465.9 million (NOK 187.3 million). The difference between pre-tax profit

and operational cash flow primarily reflected a decline in accounts receivable from estate-agent client accounts for homes delivered. Payment for projects delivered will often take place in the following quarter, since the money is held in the estate agent's client account until the sale has been legally registered. The increase in cash flow from the year before primarily reflected more units delivered.

Net cash flow from investing activities was negative at NOK 15.5 million (NOK 5.7 million). Investment in joint ventures involved total cash payments of NOK 44.4 million (NOK 38.9 million). Moreover, joint-venture holdings were sold for total cash receipts of NOK 24.2 million (NOK 0). Dividends from joint ventures totalled NOK 1.9 million (NOK 45.6 million).

Net cash flow from financing activities was negative at NOK 344.1 million (NOK 202.7 million). The change from the year before mainly reflected payment of dividend totalling NOK 178.2 million, including NOK 112.5 million for fiscal 2014 and NOK 65.6 million for the first half of 2015. By comparison, NOK 46.9 million was paid in dividend in 2014. Selvaag Bolig ASA also spent NOK 10.9 million on buying own shares for the employee share programme. Payments to non-controlling shareholders totalled NOK 3.4 million (NOK 9.2 million). Other cash flows correspond to net redemption of loans.

Cash and cash equivalents increased by NOK 106.4 million to NOK 672.3 million (NOK 565.9 million).

Balance sheet

Assets in Selvaag Bolig at 31 December 2015 totalled NOK 6 251.1 million (NOK 6 214.2 million). The carried amount of consolidated inventories (land, housing under construction and completed homes) at 31 December was NOK 4 715.4 million (NOK 4 348.8 million). This increase primarily reflected the acquisition of additional land.

Equity at 31 December was NOK 2 549.2 million (NOK 2 457.3

million), corresponding to an equity ratio of 40.8 per cent (39.5 per cent). The board proposes that a dividend of NOK 1.50 per share be paid to shareholders for 2015. NOK 0.70 per share was paid in October 2015 as dividend for the first half-year. The board has proposed a dividend of NOK 0.80 per share for the second half of 2015. That will make the total dividend for 2015 NOK 1.50 per share. This corresponds to 50 per cent of net profit and amounts to NOK 140.6 million.

The group held cash and cash equivalents of NOK 672.3 million (NOK 565.9 million) at 31 December. Selvaag Bolig ASA, the parent company, held cash and cash equivalents of NOK 235.4 million (NOK 51.2 million) at 31 December.

At 31 December, consolidated interest-bearing debt amounted to NOK 2 618 million (NOK 2 711.9 million), of which NOK 1 846.7 million (NOK 1 752.4 million) was non-current and NOK 771.3 million (NOK 959.5 million) was current. Consolidated other current non-interest-bearing debt amounted to NOK 582.8 million (NOK 507.5 million) at 31 December, of which advance payments by customers accounted for NOK 297.6 million (NOK 262.7 million).

Financing and debt

The group had two undrawn overdraft facilities at 31 December, each of NOK 150 million.

The group has an unsecured bond loan of NOK 500 million, which was listed on the Oslo Stock Exchange in the third quarter of 2013. This loan has a five-year term and quarterly interest payments from 27 September 2013. The interest rate is three-month Nibor plus 475 basis points. Financial covenants attached to the loan require the group to have 1) a minimum equity ratio of 25 per cent until 30 June 2017 and 27.5 per cent thereafter until maturity in June 2018 and 2) a sales ratio of at least 60 per cent for houses under construction. Both these covenants were fulfilled at 31 December 2015, with equity

and sales ratios of 40.8 and 79 per cent respectively. A meeting of bondholders in September 2015 approved an amendment to the loan agreement's dividend provisions which gave Selvaag Bolig the opportunity to pay dividend more than once a year.

Consolidated interest-bearing debt can largely be divided into three categories – 1) top-up, 2) land and 3) construction loans. At 31 December 2015, the group had top-up loans of NOK 494 million, land loans of NOK 1 094 million and construction loans of NOK 1 030 million. The top-up loan comprised an unsecured bond carried at a net amortised cost of NOK 494 million.

Each project in Selvaag Bolig is organised as a single purpose vehicle (SPV). In addition to financing from the parent company, this implies that each company seeks its own external capital financing for the development of a project. Land credits are converted to construction loans as the projects start up. Building costs are wholly financed by loans, and increased activity in the companies will accordingly mean that construction loans rise in line with progress.

Going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic and that the financial statements for 2015 have been prepared on that assumption. This view rests on the group's good capital adequacy and financial position.

Events after the balance sheet date

No events of significance for the financial statements have occurred after the balance sheet date.

Parent company Selvaag Bolig ASA

Operating revenues for Selvaag Bolig ASA, the parent company, came to NOK 68.7 million (NOK 97.3 million), and the operating loss was NOK 89.2 million (NOK 39.7 million). Ordinary net profit for the year was NOK 428.2 million (NOK 365.3 million). Profit for 2015 included NOK 702.2 million

in group contributions received from subsidiaries, while the 2014 figure incorporated a gain of NOK 35 million from the sale of land to subsidiaries. These internal gains are eliminated in the consolidated financial statements.

Allocation of the net profit

The parent company, Selvaag Bolig ASA, made a net profit of NOK 428.2 million for 2015 (NOK 365.3 million). The parent company's equity amounted to NOK 2 498 million (NOK 2 219.4 million) at 31 December.

The board proposes that an overall dividend of NOK 1.50 per share be paid for 2015, corresponding to NOK 140.6 million. Of this, NOK 0.70 per share – corresponding to NOK 65.6 million – was paid in October 2015 on the basis of profit for the first half.

Strategy

The board participates in important strategic discussions during the year and conducts an annual revision of the company's three-year operational and financial strategy together with the executive management. The board adopts and launches the strategy.

Selvaag Bolig worked actively in 2015 to manage the business in accordance with the approved strategy and to ensure that the company capitalises on the competitive advantages that this provides. Among other moves, Selvaag Bolig concentrated and strengthened its land bank exclusively in geographical priority areas, and now possesses a strong portfolio of sites and ability to deliver in all its core markets. That creates a good basis for developing housing projects in both the short term and a longer perspective. The company has also capitalised on the opportunities provided by the ability to choose builders freely. All construction is outsourced through competitive tendering, and the necessary capacity is bought in at the market's best prices. That increases investment opportunities and the ability to deliver while reducing the risk profile and ensuring adaptability to market fluctuations both locally and nationally.

Selvaag Bolig is very well positioned to reach both short-term and long-term goals.

Risk and risk management

Risk management

As a housing developer, the group is exposed to various risk factors related to land development, sales and the execution of construction projects. These factors can affect the group's business activities and financial position. The board of Selvaag Bolig accordingly gives a high priority to dealing with and managing risk, and has established routines and control systems to limit overall risk exposure to an acceptable level.

Regular risk surveys contribute to raising awareness and to dealing with the most significant risk conditions which could affect the business goals defined in the company's strategy.

The primary risk factors can be categorised as market, operational and financial risk.

Market risk

Housing demand is influenced by a large number of factors at both micro and macro level. It may be affected by substantial fluctuations in the general level of interest rates and/or significant changes in other financial variables to which potential housebuyers might be exposed. Changes in housing demand could furthermore affect Selvaag Bolig's opportunities to sell homes at budgeted prices within the planned time frames. Were the pace of sales to be lower than expected because of changes in market conditions, planned developments could be postponed. The company accordingly has internal requirements related to advance sales, where the rule is that construction does not begin until homes corresponding to 60 per cent of the value of each building stage in the respective projects have been sold.

Operational risk

Risk related to contractors

Selvaag Bolig draws on external construction companies and service

providers in connection with developing and building new projects. As a result, it is exposed to the risk of loss and additional project cost if a contractor/supplier finds itself in financial difficulties. To reduce this risk, the company mainly enters into construction contracts with large, well-established players which have a solid financial position and experience, and which can document quality work. In addition, standardised and detailed construction plans developed by Selvaag Bolig are used to reduce the risk of errors, misunderstandings and delays by the contractor.

Furthermore, Selvaag Bolig is exposed to increases in the level of prices for construction contracts and to cost overruns. For projects built on site, the company mainly enters into turnkey contracts. Costs are thereby fixed before sales and construction begins. That makes it easier to maintain a good overview of the level of costs. In the event of high building costs, the company also has the opportunity to use modular construction. This represents a cheaper form of production than site-build, but can involve increased risk related to foreign exchange fluctuations and to execution.

Planning risk

Planning changes by the relevant public authorities could affect both the progress and viability of Selvaag Bolig's various projects, and might thereby limit opportunities to continue developing its properties. That could lead to delays and increased costs.

Financial risk

Credit risk

The group's credit risk relates largely to the settlement of its accounts receivable, which primarily involve private customers as housebuyers. Buyers are required to pay a 10 per cent deposit in advance when a sale is agreed, and to document satisfactory financing for the property.

Foreign exchange risk

Virtually all the group's activities are based in Norway. However, the group

buys modules from abroad in euros. When certain purchase contracts are signed with foreign module suppliers, the exchange rate is locked in by ordering foreign currency at a fixed rate for future settlement based on the supplier's payment plan. As a result, the group has some exposure to foreign exchange risk.

Interest rate risk (own financing, deposits)

Interest rate risk relates primarily to the group's liquidity. Big changes in interest rates are also significant for the group's borrowing costs, and could affect the valuation of its assets. The company has opted not to enter into any form of hedging contract, since land credits are converted to construction loans as building proceeds.

Financing risk (access to capital)

Selvaag Bolig depends on access to capital in order to acquire sites and realise projects. Where external capital is concerned, the company has good and close relations with its principal banks, which are well-capitalised Nordic institutions. Competition between the banks is perceived to be satisfactory, and the company has thereby been able to secure the financing required for its projects. However, that may change in the future. Furthermore the company has also utilised financing through the bond market. Selvaag Bolig also utilises other solutions for new land purchases, including agreements with landowners on options for future purchasing.

Liquidity risk

Conservative liquidity management means having sufficient liquid assets and available financing through lines of credit to meet the group's obligations. The group issued a bond loan of NOK 500 million in 2013, and refinanced a large proportion of its loans. Selvaag Bolig administers liquidity actively, and pays special attention to maintaining adequate liquidity at all times. The company continuously monitors forecast and actual cash flows.

The board takes the view that the group had a well-balanced exposure to financial and liquidity risk at 31 December. Cash and cash equivalents in Selvaag Bolig at 31 December amounted to NOK 672.3 million (NOK 565.9 million) for the group and NOK 235.4 million (NOK 51.2 million) for the parent company. Liquid assets consisted primarily of cash and bank deposits. As of 31 December 2015 the group held two undrawn facilities of NOK 150 million each. These are renewed on an annual basis. Further reference is made to the comments on financing above and to note 16 to the consolidated financial statements for an overview of loans, maturities and loan terms.

Organisation

Selvaag Bolig ASA was established in 2008 as an independent housing development unit in the Selvaag Gruppen group. It is the parent company for the underlying group subsidiaries, which are responsible for operations. At 31 December 2015, the Selvaag Bolig group had a total of 99 employees, including 61 in the parent company and 38 in the subsidiaries.

Corporate social responsibility (CSR)

Selvaag Bolig will create value for society by building good homes with the greatest possible residential benefit, and which as many people as possible can afford to buy. This means in part that the company gives priority to urban areas experiencing development pressures, develops site-efficient homes with the maximum volume in lower price categories, seeks to be cost-effective and works to ensure positive official policies through a clear presence in the public debate. Ethical, social and environmental considerations are integrated in its day-to-day operations. The company's goal is to be a good and secure workplace, and it requires that the company and its suppliers

pursue their operations in compliance with applicable legislation and statutory regulations. Furthermore, Selvaag Bolig will be a responsible social player and minimise emissions/discharges and damage to the natural environment. The company has ethical guidelines which are described at www.selvaagboligasa.no/en. Continuous efforts are made to ensure that employees are familiar with and apply all the company's guidelines related to CSR. See the separate section of CSR in this annual report.

Shareholder information

The company was listed on the Oslo Stock Exchange on 28 June 2012. It had 1 840 shareholders (917) at 31 December 2015, of whom 100 were foreign (63). See note 14 to the consolidated financial statements for Selvaag Bolig ASA for detailed shareholder information.

Transactions with related parties

Selvaag Bolig had no significant transactions with related parties in 2015. See note 23 to the consolidated financial statements for further information on transactions with related parties.

Corporate governance

Selvaag Bolig ASA is committed to maintaining a high standard of corporate governance. A healthy corporate culture is essential for safeguarding confidence in the company, securing access to capital and ensuing good value creation over time. All shareholders will be treated equally, and a clear division of labour will exist between the board and the company's executive management. Selvaag Bolig complies with the Norwegian code of practice for corporate governance of 30 October 2014.

A detailed statement on the way Selvaag Bolig implements the 15 sections of the code can be found

on the company's website at www.selvaagboligasa.no/en and in this annual report.

Pay and other remuneration of senior executives

Pay and other remuneration for senior executives in the group are presented in note 22. An explanation of the principles which underlie such compensation is also provided there. Selvaag Bolig introduced a share saving programme for all employees and a share purchase programme for the executive management in 2015. These programmes are described in the chapter on corporate governance in this report.

Annual general meeting

The AGM for 2015 will take place on 29 April 2016.

Outlook

Positive house sales, strong results and a number of good land purchases during 2015 confirmed Selvaag Bolig's position as one of Norway's leading and profitable housing developers.

Developments varied over the past year in the markets where the company has a presence. Demand for new homes was good in Bergen and Trondheim. In Greater Oslo, demand and prices were driven up by record numbers of people moving in and record-low availability, while the Stavanger market declined because of uncertain economic prospects and record supply. Selvaag Bolig sold 935 homes worth more than NOK 3 billion during the year, an increase of 49 from 2014.

Selvaag Bolig initiated the construction of 858 new homes during the year, completed 828 and had 1 339

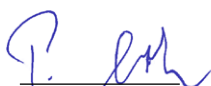
under construction at 31 December with a combined sales value of NOK 4.74 billion. No less than 79 per cent of these were already sold at 31 December.

Forecasts from Statistics Norway indicate that urbanisation and population growth will create a substantial need for new homes in the largest Norwegian cities during the years to come. Selvaag Bolig has good development sites in Norway's four biggest growth regions. As a pure housing developer, the company puts all construction out to competitive tender and accordingly has a sensible staffing which can easily be adjusted to the level of activity in the market. In the board's view, this has given and will continue to give Selvaag Bolig competitive advantages. The company is well equipped financially, operationally and organisationally to safeguard and strengthen its position.

