

ANNUAL REPORT 2018

SELVAAG BOLIG





A 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, Trondheim and Stockholm. Selvaag Bolig represents a continuation of Selvaag's 70-year history and experience, and offers a broad variety of property types. The company's head office is at Ullern in Oslo.

www.selvaagboligasa.no

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STRONG PROFITS AND INVESTMENT FOR THE FUTURE

Selvaag Bolig had a very good year in 2018, with strong financial results and a high return to our shareholders. We have a solid foundation which will ensure good earnings in coming years.

The 2018 results are a consequence of investing over time in attractive development land, concentrating on efficient project development and creating profitability in a good housing market. Our strategy has remained unchanged since we acquired a stock exchange listing in 2012. We give priority to our core business, make clear choices about where and how we are going to build, and are very concerned to retain and further develop the company's industry-leading expertise in housing development. This strategy provides clear guidance on which land is to be acquired and how the projects are to be developed and financed.

We only build large projects. This gives economies of scale. In addition, we only consider projects in areas with high population density and good market depth. That has paid off from the start, and will ensure good results both in the short term and for the future. We have homes worth almost NOK 7 billion under construction, and over the next five quarters we are due to complete more than 800 homes.

Although we are doing well, our goal is always to become even better, smarter and more innovative. Selvaag was founded with a vision of creating something new, something better. In 2018, 70 years had passed since it all began with a home which set a new standard for housebuilding. After the Second World War, Norway faced a massive housing shortage. My grandfather, Olav Selvaag, believed it was possible to build homes three times faster at a third of the price. Few believed it was possible, but the *Morgenposten* newspaper had a site ready at Ekeberg in Oslo and challenged him to prove his claims. The result was the Ekeberg House – probably the most discussed and best documented building project ever in Norway. When the house was completed on 3 September 1948, it represented a revolutionary change in construction techniques and challenged the regulations of the day. It also sparked heated debate. While both housing and building regulators slated the building as inferior, the general public took a different view. More than 8 000 people lined up to buy. This trial home led to technically better dwellings and an almost threefold increase in Norwegian housebuilding. We continue to be inspired by the ingenuity and commitment my

grandfather displayed and to take pride in our history. This is in our DNA, and accompanies us in our everyday operations where value is created. Good results and innovation do not depend on one person today. Our success rests on the collective commitment and expertise of our able experts, well-established and efficient systems and a results-oriented culture.

These elements form the basis when we are now well under way with what will rank as some of the biggest urban developments in the Oslo region over coming decades, including projects at Fornebu and Bjerke. They lay the basis for developing our largest-ever Pluss project, at Lade in Trondheim. They are also our most important guideline for both pursuing projects in Bergen and increased activity in Stavanger. Our analysis is that the Stavanger area will experience a new spring in the time to come as oil prices rise and employment increases. We are also making a commitment to Oslo's peripheral zone. A district office was opened during 2018 in Follo, which will handle our commitment in this area and in Østfold county. Sales will begin in the first projects during the first half of 2019, and we have built up a substantial land bank here which will make us one of the biggest players in this region in the time to come.

Since our 2012 listing, I have paid close attention to this company as the majority owner and chair. Halfway through 2018, I stepped down from the board and into the position as CEO. Although it was clear from the start that I would only be acting in this role for a period until a new chief executive was in place, the goal was that this would neither disrupt nor delay us. I believe we have succeeded. In addition to the financial results achieved, doing this job has been a valuable experience for both me and the company. I have had the opportunity to experience Selvaag Bolig from the inside and seen the importance of a solid organisation with highly qualified managers, knowledge and expertise, robustness, structure and systems which all reduce our risk. As an owner, I am if possible even more reassured about our continued progress. That is because we have a very results-oriented and inquisitive culture. Our employees work continuously to secure good profitability, deliver high-quality products, and be innovative and



forward-looking. This is also an important precondition for continued success. Because we are challenged every day. That sharpens us up. Our business model, strategy and personnel make us adaptable both to market fluctuations and internal challenges. That is why we are one of the leading house developers in Norway as well as a secure and profitable investment which has given our owners a substantial return through rising value and dividends. Our business model also allows us to be aggressive and to develop new products, which mean that we retain our competitive advantage. Because we see many opportunities ahead. We are well positioned for the urbanisation trend, changed requirements for urban infrastructure, new expectations for housing standards, an increased proportion of the population in the senior citizen segment, and the developments which will come in building techniques. We will therefore remain faithful to our recipe for success even when the new CEO takes office in May.

The board has done a thorough job in seeking a new chief executive. Interest in this post was gratifyingly high. After a detailed search and recruitment process, we found the candidate who fulfilled all our requirements for the new CEO. Rolf Thorsen is a respected and visionary leader, who has long and broad experience of property development and of large and complex housing and urban development projects. He also has a pronounced competitive instinct which I am confident will carry us forward and continue our development. We feel confident that he is the right person to lead the company.

While the heritage he is taking over reaches back seven decades, it has even longer perspectives into the future. We think and build for generations to come. Thorsen's agenda therefore includes both a visit to the Ekeberg House and studies of the world's most innovative housing development projects. Personally, I am looking forward to stepping down as CEO – despite having held the most exciting job in Norway's property world for a time – because I know that he and the rest of our team will manage this company and the Selvaag name in an excellent way in the time to come.

Key figures 2018:

Operating revenues:	NOK 3 342 million
Operating profit:	NOK 750 million
Pre-tax profit:	NOK 732 million
Units sold:	696
Sales in NOK:	2 829 million
Construction starts:	840
Units delivered:	849
Units completed:	854
Units under construction:	1 449

Olav H. Selvaag
CEO



EXECUTIVE MANAGEMENT SELVAAG BOLIG ASA



Olav H. Selvaag
Group CEO



Kristoffer Gregersen
Vice president communications
and market



Sverre Molvik
CFO



Øystein Klungland
Vice president
Greater Oslo



Halvard Kverne
Vice president regions



Petter Cedell
Vice president
property investment





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 3-5 million price category. By subjecting all construction to competitive tendering, the company reduces risk and achieves better prices.

HOUSING CONCEPTS TAILORED TO THE MARKET

Selvaag Bolig has house types and concepts tailored to different target groups with varying needs and preferences. Thanks to the size of its projects, the various types of homes can be combined in each of them. That enhances residential quality by creating neighbourhoods where homes are matched to all conditions of life and age groups. It also 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 is solely a developer without its own construction organisation, and manages the whole value chain from the purchase of land to the sale of turnkey homes. The company takes an efficient approach to housebuilding which helps to position it as a cost-effective player, well equipped to meet possible fluctuations in the housing market. Subjecting all construction activity to competitive tendering offers several advantages.

Fewer employees: about 70 employees in the core business. A small organisation improves cost efficiency.

Predictable construction costs: tenders from several contractors always ensure that the right market price is obtained and construction takes place at fixed prices.

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: having no construction personnel in-house means big staffing adjustments are not required in the event of market fluctuations.

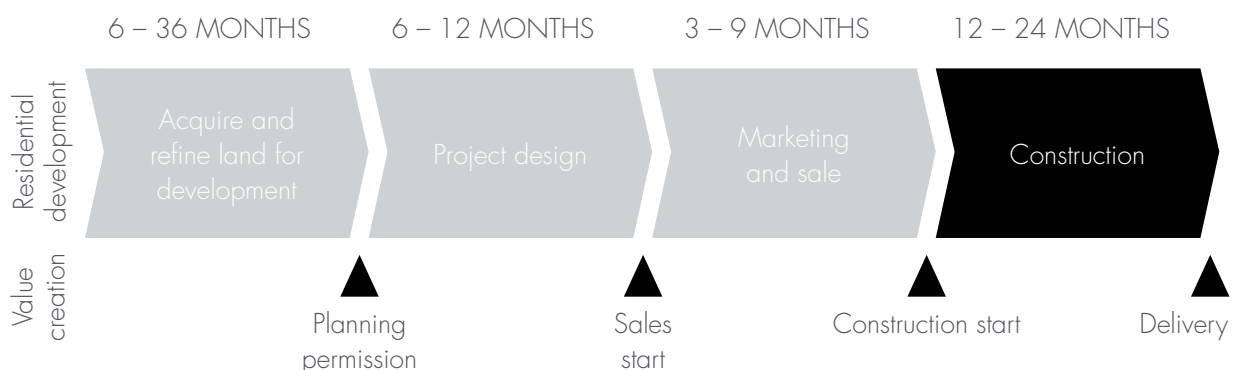
Right expertise: collaboration with contractors who can overcome the respective challenges in the best possible way. Contractors have leading-edge expertise in different fields.

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

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 continuously acquires land in line with an acquisition strategy which gives priority to large sites in its defined core areas.

Value creation in Selvaag Bolig



The company's sales strategy is the key factor in its good progress. Segmentation of residential schemes and optimising composite projects with a broad range of house types have yielded positive sales and a favourable selling pace. As a general rule, Selvaag Bolig does not start construction until 60 per cent of the value of a building stage has been sold. The rest of the building stage is sold during the period up to completion. This makes it possible to price the units in the project correctly, and ensures income optimisation.

Furthermore, the attention devoted to detailed planning, standardisation, site utilisation and strategic land development helps to secure low construction costs and good project margins for the company and competitive house prices. 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 one of Norway's leading house-builders, and has growth as a long-term objective. Long-term growth will not be pursued at the expense of profitability or increase financial risk. The company's strategy helps to secure its position as market leader and to strengthen its competitiveness. The company has an expressed goal of achieving a project margin of 12 per cent.

DIVIDEND POLICY

Selvaag Bolig's ambition is to pay high and stable dividends to its owners. The goal is that dividend should be a minimum of 40 per cent of net annual profit and paid twice a year. However, the size of the dividend must be balanced against the company's liquidity forecasts and capital adequacy. The equity ratio in the company shall not be below 30 per cent.