Oslo, 11 March 2016



Olav Hindahl Selvaag
Chair



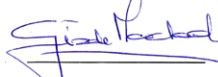
Peter Groth
Director



Karsten Bomann Jonsen
Director



Anne Sofie Bjørkholt
Director




Gisele Marchand
Director



Marianne Ørnsrud
Director
(elected by the employees)



Christopher Brunvoll
Director
(elected by the employees)



Baard Schumann
President and CEO

Statement of comprehensive income

for the financial period ended 31 December

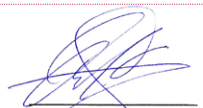
| <i>(amounts in NOK 1 000, except earnings per share)</i> | Note | 2015 | 2014 |
|---|-------|--------------------|--------------------|
| Sales revenues | 2 | 3 191 585 | 2 887 604 |
| Other revenues | 25 | 54 457 | 57 642 |
| Total revenues | | 3 246 042 | 2 945 246 |
| Project expenses | 5 | (2 608 499) | (2 371 797) |
| Salaries and personnel expenses, administrative functions | 6 | (97 059) | (82 868) |
| Depreciation and amortisation | 9, 10 | (24 085) | (21 205) |
| Other operating expenses | 7 | (120 389) | (132 586) |
| Other gain (loss), net | | - | (3 482) |
| Share of income (losses) from associated companies | 24 | 8 326 | 32 404 |
| Total operating expenses | | (2 841 706) | (2 579 534) |
| Operating profit (loss) | | 404 336 | 365 712 |
| Financial income | 8 | 11 413 | 21 215 |
| Financial expenses | 8 | (44 561) | (38 221) |
| Net financial expenses | | (33 148) | (17 006) |
| Profit (loss) before income taxes | | 371 188 | 348 706 |
| Income tax (expense) income | 19 | (91 828) | (94 175) |
| Profit (loss) for the year | | 279 360 | 254 531 |
| Other comprehensive income items that may be reclassified to profit or loss | | | |
| Foreign currency translation | | 3 040 | (182) |
| Total comprehensive income for the year | | 282 400 | 254 349 |
| Profit (loss) for the year attributable to: | | | |
| Non-controlling interests | | (1 771) | 1 169 |
| Shareholders of Selvaag Bolig ASA | | 281 131 | 253 362 |
| Total comprehensive income for the year attributable to: | | | |
| Non-controlling interests | | (1 771) | 1 169 |
| Shareholders of Selvaag Bolig ASA | | 284 171 | 253 180 |
| Earnings per share for profit (loss) attributable to shareholders of Selvaag Bolig ASA | | | |
| Earnings per share (basic and diluted, in NOK) | 14 | 3,00 | 2,70 |

Statement of financial position

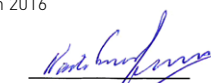
at 31 December

| <i>[amounts in NOK 1 000]</i> | Note | 2015 | 2014 |
|--|--------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 9 | 383 376 | 383 376 |
| Other intangible assets | 9 | 13 799 | 32 199 |
| Property, plant and equipment | 10 | 20 314 | 17 395 |
| Investments in associated companies and joint ventures | 24 | 183 443 | 156 723 |
| Loans to associated companies and joint ventures | 23, 24 | 9 046 | 17 679 |
| Other non-current assets | 11 | 105 545 | 104 116 |
| Total non-current assets | | 715 523 | 711 488 |
| Current assets | | | |
| Inventory property | 5 | 4 715 399 | 4 348 805 |
| Trade receivables | 11 | 110 288 | 440 283 |
| Other current receivables | 11 | 37 571 | 147 738 |
| Cash and cash equivalents | 12 | 672 284 | 565 930 |
| Total current assets | | 5 535 542 | 5 502 756 |
| TOTAL ASSETS | | 6 251 065 | 6 214 244 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity attributable to shareholders of the Company | 13 | 2 539 610 | 2 442 570 |
| Non-controlling interests | | 9 582 | 14 728 |
| Total equity | | 2 549 192 | 2 457 298 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Pension obligations | | 913 | 2 187 |
| Deferred tax liabilities | 19 | 158 837 | 205 355 |
| Provisions | 20 | 92 578 | 92 578 |
| Other non-current non-interest-bearing liabilities | | 9 869 | 8 627 |
| Non-current interest-bearing liabilities | 16 | 1 846 715 | 1 752 401 |
| Total non-current liabilities | | 2 108 912 | 2 061 148 |
| Current liabilities | | | |
| Current interest-bearing liabilities | 16 | 771 302 | 959 518 |
| Trade payables | 17 | 100 120 | 187 348 |
| Current income taxes payable | 19 | 138 722 | 41 391 |
| Other current non-interest-bearing liabilities | 17 | 582 817 | 507 541 |
| Total current liabilities | | 1 592 961 | 1 695 798 |
| Total liabilities | | 3 701 873 | 3 756 946 |
| TOTAL EQUITY AND LIABILITIES | | 6 251 065 | 6 214 244 |

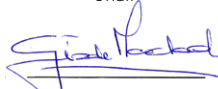
Oslo, 11 March 2016


Olav Hindahl Selvaag
Chair


Peter Groth
Director


Karsten Bomann Jonsen
Director


Anne Sofie Bjørkholt
Director


Gisele Marchand
Director


Marianne Ørnsrud
Director
(elected by the employees)


Christopher Brunvoll
Director
(elected by the employees)


Baard Schumann
President and CEO

Statement of changes in equity

| <i>(amounts in NOK 1 000)</i> | Share capital | Share premium account | Other paid-in capital | Cumulative translation differences | Other reserves | Retained earnings | Equity attributed to shareholders in Selvaag Bolig ASA | Non-controlling interests | Total equity |
|--|----------------|-----------------------|-----------------------|------------------------------------|----------------|-------------------|--|---------------------------|------------------|
| EQUITY AS OF 1 JANUARY 2015 | 187 511 | 1 394 857 | 700 629 | 897 | 3 528 | 155 147 | 2 442 569 | 14 728 * | 2 457 298 |
| Dividend | - | - | - | - | - | (178 155) | (178 155) | - | (178 155) |
| Share buy back | (863) | - | - | - | - | (10 000) | (10 863) | - | (10 863) |
| Employee share programme | 151 | - | - | - | - | 1 736 | 1 887 | - | 1 887 |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (3 375) | (3 375) |
| Total comprehensive income/(loss) for the period: | | | | | | | | | |
| Net income/(loss) for the period | - | - | - | - | - | 281 131 | 281 131 | (1 771) | 279 360 |
| Other comprehensive income/(loss) for the period | - | - | - | 3 040 | - | - | 3 040 | - | 3 040 |
| EQUITY AS OF 31 DECEMBER 2015 | 186 799 | 1 394 857 | 700 629 | 3 937 | 3 528 | 249 859 | 2 539 609 | 9 582 * | 2 549 192 |
| EQUITY AS OF 1 JANUARY 2014 | 187 511 | 1 394 857 | 700 629 | 1 079 | 3 528 | (51 337) | 2 236 267 | 22 718 * | 2 258 986 |
| Dividend | - | - | - | - | - | (46 878) | (46 878) | - | (46 878) |
| Profit sharing with external guarantor | - | - | - | - | - | - | - | (159) | (159) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (9 000) | (9 000) |
| Total comprehensive income/(loss) for the period: | | | | | | | | | |
| Net income/(loss) for the period | - | - | - | - | - | 253 362 | 253 362 | 1 169 | 254 531 |
| Other comprehensive income/(loss) for the period | - | - | - | (182) | - | - | (182) | - | (182) |
| EQUITY AS OF 31 DECEMBER 2014 | 187 511 | 1 394 857 | 700 629 | 897 | 3 528 | 155 147 | 2 442 570 | 14 728 * | 2 457 298 |

* Non-controlling interests includes tax from profits in companies subject to partnership taxation. Income taxes in the Group does not include taxes from tax subjects outside the Selvaag Bolig Group.

Statement of cash flows

for the financial period from 1 January to 31 December

| <i>(amounts in NOK 1 000)</i> | Note | 2015 | 2014 |
|--|-------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit (loss) before income taxes | | 371 188 | 348 706 |
| Income taxes paid | | (41 384) | (970) |
| Depreciation and amortisation | 9, 10 | 24 085 | 21 205 |
| Other (gains) losses, net | | - | 3 482 |
| Share of (income) losses from associated companies and joint ventures | 24 | (8 326) | (32 404) |
| Change in inventory property | 5 | (305 876) | 27 670 |
| Change in trade receivables | 11 | 330 109 | (332 454) |
| Change in trade payables | 17 | (87 391) | 71 332 |
| Changes in other working capital assets | | 105 420 | 120 637 |
| Changes in other working capital liabilities | | 78 082 | (39 953) |
| Net cash flow from operating activities | | 465 907 | 187 251 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments for acquisition of tangible and intangible fixed assets | | (8 577) | (14 557) |
| Proceeds from disposal of businesses and subsidiaries, net of cash disposed | 12 | (114) | - |
| Payments for acquisitions of businesses and subsidiaries, net of cash acquired | 12 | 691 | 2 184 |
| Proceeds from disposal of associated companies and joint ventures | | 24 180 | - |
| Payments for acquisition of associated companies and joint ventures | 24 | (44 394) | (38 928) |
| Proceeds from disposal of other investments and repayments on loans given | | 10 886 | - |
| Dividends and distributions from associated companies and joint ventures | 24 | 1 850 | 45 623 |
| Net cash flow from investing activities | | (15 478) | (5 678) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | 16 | 1 497 557 | 1 358 726 |
| Repayments of borrowings | 16 | (1 594 653) | (1 560 391) |
| Net change in bank overdraft | 16 | (55 017) | 55 017 |
| Dividends paid to equity holders of Selvaag Bolig ASA | | (178 155) | (46 878) |
| Payment of profit sharing and dividends to non-controlling interests in subsidiaries | 13 | (3 375) | (9 159) |
| Share buy back Selvaag Bolig ASA | 13 | (10 870) | - |
| Proceeds from disposal of shares Selvaag Bolig ASA | 13 | 438 | - |
| Net cash flow from financing activities | | (344 075) | (202 685) |
| Net change in cash and cash equivalents | | 106 354 | (21 112) |
| Cash and cash equivalents at 1 January | 12 | 565 930 | 587 042 |
| Cash and cash equivalents at 31 December | 12 | 672 284 | 565 930 |

For further specifications refer to note 12.

Notes to the consolidated financial statements

Note 1: General information

Selvaag Bolig ASA (the "Company") and its subsidiaries (together "the Group") is a property development group, involved in the construction of residential property for sale in the ordinary course of business. Selvaag Bolig ASA is listed at the Oslo Stock Exchange. The Company's ultimate controlling party is Selvaag Gruppen AS.

The registered office of the Company is Silurveien 2, 0380 Oslo.

Note 2: Significant accounting policies

The principal accounting policies are set out below and have been consistently applied to all accounting periods presented.

2.1 Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU as at 31 December 2015.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 11 March 2016.

2.2 Basis of preparation

The Group consolidated financial statements have been prepared on a going concern and historical cost basis, except for derivatives which are recognised at fair value through profit or loss.

2.3 Functional and presentation currency

(a) Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK, which also is the parent Company's functional currency.

(b) Transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each

reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated in subsequent periods.

2.4 Consolidation

The consolidated financial statements include the financial statements of the Company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. This is generally presumed to exist when the Company holds more than 50 % of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. A negative comprehensive income in the subsidiaries is attributed to the owners of the parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, restatements are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and

the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the CEO and management group. This group is responsible for allocating resources and assessing performance of the operating segments. For the purposes of internal reporting the Group utilises the percentage of completion method for which the degree of completion is estimated based on expenses

incurred relative to total estimated cost and sales rate. Operating profit (loss) under the percentage of completion method also includes an estimated profit element.

2.6 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies. Significant influence is generally presumed to exist when the Company holds between 20 % and 50 % of the voting rights.

Associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. If the Group's share of losses of an associate exceeds the Group's carrying amount of that associate, 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Share of income (loss) from associated companies is included within operating profit (loss) as the investments are considered as an integral part of the Group's operations.

2.7 Investments in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Joint arrangements are classified as joint operations or joint ventures, depending on the rights to the assets and obligations for the liabilities of the parties to the arrangements. If the parties have rights to the net assets of the arrangement, the arrangement is a joint venture. If the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation.

The Group does not have any interests in joint arrangements classified as joint operations.

The Group reports its interests in joint ventures using the equity method, as described in note 2.6 Investments in associates above, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Share of income (loss) from joint ventures is included within operating profit (loss) as this is considered integral to the Group's operations.

2.8 Business combinations

Where property is acquired through the acquisition of entities, management consider the substance of the assets and activities acquired. When acquiring a group of assets or net assets that do not constitute a business, the cost price is allocated between the individual identifiable assets and liabilities acquired based on their relative fair values as at the acquisition date.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's

previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Part of goodwill is due to the recognition of deferred tax obligation at nominal value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as liability will be recognised in profit or loss.

2.9 Intangible assets

a) Goodwill

Goodwill arising on an acquisition of a business is recognised in the balance sheet at the date of acquisition of the business (see note 2.8 above). Goodwill is not amortised, but is tested for impairment annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or collections of cash-generating units) expected to benefit from synergies of the business combination.

Goodwill is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill will not be reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

b) Other intangible assets

Other intangible assets acquired through a business combination are initially recognised at fair value, and otherwise at acquisition cost. The asset's residual value and expected useful life are reviewed on an annual basis and adjusted if necessary. If an asset's carrying value exceeds the recoverable amount, the asset will be written down to the recoverable amount. Any gain or loss arising from the disposal of an asset will be determined as the difference between the asset's sales price and carrying value, and recognised in the

consolidated statement of comprehensive income as Other net profit (loss).

2.10 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the sale of property and related transactions in the ordinary course of the Group's activities, in accordance with IAS 18 Revenues.

(a) Sale of property

Revenue from sale of residential property (including any sale of projects under development and undeveloped land) is recognised at the transaction date, when all the conditions for recognition have been satisfied. For residential property, the transfer of risk and control is completed at the time of delivery.

Property may be sold with a degree of continuing involvement by the seller, which may be commitments to complete construction of the property, or a seller guarantee of occupancy of a housing cooperative for a certain period of time. The Group recognises revenue when the significant risks and rewards of ownership of property sold are transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved.

(b) Lease revenues

Rental income from leasing of property (operating leases in which the Group is a lessor) is recognised on a straight-line basis over the term of the relevant lease and included in Other revenues.

(c) Sale of services

Revenue from sale of services is recognised when the service is performed. Estate agent services directly associated with sale of property are included in Sales revenue. Other services are included in Other revenue.

2.11 Inventory property

IAS 2 Inventories defines inventories as assets held for sale in the ordinary course of business, in the process of production for such sale, or as materials or supplies to be consumed in the production process or in the rendering of services.

The Group has property which is land and buildings intended for sale in the ordinary course of business or which is in the process of construction or development for such sale. Inventories thus comprise land, property held

for resale, and property under development and construction. Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. The cost of conversion includes costs directly related to the construction of the property (such as amounts paid to sub-contractors for construction) and an allocation of fixed and variable overheads incurred during development and construction. Borrowing costs directly attributable to the acquisition, construction or production of property, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs commences when the plot is regulated. Capitalisation of other directly attributable costs commences when it is more likely than not that the project will be realised. Other costs are included in the cost of inventories only to the extent that they are directly attributable to bringing the inventories to their present location and condition, including e.g. planning and design costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

When properties are sold, the carrying amount is recognised as a project expense in the income statement in the period in which the related revenue is recognised.

2.12 Property, plant and equipment

Property, plant and equipment are recognised at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is recognised as an expense during the period in which it is incurred. Depreciation is calculated on a straight-line basis, generally 3-10 years.

The asset's residual values and useful lives are reviewed annually, and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the

income statement as other gain/(loss) net.

2.13 Financial assets

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification of the assets. The Group classifies its financial assets in two categories: "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition. The Group has no material financial assets classified at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2.14 Financial liabilities

The Group classifies its financial liabilities as either financial liabilities at "fair value through profit or loss" or "other financial liabilities". The classification depends on the nature and purpose of the financial liabilities and is determined by management at the time of initial recognition.

Borrowings

Borrowings are recognised initially at fair value, net of transaction expenditures incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction expenditures) and the nominal value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group at the balance sheet date has an unconditional right to defer settlement of the liability for at least 12 months.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective

interest-method. If the interest element is insignificant, trade payables are carried at the original invoice amount.

2.15 Cash and cash equivalents

Cash and cash equivalents as presented in the statement of cash flows include cash in hand, bank deposits, and other short-term highly liquid investments with original maturities of three months or less.

2.16 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue expenditures (net of income tax).

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. On subsequent disposal of own shares, any consideration received (net of any directly attributable incremental transaction expenditures and the related income tax effects) is included in Equity attributable to shareholders of the Company.

2.17 Income tax

Income tax expense represents current tax expense and changes in deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Changes in deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition

(other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognises deferred tax for associated companies and jointly controlled entities subject to partnership taxation. Deferred tax is not recognised for limited companies.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intonation to settle the balances on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.18 Provisions

Provisions, e.g. for warranties or investments in infrastructure, are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an nett outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

2.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The group is currently not party to any finance lease arrangements.

Rental income from operating leases (in which the Group is a lessor) is recognised on a straight-line basis over the term of the relevant lease and included in Other revenue.

Operating lease payments (in which the Group is a lessee) are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The Group is currently not party to any material operating lease arrangements.

2.20 Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Obligations related to early retirement pensions (AFP) are part of a multi-employer defined benefit plan. The Company's share of the liability is, however, not measurable and the plan is thus accounted for as if it were a defined contribution plan.

2.21 Adoption of new and revised standards and interpretations

Issued accounting standards and interpretations effective for annual periods beginning on 1 January 2015

The following new and revised/amended IFRSs and interpretations have been adopted in these consolidated financial statements. The application has not had any material impact on the amounts reported, but may affect the accounting for future transactions or arrangements.

| Title of standard | Nature of change | Impact | Mandatory application date |
|-------------------------------|--|---|----------------------------|
| IFRIC 21 Levies | The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, but does not include income taxes (IAS 12). The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. | The interpretation has not any material impact on the amounts reported. | Financial year 2015 |
| Annual improvements 2011-2013 | IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint agreements. | The change has not any material impact on the amounts reported. | Financial year 2015 |
| | IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutual exclusive when distinguishing between investment property and owner occupied property and determining whether the acquisition of an investment property of a business combination. | The change has not any material impact on the amounts reported. | Financial year 2015 |

Issued accounting standards and interpretations not effective for the year ended 31 December 2015

As at the date of authorisation of these financial statements, the Standards and Interpretations in the table below had been issued by the IASB but were not effective for the financial year ended 31 December 2015.

The directors anticipate that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning 1 January 2016 or later. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases will deviate from the effective dates as issued by the IASB. The directors have not yet considered the potential impact of the adoption of these new and revised/amended IFRSs and Interpretations. Standards that are not clearly relevant for the consolidated financial statements are not included in the table below.

| Title | Nature of change | Impact | Mandatory application date |
|---|--|---|--|
| Defined benefit plans: Employee contribution (IAS 19) | IAS 19 – allow contributions that are linked to services, but do not vary with the length of employee services (eg a fixed % of salary), to be deducted from the cost of benefits earned in the period that the services is provided. | The change has not any material impact on the financial statement for the Group. | Financial year 2016 |
| Disclosure initiative | IAS 1 – changed to provide clarifications on materiality, disaggregation and subtotals of line items specified in IAS 1, and that notes do not need to be presented in a particular form. OCI arising from investments accounted for under the equity method, should be grouped into two whether the items will or will not subsequently be reclassified to profit and loss. | The change do not affect the Group's accounting policies or disclosures, as these amendments merely clarify the existing requirements. | Financial year 2016 |
| IFRS 10, IAS 28 | The change clarify that: - The exception from preparing consolidated statements is also available to intermediate parent entities which are subsidiaries of investment entities - Subsidiaries of investment entities whose activity is the provide services should be consolidated - Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting | The change has not any material impact on the financial statement for the Group. | Financial year 2016 |
| Annual improvements 2010-2012 | The change has not any material impact on the financial statement for the Group. | The Group does not have share based payment, and therefore on impact on the financial statement for the Group | Financial years commencing on or after 1 February 2015 |
| | IFRS 3 – clarifies that an obligation to pay contingent consideration is classifies as financial liability or equity under the principles in IAS 32 | The Group does not have any business combinations with contingent consideration, but could be relevant in the future | |
| | IFRS 8 – requires disclosures of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. | In prior periods, the operating segments were "Stor-Oslo", "Rest of Norway" and "Abroad". As the projects are monitored individually and independent of geographical area, the Group has merged these three operation segments into one. The change has not any material impact on the financial statement for the Group. | |
| | IFRS 13 – confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial | The change has not any material impact on the financial statement for the Group. | |
| | IAS 16 and IAS 38 – clarifies how the gross carrying amount are treated where an entity measures its assets at revalued amounts. | The Group does not measures its assets at revalued amounts, and therefore on impact on the financial statement for the Group. | |
| | IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity. | The change has not any material impact on the financial statement for the Group. | |

| | | | |
|-------------------------------|---|--|---------------------|
| Annual improvements 2012-2014 | IFRS 5 – when an asset (or disposal group) is reclassified to “held for distribution” or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. | The change has not any material impact on the financial statement for the Group. | Regnskapsåret 2016. |
| | IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing agreement constitute a “continuing involvement” and, therefore whether the asset qualifies for derecognition. | | |
| | IFRS 7 – that the additional disclosures relating to offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. | | |
| | IAS 19 – that when determining the discount rate for post-employment benefit obligation, it is the currency that the liabilities are denominated in that is important and note the country where they arise. | | |
| | IAS 34 – what is meant by the reference in the standard to “information disclosed elsewhere in the interim financial report” and adds a requirement to cross-reference from the interim financial statements to the location of that information. | | |

Note 3: Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies.

Estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources will be required. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates will, by definition, rarely equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Certain amounts included in or affecting the financial statements and related disclosure must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

Estimation of net realisable value for inventory property:

The property development projects are classified as inventory in accordance with IAS 2. Inventories comprise of land (undeveloped), work in progress and finished goods, and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In determining the net realisable value, management carries out assessment of important factors relevant for the valuation, including macroeconomic factors such as expected housing prices and rental levels, as well as expected yields, approvals from authorities, construction costs and project progression. When considered appropriate, management uses reports from external valuation experts to estimate property values or to corroborate the company’s own estimates. Changes in circumstances and in management’s assessment and assumptions will result in amendments to the estimated net realisable value. Also refer to note 5.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units are determined based on fair value or useful value. These calculations require the use of estimates. No impairment charges have been made for the 2013 through 2014 financial periods and management has determined that any reasonably possible change in key assumptions, such as discount rate and estimated cash flows, would not cause the need to reduce the carrying amount of goodwill. Also refer to note 9.

Provisions

The group has made provisions for contract obligations, e.g. infrastructure and construction of parking areas, in situations where the investment will not be met by a corresponding revenue. The provision is based on present obligation, but of uncertain timing and amount. The size of the provision is estimated based on individual contracts and circumstances. Also refer to note 20.

Note 4: Segment information

Management has determined the operating segments based on reports reviewed by the CEO and management group and which are used to make strategic decisions. The figures below were reported to the CEO and the management group at the end of the reporting period. The main segment is defined as Property Development ("Boligutvikling"). In addition the Other segment consists of Services, as well as unallocated revenues and costs.

The group utilises the percentage of completion method in its internal reporting for which the degree of completion is estimated based on expenses incurred relative to total estimated costs and sales rate. Operating revenues under the percentage of completion method also includes an estimated profit element for sold units. The group consolidated income statement is based on the completed contract method, in which revenue is recognised at the time of transfer of risk and control, being the point of delivery of the property. A reconciliation of this effect (from percentage of completion to completed contract) can be found in the segment reporting under "Reconciliation EBITDA to operating profit (loss)".

Group management considers segment results based on the percentage of completion method for determining EBITDA. The method of measurement is defined as operating profit (loss) before "Depreciation and amortisation", "Other gain (loss), net", and "Share of income (losses) from associated companies". Financial income and expenses are not allocated to operating segments since this type of activity is managed by a central finance function focused on managing the group's liquidity.

| As of 31 December 2015 (amounts in NOK 1 000) | Property development | Other | Total |
|--|-------------------------|------------------|----------------|
| Operating revenues | 3 205 890 | 23 174 | 3 229 064 |
| Project expenses | (2 518 225) | (1 005) | (2 519 230) |
| Other operating expenses | (63 853) | (153 595) | (217 448) |
| EBITDA (percentage of completion) | 623 812 | (131 426) | 492 386 |

Reconciliation EBITDA to operating profit (loss):

| | | | |
|--|----------------|------------------|----------------|
| EBITDA (percentage of completion) | 623 812 | (131 426) | 492 386 |
| Sales revenues (adjustment effect of percentage of completion) | (3 075 641) | - | (3 075 641) |
| Sales revenues (completed contract) | 3 094 974 | - | 3 094 974 |
| Project expenses (adjustment effect of percentage of completion) | 2 432 341 | - | 2 432 341 |
| Project expenses (completed contract) | (2 523 964) | - | (2 523 964) |
| Depreciation and amortisation | - | (24 085) | (24 085) |
| Share of income (loss) from associated companies | 8 328 | - | 8 328 |
| Other gain (loss), net | - | - | - |
| Operating profit (loss) | 559 849 | (155 511) | 404 336 |

| | | | |
|---------------------|-------|-----|-----|
| Units in production | 1 339 | N/A | N/A |
| Units delivered | 893 | N/A | N/A |

| As of 31 December 2014 (amounts in NOK 1 000) | Property development | Other | Total |
|--|-------------------------|------------------|----------------|
| Operating revenues | 3 089 625 | 23 585 | 3 113 210 |
| Project expenses | (2 400 501) | (1 376) | (2 401 877) |
| Other operating expenses | (76 509) | (139 388) | (215 897) |
| EBITDA (percentage of completion) | 612 615 | (117 179) | 495 436 |

Reconciliation EBITDA to Operating profit (loss):

| | | | |
|--|----------------|------------------|----------------|
| EBITDA (percentage of completion) | 612 615 | (117 179) | 495 436 |
| Sales revenues (adjustment effect of percentage of completion) | (2 942 115) | - | (2 942 115) |
| Sales revenues (completed contract) | 2 772 328 | - | 2 772 328 |
| Project expenses (adjustment effect of percentage of completion) | 2 329 255 | - | 2 329 255 |
| Project expenses (completed contract) | (2 300 396) | - | (2 300 396) |
| Depreciation and amortisation | - | (21 205) | (21 205) |
| Share of income (loss) from associated companies | 32 404 | - | 32 404 |
| Other gain (loss), net | - | - | - |
| Operating profit (loss) | 504 091 | (138 384) | 365 712 |

| | | | |
|---------------------|-------|-----|-----|
| Units in production | 1 308 | N/A | N/A |
| Units delivered | 861 | N/A | N/A |

Note 5: Inventory property

| <i>(amounts in NOK 1 000)</i> | Land | Borrowing cost of land | Capitalised project expenses | Total |
|---|------------------|---------------------------|------------------------------------|------------------|
| As of 1 January 2014 | 1 615 885 | 137 483 | 2 530 482 | 4 283 850 |
| Additions | 16 913 | 32 920 | 2 343 390 | 2 393 223 |
| Acquisition of subsidiaries | 31 718 | - | 11 811 | 43 529 |
| Reclassifications of land to capitalised project expenses | (174 792) | (37 129) | 211 921 | - |
| Inventory expenses on delivered units | (8 615) | - | (2 353 182) | (2 361 797) |
| Annual impairment losses | - | - | (10 000) | (10 000) |
| Carrying amount as of 31 December 2014 | 1 481 109 | 133 274 | 2 734 422 | 4 348 805 |
| Additions | 714 265 | 20 988 | 2 234 412 | 2 969 665 |
| Acquisition of subsidiaries | - | - | 5 428 | 5 428 |
| Reclassifications of land to capitalised project expenses | (304 068) | (38 364) | 342 432 | - |
| Inventory expenses on delivered units (project expenses) | (31 950) | (6 458) | (2 570 091) | (2 608 499) |
| Annual impairment losses | - | - | - | - |
| Carrying amount as of 31 December 2015 | 1 859 356 | 109 440 | 2 746 603 | 4 715 399 |
| <i>(amounts in NOK 1 000)</i> | | | 2015 | 2014 |
| Land (undeveloped) | | | 1 968 795 | 1 614 382 |
| Work in progress | | | 2 368 510 | 2 360 274 |
| Finished projects | | | 378 094 | 374 149 |
| Carrying amount inventory | | | 4 715 399 | 4 348 805 |

Acquisition of subsidiary in 2015 was Dockside Næring AS.