RISK MANAGEMENT

Selvaag Bolig works actively to minimise the risk of cost overruns and delays. Risk is minimised by entering into turnkey contracts with solid construction companies which are well financed and have a high level of expertise as well as a documented ability to deliver. The turnkey contractor is responsible for delivering the project at the agreed time and price. 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. Continuous learning at the contractors 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, substantial household purchasing power and a high level of population growth in urban areas. 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, in part because of regulatory amendments or changes to the market's supply side.

KEY FIGURES

Selvaag Bolig sold 696 homes in 2018. Construction started on 840, 854 were completed and 849 were delivered to customers. At 31 December, the company had 1 449 homes under construction with a combined value of NOK 6.7 billion.

Value drivers in Selvaag Bolig

Competitive products in growth areas

Concentrates exclusively on urban growth areas with market depth and high demand for housing.

Competitive prices providing a big customer base.

A broad range of house types which reach more market segments and maximise income in the projects.

Large, actively managed land bank

Value creation through initial and further development of land as well as its optimisation.

Flexibility to develop several thousand homes in urban growth areas.

Active capital management.

Effective and flexible cost structure

No in-house construction organisation gives flexibility, reduces risk and optimises costs.

Project-based business model increases flexibility and reduces risk.

Big projects with more than 150 homes provide economies of scale.

Lean and efficient organisation reduces overheads.

Capital-efficient business model backed by solid balance sheet

Requiring 60 per cent advance sales before project start reduces the need for project finance and the risk of inventory build-up.

Healthy debt structures and financial flexibility.





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:

- that relevant, reliable and identical information is provided to all stakeholders and shareholders
- that Selvaag Bolig's board is autonomous and independent of the company's executive management.
- that a clear internal division of roles and duties is established between board and executive management.
- that all shareholders are 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 17 October 2018, 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.selvaagboligasa.no.

2. THE BUSINESS

The business purpose of Selvaag Bolig ASA is "to acquire and develop housing projects with a view to buying and selling 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. Selvaag Bolig's goals and principal strategies are described in this annual report and on the website at www.selvaagboligasa.no. The board sets clear goals for the business with the aim of creating value for the shareholders. 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.

Selvaag Bolig has formulated guidelines for corporate social responsibility (CSR) and other policy documents in accordance with the company's values base. CSR is described in more detail in a separate section of this annual report. The company's core values are commitment and ingenuity, and these are well entrenched throughout the business.

The 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 characterise the corporate culture and day-to-day work in Selvaag Bolig.

3. EQUITY AND DIVIDENDS

Selvaag Bolig had an equity of NOK 3 116.1 million at 31 December 2018, including non-controlling interests. The board regards this as acceptable, and financing of the company is tailored to its business purpose, strategy and risk profile.

Dividend

The board has a clearly communicated dividend policy tailored to the company's goals, strategy and risk profile. Selvaag Bolig's ambition is to pay high and stable dividends to its owners. The goal is that dividend should be a minimum of 40 per cent of annual net profit and paid twice a year. However, the size of the dividend must be balanced against the company's liquidity forecasts and capital adequacy. The equity ratio in the company shall not be below 30 per cent.

NOK 2.00 per share was paid in August 2018 as dividend for the first half of the year. This corresponded to NOK 184.9 million. The board has proposed a dividend of NOK 2.50 per share for the second half of 2018, corresponding to NOK 234.4 million. That will make the total dividend for 2018 NOK 4.50 per share. This corresponds to 73 per cent of net profit and amounts to NOK 419.3 million.

It could be appropriate for the board to receive a mandate from the general meeting which allows it to determine dividend payments continuously throughout the year, should the financial basis for these be present. Such a decision must formally be taken on the basis of the approved annual financial statements for 2018, and would in the event supplement the regular dividend approved by the general meeting. A mandate of this kind must be adopted by the general meeting and will apply until the next AGM but no later than 30 June in the following year.

Purchase of Treasury shares

The board of Selvaag Bolig believes it is appropriate that the board has a mandate to purchase the company's own shares, partly to implement the group's share saving programme and remuneration arrangements for employees, and partly to use shares as a means of settlement in connection with the possible acquisition of enterprises. The board was

mandated by the AGM of 2 May 2018 to acquire the company's own shares up to a total nominal value of NOK 18 753 137, corresponding to 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 2019 and in any event no longer than to 30 June 2019. The mandate was not utilised in 2018, and the board will propose to the AGM that it be extended by one year until the AGM in 2020.

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 200 000 per year. The price per share is the stock market price (volume-weighted average price for the final 10 days of stock exchange trading before the programme opens) less a discount of 20 per cent, conditional on a two-year lock-up period/restriction on sale. The 2018 programme was conducted from 28 November to 7 December, 36 employees took advantage of the offer, and shares were purchased at NOK 37.83 per share after deduction of the 20 per cent discount. 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 pay. The price per share is the stock market price (volume-weighted average price for the final 10 days of stock exchange trading before the programme opens), less a discount of 30 per cent. Compensation is provided for the tax disadvantage of this discount to the employee. On 7 December 2018, members of the executive management purchased 332 390 shares through the programme at a price of NOK 37.83 per share after

deduction of the 30 per cent discount. This is conditional on a three-year lock-up period/restriction on sale. Selvaag Bolig owned 837 068 of its own shares at 31 December 2018. Since the share programmes will continue in 2019, the board will propose to the AGM that the mandate to purchase the company's own shares, as described in the previous section, be extended by one year until the AGM in 2020.

Capital increase

The same AGM on 2 May 2018 mandated the board to increase the company's share capital by up to NOK 18 753 137. This mandate can be exercised several times, and remains valid until the AGM in 2019 and in any event no longer than to 30 June 2019. 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 2020.

Deviation from the code: The NCGB believes that grounds should be given for such mandates and that they should be restricted to defined purposes. While the board basically agrees with the NCGB, it feels some flexibility is needed. As long as the mandates are clearly limited in time and scope, the ability to take such decisions should form part of the board's administrative authority rather than requiring the holding of an extraordinary general meeting.

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.

Conflicts of interest and transactions with related parties

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.

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 by the articles of association on the ability to own, sell or vote for shares in Selvaag Bolig ASA.

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.

Considerable efforts are devoted to preparatory work, and provisions are made for appointing proxies and for voting outside the physical meeting.

Notice

The AGM is scheduled to take place from 10.00 on 30 April 2019 in the company's premises at Silurveien 2 in Oslo.

Before the meeting, shareholders have good opportunities to contact the company, either to clarify issues or to obtain help in putting issues to the general meeting. Detailed supporting documentation, 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. Shareholders who have not asked to receive the supporting documentation for the general meeting electronically will have this sent to them by post, as specified in the company's articles of association. The supporting documentation must contain all the details required for 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, 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 appointment 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 after the meeting.

The AGM in 2018 took place on 2 May, and 66.6 per cent of the total issued shares and votes were represented.

According to the NCGB code, provision should be made to vote for individual candidates for the board and the nomination committee.

Deviation from the code: The nomination committee believes that the board's overall composition is important for the way it functions. For that reason, the company invites the general meeting to vote for the nomination committee's collective recommendations for the election of the board and nomination committee.

According to the code, the board and chair of the nomination committee should attend.

Deviation from the code: The chairs of the board and the nomination committee, as well as the chief executive, are always present to answer possible questions. 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 one-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 members of the nomination committee are up for election in 2019.

The nomination committee currently comprises:

- Steinar Mejlænder-Larsen (chair)
- Helene Langlo Volle
- Leiv Askvig

The chair of the nomination committee is employed by Selvaag Gruppen. 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 articles 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 six directors, of whom three are women, and 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 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 2019. 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. Director Tore Myrvold is CEO 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 2018. By virtue of their position, each director is subject to the regulations on primary insiders, with clear rules related to such issues as 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 important strategic discussions throughout the year and undertakes an annual audit of the company's strategy. Furthermore, the board is responsible for establishing control systems and for ensuring that the group is operated in compliance with the established values base, the ethical guidelines and the expectations of the owners for socially responsible operation.

The board has a duty to ensure that the financial statements 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.

Each director is duty-bound to consider at all times whether conditions exist which, viewed objectively, might weaken general confidence in their impartiality or which might lay the basis for conflicts of interest. The company also follows up the various offices and so forth held by the directors to provide an information base for the company's management in avoiding unintentional conflicts of interest.

Eight board meetings were held in 2018, 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 financial statements 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

	Meetings	Attendance
Olav Hindahl Selvaag ¹	4 av 4	100%
Gisele Marchand ¹	8 av 8	100%
Karsten Bomann Jonsen ²	2 av 2	100%
Anne Sofie Bjørkholt	7 av 8	88%
Peter Groth	6 av 8	75%
Tore Myrvold ²	6 av 6	100%
Christopher Brunvoll	8 av 8	100%
Sissel Kristensen	8 av 8	100%

¹ Olav Hindahl Selvaag took over as CEO in June 2018, and Gisele Marchand became acting chair from the same date.

² Tore Myrvold replaced Karsten Bomann Jonsen as a director following the AGM in May 2018.

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.

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)
- Tore Myrvold

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 financial statements, 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 six times in 2018.

Compensation committee

A compensation committee has also been established, comprising up to three 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:

- Gisele Marchand (chair)
- 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. In addition, the committee prepares overall principles for the remuneration of other employees to the extent that these are to be considered by the board. 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 held 10 meetings in 2018.