Acquisition of subsidiaries consists of the two previously associated companies Nordic Residential S.L. and Nordic Sol Commercial S.L.

Capitalisation rates utilised to determine the amount of borrowing costs eligible for capitalisation were between 3.3% and 3.7% during 2015.

Corresponding rates were between 3.9% and 4.0% during 2014.

Land loans are normally converted to construction loans in line with the progress of the respective construction projects. They are capitalised against the site from the day the project secures planning permission, and recognised in profit and loss as part of the cost of sales when the units are delivered. Interest charges on construction loans are capitalised during the construction period and recognised under cost of sales in the same way. Capitalised interests from construction loans are included in additions capitalised project expenses in the table above.

Valuation of properties

Plots of land are considered part of inventory and are valued to the lowest of acquisition cost and net realisable value. An internal assessment of the value of inventory property is prepared annually at year-end in order to determine net realisable value for individual plots/properties.

Additionally, and at the group's request, external valuations of properties have been performed by Akershus Eiendom as of 31 December 2015. The group management has determined the most significant assumptions relevant to the valuation of individual plots/properties, including size, geographic location, current regulation, potential for development and timing of sale. The external valuation indicates an excess value of NOK 881 million beyond the carrying amounts related to the properties included in land (undeveloped).

Impairment test inventory property

The group has not recognised any impairment charges on inventory property (buildings and land) for 2015. The group recognised an impairment charge of NOK 10 million on a parking facility in Lørenskog in 2014.

See note 16 for inventory property pledged as collateral for borrowings from financial institutions.

Note 6: Salaries and personnel expenses

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|-----------------|-----------------|
| Wages and salaries | (99 154) | (91 139) |
| Social security tax | (16 278) | (15 420) |
| Pension costs | (4 405) | (5 523) |
| Other benefits | (8 600) | (6 658) |
| Salary expense capitalised to inventory | 31 378 | 35 871 |
| Total salaries and personnel expenses | (97 059) | (82 868) |
| Average number of employees | 99 | 99 |

Specification of pension costs

| <i>(amounts in NOK 1 000)</i> | 2 015 | 2014 |
|---|----------------|----------------|
| Pension cost - defined contribution and disability pension plan | (3 376) | (2 959) |
| Pension cost - defined benefit plan | (130) | (1 788) |
| Other pension costs (including early retirement (AFP)) | (899) | (776) |
| Net pension costs | (4 405) | (5 523) |

As of 31 December 2015, 95 employees were included in the defined contribution plan. In addition, four employees were included in a defined benefit plan which is closed to new members. The defined benefit plan carries a net obligation of NOK 0.8 million. Forty-one current employees were included in the early retirement (AFP) plan. See also note 8 for Selvaag Bolig ASA.

Companies in Norway are required to offer a pension plan in line with the Act on mandatory occupational pensions ("lov om obligatorisk tjenestepensjon"), and the group's companies have a pension plan that meets these requirements. The basis for earned pension rights under the defined contribution plan is 4.5% of salary between 1 and 7.1 times the National Insurance base amount (G) and 10% between 7.1 and 12G.

Note 7: Other operating expenses

| <i>(amounts in NOK 1 000)</i> | Note | 2015 | 2014 |
|--|------|------------------|------------------|
| Operation and maintenance | | (24 766) | (21 348) |
| Consultancy expenses | | (22 161) | (22 236) |
| Commissions and other sales related expenses | | (51 439) | (62 714) |
| Losses on receivables | 11 | (732) | (1 794) |
| Other operating expenses | | (21 291) | (24 494) |
| Total other operating expenses | | (120 389) | (132 586) |

Operation and maintenance includes expenses of NOK 10.2 million (NOK 6.8 million) in 2015 related to lease contracts and operation of the Selvaag group headquarters purchased from Selvaag Gruppen. See also note 23 on related party transactions for further specifications.

The decrease in commissions and sales-related expenses mainly reflects a reduced number of sale starts and a contraction in general marketing activities.

Other operating expenses primarily consist of administrative expenses, including services purchased from Selvaag Gruppen, of NOK 2.5 million in 2015 and NOK 2.5 million in 2014.

Note 8: Financial income and expenses

| <i>(amounts in NOK 1 000)</i> | Note | 2015 | 2014 |
|---|------|-----------------|-----------------|
| Interest income on financial assets measured at amortised cost | | 9 686 | 16 473 |
| Net foreign currency gains | | - | 3 079 |
| Other financial income | | 2 984 | 1 663 |
| Total financial income | | 12 670 | 21 215 |
| Interest expenses on financial liabilities measured at amortised cost | | (55 890) | (65 033) |
| Capitalised interest | 5 | 20 988 | 32 920 |
| Total interest expenses | | (34 902) | (32 113) |
| Net foreign currency losses | | (1 270) | (1 209) |
| Other financial expenses | | (9 646) | (4 899) |
| Total financial expenses | | (45 818) | (38 221) |
| Net financial expenses | | (33 148) | (17 006) |

Note 9: Intangible Assets

| <i>(amounts in NOK 1 000)</i> | Goodwill | Other intangible assets | | Total |
|---|----------------|-------------------------|------------------|-----------------|
| | | Trademarks | Rental contracts | |
| Cost at 31 December 2013 | 383 376 | 50 000 | 44 545 | 477 921 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Cost at 31 December 2014 | 383 376 | 50 000 | 44 545 | 477 921 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Cost at 31 December 2015 | 383 376 | 50 000 | 44 545 | 477 921 |
| Accumulated amortisation at 31 December 2013 | - | (22 500) | (20 939) | (43 439) |
| Write-downs | - | - | - | - |
| Amortisation | - | (10 000) | (8 907) | (18 907) |
| Accumulated amortisation at 31 December 2014 | - | (32 500) | (29 846) | (62 346) |
| Write-downs | - | - | - | - |
| Amortisation | - | (10 000) | (8 400) | (18 400) |
| Accumulated amortisation at 31 December 2015 | - | (42 500) | (38 246) | (80 746) |
| Carrying amount at 31 December 2014 | 383 376 | 17 500 | 14 699 | 415 575 |
| Carrying amount at 31 December 2015 | 383 376 | 7 500 | 6 299 | 397 175 |
| Estimated useful life | - | 5 years* | 5 years* | |
| Amortisation method | - | Straight-line | Straight-line | |

* Estimated useful life until September 2016.

The value of intangible assets is tested for impairment annually, or more often when there is indication that the value may be impaired. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

Impairment testing of goodwill and other intangible assets

The Group tests goodwill for impairment annually, or more often if internal or external indications of impairment exist. Other intangible assets, including the trademark "Selvaag Pluss" and long-term property leases will be amortised over their expected useful life and tested for impairment if events during the period indicate that the value may be impaired.

a) Goodwill

Goodwill arisen from business combinations is allocated to each of the Group's cash-generating segments as follows:

| 2015 | Goodwill |
|----------------------|----------------|
| Property development | 382 176 |
| Other | 1 200 |
| Total | 383 376 |

| 2014 | Goodwill |
|----------------------|----------------|
| Property development | 382 176 |
| Other | 1 200 |
| Total | 383 376 |

Cash-generating units are divided into the property development and other operating segments. Goodwill allocated to the "other" segment is related to Selvaag Eiendomsoppgjør AS, previously part of Meglerhuset Selvaag (estate agents).

An external valuation indicates excess values of NOK 881 million over and above the carrying amounts related to the properties included in land (undeveloped). See note 5. The excess value is allocated to the cash-generating units property development – Greater Oslo and property development – rest of Norway. The group expects to realise excess value in the existing land bank through projects developed over the next five to 10 years.

The group has tested the goodwill for impairment on the basis of a model for estimating future cash flows from property development projects. The estimated cash flows are discounted to net present value using a weighted average cost of capital discount rate. Future cash flows are estimated on the basis of expected cash flow from ongoing projects, future projects from the current land bank and future projects requiring new investment in properties. Expected cash outflows related to new investment in properties and administrative costs are included in the calculation. The most significant assumptions in the calculation model are deemed to be sales volume and discount rate, in addition to the profit rate in the projects. The impairment test shows sufficient excess value over and above the carrying amount to conclude that any reasonable decrease in the key assumptions will not trigger an impairment charge for goodwill. The sensitivity analysis below shows the change in the net present value of future cash flows from changes to key assumptions:

| | | Units delivered per year | | |
|--------|----------|--------------------------|------|------|
| | | -10% | + -0 | +10% |
| Margin | -0.5 pp | -16% | -6% | 5% |
| | + - 0 pp | -11% | - | 11% |
| | + 0.5 pp | -6% | 6% | 17% |

b) Trademark

The trademark "Selvaag Pluss" was included in the acquisition of Selvaag Pluss Eiendom KS detailed in note 6. The recoverable amount of the asset is calculated based on the expected future value generated by the concept. The liquidity forecasts used in the estimates are based on management's estimate of the expected excess value of the "Pluss-concept" during a five-year period. Future cash flows are discounted using a discount rate of 15% (before tax).

c) Other intangible assets

Other intangible assets include specific long-term property leases in acquired businesses detailed in note 6. The recoverable amount of the asset is calculated based on the expected future value of the property lease. Liquidity forecasts are based on management's estimate of future expected cash flows generated by property leases in the course of a five-year period. Value assessments are based on the number of square meters leased, the amount of idle leasable space, lease income per square meter and variable lease expenses. Future cash flows are discounted at a rate of 10% after tax.

Note 10: Property, plant and equipment

| <i>(amounts in NOK 1 000)</i> | Machinery and plant | Inventory and other equipment | Total |
|---|--------------------------------|--|-----------------|
| Cost at 31 December 2013 | - | 10 454 | 10 454 |
| Additions 2014 | 3 556 | 11 769 | 15 325 |
| Disposals 2014 | - | (1 333) | (1 333) |
| Translation differences | - | - | - |
| Cost at 31 December 2014 | 3 556 | 20 890 | 24 446 |
| Tilganger 2015 | 6 409 | 2 168 | 8 577 |
| Avganger 2015 | - | (31) | (31) |
| Omregningsdifferanser | - | 58 | 58 |
| Cost at 31 December 2015 | 9 965 | 23 085 | 33 050 |
| Accumulated depreciation at 31 December 2013 | - | (5 540) | (5 540) |
| Depreciation 2014 | (118) | (2 181) | (2 299) |
| Disposals 2014 | - | 732 | 732 |
| Translation differences | - | 56 | 56 |
| Accumulated depreciation at 31 December 2014 | (118) | (6 933) | (7 051) |
| Depreciation 2015 | (1 611) | (4 074) | (5 685) |
| Disposals 2015 | - | - | - |
| Translation differences | - | - | - |
| Accumulated depreciation at 31 December 2015 | (1 729) | (11 007) | (12 736) |
| Carrying amount at 31 December 2014 | 3 438 | 13 957 | 17 395 |
| Carrying amount at 31 December 2015 | 8 236 | 12 078 | 20 314 |
| Estimated useful life | 3-5 years | 3-5 years | |
| Depreciation method | straight-line | straight-line | |

Note 11: Trade and other receivables

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|---|----------------|----------------|
| Receivables from sale of land | 37 726 | 36 450 |
| Seller credits | 29 748 | 28 604 |
| Other loans and receivables | 38 071 | 39 061 |
| Other non-current assets | 105 545 | 104 116 |
| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
| Trade receivables | 110 288 | 440 283 |
| Current non-interest-bearing receivables from the Selvaag Group | - | 1 275 |
| Other receivables * | 34 182 | 119 613 |
| Other current financial receivables | 34 182 | 120 888 |
| Prepaid expenses | 3 389 | 26 850 |
| Total other current receivables | 37 571 | 147 738 |

* For 2014 the amount was mainly receivables from sale of land and commercial properties.

The carrying amounts of trade and other receivables are denominated in NOK.

| Analysis of trade receivables overdue at the end of the reporting period | 2015 | 2014 |
|--|----------------|----------------|
| Not overdue | 111 428 | 438 789 |
| Overdue 1-100 days | (1 396) | 925 |
| Overdue → 100 days | 2 637 | 7 950 |
| Gross trade receivables | 112 669 | 447 664 |
| Total allowance for doubtful debts | 2 381 | 7 381 |
| Net trade receivables | 110 288 | 440 283 |
| Losses on receivables | 2015 | 2014 |
| Movement in allowance for doubtful debts | (5 000) | 453 |
| Receivables written off during the year as uncollectible | 5 732 | 1 341 |
| Losses on receivables in the statement of comprehensive income | 732 | 1 794 |

Note 12: Additional information to the statement of cash flows

Acquisitions of businesses and subsidiaries

The table below shows the effects on the consolidated statement of financial position from acquisitions of businesses and subsidiaries:

| (amounts in NOK 1 000) | 2015 | 2014 |
|--|------------|--------------|
| Current assets | 6 127 | 45 057 |
| Liabilities | (6 127) | (25 366) |
| Fair value of existing ownership interests in associated companies at acquisition date | - | (19 691) |
| Total consideration | - | - |
| Cash payments related to acquisitions | - | - |
| Cash in subsidiaries acquired | 691 | 2 232 |
| Payments for acquisitions of businesses and subsidiaries, net of cash acquired | 691 | 2 232 |

Acquisitions in 2015 consist of former associated company Dockside Næring AS.

Acquisitions in 2014 consist of former associated companies Nordic Residential S.L. and Nordic Sol Commercial S.L.

Disposal of businesses and subsidiaries

The table below shows the effects on the consolidated statement of financial position from disposal of businesses and subsidiaries:

| (amounts in NOK 1 000) | 2015 | 2014 |
|---|--------------|----------|
| Current assets | 588 | - |
| Liabilities | (114) | - |
| Gains (losses) on disposal of businesses and subsidiaries | - | - |
| Total consideration | 474 | - |
| Cash proceeds related to disposals of businesses and subsidiaries | 474 | - |
| Cash in subsidiaries disposed of | (588) | - |
| Payments for acquisitions of businesses and subsidiaries, net of cash acquired | (114) | - |

Cash and cash equivalents

| (amounts in NOK 1 000) | 2015 | 2014 |
|---------------------------------------|----------------|----------------|
| Restricted bank accounts | 97 917 | 96 415 |
| Non-restricted bank deposits and cash | 574 367 | 469 515 |
| Total | 672 284 | 565 930 |

Restricted bank accounts mainly concern guarantees related to guarantees required by section 12 of the Housing Construction Act (Bustadoppføringsloven).