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, as well as its guidelines and the like on how the company integrates concern for the world at large with value creation. Internal control also embraces the company's values base, CSR and ethical guidelines, which apply to all company 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 regularly. 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 continuous 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. This review identifies the financial development of the company's projects and makes it possible to implement possible risk-reducing 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 preliminary 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 1 940 000 was paid in directors' fees for 2018. Fees paid to each director in 2018 are presented in note 22 to the annual financial statements. Directors' fees are not linked to the group's performance. No options are awarded to directors, and shareholder-elected directors have no agreement on a pension plan or on 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 up to three 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 individual components in a remuneration package must be assessed collectively, with fixed basic pay, possible variable pay and other benefits such as pension and termination payments viewed as a whole. Variable pay in the form of bonus payments will be based primarily on objective, definable and measurable criteria. Such variable pay (bonuses) cannot exceed 100 per cent of basic pay for the executive management. 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 via the Cision and Oslo Stock Exchange Newsweb messaging systems and on the company's website at www.selvaagboligasa.no.

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.

The financial 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 CEO and CFO of Selvaag Bolig will be the primary spokespersons 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 possible 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 ELECTION OF 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, assessments 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 3.3 billion in 2018 with the help of 83 work-years.

Selvaag Bolig will create value for society by building good and sustainable homes which as many people as possible can afford to buy, develop good residential areas and environments and contribute actively to the development of sustainable urban communities. This means in part that the company gives priority to urban areas experiencing expansion pressures as well as to large development projects, develops site-efficient homes with the greatest volume in lower price categories, seeks to be cost-effective and works to ensure positive official policies by being a clear voice in the public debate.

Ethical, social and environmental considerations are integrated in its day-to-day operations. The company has a goal of being a good and secure workplace, and requires that it 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.

The company also reports on its corporate governance in this annual report and on the website at www.selvaagboligasa.no. Continuous efforts are made to ensure that employees are familiar with and observe all the company's guidelines. To help ensure compliance with this requirement, all employees must take a mandatory e-learning course on ethics and social responsibility. 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. That 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 pay and working conditions as required by law. The bulk of the company's operations are in Norway, and it purchases services primarily from large, highly reputable Norwegian construction contractors. In addition, it buys construction services from two large players in Estonia and Poland. The company 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 collective 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 2018. 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 2019. 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.

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. The greatest expertise development occurs with external assistance and through daily work in the company. The company makes efforts to give employees assignments in new disciplines and projects, and to ensure that the expertise developed is shared across the various departments and projects.

Job satisfaction

The working environment in Selvaag Bolig is regarded as very good. The company measures job satisfaction among employees on an annual basis, and the results in 2018 were good. The goal is for the company to be one of Norway's most attractive workplaces, and measures are continuously adopted on the basis of the employee survey to strengthen and preserve a good working environment. New surveys indicate that these measures function well. For the fourth year in a row, Selvaag Bolig has been certified as a great place to work and is on the list of Norway's 20 best workplaces. Both certification and list have been developed by the Great Place to Work Institute on the basis of a global standard for the characteristics of a good workplace. A survey and assessment of Selvaag Bolig's organisation and management practices have been conducted.

Working environment and sickness absence

Emphasis is given by the board to ensuring that efforts aimed at reducing sickness absence and preventing injury have a high priority in the companies. The group's target is that sickness absence will be below three per cent. It was 3.4 per cent for the group for 2018, compared with 2.4 per cent for 2017 and 1.5 per cent in 2016. The corresponding figures for the parent company were 2.4, 1.7 and 1.8 per cent. No lost-time injuries were recorded among the company's employees during 2018. The rise

in sickness absence reflects an increase in personnel on long-term sick leave. Selvaag Bolig has a good overview of the causes of sickness absence and follows up employees on sick leave closely. 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 the environment. Through the Norwegian construction client and internal control regulations, the company fulfils the requirements for construction clients on monitoring 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 as specified by the guidelines to the regulations. This is also a fixed item for consideration by the board. 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 nonconformities 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 emphasis to expertise rather than gender, age or ethnic background when making appointments. Women account for 53 per cent of the workforce and 17 per cent of managers.

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 develop environment-friendly buildings more cheaply, in part 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.

The company believes that housing is the hub in sustainable urban development of the future. It is therefore upgrading its ambition of building in transformation areas as well as contributing to increased urban density in line with existing official policies. Selvaag Bolig concentrates new investment on transformation areas and sites in the largest cities, and contributes to economic growth and strengthening of social conditions.

By building in established urban and residential areas and near public transport hubs, the company helps more people to live a more environment-friendly daily life, in walking and cycling distance of shops and services and close to public transport.

Selvaag Bolig's development projects contribute directly to urban renewal by replacing obsolescent logistics and commercial buildings in asphalted surroundings with high-value homes surrounded by green outdoor areas. The company's strategy is a specific contribution to more residents sharing the community costs of social and technical infrastructure. At the same time, increased housing density creates a critical mass which benefits commercial interests because more people shop and work locally.

The company emphasises meeting places outdoors and indoors, and is strengthening its commitment to developing good social neighbourhoods in line with government planning guidelines. It has developed governing documents which take care of its CSR, and which cover assessments of an active contribution to the social and aesthetic aspects of projects. Selvaag Bolig also supports culture, mass-participation sports and educational institutions.

Selvaag Bolig speaks with a clear voice in public debates on housing and urban development, and is an active contributor to a factually-based exchange of views. The company participates in political and technical advisory bodies and shares its experience and practice through speeches and public debates.

COMBATING CORRUPTION AND PRICE FIXING

Selvaag Bolig does not accept any form of corruption. Its employees must exercise 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 2018, 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.selvaagboligasa.no.

Whistleblowing routines

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 has a channel for anonymous whistleblowing on its intranet site. This is intended to lower the threshold for reporting on breaches. The ethical guidelines are available on the company's website and intranet.

DIRECTOR'S REPORT

Selvaag Bolig had a good year in 2018, delivering homes with a combined value of NOK 3.2 billion to customers. The level of activity in the group was high, and the order backlog – in other words, homes sold which have yet to be delivered – is good. At 31 December, 1 449 homes with a combined sales value of NOK 6.7 billion were under construction. That will help to secure future value creation for the company. Selvaag Bolig has land and purchase agreements for about 11 500 homes in and around the four largest Norwegian cities as well as a number of interesting and profitable development projects, and is well positioned for continued growth. The board proposes a dividend of NOK 2.50 per share for the second half of 2018, which gives an overall payout of NOK 4.50 per share for the full year.

OVERVIEW OF 2018

Highlights

The level of activity in Selvaag Bolig was high during 2018, with good sales and strong financial progress. A total of 696 homes with a combined sales value of NOK 2 829 million were sold during the year. Completions totalled 854 units, with 849 delivered to customers. Selvaag Bolig's production and value creation were high at 31 December. Construction started on 840 homes during the year, and 66 per cent of the 1 449 being built at 31 December were sold.

After a quiet period in the market for new homes during the final three quarters of 2017, which could partly reflect the introduction of new mortgage regulations and strong price growth in 2016, activity was at a normally good level in 2018 – particularly in Oslo and Akershus. Markets in Stavanger and Trondheim were a little more unstable, in part because of the labour market and a substantial supply of homes on the market. Given the market conditions, sales for the year as a whole were good and helped to ensure that the sales ratio stayed satisfactory for the homes under construction by the company.

Macroeconomic conditions and household purchasing power remain good. No less than 50 per cent of Norway's population growth in 2018 occurred in Oslo and Akershus, where the company is well positioned.

The company is present with local employees in Norway's four largest conurbations, which have the greatest need for new homes, and is well positioned for further growth. It also develops some commercial property, primarily related to major housing projects where planning regulations call for this.

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 as well as Stockholm. The group's housing development business embraces wholly owned projects as well as projects pursued as joint ventures with external investors. Selvaag Bolig manages all the projects, with the exception of those in Stockholm. The Selvaag Pluss Service AS subsidiary offers services related to Selvaag Bolig's Pluss concept.

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, while helping to tie up less capital and cut execution risk during the construction phase.

The group possesses unique expertise on project development. With a modern and industrial approach to housebuilding, this helps to ensure lower construction costs, competitive prices for buyers and increased profits for the company and its owners.

Selvaag Bolig continues Selvaag's historical social commitment, where value creation is combined with socially useful measures. The company builds large projects with a broad array of housing types, and works to develop homes which as many people as possible can afford to buy. Furthermore, Selvaag Bolig seeks to be a driver in the public debate in

order to secure operating parameters which make it possible to achieve this objective while simultaneously ensuring good and sustainable housing and urban development. By building good and durable projects, which take account of social and aesthetic properties, in established urban and residential areas and near public transport hubs, the company contributes to more people being able to live a more environment-friendly daily life in walking and cycling distance of shops and services, and close to public transport. Selvaag Bolig also supports culture, mass-participation sports and educational institutions, particularly in the neighbourhoods where the company has projects.

FINANCIAL REVIEW

Income statement

(Figures for 2017 are presented in brackets)

Operating revenue

Consolidated operating revenue for 2018 totalled NOK 3 342.1 million (NOK 3 228.8 million). The increase from the year before primarily reflected more units delivered. This effect was partly counteracted by the inclusion of the sale of two sites for a total of NOK 405 million in 2017. During 2018, 849 (737) homes were delivered, including 697 (694) from consolidated project companies. Units delivered accounted for NOK 3 225 million (NOK 2 760 million) of total revenues.

Operating costs

Operating costs totalled NOK 2 693.4 million (NOK 2 671.6 million), with project costs accounting for NOK 2 421.6 million (NOK 2 432.8 million). The latter relate mainly to construction costs for homes delivered in the period. Payroll costs accounted for NOK 142.5 million (NOK 120.4 million) of the total.

Other operating costs came to NOK 125.6 million (NOK 114.3 million), of which NOK 42 million (NOK 38.6 million) related to sales and marketing.

The share of profit from associated companies amounted to NOK 101.8 million (loss of NOK 13.6 million). This rise from 2017 primarily reflected an increased number of deliveries in joint ventures as well as an impairment charge in 2017 of NOK 10 million for a joint venture in western Norway.

Operating profit

The group made an operating profit of NOK 750.5 million (NOK 543.7 million).

Financial items

Net financial expenses came to NOK 18 million (NOK 39.9 million). This reduction primarily reflected one-off costs recognised in the 2017 financial statements in relation to the redemption of the bond loan, which also helped to reduce financial expenses in 2018.

Pre-tax profit

Profit before tax expense was NOK 732.5 million (NOK 503.8 million). Net tax expense was NOK 165.6 million (NOK 102.7 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 566.8 million (NOK 401.1 million), of which NOK 566.9 million (NOK 401 million) is attributable to the shareholders of Selvaag Bolig ASA and a loss of NOK 0.1 million (profit of NOK 0.1 million) to non-controlling shareholders.

Cash flow

Consolidated net cash flow from operational activities was NOK 427 million (NOK 303.2 million). The difference between pre-tax profit and operational cash flow primarily reflected settlements for land purchases and a reduction in advance payments from customers. The increase in cash flow from last year mainly reflected more homes delivered, partly offset by settlements for land purchases.

Net cash flow from investing activities was NOK 20.6 million (negative at NOK 114.1 million). The change from 2017 primarily reflected substantial investments during 2017 in joint ventures and the provision of capital to these, as well as the receipt of dividends from joint ventures in 2018.

Net cash flow from financing activities was negative at NOK 276.1 million (NOK 589.8 million). The figure for 2017 included the redemption of the NOK 500 million bond loan and NOK 76.9 million for the purchase of the company's own shares in connection with the share programme for employees. This was partly offset by the

increase in dividends paid from NOK 197.8 million in 2017 to NOK 351.3 million.

Cash and cash equivalents increased by NOK 171.5 million to NOK 657 million (NOK 485.6 million).

Balance sheet

Assets in Selvaag Bolig at 31 December 2018 totalled NOK 6 491.1 million (NOK 6 352 million). The carried amount of consolidated inventories (land, housing under construction and completed homes) at 31 December was NOK 4 306.3 million (NOK 4 643.9 million). This reduction primarily reflected units delivered.

Equity at 31 December was NOK 3 116.1 million (NOK 2 858.1 million), corresponding to an equity ratio of 48 per cent (45 per cent). The board proposes that a dividend of NOK 2.50 per share, corresponding to NOK 234.4 million, be paid to shareholders in Selvaag Bolig ASA for the second half of 2018. NOK 2.00 per share, corresponding to NOK 184.9 million, was paid in August 2018 based on profit for the first half-year. The total dividend for 2018 will be NOK 4.50 per share, corresponding to NOK 419.3 million. That represents 73 per cent of consolidated net profit for 2018.

The group held cash and cash equivalents of NOK 657 million (NOK 485.6 million) at 31 December. Selvaag Bolig ASA, the parent company, held cash and cash equivalents of NOK 269 million (NOK 29.9 million) at 31 December.

At 31 December, consolidated interest-bearing debt amounted to NOK 2 316.3 million (NOK 2 217.4 million), of which NOK 1 795.8 million (NOK 1 836.8 million) was non-current and NOK 520.5 million (NOK 380.6 million) was current. Other current non-interest-bearing debt amounted to NOK 562.3 million (NOK 853.3 million) at 31 December, of which advance payments by customers accounted for NOK 200.9 million (NOK 385.3 million).

Financing and debt

Consolidated interest-bearing debt can largely be divided into three categories: 1) top-up, 2) land and 3) construction loans. At 31 December 2018, the group had no top-up loans, land loans of NOK 1 356.2 million and construction loans of NOK 960.2 million.

Selvaag Bolig has an agreement with DNB on a credit facility. This was increased to NOK 500 million (NOK 400 million) in 2018, maturing in April 2022. The company also has a credit facility of NOK 150 million renewed annually. At 31 December, no drawings had been made against either of these facilities.

Each project in Selvaag Bolig is organised as a single purpose vehicle (SPV). In addition to financing in the parent company, this means 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 2018 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 have occurred after the balance sheet date.

Parent company Selvaag Bolig ASA

Operating revenues for Selvaag Bolig ASA, the parent company, came to NOK 71 million (NOK 57.6 million), and the operating loss for the year was NOK 165 million (NOK 171.1 million). Ordinary net profit for the year was NOK 425.1 million (NOK 407 million). Profit for 2018 included NOK 934.7 million (NOK 784.7 million) in group contributions received from subsidiaries. These internal items are eliminated in the consolidated financial statements.

Allocation of the net profit

The parent company, Selvaag Bolig ASA, made a net profit of NOK 425.1 million for 2018 (NOK 407 million). The parent company's equity amounted to NOK 2 798.4 million (NOK 2 748.1 million) at 31 December.

The board proposes that an overall dividend of NOK 4.50 per share be paid for 2018, corresponding to NOK 419.3 million. Of this, NOK 2.00 per share – corresponding to NOK 184.9 million – was paid in August 2018 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.

Selvaag Bolig worked actively in 2018 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 in geographical priority areas, and now possesses a strong portfolio of sites and the ability to deliver in all its core markets. Emphasis is given to large projects and urban development schemes, and investment in 2018 included sites in the Follo region which could yield more than 1 000 homes. A regional office was established to handle the company's substantial commitment in this area. To ensure that Selvaag Bolig is a driving force in forward-looking housing and urban development, the annual revision of its strategy also includes detailed analyses of changes and trends in such areas as urban development, sustainability, the residential environment, housing preferences, demographics, the sharing economy and digitalisation. 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 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 risk 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 of 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 who have a solid financial position and experience, and who 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. In this way, costs are fixed before sales and construction begins. In the event of high building costs, the company also has the expertise required to implement projects on the basis of sub-contracts managed by the construction client. Capacity and risk nevertheless mean that this is not the preferred approach on any scale.

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)**

Changes in interest rates affect 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. Furthermore, the interest levels affect the company's return on free liquidity.

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. Furthermore, the company has earlier made use of financing through the bond market. Selvaag Bolig also utilises other solutions for new land purchases, including collaboration agreements with financial

players or agreements with landowners on future purchase which are conditional on planning permission being obtained.

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. This loan was redeemed in 2018. 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 the Selvaag Bolig group amounted at 31 December to NOK 657 million (NOK 485.6 million) for the group and NOK 269 million (NOK 29.9 million) for the parent company. Liquid assets consisted primarily of cash and bank deposits. At 31 December, the group had two undrawn overdraft facilities of NOK 500 million and NOK 150 million respectively. These are renewed annually. 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. It is the parent company for the underlying group subsidiaries, which are responsible for operations. At 31 December 2018, the Selvaag Bolig group had a total of 83 work-years, including 64 in the parent company and 19 in the subsidiaries.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Selvaag Bolig will create value for society by building good homes with the greatest possible residential benefit which as many people as possible can afford to buy, and by working actively to ensure sustainable housing and urban development. This means in part that the company gives priority to urban areas experiencing expansion pressures, develops site-efficient homes with the greatest 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 requires that it 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. Continuous efforts are made to ensure that employees are familiar with and observe all the company's guidelines related to CSR. See the separate section on CSR in this annual report.

SHAREHOLDER INFORMATION

The company was listed on the Oslo Stock Exchange on 14 June 2012. It had 2 330 shareholders (1 957) at 31 December 2018, of whom 212 were foreign (148). See note 13 to the consolidated financial statements for Selvaag Bolig ASA for detailed shareholder information.

TRANSACTIONS WITH RELATED PARTIES

Selvaag Bolig conducted no significant transactions with related parties in 2018. See note 23 to the

DIRECTOR'S REPORT

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.

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 and in this annual report.

PAY AND OTHER REMUNERATION OF SENIOR EXECUTIVES

Pay and other remuneration of senior executives in the group are presented in note 22 to the consolidated financial statements. This note also outlines the principles on which executive remuneration is based. 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 2018 will take place on 30 April 2019.

OUTLOOK

Positive house sales, strong results and a number of strategic land purchases during 2018 confirm Selvaag Bolig's position as one of Norway's leading and profitable housing developers. The company sold 696 homes worth NOK 2 829 million during the year, and had 1 449 units with a sales value of NOK 6 712 million under construction at 31 December. Sixty-six per cent of these were already sold at that date, when 70 per cent of the homes due for completion in 2019 were sold.

Selvaag Bolig therefore has secure revenues for coming years. With an equity ratio of 48 per cent and good liquidity, the company occupies a solid financial position. Selvaag Bolig has a strong position and ambitions for further growth in and around Greater Oslo, Stavanger, Trondheim and Bergen. These markets have good prospects because of urbanisation, population growth and big housing requirements. The company has good sites centrally located in all these areas, and constantly acquires attractive new development land which will strengthen its position over time.

After a quiet period in the market for new homes during the final three quarters of 2017, which could partly reflect the introduction of new mortgage regulations and strong price growth in 2016, activity was stable

and normal in 2018. The decision has been taken to extend the mortgage regulations to the end of 2019 without significant modifications. Good macroeconomic conditions, a high level of household purchasing power and demographic developments mean that Selvaag Bolig expects a stable market for new homes in the time to come. Figures from Statistics Norway indicate continued strong urbanisation and moderately high population growth over coming years. That creates a large and long-term underlying need for new homes in Selvaag Bolig's core areas.

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.

The board would extend its thanks to the administration of Selvaag Bolig for good results and a good commitment in 2018.