Interest payments

Payments and proceeds of interest are classified as operating activities. Payments were NOK 136 and NOK 137 million in 2015 and 2014, respectively. Proceeds of interests were NOK 5 million in 2015 and NOK 13 million in 2014.

Note 13: Additional information to the statement of changes in equity and shareholders

Paid-in capital

| <i>(amounts in NOK 1 000, except number of shares)</i> | Number of shares | Share capital | Share premium | Other paid-in capital | Total paid-in capital |
|---|---------------------|------------------|------------------|--------------------------|--------------------------|
| Equity as of 31 December 2014 | 93 755 157 | 187 511 | 1 394 857 | 700 629 | 2 282 997 |
| Share buy back Selvaag Bolig ASA related to share programme for employees | (431 622) | (863) | - | - | (863) |
| Sale of shares from Selvaag Bolig ASA to employees | 75 590 | 151 | - | - | 151 |
| Equity as of 31 December 2015 | 93 399 125 | 186 799 | 1 394 857 | 700 629 | 2 282 285 |

As of 31 December 2015, the share capital of the company (net of treasury shares) was NOK 186.8 million comprising 93,399,125 fully-paid ordinary shares with a par value of NOK 2.00.

As of 31 December 2014, the share capital of the company (net of treasury shares) was NOK 187.5 million, comprising 93,755,157 fully-paid ordinary shares. All issued shares carry equal rights. The change in 2015 is related to share buy back for employee share purchase programme and sale of shares to employees through this programme.

Selvaag Bolig ASA holds 394 794 own shares as of 31 December 2015 (10 531 own shares as of 31 December 2014).

The board of Selvaag Bolig ASA is mandated by the annual general meeting (AGM) to acquire the company's shares up to a total nominal value of NOK 18 753 137. The amount paid for the shares must be a minimum of NOK 10 and maximum of NOK 40. The board can use the mandate for a possible later write-down of the share capital with the consent of the general meeting, remuneration of directors, incentive programmes, settlement for the possible acquisition of businesses, or for the purchase of shares where this is financially beneficial. The board has a free choice of the methods to be used for acquiring or disposing of shares. The mandate runs until the AGM in 2016, when an extension of the mandate until the AGM in 2017 will be proposed.

Furthermore, the board of Selvaag Bolig ASA is mandated the AGM to increase the share capital, on one or more occasions, up to a total of NOK 18 753 137. The mandate can be used to issue shares as payment related to incentive schemes, as consideration for the acquisition of business falling within the company's business purpose, or for necessary strengthening of the company's equity. The mandate runs until the AGM in 2016, when an extension of the mandate until the AGM in 2017 will be proposed.

Other equity reserves

Other reserves in the statement of changes in equity consist of the Group's share of transactions with owners in associated companies and joint ventures.

Non-controlling interests (NCI)

| <i>(amounts in NOK 1 000)</i> | NCI ownership in % | | NCI share of profit (loss) | | NCI carrying amount as of | |
|-------------------------------|--------------------|----------|----------------------------|--------------|---------------------------|---------------|
| | 31.12.15 | 31.12.14 | 2015 | 2014 | 31.12.15 | 31.12.14 |
| Nesttun Pluss AS/KS | 25.0% | 25.0% | (1 748) | 1 184 | 9 605 | 14 728 |
| Løren 2B AS/IS | 3.7% | 3.7% | - | (15) | - | - |
| Selvaag Bolig Vaagen AS | 20.0% | 20.0% | (23) | - | (23) | - |
| | | | (1 771) | 1 169 | 9 582 | 14 728 |

Payments of NOK3.4 million in dividends (9.0) reduced the share of equity allocated to non-controlling interests to NOK 9.6 million (14.7)

Ownership structure

As of 31 December 2015, the Group had 1840 shareholders, of which 100 shareholders outside Norway. As of 31 December 2014, the Group had 917 shareholders, of which 63 shareholders outside Norway.

The 20 largest shareholders as of 31 December 2015 were as follows:

| Shareholder | Ordinary shares | Ownership/ voting share % |
|--|-------------------|---------------------------|
| SELVAAG GRUPPEN AS | | |
| SKANDINAVISKA ENSKILDA BANKEN AB | 5 657 160 | 6.0% |
| MORGAN STANLEY & CO. INTERNATIONAL | 2 648 779 | 2.8% |
| MP PENSJON PK | 2 477 321 | 2.6% |
| J.P. MORGAN CHASE BANK N.A. LONDON | 2 190 874 | 2.3% |
| PARETO AS | 2 065 624 | 2.2% |
| US BK EVERMORE GLO VAL FUND | 1 489 383 | 1.6% |
| VERDIPAPIRFONDET PARETO INVESTMENT | 1 465 000 | 1.6% |
| STOREBRAND NORGE I | 1 300 800 | 1.4% |
| THE BANK OF NEW YORK MELLON | 1 251 136 | 1.3% |
| HOLTA INVEST AS | 1 200 000 | 1.3% |
| STATE STREET BANK AND TRUST CO. | 1 114 573 | 1.2% |
| HOLBERG NORDEN | 910 217 | 1.0% |
| UTHALDEN A/S | 861 581 | 0.9% |
| VERDIPAPIRFONDET DELPHI NORDEN | 819 213 | 0.9% |
| STOREBRAND VERDI | 750 473 | 0.8% |
| FIDELITY SELECT PORTFOLIOS: FIDELI | 717 592 | 0.8% |
| DELPHI KOMBINASJON | 554 269 | 0.6% |
| MUSTAD INDUSTRIER AS | 515 000 | 0.5% |
| BANAN II AS | 455 190 | 0.5% |
| Total 20 largest shareholders | 78 624 272 | 83.9% |
| Other shareholders (including treasury shares) | 15 141 416 | 16.1% |
| Total ordinary shares | 93 765 688 | 100.0% |

The 20 largest shareholders as of 31 December 2014 were as follows:

| Shareholder | Ordinary shares | Ownership/ voting share % |
|--|-------------------|---------------------------|
| SELVAAG GRUPPEN AS | | |
| SKANDINAVISKA ENSKILDA BANKEN AB | 5 542 547 | 5.9% |
| AS ATLANTIS VEST | 3 574 556 | 3.8% |
| MP PENSJON PK | 2 557 294 | 2.7% |
| MORGAN STANLEY & CO. INTERNATIONAL | 2 389 096 | 2.5% |
| PARETO AS | 2 065 624 | 2.2% |
| US BK EVERMORE GLO VAL FUND | 1 520 000 | 1.6% |
| STOREBRAND NORGE I | 1 327 079 | 1.4% |
| UTHALDEN A/S | 1 234 613 | 1.3% |
| THE BANK OF NEW YORK MELLON | 1 231 559 | 1.3% |
| HOLTA INVEST AS | 1 200 000 | 1.3% |
| STOREBRAND VERDI | 1 164 879 | 1.2% |
| J.P. MORGAN CHASE BANK N.A. LONDON | 1 109 431 | 1.2% |
| HOLBERG NORGE | 1 098 143 | 1.2% |
| HOLBERG NORDEN | 1 055 000 | 1.1% |
| ANAXO CAPITAL AS | 828 246 | 0.9% |
| VERDIPAPIRFONDET DNB SMB | 825 000 | 0.9% |
| J.P. MORGAN CHASE BANK N.A. LONDON | 773 748 | 0.8% |
| VERDIPAPIRFONDET OMEGA INVESTMENT | 729 000 | 0.8% |
| FIDELITY SELECT PORTFOLIOS: FIDELI | 626 200 | 0.7% |
| Total 20 largest shareholders | 81 032 102 | 86.4% |
| Other shareholders (including treasury shares) | 12 733 586 | 13.6% |
| Total ordinary shares | 93 765 688 | 100.0% |

The directors and the chief executive officer held no share options in the company during the years 2015 and 2014. See note 22 for an overview of the directors' and the chief executive officer's share ownership in the company during the years 2015 and 2014.

Note 14: Earnings per share

Earnings per share are calculated by dividing the profit (loss) for the period by the weighted average number of shares in issue. There are no diluting effects related to the share capital in the years 2015 and 2014.

| | 2015 | 2014 |
|---|-------------|-------------|
| Profit (loss) for the period attributable to shareholders of the Company in NOK 1 000 | 281 131 | 253 362 |
| Weighted average number of shares outstanding during the period | 93 733 327 | 93 765 688 |
| Basic earnings per share in NOK | 3,00 | 2,70 |
| Diluted earnings per share in NOK | 3,00 | 2,70 |

Note 15: Dividend

The company has established a policy of paying dividends twice a year from 2015. The board has proposed a dividend of NOK 0.80 per share for the second half of 2015, corresponding to NOK 75 million. Furthermore, NOK 0.70 per share was paid on the basis of the financial results for the first half of 2015, corresponding to NOK 65.6 million. Total dividend for 2015 equals 50% of earnings per share. The dividend paid for 2014 was NOK 112.5 million, corresponding to NOK 1.20 per share. That equalled 44% of earnings per share. The dividend for the second half of 2015 is subject to approval by the AGM on 29 April and is not reflected in the financial statements for 2015.

Note 16: Interest-bearing liabilities

Specification of interest-bearing liabilities

| (amounts in NOK 1 000) | 2015 | 2014 |
|---|------------------|------------------|
| <i>Non-current liabilities</i> | | |
| Bank loans | 1 352 424 | 1 260 970 |
| Bond issue | 494 291 | 491 431 |
| Total non-current interest-bearing liabilities at amortised cost | 1 846 715 | 1 752 401 |
| <i>Current liabilities</i> | | |
| Bank loans | 771 302 | 959 518 |
| Other current liabilities | - | - |
| Total current interest-bearing liabilities at amortised cost | 771 302 | 959 518 |
| Total interest-bearing liabilities at amortised cost | 2 618 017 | 2 711 919 |

Two undrawn overdraft facilities of NOK 150 million each were held by the group at 31 December.

The group has an unsecured bond loan of NOK 500 million, listed on the Oslo Stock Exchange in the third quarter of 2013. This has a five-year term and quarterly interest payments from 27 September 2013. Interest on the loan is three months Nibor plus 475 basis points. The bond incorporates covenants which require the company to maintain 1) a minimum equity ratio of 25 per cent until 30 June 2017 and then 27.5 per cent until maturity in June 2018 and 2) a sales ratio of at least 60 per cent for units under construction. Both covenants were fulfilled at 31 December 2015, with an equity ratio of 40.8 per cent and a sales ratio of 79 per cent. In September 2015, a bondholder meeting approved a change to the dividend provisions in the bond which gave Selvaag Bolig the opportunity to pay dividend more than once a year.

The group's interest-bearing debt falls primarily into three categories: 1) liabilities in parent company Selvaag Bolig ASA (top-up loans), 2) land loans and 3) construction loans. At 31 December, the group had a top-up loan of NOK 494 million, land loans of NOK 1 094 million and construction loans of NOK 1 030 million. The top-up loan consisted of a bond carried at a net amortised cost of NOK 494 million.

| Company (amounts in NOK 1 000) | Loan instrument | Lender | 2015 | Currency | Maturity date |
|--|---------------------------|---------------------|---------|----------|---------------|
| Selvaag Bolig ASA | Bond | Bond owners | 494 291 | NOK | 27.06.18 |
| Selvaag Bolig ASA | Land loan | DNB | 193 994 | NOK | 31.12.2016 |
| Selvaag Bolig ASA | Working capital facility | DNB | - | NOK | Unspecified |
| Selvaag Bolig ASA | Revolving credit facility | DNB | - | NOK | 31.12.2016 |
| Selvaag Bolig Lørenskog AS | Land loan | DNB / Handelsbanken | 108 300 | NOK | 30.09.2018 |
| Skårer Bolig AS | Land loan | DNB | 195 000 | NOK | 19.11.2015 |
| Selvaag Bolig Løren 5 AS | Land loan | DNB / Handelsbanken | 26 743 | NOK | 31.12.2016 |
| Selvaag Bolig Vestfold AS | Land loan | DNB | 54 250 | NOK | 31.12.2016 |
| Selvaag Løren 7 AS | Land loan | DNB | 42 000 | NOK | 31.12.2016 |
| Selvaag Løren 7 AS | Land loan | DNB | 68 500 | NOK | 28.02.2017 |
| Selvaag Boligutvikling I - Kilenkollen | Land loan | DNB | 78 000 | NOK | 30.04.2017 |

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| | | | | | |
|---|------------------------|------------------------|------------------|-----|------------|
| Selvaag Bolig Hovinenga AS | Land loan | DNB / Handelsbanken | 132 000 | NOK | 31.10.2016 |
| Jaasund AS | Land/construction loan | SR Bank | 53 245 | NOK | 31.12.2018 |
| Lervik Brygge | Construction loan | SR Bank | 61 232 | NOK | 31.12.2018 |
| Aase Gaard AS | Construction loan | SR Bank | 17 963 | NOK | 31.12.2017 |
| Selvaag Bolig Ballerud AS | Construction loan | Sparebanken Øst | 48 000 | NOK | 01.01.2017 |
| Selvaag Bolig Oppløpet AS | Construction loan | DNB / Handelsbanken | 225 000 | NOK | 31.12.2016 |
| Selvaag Bolig Stasjonsby I AS | Construction loan | DNB / Handelsbanken | 18 000 | NOK | 31.05.2018 |
| Vestparken AS | Construction loan | DNB | 40 645 | NOK | 31.03.2017 |
| Selvaag Bolig Glassverket AS | Construction loan | DNB | 15 558 | NOK | 31.01.2018 |
| Selvaag Bolig Nybyen Økern AS | Construction loan | DNB | 99 956 | NOK | 31.12.2019 |
| Selvaag Bolig Kornmoenga AS | Construction loan | DNB / Handelsbanken | 5 000 | NOK | 30.03.2017 |
| Selvaag Bolig Løren 5 AS | Land loan | DNB / Handelsbanken | 97 313 | NOK | 31.12.2016 |
| Selvaag Bolig Løren 5 AS | | DNB / Handelsbanken | 80 000 | NOK | 31.10.2017 |
| Strandkanten Pluss II KS | | DNB | 20 131 | NOK | 30.04.2017 |
| Nyhavn Pluss | Construction loan | DNB | 202 277 | NOK | 30.03.2017 |
| Lade Allé 67 / 69 Holding AS | Land loan | Sparebank 1 Midt-Norge | 217 891 | NOK | 04.11.2017 |
| Aase Gaard Bolig II AS | Construction loan | SR Bank | 7 728 | NOK | 30.05.2017 |
| Other companies | Other loans | DNB / Handelsbanken | 15 000 | NOK | 2016-2020 |
| Total interest-bearing liabilities | | | 2 618 017 | | |