Oslo, 21 March 2019



Gisele Marchand
Chair



Sissel Kristensen
Director
(elected by the employees)



Peter Groth
Director



Anne Sofie Bjørkholt
Director



Tore Myrvold
Director



Christopher Brunvoll
Director
(elected by the employees)



Olav Hindahl Selvaag
President and CEO



BOARD OF DIRECTORS



Gisele Marchand (born 1958)

chair

Marchand has been a director of Selvaag Bolig ASA since 2012 and chair since 2018. She has broad management and boardroom experience. Earlier positions include executive vice president for the retail market in Norway at DNB and CEO of Batesgruppen, the Norwegian Public Service Pension Fund, Eksportfinans and the Haavind law firm. Marchand has broad boardroom experience from such companies as Oslo Børs, Norske Skog and Fornebu Utvikling. She currently works fulltime in boardroom positions, serving as chair of Gjensidige Forsikring ASA, Norgesgruppen ASA and Boligbygg KF and as a director of Norgesgruppen ASA, Scatec Solar ASA, Eiendomsspar AS and Victoria Eiendom AS. Marchand is a Norwegian citizen. She chairs the company's audit and compensation committees.



Anne Sofie Bjørkholt (born 1965)

director

Bjørkholt has been a director of Selvaag Bolig ASA since 2013. She took a law degree at the University of Oslo in 1990, and has broad experience of property law after 30 years as a commercial lawyer and as a partner in a law firm since 2002. Bjørkholt has also worked for the Norwegian Inland Revenue. As a partner in the BAHN law firm since 2009, she works particularly on transactions with and structuring of housing and commercial property developments. She is in great demand as a speaker in the fields of property, property development, and direct and indirect taxation. Bjørkholt is a Norwegian citizen.



Peter Groth (born 1947)

director

Groth has been a director of Selvaag Bolig ASA since 2015. He studied at the Norwegian Institute of Technology (NTH), now the Norwegian University of Science and Technology (NTNU), and has acquired broad experience of the building and property sectors over more than 40 years. Groth has worked for Selmer, Norwegian Contractors, Andenæsgruppen, Nydalens Compagnie and Aspelin Ramm Gruppen, and was CEO of the last two. He is currently a director of Mustad Eiendom, Høegh Eiendom, Aase Byggadministration, Møller Eiendom and Conservative House, and a member of the Council for Urban Architecture. Groth is a Norwegian citizen. He is a member of the company's compensation committee.



Tore Myrvold (born 1971)

director

Myrvold has been a director of Selvaag Bolig ASA since May 2018. He began his career as an auditor with Deloitte before becoming group controller for Hjemmet Mortensen. Myrvold joined Selvaag Gruppen in 2005, and served in such posts as CFO and executive vice president before becoming CEO in the summer of 2016. He is a director of all Selvaag Gruppen's subsidiaries. Myrvold has an MSc in business economics from the BI Norwegian Business School and graduated as a state-authorised auditor from the Norwegian School of Economics (NHH). Myrvold is a Norwegian citizen. He is a member of the board's audit committee.



Christopher Brunvoll (born 1977)

employee-elected director

Brunvoll has been a worker director of Selvaag Bolig ASA since April 2017. He began his career as an auditor with PricewaterhouseCoopers AS. After five years in auditing, Brunvoll worked as group financial controller of Bjørgvin AS and group chief accountant of Reservoir Exploration Technology ASA. He joined Selvaag Bolig ASA in August 2010 as group financial controller and became its chief controller in August 2014. Brunvoll also served as a worker director of Selvaag Bolig ASA from April 2012 to April 2016. He has an MSc in accounting and auditing from the Norwegian School of Economics (NHH). Brunvoll is a Norwegian citizen.



Sissel Kristensen (born 1972)

employee-elected director

Kristensen has been a worker director of Selvaag Bolig ASA since April 2017. She qualified as an auditor at the Oslo College of Business and Economics, and has worked in auditing and accounting since 1995. Kristensen has been chief accountant at Selvaag Bolig ASA since July 2011. She is a Norwegian citizen.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER

<i>(amounts in NOK 1 000, except earnings per share)</i>	Note	2018	2017
Sales revenues	2, 25	3 267 505	3 165 042
Other revenues	25	74 570	63 790
Total revenues		3 342 075	3 228 832
Project expenses	5	(2 421 633)	(2 432 818)
Salaries and personnel expenses, administrative functions	6	(142 498)	(120 354)
Depreciation and amortisation	9, 10	(3 707)	(4 084)
Other operating expenses	7	(125 553)	(114 313)
Total operating expenses		(2 693 391)	(2 671 569)
Share of income (losses) from associated companies	24	101 796	(13 610)
Operating profit (loss)		750 480	543 653
Financial income	8	10 219	12 749
Financial expenses	8	(28 229)	(52 600)
Net financial expenses		(18 010)	(39 851)
Profit (loss) before income taxes		732 470	503 802
Income tax (expense) income	19	(165 626)	(102 653)
Profit (loss) for the year		566 844	401 149
Other comprehensive income items which may be reclassified to profit or loss			
Foreign currency translation		317	4 633
Total comprehensive income for the year		567 161	405 782
Profit (loss) for the year attributable to			
Non-controlling interests		(95)	104
Shareholders of Selvaag Bolig ASA		566 939	401 045
Total comprehensive income for the year attributable to			
Non-controlling interests		(95)	104
Shareholders of Selvaag Bolig ASA		567 256	405 678
Earnings per share for profit (loss) attributable to shareholders of Selvaag Bolig ASA			
Earnings per share (basic and diluted, in NOK)	14	6.14	4.35

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

(amounts in NOK 1 000)	Note	2018	2017
ASSETS			
Non-current assets			
Goodwill	9	383 376	383 376
Other intangible assets	9	-	-
Property, plant and equipment	10	8 565	11 428
Investments in associated companies and joint ventures	24	415 280	316 241
Loans to associated companies and joint ventures	23, 24	119 290	122 982
Other non-current assets	11	326 074	214 039
Total non-current assets		1 252 585	1 048 066
Current assets			
Inventory property	5	4 306 304	4 643 938
Trade receivables	11	215 007	133 832
Other current receivables	11	60 199	40 621
Cash and cash equivalents	12	657 034	485 561
Total current assets		5 238 544	5 303 952
TOTAL ASSETS		6 491 129	6 352 018
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the company	13	3 106 770	2 848 723
Non-controlling interests		9 366	9 419
Total equity		3 116 136	2 858 142
Liabilities			
Non-current liabilities			
Pension obligations		277	643
Deferred tax liabilities	19	93 011	83 537
Provisions	20	60 373	60 373
Other non-current non-interest-bearing liabilities		3 225	8 349
Non-current interest-bearing liabilities	16	1 795 798	1 836 823
Total non-current liabilities		1 952 684	1 989 725
Current liabilities			
Current interest-bearing liabilities	16	520 508	380 608
Trade payables	17	181 360	166 479
Current income taxes payable	19	158 110	103 782
Other current non-interest-bearing liabilities	17	562 331	853 282
Total current liabilities		1 422 309	1 504 151
Total liabilities		3 374 993	3 493 876
TOTAL EQUITY AND LIABILITIES		6 491 129	6 352 018

Oslo, 21 March 2019


Gisele Marchand
Chair


Peter Groth
Director


Tore Myrvold
Director


Sissel Kristensen
Director
(elected by the employees)


Anne Sofie Bjørkholt
Director


Christopher Brunvoll
Director
(elected by the employees)


Olav Hindahl Selvaag
President and CEO

STATEMENT OF CHANGES IN EQUITY

	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 at 1 January 2018	183 523	1 394 857	700 629	5 475	3 528	560 710	2 848 724	9 419 *	2 858 142
Transactions with owners:									
Dividend	-	-	-	-	-	(351 341)	(351 341)	-	(351 341)
Share buy back	-	-	-	-	-	-	-	-	-
Employee share programme	2 334	-	-	-	-	39 840	42 174	-	42 174
Total comprehensive income/(loss) for the period:	-	-	-	-	-	-	-	-	-
Net income/(loss) for the period	-	-	-	-	-	566 939	566 939	(95)	566 844
Other comprehensive income/(loss) for the period	-	-	-	317	-	(42)	275	42	317
Equity at 31 December 2018	185 857	1 394 857	700 629	5 792	3 528	816 106	3 106 772	9 366 *	3 116 136
Equity at 1 January 2017	186 298	1 394 857	700 629	842	3 528	403 702	2 689 857	9 315 *	2 699 172
Transactions with owners:									
Dividend	-	-	-	-	-	(197 820)	(197 820)	-	(197 820)
Share buy back	-	-	-	-	-	(72 652)	(76 892)	-	(76 892)
Employee share programme	-	-	-	-	-	26 435	27 900	-	27 900
Total comprehensive income/(loss) for the period:	-	-	-	-	-	-	-	-	-
Net income/(loss) for the period	-	-	-	-	-	401 045	401 045	104	401 149
Other comprehensive income/(loss) for the period	-	-	-	4 633	-	-	4 633	-	4 633
Equity at 31 December 2017	183 523	1 394 857	700 629	5 475	3 528	560 710	2 848 724	9 419 *	2 858 142

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY TO 31 DECEMBER

<i>(amounts in NOK 1 000)</i>	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before income taxes		732 470	503 802
Income taxes paid		(102 659)	(82 886)
Depreciation and amortisation	9, 10	3 707	4 084
Share of (income) losses from associated companies and joint ventures	24	(101 796)	13 610
Change in inventory property	5	283 732	(389 230)
Change in trade receivables	11	(81 175)	(30 343)
Change in trade payables	17	14 881	(53 083)
Changes in other working capital assets		(21 943)	154 629
Changes in other working capital liabilities		(300 201)	182 659
Net cash flow from operating activities		427 017	303 242
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of tangible and intangible fixed assets		-	-
Payments for acquisition of tangible and intangible fixed assets		(842)	(4 614)
Proceeds from disposal of businesses and subsidiaries, net of cash disposed	12	-	-
Payments for acquisitions of businesses and subsidiaries, net of cash acquired	12	1 365	(1 800)
Proceeds from disposal of associated companies and joint ventures		-	-
Payments for acquisition of associated companies and joint ventures	24	(53 405)	(40 033)
Proceeds from disposal of other investments and repayments on loans given	12	44 920	63 661
Payments for acquisition of other investments and loans given	12	(43 612)	(131 335)
Dividends and distributions from associated companies and joint ventures	24	72 132	-
Net cash flow from investing activities		20 558	(114 121)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	16	1 709 364	1 526 383
Repayments of borrowings	16	(1 662 034)	(1 859 207)
Net change in bank overdraft	16	-	-
Dividends paid to equity holders of Selvaag Bolig ASA		(351 341)	(197 820)
Payment of profit sharing and dividends to non-controlling interests in subsidiaries	13	-	-
Share buy back Selvaag Bolig ASA	13	-	(76 892)
Proceeds from disposal of shares Selvaag Bolig ASA	13	27 909	17 783
Net cash flow from financing activities		(276 102)	(589 753)
Net change in cash and cash equivalents		171 473	(400 632)
Cash and cash equivalents at 1 January	12	485 561	886 193
Cash and cash equivalents at 31 December	12	657 034	485 561

For further specification, 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) are a property development group involved in the construction of residential property for sale in the ordinary course of business.