Interest rates are based on three-month Nibor plus a margin. As of 31 December 2015, the average interest rate was 5.88% for the top-up loans, 3.42% for the land loans and 3.21% for the construction loans. The differences between the disclosed nominal interest rates and effective interest rates are deemed insignificant. Duration of construction loans follows the completion rate and delivery of housing units, hence final redemption is when the project is completed.

| Company (amounts in NOK 1 000) | Loan instrument | Lender | 2014 | Currency | Maturity date |
|---|---------------------------|-----------------------------|------------------|----------|---------------|
| Selvaag Bolig ASA | Bond | Bond owners | 491 431 | NOK | 27.06.18 |
| Selvaag Bolig ASA | Land loan | DNB | 161 994 | NOK | 31.12.2016 |
| Selvaag Bolig ASA | Working capital facility | DNB | 55 017 | NOK | Unspecified |
| Selvaag Bolig ASA | Revolving credit facility | DNB | - | NOK | 31.12.2015 |
| Selvaag Bolig Lørenskog AS | Land loan | DNB / Handelsbanken | 109 300 | NOK | 30.09.2018 |
| Skårer Bolig AS | Land loan | Storebrand | 195 000 | NOK | 19.11.2015 |
| Selvaag Bolig Løren 5 AS | Land loan | DNB / Handelsbanken | 67 556 | NOK | 31.12.2016 |
| Selvaag Bolig Vestfold AS | Land loan | DNB | 54 250 | NOK | 31.12.2016 |
| Selvaag Løren 7 AS | Land loan | DNB | 42 000 | NOK | 31.12.2016 |
| Jaasund AS | Land loan | SR Bank | 62 510 | NOK | 31.12.2018 |
| Lervik Brygge AS | Land loan | SR Bank | 21 300 | NOK | 31.12.2015 |
| Aase Gaard AS | Land loan | SR Bank | 23 913 | NOK | 31.12.2017 |
| Nyhavn Pluss KS | Land/construction loan | DNB | 70 628 | NOK | 30.03.2017 |
| Selvaag Bolig Lillohøyden AS | Construction loan | DNB / Handelsbanken | 296 351 | NOK | 31.12.2015 |
| Selvaag Bolig Vestfold AS | Construction loan | DNB | 17 619 | NOK | 30.11.2015 |
| Selvaag Bjørnåsen Nord AS | Construction loan | DNB | 103 540 | NOK | 30.09.2015 |
| Selvaag Bolig Stasjonsby I AS | Construction loan | DNB / Handelsbanken | 102 133 | NOK | 31.05.2015 |
| Selvaag Bolig Formtoppen AS | Construction loan | DNB / Handelsbanken | 75 089 | NOK | 30.09.2015 |
| Selvaag Bolig Oppløpet AS | Construction loan | DNB / Handelsbanken | 38 000 | NOK | 31.12.2016 |
| Øya Lervik Brygge AS | Construction loan | DNB | 363 719 | NOK | 31.03.2016 |
| Strandkanten Pluss II KS | Construction loan | DNB | 74 097 | NOK | 30.04.2017 |
| Lade Allé 67 / 69 Holding AS | Construction loan | Sparebank 1 Midt-Norge | 75 058 | NOK | 04.11.2017 |
| Other companies in Greater Oslo | Land loan | DNB/Sparebanken Øst | 41 000 | NOK | 2017 |
| Other companies in Greater Oslo | Construction loan | DNB | 22 140 | NOK | 2015 - 2017 |
| Other companies in the rest of Norway | Land loan | DNB/SR Bank | 20 388 | NOK | 2015 |
| Other companies in the rest of Norway | Construction loan | SR Bank | 66 575 | NOK | 2015 - 2017 |
| Other companies | Other loans | DNB/Sparebanken Øst/Bancaja | 61 311 | - | 2015 - 2022 |
| Total interest-bearing liabilities | | | 2 711 919 | | |

Interest rates are based on 3 month NIBOR plus a margin. As of 31 December 2014, the average interest rate for the top-up loans was 5.95%, land loans was 3.92% and construction loans 3.73%.

The differences between the disclosed nominal interest rates and effective interest rates are deemed insignificant.
Duration of construction loans follows the completion rate and delivery of housing units, hence final redemption is when the project is completed.

Non-current interest-bearing liabilities

Maturity schedule for non-current loans:

| Period | 2015 | 2014 |
|-----------------------------------|------------------|------------------|
| To be repaid during 2016 | - | 727 519 |
| To be repaid during 2017 | 801 135 | 336 844 |
| To be repaid during 2018 | 930 626 | 663 241 |
| To be repaid during 2019 | 99 954 | - |
| To be repaid during 2020 or later | 15 000 | 24 796 |
| Total | 1 846 715 | 1 752 400 |

Current interest-bearing liabilities

The table below includes liabilities maturing within 12 months subsequent to the reporting period

Maturity schedule for current loans:

| Period | 2015 | 2014 |
|---|----------------|----------------|
| Repayable within 0-6 months after period-end | - | 143 801 |
| Repayable within 6-12 months after period-end | 771 302 | 815 717 |
| Total | 771 302 | 959 518 |

Collateral and guarantees etc.

| Secured loans | 2015 | 2014 |
|---|-------------|-------------|
| Bank loans - financial institutions | 2 123 726 | 2 220 488 |
| Carrying value of land pledged as security on bank loans | 2015 | 2014 |
| Inventory | 4 492 119 | 4 186 021 |

Note 17: Trade and other payables

| (amounts in NOK 1 000) | 2015 | 2014 |
|---|----------------|----------------|
| Trade payables | 100 120 | 187 348 |
| Current non-interest-bearing liabilities payable to the Selvaag Group | - | 1 867 |
| Accrued expenses | 224 129 | 191 813 |
| Other current financial liabilities | - | - |
| Total other current non-interest-bearing financial liabilities | 224 129 | 193 680 |
| Other current liabilities * | 358 688 | 313 861 |
| Total other current non-interest-bearing liabilities | 582 817 | 507 541 |

* Prepayments from customers were NOK 297.6 million at 31 December 2015, compared with NOK 262.7 million at 31 December 2014.

Trade payables

The Group's trade payables had the following maturity structure at 31 December:

| Maturity | 2015 | 2014 |
|--|----------------|----------------|
| Repayable 0-3 months after the end of the reporting period | 100 120 | 187 348 |
| Repayable 3-6 months after the end of the reporting period | - | - |
| Net trade payables | 100 120 | 187 348 |

Note 18: Managing capital and financial risk management

18.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market (including currency, interest rate and price risk), credit and liquidity risk. The group's overall risk management activities seek to minimise potential adverse effects on its financial performance.

The CEO and the management group identify and evaluate financial risks on an on-going basis.

(a) Market risk

(i) Foreign exchange risk

Projects outside Norway are financed in local currency through subsidiaries. The current policy is not to hedge foreign currency exposure. The company is a Norwegian real estate developer, focusing on Norwegian development projects and properties. The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk, but to a limited degree. Projects outside Norway are financed in local currency through subsidiaries. The group purchase modules from abroad which are priced in euros. When certain purchase contracts are signed with foreign module suppliers, the exchange rate is locked in by ordering foreign currency at a fixed rate for future settlement based on the supplier's payment plan. As a result, the group has some exposure to foreign exchange risk.

(ii) Price risk

The group is generally exposed to property price risk, and mainly in geographical terms in Norway. In addition, the group has invested in a future project in Sweden as well as one in Spain. The group is also exposed to risks related to construction costs and material prices. The profit margin for each project will vary, depending on the development of sales income per square metre for the residential properties. The group's exposure to price risk is partly hedged in that advance sales equivalent to 60% of the total sales value of each project are required before construction starts.

The degree of risk associated with the prices of goods and services varies in accordance with contract type. Projects often span several years, and material prices and salary expenses may increase during the construction period. Most contracts are based on fixed prices for the construction period, but certain of them contain indexation clauses which permit price increases.

(iii) Interest rate risk

The group's interest rate risk arises largely from long-term borrowings. Borrowings raised at variable rates expose the group to interest rate fluctuations, which affect cash flows. The group capitalises interest cost as part of development projects (inventory property) in line with the progress of the projects in accordance with IAS 23 Borrowing Costs. See note 16 on interest-bearing liabilities for details of the group's borrowings.

(b) Credit risk

Credit risk is managed at group level. The group is exposed to counterparty risk when its companies enter into agreements regarding sales of residential property. Credit risk also arises from outstanding receivables, such as loans to associated companies.

Credit risk related to the sale of property is considered to be limited since sales take place through professional estate agents. Normally, a 10% deposit and documentation of financing are required from homebuyers when they enter into a contract. The balance is settled upon transfer of the title.

Based on the above, the group assesses credit risk associated with financial assets to be low.

The group's maximum exposure to credit risk comprises the classes "trade receivables and other current and non-current receivables" and "cash and cash equivalents". See note 18.3 for the carrying amounts of these classes as of 31 December in 2015 and 2014.

(c) Liquidity risk

The group manages liquidity conservatively by maintaining adequate cash reserves, banking facilities and borrowing facilities to meet its foreseeable obligations. In 2013, the group issued a NOK 500 million bond and refinanced several loans. The group manages its liquidity actively to ensure adequate liquidity at any time. It supervises forecasts and actual cash flows.

See note 16 on Interest-bearing liabilities and note 17 on trade and other payables for a maturity analysis of financial liabilities. The majority of current non-interest bearing liabilities are repayable within six months.

Maturity schedule for the group's liabilities (nominal values)

Interest-bearing liabilities

| (amounts in NOK 1 000) | Note | Total as of 31.12.2015 | ← 1 year | 1-3 years | 3-6 years | 6-10 years | → 10 years |
|---|------|---------------------------|----------------|------------------|----------------|------------|------------|
| Bank loans * | 16 | 2 238 853 | 818 260 | 1 292 020 | 128 574 | - | - |
| Other interest-bearing liabilities | 16 | 573 218 | 29 400 | 543 818 | - | - | - |
| Total interest-bearing liabilities | | 2 812 071 | 847 660 | 1 835 838 | 128 574 | - | - |

Non-interest-bearing liabilities

| (amounts in NOK 1 000) | Note | Total as of 31.12.2015 | ← 1 year | 1-3 years | 3-6 years | 6-10 years | → 10 years |
|---|------|---------------------------|----------------|--------------|-----------|------------|------------|
| Trade payables | 17 | 100 120 | 100 120 | - | - | - | - |
| Current non-interest-bearing liabilities payable to the Selvaag group | 17 | - | - | - | - | - | - |
| Accrued expenses | 17 | 224 129 | 224 129 | - | - | - | - |
| Other current financial liabilities | 17 | - | - | - | - | - | - |
| Other current liabilities | 17 | 358 688 | 358 688 | - | - | - | - |
| Other non-current non-interest-bearing liabilities | 18.3 | 9 869 | - | 9 869 | - | - | - |
| Total non-interest-bearing liabilities | | 692 806 | 682 937 | 9 869 | - | - | - |

* Including estimated interest payments.

Maturity schedule for the group's liabilities (nominal values)

Interest-bearing liabilities

| (amounts in NOK 1 000) | Note | Total as of 31.12.2014 | ← 1 year | 1-3 years | 3-6 years | 6-10 years | → 10 years |
|---|------|---------------------------|------------------|------------------|----------------|---------------|------------|
| Bank loans * | 16 | 2 338 991 | 1 012 901 | 1 132 584 | 168 710 | 24 796 | - |
| Other interest-bearing liabilities | 16 | 608 726 | 31 150 | 62 300 | 515 276 | - | - |
| Total interest-bearing liabilities | | 2 947 717 | 1 044 051 | 1 194 884 | 683 987 | 24 796 | - |

Non-interest-bearing liabilities

| (amounts in NOK 1 000) | Note | Total as of 31.12.2014 | ← 1 year | 1-3 years | 3-6 years | 6-10 years | → 10 years |
|---|------|---------------------------|----------------|--------------|-----------|------------|------------|
| Trade payables | 17 | 187 348 | 187 348 | - | - | - | - |
| Current non-interest-bearing liabilities payable to the Selvaag group | 17 | 1 867 | 1 867 | - | - | - | - |
| Accrued expenses | 17 | 191 813 | 191 813 | - | - | - | - |
| Other current financial liabilities | 17 | - | - | - | - | - | - |
| Other current liabilities | 17 | 313 861 | 313 861 | - | - | - | - |
| Other non-current non-interest-bearing liabilities | 18.3 | 8 627 | - | 8 627 | - | - | - |
| Total non-interest-bearing liabilities | | 703 516 | 694 889 | 8 627 | - | - | - |

* Including estimated interest payments.

18.2 Capital risk management

The group's objective when managing its capital is to ensure the ability of the entities in the group to continue as going concerns while providing returns for shareholders and benefits for other stakeholders as well as maintaining an optimum capital structure.

In achieving this objective, the group focuses on the profitability of the various projects. As a main rule, a 12% margin is required in the projects except for those based on modules, which require 16%. In order to optimise the capital structure, the management evaluates all available funding sources on an on-going basis. Capital requirements are mainly funded through a cash pool arrangement in which selected entities in the Selvaag Bolig group participate. In addition, the company has two facilities, each of NOK 150 million, for general funding of the group.