Selvaag Bolig ASA is listed on the Oslo Stock Exchange. The company's ultimate controlling party is Selvaag Gruppen AS.

The registered office of the company is Silurveien 2, NO-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 the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU at 31 December 2018.

These consolidated financial statements were authorised for issue by the board of directors on 21 March 2018.

2.2 BASIS OF PREPARATION

The 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 which 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 per cent of the voting rights. The existence and effect of potential voting rights which are currently exercisable or convertible are also 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 in line with those used by 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 which do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Such transactions do not affect the profit or loss statement.

When the group loses control of a subsidiary, the profit or loss 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 value and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, these are accounted for as if the company had directly disposed of the relevant assets (ie, 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 IFRS 9 Financial Instruments or, when applicable, at the cost on initial recognition of an investment in an associate or a jointly controlled entity using the equity method.

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 revenues and cost of goods sold, where the degree of completion is estimated on the basis of expenses incurred relative to total estimated cost multiplied by the sales rate. Operating

profit (loss) under the percentage of completion method also includes an estimated profit element. The segment results are reconciled to the operating results for the group in the note.

2.6 INVESTMENTS IN ASSOCIATES

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor 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 per cent 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 in 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 IFRS 9 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 (the 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 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 consolidated financial statements only to the extent of interests in the associate which 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 in operating profit (loss) since the investments are considered 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 which is subject to joint control (ie, 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 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 in operating profit (loss), since this is considered integral to the group's operations.

2.8 BUSINESS COMBINATIONS

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

Business combinations are accounted for using the acquisition method. The acquisition is recognised as 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 reflects the recognition of the deferred tax obligation at nominal value. Nominal value is higher than fair value, and the difference is included in goodwill.

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 (ie, 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 a liability is recognised in profit or loss.

2.9 INTANGIBLE ASSETS

a) Goodwill

Goodwill arising on the 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 an 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 reducing the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of 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 IFRS 15 Revenue from contracts with customers.

(a) Sale of property

Revenue from the sale of residential property (including any sale of projects under development and undeveloped land) is recognised when the control is transferred to the customer. Control is considered transferred at the time of delivery of the property to the customer.

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 primarily sells to private customers, but also to professionals. When a property is sold, the buyer normally has to make an advance payment to an escrow account held by the estate agent. The group does not have a right to the advance payment before providing security in accordance with Norwegian regulations. When security is provided, the advance payment is released from the escrow account and recognised as received cash and other short-term debt (advance payment). When the property is completed, but before delivery, the customer pays the remaining consideration to the escrow account. When the property is delivered to the customer, the group recognises the consideration as revenue and as a trade receivable. When the legal title to the property has been transferred, or other security provided, the remaining consideration is released from the escrow account.

(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

Control over services is considered to be transferred to the customer as the service is delivered. 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 or 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, property under development and construction, and completed units which are not sold. 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 the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs commences when the plot receives planning permission. 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 planning and design costs, for example.

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 for the period in which the related revenue is recognised.

The group has entered into agreements to purchase land in the future (forwards and purchase options) for use in the ordinary course of business. The land is first capitalised when the cost is incurred or the control is transferred from the seller. If a contract to purchase land in the future is a loss contract, a provision is made for the estimated loss.

2.12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenditure which 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 that the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense during the period in which it is incurred. Depreciation is calculated on a straight-line basis, generally three to 10 years.

The asset's residual value and useful life 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. The assessment is made for each cash generating unit.

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. Financial assets which are held in the group's business model where the objective is to collect the contractual cash flows, and where the cash flows are solely payments of principal and interest, are measured at amortised cost. Financial assets which are held in a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets

are measured at fair value through other comprehensive income. Financial assets which are not held in any of these business models are measured at fair value through profit or loss. If measuring at fair value is expected to reduce accounting mismatch or otherwise result in more relevant information, the group can choose irrevocably for each asset to apply the fair value option for assets which would otherwise be measured at the amortised cost of fair value through other comprehensive income. The group has no material financial assets measured at fair value through profit or loss or other comprehensive income.

Trade receivables

Trade receivables are amounts due from customers in the group's ordinary property development business and related services. Trade receivables are recognised initially at the amount of the consideration and measured at amortised cost where the financing components are insignificant. Impairment is recognised if there is evidence that the estimated future cash flow has been affected. The risk of impairment is low owing to the practice of making advance payments to escrow accounts.

Loans and other receivables

Loans and other receivables are held in the group's normal business model where the objective is to collect payment and interest when due, and measured at amortised cost using the effective interest method less any impairment. The receivables are classified as current unless they are due more than 12 months from the balance sheet date.

2.14 FINANCIAL LIABILITIES

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost. If measuring at fair value is expected to reduce accounting mismatch or otherwise result in more relevant information, the group can choose irrevocably for each liability to apply the fair value option for liabilities which would otherwise be measured at amortised cost of fair value through other comprehensive income. The group has no material financial liabilities measured at fair value through profit or loss or other comprehensive income.

Borrowings

Borrowings are recognised initially at the received amount, net of transaction expenditures incurred, and subsequently

measured 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 has an unconditional right at the balance sheet date 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 highly liquid investments with original maturities of three months or less.

The cash flow statement is prepared using the indirect method. Interest payments are classified as operational cash flows.

2.16 EQUITY

An equity instrument is any contract which 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.

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 which are taxable or deductible in other years and items which are never taxable or deductible. The group's liability for current tax is calculated using tax rates which 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 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 which affects neither the taxable profit nor the accounting profit.

Deferred tax is also recognised for 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.

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 in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) which 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 which would follow from the manner in which the group expects 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 intention 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 which 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.

2.18 PROVISIONS

Provisions, eg, 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 a net 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 substantially transfers the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The group is not currently 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.

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. However, the company's share of the liability is not reliably measurable and the plan is thus accounted for as if it were a defined contribution plan.

2.23 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New accounting standards and amendments

(a) New standards and amendments this year

Two new accounting standards affected the group in 2018. None of these had any material impact on the financial statements for the group.

IFRS 9 FINANCIAL INSTRUMENTS AND ASSOCIATED AMENDMENTS TO VARIOUS OTHER STANDARDS

The standard is effective for reporting periods which started on or after 1 January 2018.

IFRS 9 replaced the multiple classification and measurement models in IAS 39 Financial instruments: recognition and measurement with a single model which initially has only two classification categories: amortised cost and fair value.

Classification of debt assets and receivables is driven by the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, are recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments which are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent reclassification to profit or loss).

Where financial liabilities which are measured at the fair value option are concerned, the part of the fair value change which arises from changes in their own credit risk is recognised in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting in the future. The new standard also introduces expanded disclosure requirements and changes in presentation. The group had no hedge contracts in 2018.

The group applied the modified retrospective method. However, the changes have had no material impact on the financial statements for the group.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The standard is effective for reporting periods which started on or after 1 January 2018. The IASB has replaced IAS 18, which covered contracts for goods and services, IAS 11, which covered construction contracts, and IFRIC 15, which has been the governing interpretation for revenue recognition of residential property. The new standard is based on the principle that revenue is recognised when control of a product or service transfers to a customer. The notion of control has replaced the previous notion of risks and rewards.

A new five-step process applies before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and recognise the revenue as each performance obligation is satisfied.

The group has applied the modified retrospective method. This means that the cumulative impact of the adoption should be recognised in retained earnings as of 1 January 2018 and that comparative figures are not restated. The adoption did not have any material impact on the group financial statements.

The group follows the conclusion of the IFRS interpretation committee (IFRS IC), which states that revenue from the sale of residential housing units should be recognised at the point in time of delivery to the customer. This is in line with practice in previous years.

The new revenue standard has not had any material impact on the financial statements for the group.

(b) Forthcoming requirements

The following are the most material forthcoming new standards and interpretations. These are not mandatory for annual reporting periods ending 31 December 2018.

IFRS 16 LEASES

The standard will be effective for reporting periods starting 1 January 2019.

IFRS 16 will primarily affect accounting by lessees and will result in the recognition of almost all leases in the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of a right to use an asset (the right to use the leased item) and a financial liability to pay rent for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics such as EBITDA will change.

Operating cash flows will be higher since cash payments for the principal portion of the lease liability are classified in financing activities. Only the part of the payments which reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group will apply the retrospective method without restatement of comparison figures, which will affect the equity opening balance. The group has only a few leasing contracts related to offices and cars which will be affected by the standard. The calculated effect of these contracts will affect the financial statements with an asset (the right to use the leased item) of approximately NOK 54 million, and a corresponding financial liability from 1 January 2019. The adoption will not have any material effect on the equity opening balance.

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

The preparation of financial statements in conformity with the 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 which are not readily apparent from other sources will be required. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. The estimates may, by definition, differ from the actual outcome.

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, which 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 undeveloped land, work in progress and finished units, 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 an assessment of important factors relevant for the valuation, including macroeconomic factors such as

expected house prices and rent levels, as well as expected yields, approvals from the authorities, construction costs and project progress. 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 assessments and assumptions will result in changes to the estimated net realisable value. See also note 5.

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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"). 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, where the degree of completion is estimated on the basis of expenses incurred relative to total estimated costs and the sales rate. Operating revenues under the percentage of completion method also include an estimated profit element for sold units. The 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 measurement method 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.

At 31 December 2018

(amounts in NOK 1 000)

	Property development	Other	Total
Operating revenues	2 928 742	46 059	2 974 801
Project expenses	(2 093 649)	(682)	(2 094 331)
Other operating expenses	(64 355)	(203 696)	(268 051)
EBITDA (percentage of completion)	770 738	(158 319)	612 419
Reconciliation EBITDA to operating profit (loss):			
EBITDA (percentage of completion)	770 738	(158 319)	612 419
Sales revenues (adjustment effect of percentage of completion)	(2 847 232)	-	(2 847 232)
Sales revenues (completed contracts)	3 214 507	-	3 214 507
Project expenses (adjustment effect of percentage of completion)	2 011 966	-	2 011 966
Project expenses (completed contracts)	(2 339 269)	-	(2 339 269)
Depreciation and amortisation	-	(3 707)	(3 707)
Share of income (loss) from associated companies	101 796	-	101 796
Other gain (loss), net	-	-	-
Operating profit (loss)	912 506	(162 026)	750 480
Units in production	1 449	N/A	N/A
Units delivered	849	N/A	N/A

At 31 December 2017

(amounts in NOK 1 000)

	Property development	Other	Total
Operating revenues	2 930 526	40 058	2 970 584
Project expenses	(2 053 106)	(2 593)	(2 055 699)
Other operating expenses	(50 517)	(184 150)	(234 667)
EBITDA (percentage of completion)	826 903	(146 685)	680 218
Reconciliation EBITDA to operating profit (loss):			
EBITDA (percentage of completion)	826 903	(146 685)	680 218
Sales revenues (adjustment effect of percentage of completion)	(2 433 467)	-	(2 433 467)
Sales revenues (completed contracts)	2 691 715	-	2 691 715
Project expenses (adjustment effect of percentage of completion)	1 794 639	-	1 794 639
Project expenses (completed contracts)	(2 171 758)	-	(2 171 758)
Depreciation and amortisation	-	(4 084)	(4 084)
Share of income (loss) from associated companies	(13 610)	-	(13 610)
Other gain (loss), net	-	-	-
Operating profit (loss)	694 422	(150 769)	543 653
Units in production	1 463	N/A	N/A
Units delivered	737	N/A	N/A

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Note 5: Inventory property

(amounts in NOK 1 000)	Land	Borrowing cost of land	Capitalised project expenses	Total
At 1 January 2017	1 349 572	87 686	2 846 752	4 284 011
Additions	742 824	22 289	2 027 631	2 792 745
Sale of subsidiaries	-	-	-	-
Reclassifications of land to capitalised project expenses	(129 521)	(1 594)	131 115	-
Inventory expenses on delivered units	(128 953)	(4 207)	(2 284 658)	(2 417 818)
Impairment losses	-	-	(15 000)	(15 000)
Carrying amount at 31 December 2017	1 833 923	104 175	2 705 840	4 643 938
Additions	23 146	28 229	1 933 000	1 984 375
Acquisition of subsidiaries	97 683	-	1 940	99 623
Reclassifications of land to capitalised project expenses	(471 133)	(10 412)	481 545	-
Inventory expenses on delivered units (project expenses)	(5 321)	-	(2 416 312)	(2 421 633)
Impairment losses	-	-	-	-
Carrying amount at 31 December 2018	1 478 299	121 992	2 706 013	4 306 304
(amounts in NOK 1 000)			2018	2017
Land (undeveloped)			1 600 290	1 938 098
Work in progress			2 539 828	2 501 652
Finished projects			166 186	204 188
Carrying amount inventory			4 306 304	4 643 938

Capitalisation rates utilised to determine the amount of borrowing costs eligible for capitalisation were between 3.4% and 3.8% during 2018. Corresponding rates were between 3.4% and 3.8% during 2017.

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. For 2018 interest charges of NOK 28.2 million related to land loans were capitalised, compared to NOK 22.3 million in 2017. Interest charges on construction loans are capitalised during the construction period and recognised under cost of sales in the same way. Capitalised interest on construction loans is included in additions to capitalised project expenses in the table above. Interest charges of NOK 39.8 million related to construction loans were capitalised in 2018, compared with NOK 28.1 million in 2017.

Valuation of properties

Plots of land are considered part of inventory and are valued at the lower of acquisition cost and net realisable value.

At the group's request, external valuations of properties have been performed at 31 December 2018. 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 1 610 million (2017: NOK 1 773) beyond the carrying amounts related to the properties included in land (undeveloped).

Impairment test inventory property

The group impairment test for inventory property is based on multiple indicators, including external valuations and changes in market conditions. The group has not recognised any impairment losses in 2018. In 2017, the group recognised an impairment loss of NOK 10 million related to a commercial property in Lørenskog and an impairment loss of NOK 5 million related to properties in Spain.

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

Purchase obligations for land

The group has entered into a number of agreements in recent years on the future acquisition of sites through purchase obligations and options. These are not reflected in the accounts, since recognition first occurs on takeover. The agreements relate to the 2019-35 period, with the obligations expected to yield 6 700-8 300 units (gross). Of these, close to 90 per cent are located in the Greater Oslo area.

Maturity profile for the group's purchase obligations for land

	1-5 years	5-10 years	More than 10 years
	Interval	Interval	Interval
Estimated residential units (gross)	2 380 2 730	2 970 3 750	900 1 300

When the agreements will mature is very uncertain, since this depends to a great extent on planning processes which are outside the group's control. The maturity could therefore occur earlier or later than estimated. The group has assessed whether a provision for loss needs to be made for some of these contracts at 31 December 2018. No loss-making contracts have been identified for 2018.

In addition to the purchase obligations, the options are expected to yield around 500 units (gross).

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Note 6: Salaries and personnel expenses

<i>(amounts in NOK 1 000)</i>	2018	2017
Wages and salaries	(123 013)	(104 406)
Social security tax	(22 161)	(21 457)
Pension costs	(5 423)	(5 969)
Other benefits	(12 991)	(10 647)
Salary expense capitalised to inventory	21 091	22 125
Total salaries and personnel expenses	(142 498)	(120 354)
Average number of employees	92	96

Specification of pension costs

<i>(amounts in NOK 1 000)</i>	2018	2017
Pension cost - defined contribution and disability pension plan	(4 116)	(4 378)
Pension cost - defined benefit plan	(358)	(648)
Other pension costs (including early retirement (AFP))	(949)	(943)
Net pension costs	(5 423)	(5 969)

At 31 December 2018, 86 employees were included in the defined contribution plan. In addition, two employees were included in a defined benefit plan which is closed to new members. The defined benefit plan carries a net obligation of NOK 0.2 million. Sixty-four 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 an occupational pension plan in line with the Act on mandatory occupational pensions ("lov om obligatorisk tjenestepensjon"), and the group's companies have a pension plan which meets these requirements. The basis for earned pension rights under the defined contribution plan is 4.5% of salary between one 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	2018	2017
Operation and maintenance		(28 418)	(26 720)
Consultancy expenses		(33 295)	(28 532)
Commissions and other sales-related expenses		(41 992)	(38 647)
Losses on receivables	11	(671)	(33)
Other operating expenses		(21 177)	(20 381)
Total other operating expenses		(125 553)	(114 313)

Operation and maintenance include expenses related to leases and operation of the group headquarters, in addition to NOK 10.5 million (2017: NOK 9.6) in services purchased from Selvaag Gruppen. See also note 23 on related party transactions for further specification.

Note 8: Financial income and expenses

<i>(amounts in NOK 1 000)</i>	Note	2018	2017
Interest income on financial assets measured at amortised cost		9 947	11 511
Net foreign currency gains		3	11
Other financial income		269	1 227
Total financial income		10 219	12 749
Interest expenses on financial liabilities measured at amortised cost		(51 170)	(56 965)
Capitalised interest	5	28 229	22 289
Total interest expenses		(22 941)	(34 676)
Net foreign currency losses		(15)	(6)
Other financial expenses		(5 273)	(17 918)
Total financial expenses		(28 229)	(52 600)
Net financial expenses		(18 010)	(39 851)

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Note 9: Intangible assets

(amounts in NOK 1 000)	Goodwill	Other intangible assets		Total
		Trademarks	Leases	
Cost at 31 December 2016	383 376	50 000	44 545	477 921
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at 31 December 2017	383 376	50 000	44 545	477 921
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at 31 December 2018	383 376	50 000	44 545	477 921
Accumulated amortisation at 31 December 2016	-	(50 000)	(44 545)	(94 545)
Write-downs	-	-	-	-
Amortisation	-	-	-	-
Accumulated amortisation at 31 December 2017	-	(50 000)	(44 545)	(94 545)
Write-downs	-	-	-	-
Amortisation	-	-	-	-
Accumulated amortisation at 31 December 2018	-	(50 000)	(44 545)	(94 545)
Carrying amount at 31 December 2017	383 376	-	-	383 376
Carrying amount at 31 December 2018	383 376	-	-	383 376
Estimated useful life	-	5 years*	5 years*	
Amortisation method	No amortisation	Straight-line	Straight-line	

* Fully depreciated September 2016.