18.3 Financial assets and liabilities

| <i>Classification of financial assets and liabilities</i> | | 2015 | | 2014 | |
|---|------|------------------------------------|---|------------------------------------|---|
| (amounts in NOK 1 000) | Note | Fair value through profit and loss | Loans and receivables | Fair value through profit and loss | Loans and receivables |
| Financial assets | | | | | |
| Loans to associated companies and joint ventures | | - | 9 046 | - | 17 679 |
| Other non-current assets | 11 | - | 105 545 | - | 104 116 |
| Financial non-current assets | | - | 114 591 | - | 121 795 |
| Trade receivables | | - | 110 288 | - | 440 283 |
| Other current financial receivables | 11 | - | 34 182 | - | 120 888 |
| Cash and cash equivalents | | - | 672 284 | - | 565 930 |
| Financial current assets | | - | 816 754 | - | 1 127 101 |
| Financial assets | | - | 931 345 | - | 1 248 896 |
| | | | | | |
| | | Fair value through profit and loss | Financial liabilities at amortised cost | Fair value through profit and loss | Financial liabilities at amortised cost |
| Financial liabilities | | | | | |
| Non-current interest-bearing liabilities | 16 | - | 1 846 715 | - | 1 752 401 |
| Other non-current non-interest-bearing liabilities | | - | 9 869 | - | 8 627 |
| Financial non-current liabilities | | - | 1 856 584 | - | 1 761 028 |
| Current interest-bearing liabilities | 16 | - | 771 302 | - | 959 518 |
| Trade payables | | - | 100 120 | - | 187 348 |
| Other current non-interest-bearing financial liabilities | 17 | - | 224 129 | - | 193 680 |
| Financial current liabilities | | - | 1 095 552 | - | 1 340 546 |
| Financial liabilities | | - | 2 952 135 | - | 3 101 574 |

Classes of financial assets and liabilities

| (amounts in NOK 1 000) | Note | 2015 | 2014 |
|---|------|------------------|------------------|
| Trade receivables and other current and non-current financial assets | | | |
| Loans to associated companies and joint ventures | | 9 046 | 17 679 |
| Other non-current assets | 11 | 105 545 | 104 116 |
| Trade receivables | | 110 288 | 440 283 |
| Other current financial receivables | 11 | 34 182 | 120 888 |
| Total trade receivables and other current and non-current financial assets | | 259 061 | 682 966 |
| Cash and cash equivalents | | | |
| Cash and cash equivalents | | 672 284 | 565 930 |
| Trade payables and other non-interest-bearing financial liabilities | | | |
| Other non-current non-interest-bearing liabilities | | 9 869 | 8 627 |
| Trade payables | | 100 120 | 187 348 |
| Total other current non-interest-bearing financial liabilities | 17 | 224 129 | 193 680 |
| Total trade payables and other non-interest-bearing financial liabilities | | 334 118 | 389 655 |
| Interest-bearing liabilities | | | |
| Non-current interest-bearing liabilities | 16 | 1 846 715 | 1 752 401 |
| Current interest-bearing liabilities | 16 | 771 302 | 959 518 |
| Total interest-bearing liabilities | | 2 618 017 | 2 711 919 |

Sensitivity analysis

Interest rate risk

| 2015 | | | |
|--|-----------------|-----------------|-----------------|
| Adjustment to interest level in basis points | 50 | 100 | 150 |
| Effect - Bank loans | (10 861) | (21 721) | (32 582) |
| Effect - Other loans | (2 464) | (4 929) | (7 393) |
| Effect on cash flow (in NOK 1 000) | (13 325) | (26 650) | (39 975) |

| 2014 | | | |
|--|-----------------|-----------------|-----------------|
| Adjustment to interest level in basis points | 50 | 100 | 150 |
| Effect - Bank loans | (11 279) | (22 558) | (33 837) |
| Effect - Other loans | (2 464) | (4 928) | (7 391) |
| Effect on cash flow (in NOK 1 000) | (15 991) | (31 981) | (47 972) |

The above tables detail the group's sensitivity to a decrease or increase in interest rates by 50, 100 and 150 basis points respectively. The effects are calculated on a pre-tax basis and based on the average outstanding amounts during the period. Profit or loss and equity effects are expected to be approximately similar to the effects on cash flow after taxes.

Foreign exchange risk

The group is exposed to a limited degree to foreign currency risk. Fluctuations in the amount of +/- 5% as of 31 December in 2015 and 2014 would cause immaterial changes to the group's profit and loss, and would affect the consolidated statement of changes in equity by only immaterial amounts.

18.4 Fair values of financial instruments

Principles for estimating fair values

Based on the characteristics of the financial instruments that are recognised in the consolidated financial statements, the financial instruments are grouped into classes as described below. The estimated fair values of the group's financial instruments are based on available market prices where applicable and the valuation methodologies per class are described below.

Fair value hierarchy

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of financial instruments.

- Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Trade receivables and other current and non-current financial assets

For trade receivables and other current and non current financial assets, the nominal amount, adjusted for allowance for bad debt, is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Cash and cash equivalents

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Trade payables and other non-interest-bearing financial liabilities

For trade payables and other non-interest-bearing financial liabilities, the nominal amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Interest-bearing liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value for this class of financial liabilities is assessed to be equal to the nominal amount.

Derivatives

Fair values of foreign currency forward contracts are retrieved from external financial institutions based on the applicable foreign currency rates in the market at the end of the reporting period. Fair values of interest rate swap contracts are retrieved from external financial institutions based on the applicable interest rates in the market at the end of the reporting period. The derivatives are measured using level 2 inputs.

The carrying amounts for the assets and liabilities of all classes are assessed to be a reasonable approximation of fair values, and a table showing the carrying amounts and fair values per class is not considered necessary.

Note 19: Income taxes

Specification of income tax (expense) income:

| (amounts in NOK 1 000) | 2015 | 2014 |
|--------------------------------------|-----------------|-----------------|
| Current income taxes payable | (138 722) | (41 391) |
| Under-allocated the year before | (461) | (744) |
| Changes in deferred taxes | 47 355 | (52 040) |
| Income taxes in profit (loss) | (91 828) | (94 175) |

The group's business activities are mainly related to Norway with only insignificant amounts arising in other countries. An allocation of income tax expense between countries is thus not considered necessary.

Reconciliation from nominal to effective income tax rate:

| (amounts in NOK 1 000) | 2015 | 2014 |
|--|-----------------|-----------------|
| Profit (loss) before income taxes | 371 189 | 348 706 |
| Estimated income taxes according to nominal tax rate (27%) | (100 221) | (94 151) |
| Taxable income related to the exemption method, in accordance with the Norwegian taxation act § 2-38 | (143) | (2 197) |
| Other non-deductible expenses | (10 414) | (8 572) |
| Other non-taxable income | 3 274 | 1 997 |
| Other items | 721 | - |
| Unrecognised deferred tax assets | - | - |
| Changed income tax rate (from 27% to 25%) | 12 707 | - |
| Share of income from associated companies and joint ventures | 2 248 | 8 749 |
| Income tax income (expense) | (91 828) | (94 175) |
| Effective income tax rate * | 24,7 % | 27,0 % |

* The difference between effective and nominal tax rates in 2015 and 2014 primarily reflects a reduction in the tax rate for Selvaag Bolig in Norway from 27% to 25% with effect from 2016, substantial profits in subsidiaries with non-controlling interests which are subject to partnership taxation, in addition to tax-free gains from sales of subsidiaries under the exemption method (Norwegian: fritaksmetoden). Profit (loss) before taxes includes the shares of profit (loss) attributable to Selvaag Bolig ASA and non-controlling interests in companies subject to partnership taxation. Consolidated tax expense does not include tax liabilities for taxable entities that are not part of the Selvaag Bolig group. The non-controlling share of the profit (loss) is regarded as a permanent difference. Tax on the non-controlling interests' share of profit (loss) for the period is included in the non-controlling interests' share of profit and equity.

The income tax rate for companies in Norway has been reduced to 25% with effect from 2016. Deferred tax as of 31 December 2015 has consequently been calculated on the basis of a 25% tax rate. The effect on the tax expense for 2015 is a reduction of NOK 12.7 million.

Share of income from associated companies and joint ventures

Share of income from associated companies and joint ventures that are not limited partnerships is recognised on a post-tax basis and therefore does not affect the group's income tax expense. See note 24.

Deferred tax assets and liabilities as of 31 December

| (amounts in NOK 1 000) | 2015 | | 2014 | |
|---|------------------|----------------|------------------|----------------|
| | Asset | Liability | Asset | Liability |
| Non-current assets | - | 1 007 | - | 709 |
| Inventory property | - | 196 095 | - | 227 617 |
| Receivables | 235 | - | - | 29 |
| Current liabilities | 15 293 | - | 3 337 | - |
| Non-current liabilities | 18 086 | - | 19 552 | - |
| Losses carried forward | 4 651 | - | 112 | - |
| Total temporary differences | 38 265 | 197 102 | 23 001 | 228 355 |
| Unrecognised deferred tax assets | - | - | - | - |
| Net deferred tax assets (liabilities) in the statement of financial position | (158 837) | - | (205 355) | - |

Deferred tax assets are included in the statement of financial position to the extent that the realisation of the related tax benefit through future taxable profits is probable. There are no expiration dates on losses carried forward.

Selvaag Bolig ASA has acquired companies with land plots in 2015. These companies have no other activities than the ownership of the land plots. As a result, the purchases are recognised in the financial statements as purchase of assets and not of business combinations. No accrual for deferred tax occurs with the purchase of assets, which means the assets are recognised net after deferred tax. See IAS 12.22 c. The land plots had a book value of NOK 205 million as of 31 December 2015. Based on a nominal tax rate of 25%, latent tax obligations of NOK 48.5 million relate to the plots. These latent deferred taxes are not recognised in the financial statements.

The net movement of deferred tax assets (liabilities) is as follows:

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|------------------|------------------|
| Net deferred tax assets (liabilities) as of 1 January | (205 355) | (154 097) |
| Acquisition of subsidiaries | 345 | - |
| Disposal of subsidiaries | - | 782 |
| Recognised in the statement of comprehensive income | 47 355 | (52 040) |
| Recognised directly in the statement of changes in equity | (1 182) | - |
| Net deferred tax assets (liabilities) as of 31 December | (158 837) | (205 355) |

Note 20: Provisions

| <i>(amounts in NOK 1 000)</i> | 2 015 | 2 014 |
|---|---------------|---------------|
| Provision for contractual infrastructure | 92 578 | 92 578 |
| Other non-current provisions | - | - |
| Total non-current provisions for other liabilities | 92 578 | 92 578 |

The provision for contractual infrastructure is related to infrastructure and the construction of parking areas in Lørenskog. Infrastructure obligations amount to about NOK 20 million and are expected to start falling due from 2017. Obligations related to the construction of parking areas are linked to previously completed projects, which included an obligation to provide a specific number of parking spaces. These obligations are currently being met through temporary parking areas. Future development of the area will determine when the temporary car parking areas are to be removed and construction of permanent car parking facilities must commence. The obligations accordingly fall due when the projects are realised. The car parking obligations are expected to fall due some years into the future.

Development during the period

| <i>(amounts in NOK 1 000)</i> | 2 015 | 2 014 |
|---|---------------|---------------|
| As of 1 January | 92 578 | 92 578 |
| Obligations arising during the year and effects of changes in estimates | - | - |
| Amounts utilised | - | - |
| Reclassification after business combinations | - | - |
| Reclassification of pension obligations | - | - |
| Obligations in acquired companies | - | - |
| As of 31 December | 92 578 | 92 578 |

Note 21: Contingent liabilities and guarantees

The group is subject to the following contingent liabilities due to ownership interests in subsidiaries and associated companies:

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|---------------|---------------|
| Guarantees to vendors | 23 823 | - |
| Capital not called up - limited partnerships | 17 838 | 17 838 |
| Total contingent liabilities | 41 661 | 17 838 |

Parent company guarantees of NOK 707 million had been given in 2015 and NOK 886.6 million in 2014. These related mainly to guarantees issued by Selvaag Bolig ASA in relation to internal transfers of land and the corresponding land and construction loans from Selvaag Bolig ASA to subsidiaries. The group fulfils legal requirements pursuant to sections 12 and 47 of the Housing Construction Act) through purchased guarantees. In addition, it provides guarantees to contractors. Corresponding liabilities included in the statement of financial position are not included in the above amounts.

Note 22: Remuneration and fees to management, directors and auditors

This statement of remuneration is valid for work performed by leading employees in the group. Pursuant to section 6, sub-section 16a of Public Limited Companies Act, the board of directors must prepare a statement on determination of salary and other remuneration to the CEO and other senior management. The group has the following principles regarding the determination of remuneration to the CEO and management group:

In the opinion of the board, salary and other remuneration to the CEO and management should be competitive, and total remuneration should reflect the extent of their responsibilities. Leading personnel may receive remuneration as a bonus in addition to basic salary, conditional on fulfilment of certain performance criteria, as well as ordinary additional remuneration for this type of position. All managers are members of the ordinary pension scheme of the group. The group has no specific remuneration arrangement for the CEO or other managers connected to shares or the development of the share price, including options. In the event of dismissal, the CEO will receive 12 months' salary.

Specification of remuneration to management (amounts in NOK 1 000):

| 2015 | Position | Salary | Bonus | Pension | Other | Total |
|--------------------------------------|-------------------------------------|---------------|--------------|------------|------------|---------------|
| Baard Schumann | CEO | 3 310 | 1 943 | 72 | 117 | 5 441 |
| Sverre Molvik | CFO | 1 960 | 1 140 | 72 | 18 | 3 190 |
| Halvard Kverne | Vice president portfolio management | 1 962 | 1 140 | 72 | 19 | 3 193 |
| Øystein Klungland | Vice president portfolio management | 1 881 | 1 056 | 72 | 22 | 3 031 |
| Christian Flølo Geithus ¹ | Vice president portfolio management | 400 | 0 | 18 | 3 | 421 |
| Bård Teigland | Vice president sales and marketing | 1 802 | 1 056 | 72 | 15 | 2 944 |
| Kristoffer Gregersen | Vice president communications | 1 109 | 350 | 72 | 18 | 1 549 |
| Petter Cedell | Vice president property investment | 1 494 | 840 | 72 | 34 | 2 440 |
| Total - Group management | | 13 918 | 7 525 | 522 | 245 | 22 210 |

| 2014 | Position | Salary | Bonus | Pension | Other | Total |
|---------------------------------|-------------------------------------|---------------|--------------|------------|------------|---------------|
| Baard Schumann | CEO | 2 869 | 1 876 | 60 | 255 | 5 060 |
| Haavard Rønning ² | CFO | 1 303 | 1 020 | 45 | 34 | 2 402 |
| Sverre Molvik ² | CFO | 1 836 | 1 053 | 60 | 36 | 2 985 |
| Halvard Kverne | Vice president portfolio management | 1 863 | 1 080 | 60 | 54 | 3 057 |
| Øystein Klungland | Vice president portfolio management | 1 714 | 564 | 60 | 32 | 2 370 |
| Bård Teigland | Vice president sales and marketing | 1 738 | 680 | 60 | 32 | 2 510 |
| Petter Cedell | Vice president property investment | 1 327 | 750 | 60 | 18 | 2 155 |
| Total - Group management | | 12 650 | 7 023 | 405 | 461 | 20 539 |

¹ Christian Flølo Geithus joined the company on 1. October 2015.

² Sverre Molvik was appointed as CFO when Haavard Rønning left the company on 1 October 2014.

As of 31 December 2015, the CEO had a loan of NOK 1.8 million from Selvaag Bolig ASA. The interest rate is equal to the norm rate published by the Norwegian Ministry of Finance.

Specification of directors' fees (amounts in NOK 1 000):

| | Position | 2015 | 2014 |
|--|-------------------------------------|--------------|--------------|
| Olav Hindahl Selvaag | Chair | 415 | 400 |
| Karsten Bomann Jonsen ¹ | Director | 335 | 325 |
| Gisele Marchand ² | Director | 360 | 350 |
| Ole Jarl Rettedal ³ | Director | 195 | 250 |
| Peter Groth ⁴ | Director | 26 | - |
| Anne Sofie Bjørkholt | Director | 260 | 210 |
| Christopher Brunvoll | Director (elected by the employees) | 31 | 30 |
| Marianne Ørnsrud ⁵ | Director (elected by the employees) | 21 | - |
| Anne -Kari Drønen Mathiesen ⁵ | Director (elected by the employees) | 10 | 30 |
| Lise Bache Mathisen | Director (elected by the employees) | - | 4 |
| Total - directors | | 1 653 | 1 599 |

¹ The fee includes NOK 75 000 for work in the audit committee.

² The fee includes NOK 100 000 for work as head of the audit committee.

³ Left the board in September 2014.

⁴ Elected director in December 2014. Fee of NOK 26 000 is related to nomination committee 2014, paid in 2015.

⁵ Marianne Ørnsrud replaced Anne-Kari Drønen Mathiesen as a director in April 2014.

Specification of fees paid to the auditor:

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|--------------|--------------|
| Statutory audit services to the parent company | 1 179 | 1 159 |
| Statutory audit services to subsidiaries | 1 385 | 1 388 |
| Other assurance services | 141 | 458 |
| Tax advisory services | 20 | 49 |
| Other non-audit services | 30 | - |
| Total fees paid to the auditor (exclusive of VAT) | 2 755 | 3 054 |

The following directors and group management personnell had shares in Selvaag Bolig ASA 31 December (number of shares):

| | Position | 2015 | 2014 |
|-----------------------------------|-------------------------------------|------------|------------|
| Olav Hindahl Selvaag ¹ | Chair | 50 231 661 | 50 231 661 |
| Karsten Bomann Jonsen | Director | 5 000 | 5 000 |
| Peter Groth ² | Director | 120 000 | - |
| Gisele Marchand | Director | 5 000 | 5 000 |
| Marianne Ørnsrud | Director (elected by the employees) | 6 250 | 6 250 |
| Christopher Brunvoll | Director (elected by the employees) | 8 753 | 6 250 |
| Baard Schumann ² | CEO | 64 748 | 64 748 |
| Halvard Kverne | Vice president portfolio management | 6 250 | 6 250 |
| Øystein Klungland | Vice president portfolio management | 10 000 | 10 000 |
| Sverre Molvik | CFO | 37 250 | 37 250 |
| Bård Teigland | Vice president sales and marketing | 15 000 | 15 000 |
| Petter Cedell | Vice president property investment | 656 | 656 |

¹ Includes shares owned by Selvaag Gruppen AS and other related parties.

² Includes shares owned by related parties.

The board's statement on determination of salary and other remuneration to leading personnel in Selvaag Bolig ASA

The following statement of salary and other remuneration to members of the Group's management will be presented for a consultative vote at the ordinary general meeting in April 2016.

Guidelines for management remuneration

Leading personnel include the chief executive officer (CEO) and other senior management.

For the purposes of these guidelines, the remuneration package signifies total compensation, including one or more of the following elements: fixed base salary, variable pay (including bonus), and other benefits (including pension contribution, termination benefits, fringe benefits and other benefits-in-kind). Severance pay comprises compensation related to resignation, and may include termination payments, other financial compensation and payment in kind.

Main principles for determination of remuneration packages

Remuneration to management in Selvaag Bolig ASA should be competitive, but not pacesetting compared with similar companies. The primary element of a remuneration package will be the fixed base salary. The remuneration packages must be designed as to avoid unreasonable compensation due to external circumstances outside management's control.

The individual elements in a remuneration package, including fixed base salary, any variable pay or other benefits such as pension contributions and severance, must be considered in the context of total compensation. The board must maintain an overview of the total value of each manager's agreed compensation and ensure that management's remuneration packages do not have adverse consequences for the company or in other ways are detrimental to the company's reputation.

Individuals in the group's management shall not receive specific compensation for directorships in wholly owned subsidiaries.

Variable pay

Any variable pay will be based on the following principles:

Clear connections must exist between the goals determining variable pay and the objectives of the company. Variable pay must be based on objective, definable and measurable criteria. For the management group, variable pay (bonus) may not exceed 60% of fixed base salary (67% for the CEO). The company has a share purchase programme for the company's executive management. Members of the executive management can choose to purchase shares in the company limited upwards to the individual's annual gross bonus. The price per share will be the market price reduced by a factor which reflects the reduction in value imposed by a lock-up period/sale restriction of three years. The criteria shall be based on circumstances which are possible for management to influence and set forth a distinct period for which variable pay will be determined. A system for variable pay must be transparent and easily comprehensible.

Pension contributions

The terms for determining management's pension should be equal to those of other employees.

Severance pay

In the case of a pre-established agreement through which the chief executive officer waives the protection against dismissal as set forth by the Working Environment Act ("Arbeidsmiljøloven"), an agreement regarding severance can be reached. Severance payments should not be utilised in the event of voluntary resignation, except if warranted by special circumstances. Severance pay should not exceed 12 months' fixed base salary in addition to any compensation during the period of notice. Severance pay should be withheld if conditions for dismissal exist, or if during the period in which severance pay is provided, irregularities or acts of negligence are discovered that may result in liabilities for damages or the individual being indicted for violation of the law. The financial year 2014 did not contain any deviations from the guidelines for management remuneration.

Note 23: Related party transactions

Receivables, liabilities and transactions between Selvaag Bolig ASA and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and are not disclosed in this note. Selvaag Gruppen AS owns 53.5% of the shares in Selvaag Bolig. Purchases and sales of services involving Selvaag Gruppen AS and its related parties are based on market terms. These relate mainly to rent, IT services and payroll services. Details of significant transactions between the group and other related parties are disclosed below.

During the year, group entities entered into the following transactions with related parties:

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|---------|---------|
| Sales of goods and services | | |
| Selvaag Gruppen AS (parent company) | - | 262 |
| Associated companies | 3 474 | 2 277 |
| Joint ventures | - | - |
| Other related parties (including subsidiaries of parent company) | - | - |
| Purchase of goods and services | | |
| Selvaag Gruppen AS (parent company) | (5 603) | (8 520) |
| Other related parties (including subsidiaries of parent company) | (8 025) | (2 721) |
| Financial income | | |
| Other related parties (including subsidiaries of parent company) | 1 275 | 1 366 |
| Financial expenses | | |
| Selvaag Gruppen AS (parent company) | - | - |

The following receivables and liabilities were outstanding as of 31 December:

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|--|---------|---------|
| Receivables | | |
| Selvaag Gruppen AS (parent company) | - | 5 907 |
| Associated companies | 9 046 | 17 054 |
| Other related parties (including subsidiaries of parent company) | 38 104 | 38 152 |
| Liabilities | | |
| Selvaag Gruppen AS (parent company) | (34) | (3 250) |
| Other related parties (including subsidiaries of parent company) | (2 220) | (2 036) |

Other related party transactions

Selvaag Bolig had no other significant transactions with related parties during 2014 and 2015.

Note 24: Investments in associated companies and joint ventures

| Company / (amounts in NOK 1 000) | Year of acquisition | Registered office | Ownership and voting power | |
|---|---------------------|-------------------|----------------------------|-------|
| | | | 2015 | 2014 |
| Sandvika Boligutvikling KS | 2008 | Norway | 33.3% | 33.3% |
| Sandvika Boligutvikling AS | 2008 | Norway | 37.0% | 37.0% |
| Stord Industribygg AS og Holding AS* | 2011 | Norway | 66.0% | 66.0% |
| Tangen pluss AS | 2011 | Norway | 50.0% | 50.0% |
| S Trumpet Holding AB (Prev. Projektbolaget Sädesärlan AB) | 2011 | Sweden | 50.0% | 50.0% |
| Kaldnes Boligutvikling AS | 2012 | Norway | 50.0% | 50.0% |
| Fredensborgveien KS | 2012 | Norway | - | 50.0% |
| Sandnes Eiendom Invest AS | 2013 | Norway | 20.0% | 20.0% |
| Kirkeveien Utbyggingsselskap AS | 2013 | Norway | 50.0% | 50.0% |
| Tiedemannsfabrikken AS | 2014 | Norway | 50.0% | 50.0% |
| Smedplassen Prosjekt AS | 2014 | Norway | 50.0% | 50.0% |
| Sinsenveien Holding AS ** | 2015 | Norway | 50.0% | - |

* Classified as joint venture as the shareholder agreement does not grant the majority control of the company.

** Due to non-controlling interests in subsidiaries, the economic interest is 47.5%

Specifications of investments in associated companies and joint ventures:

| Company / (amounts in NOK 1 000) | Owner-ship share | Carrying amount 01.01.15 | Additions/ disposals | Share of profit | Equity adjustments and dividends | Carrying amount 31.12.15 |
|---|------------------|-----------------------------|-------------------------|-----------------|-------------------------------------|-----------------------------|
| Sandvika Boligutvikling KS | 33.3% | 2 536 | - | - | (1 850) | 686 |
| Sandvika Boligutvikling AS | 37.0% | 3 422 | - | - | - | 3 422 |
| Kaldnes Boligutvikling AS | 50.0% | 13 525 | - | 9 363 | - | 22 888 |
| Stord Industribygg AS og Holding AS | 66.0% | 47 896 | - | (10 373) | - | 37 523 |
| Sandnes Eiendom Invest AS | 20.0% | 38 892 | - | 1 350 | - | 40 242 |
| Tangen pluss AS | 50.0% | 467 | - | 130 | - | 597 |
| S Trumpet Holding AB (Prev. Projektbolaget Sädesärlan AB) | 50.0% | 29 285 | 4 870 | - | - | 34 155 |
| Kirkeveien Utbyggingsselskap AS | 50.0% | 10 000 | - | - | - | 10 000 |
| Tiedemannsfabrikken AS | 50.0% | 2 446 | - | (92) | - | 2 354 |
| Smedplassen Prosjekt AS | 50.0% | 8 250 | 2 250 | - | - | 10 500 |
| Sinsenveien Holding AS | 50.0% | - | 23 585 | (2 509) | - | 21 076 |
| Fredensborgveien KS | 50.0% | 5 | (10 463) | 10 458 | - | - |
| Total | | 156 723 | 20 243 | 8 327 | (1 850) | 183 443 |

| Company / (amounts in NOK 1 000) | Owner-ship share | Carrying amount 01.01.14 | Additions/ disposals | Share of profit | Equity adjustments and dividends | Carrying amount 31.12.14 |
|-------------------------------------|------------------|-----------------------------|-------------------------|-----------------|-------------------------------------|-----------------------------|
| Sandvika Boligutvikling KS | 33.3% | 6 886 | 90 | - | (4 440) | 2 536 |
| Sandvika Boligutvikling AS | 37.0% | 2 978 | - | - | 444 | 3 422 |
| Lørenplatået 1 KS | 27.0% | 3 440 | - | 1 041 | (4 481) | - |
| Lørenplatået 1 Komplementar AS | 30.0% | 496 | - | (353) | (143) | - |
| Kaldnes Boligutvikling AS | 50.0% | 14 207 | - | (682) | - | 13 525 |
| Stord Industribygg AS og Holding AS | 66.0% | 44 176 | - | 3 720 | - | 47 896 |
| Sandnes Eiendom Invest AS | 66.0% | 37 642 | - | 1 250 | - | 38 892 |
| Tangen pluss AS | 50.0% | 10 388 | - | (1 596) | (8 325) | 467 |
| Union Pluss KS | 20.0% | 1 499 | - | (799) | (700) | - |
| Union Pluss Komplementar AS | 50.0% | 906 | - | (339) | (567) | - |
| Projektbolaget Sädesärlan AB | 50.0% | 822 | 28 158 | 27 714 | (27 409) | 29 285 |
| Nordic Residential SL* | 50.0% | 17 170 | (19 693) | 2 523 | - | - |
| Kirkeveien Utbyggingsselskap AS | 50.0% | 10 000 | - | - | - | 10 000 |
| Tiedemannsfabrikken AS | 50.0% | - | 2 520 | (74) | - | 2 446 |
| Smedplassen Prosjekt AS | 50.0% | - | 8 250 | - | - | 8 250 |
| Other | | 96 | (90) | (1) | - | 5 |
| Total | | 150 705 | 19 235 | 32 404 | (45 621) | 156 723 |

* Consolidated as a subsidiary with effect from 31 December 2014. The remaining 50% shareholding was acquired for a consideration of EUR 1 as a part of a debt-restructuring agreement. No adjustments were made to the book value of assets and debts in the opening balance as of 31 December 2014. The transaction also included the company Nordic Sol Commercial SL, where the 50% ownership share was previously written down to zero. The

remaining 50% shareholding was acquired for a consideration of EUR 1. See note 5 for effects on inventory and note 12 for the effect on the consolidated financial position.

Subsidiaries in the Group have given NOK 9 million (17.7) in loans to associated companies and joint ventures as of 31 December.

Summarised financial information (100%) of associated companies and joint ventures as of 31 December

| <i>(amounts in NOK 1 000)</i> | 2 015 | 2 014 |
|---|----------------|----------------|
| Total assets | 1 433 830 | 1 127 157 |
| Total liabilities | 1 036 204 | 823 843 |
| Net assets | 397 626 | 303 314 |
| | | |
| Total revenues | 251 942 | 654 165 |
| Total profit (loss) for the year | 12 062 | 65 365 |

Note 25: Other revenues

| <i>(amounts in NOK 1 000)</i> | 2015 | 2014 |
|-------------------------------|---------------|---------------|
| Lease revenues * | 28 626 | 29 659 |
| Service revenue | 15 311 | 11 522 |
| Other operating revenues | 10 520 | 16 461 |
| Total other revenues | 54 457 | 57 642 |

* As of 31 December 2015 and 2014, all operating leases where the Group acts as a lessor are cancellable.

Note 26: Events after the reporting period

No significant transactions have been completed after the balance sheet date.



Hovinenga, Oslo



To the Annual Shareholders' Meeting of Selvaag Bolig ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Selvaag Bolig ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2015, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



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Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Selvaag Bolig ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Selvaag Bolig ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit 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, 11 March 2016
PricewaterhouseCoopers AS

Thomas Fraurud
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.



Lervig Brygge, Stavanger. Photo: Haga Foto

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