The value of intangible assets is tested for impairment annually, or more often when there is an 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:

2018	Goodwill
Property development	382 176
Other	1 200
Total	383 376

2017	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 an excess value of NOK 1 610 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.

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The group has tested the goodwill for impairment on the basis of a model for estimating future cash flows from property development projects. The annual growth in cash flow is set to 2%. 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. None of the scenarios in the table below would have triggered impairment losses.

		Units delivered per year		
		-10%	+0	+10%
Margin as	-0.5 pp	-15%	-4%	6%
percentage of	+/- 0 pp	-11%	-	11%
revenue	+ 0.5 pp	-7%	4%	16%

b) trademark

The group has no trademarks in the financial statements for 2018. The trademark "Selvaag Pluss" was fully depreciated in 2016.

c) Other intangible assets

The group has no other intangible assets in the financial statements for 2018. This item previously consisted of a long-term property lease in acquired businesses. The book value of the asset was fully depreciated in 2016.

Note 10: Property, plant and equipment

(amounts in NOK 1 000)	Service property	Machinery and plant	Inventory and other equipment	Total
Cost at 31 December 2016	-	4 630	22 992	27 622
Additions 2017	4 003	-	613	4 616
Disposals 2017	-	-	-	-
Translation differences	-	-	-	-
Cost at 31 December 2017	4 003	4 630	23 605	32 238
Additions 2017	-	-	842	842
Disposals 2017	-	-	-	-
Translation differences	-	-	-	-
Cost at 31 December 2018	4 003	4 630	24 447	33 080
Accumulated depreciation at 31 December 2016	-	(1 942)	(14 813)	(16 755)
Depreciation 2017	-	(926)	(3 158)	(4 084)
Disposals 2017	-	-	-	-
Translation differences	-	-	29	29
Accumulated depreciation at 31 December 2017	-	(2 868)	(17 942)	(20 810)
Depreciation 2018	-	(926)	(2 781)	(3 707)
Disposals 2018	-	-	-	-
Translation differences	-	-	2	2
Accumulated depreciation at 31 December 2018	-	(3 794)	(20 721)	(24 515)
Carrying amount at 31 December 2017	4 003	1 762	5 663	11 428
Carrying amount at 31 December 2018	4 003	836	3 726	8 565
Estimated useful life	-	3-5 years	3-5 years	
Depreciation method	No depreciation	Straight-line	Straight-line	

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Note 11: Trade and other receivables

(amounts in NOK 1 000)	2018	2017
Receivables from sale of land	41 516	40 104
Seller credits *	86 000	118 309
Other loans and receivables **	198 558	55 626
Other non-current assets	326 074	214 039

* NOK 86 million is related to sale of shares in the Kaldnes Brygge project, Tønsberg.

** NOK 135 million is related to pre-payments for purchase of land.

(amounts in NOK 1,000)	2018	2017
Trade receivables	215 007	133 832
Current non-interest-bearing receivables from the Selvaag group	-	-
Interest-bearing receivables from associated companies and joint ventures	-	-
Other receivables *	40 440	27 907
Other current financial receivables	40 440	27 907
Prepaid expenses	19 759	12 714
Total other current receivables	60 199	40 621

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

Analysis of trade receivables at the end of the reporting period	2018	2017
Not overdue	209 695	131 763
Overdue 1-100 days	6 505	1 563
Overdue > 100 days	892	1 976
Gross trade receivables	217 092	135 302
Total allowance for doubtful debts	2 085	1 470
Net trade receivables	215 007	133 832

Losses on receivables	2018	2017
Movement in allowance for doubtful debts	615	(59)
Receivables written off during the year as uncollectable	56	92
Losses on receivables in the statement of comprehensive income	671	33

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 the financial position from acquisitions of businesses and subsidiaries

(amounts in NOK 1 000)	2018	2017
Current assets	1 365	-
Liabilities	(1 280)	-
Fair value of existing ownership interests in associated companies at acquisition date	(85)	-
Total consideration	-	-
Cash payments related to acquisitions	-	(1 800)
Cash in subsidiaries acquired	1 365	-
Payments for acquisitions of businesses and subsidiaries, net of cash acquired	1 365	(1 800)

Acquisition in 2018 is the previously associated company Ehousing AS.

Acquisition in 2017 consists of prepayment for shares in two project companies at Travbaneveien in Trondheim.

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Disposal of businesses and subsidiaries

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

<i>(amounts in NOK 1 000)</i>	2018	2017
Current assets	-	-
Liabilities	-	-
Gains (losses) on disposals of businesses and subsidiaries	-	-
Total consideration	-	-
Cash proceeds related to disposals of businesses and subsidiaries	-	-
Cash in subsidiaries disposed of	-	-
Payments for acquisitions of businesses and subsidiaries, net of cash acquired	-	-

Cash and cash equivalents

<i>(amounts in NOK 1 000)</i>	2018	2017
Restricted bank accounts	708	708
Non-restricted bank deposits and cash	656 326	484 853
Total	657 034	485 561

Interest payments

Payments of and proceeds from interest are classified as operating activities. Payments were NOK 104 and NOK 116 million in 2018 and 2017 respectively. Proceeds from interests were NOK 3 million in 2018 and NOK 4 million in 2017. Some of the interests paid have been capitalised as a part of the inventory in the group, see note 5 for specifications.

Net interest-bearing debt

<i>(amounts in NOK 1 000)</i>	2018	2017
Non-current interest-bearing debt	1 795 798	1 836 824
Current interest-bearing debt	520 508	380 608
Cash and cash equivalents	(657 034)	(485 561)
Net interest-bearing debt	1 659 272	1 731 870
Gross debt - variable interest rates	2 316 306	2 217 431
Gross debt - fixed interest rates	-	-
Cash and cash equivalents	(657 034)	(485 561)
Net interest-bearing debt	1 659 272	1 731 870

<i>(amounts in NOK 1 000)</i>	Other assets		Liabilities from financing activities				Total
	Cash/bank overdraft	Liquid investments	Finance leases due within 1 year	Finance leases due after 1 year	Loans due within 1 year	Loans due after 1 year	
Net interest-bearing debt at 31 December 2016	(886 193)	-	-	-	534 681	2 038 660	1 687 148
Cash flows	400 632	-	-	-	(534 681)	201 857	67 808
Acquisitions	-	-	-	-	-	-	-
Other non-cash movements	-	-	-	-	380 608	(403 694)	(23 086)
Net interest-bearing debt at 31 December 2017	(485 561)	-	-	-	380 608	1 836 824	1 731 870
Cash flows	(171 473)	-	-	-	(380 608)	427 937	(124 143)
Acquisitions	-	-	-	-	-	-	-
Other non-cash movements	-	-	-	-	520 508	(468 963)	51 545
Net interest-bearing debt at 31 December 2018	(657 034)	-	-	-	520 508	1 795 798	1 659 272

Loans to associated companies and joint ventures

The group paid NOK 28.3 million in loans to associated companies and joint ventures in 2018, compared with NOK 129.8 million in 2017. Proceeds from loans to companies and joint ventures were NOK 20.9 (63.7).

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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 at 31 December 2017	91 761 616	183 524	1 394 857	700 629	2 279 010
Share buy-back Selvaag Bolig ASA related to share programme for employees	-	-	-	-	-
Sale of shares from Selvaag Bolig ASA to employees	1 167 004	2 334	-	-	2 334
Equity at 31 December 2018	92 928 620	185 858	1 394 857	700 629	2 281 344

At 31 December 2018, the share capital of the company (net of treasury shares) was NOK 185.9 million, comprising 92 928 620 fully-paid ordinary shares with a par value of NOK 2.00.

At 31 December 2017, the share capital of the company (net of treasury shares) was NOK 183.5 million, comprising 91 761 616 fully-paid ordinary shares. All issued shares carry equal rights. The change in 2018 is related to the sale of shares to employees through the employee share purchase programme.

Selvaag Bolig ASA held 837 068 of its own shares at 31 December 2018 (2 004 072 at 31 December 2017)

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 80. 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 is free to choose the methods to be used for acquiring or disposing of shares. The mandate runs until the AGM in 2019, when an extension of the mandate until the AGM in 2020 will be proposed.

Furthermore, the board of Selvaag Bolig ASA is mandated by 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 businesses falling within the company's business purpose, or for necessary strengthening of the company's equity. The mandate runs until the AGM in 2019, when an extension of the mandate until the AGM in 2020 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 in %		NCI share of profit (loss)		NCI carrying amount at	
	31.12.2018	31.12.2017	2018	2017	31.12.2018	31.12.2017
Nesttun Pluss AS/KS	25.0 %	25.0 %	(95)	104	9 366	9 461
Selvaag Bolig Vaagen AS *	0 %	20.0 %	-	-	-	(42)
			(95)	104	9 366	9 419

* The company became a wholly owned subsidiary in 2018.

No dividend was paid to non-controlling interests in 2018 and 2017.

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Ownership structure

At 31 December 2018, the group had 2 330 shareholders, of whom 212 were outside Norway. At 31 December 2017, the group had 1 957 shareholders, of whom 148 were outside Norway.

The 20 largest shareholders at 31 December 2018 were as follows

Shareholder	Ordinary shares	Ownership/voting share
SELVAAG GRUPPEN AS	50 180 087	53.5%
LANDSFORSÅKRINGAR FASTIGHETFOND	5 653 788	6.0%
Morgan Stanley & Co. Int. Plc. *	2 744 671	2.9%
PARETO INVEST AS	2 065 624	2.2%
SEB PRIME SOLUTIONS SISSENER CANOP	1 600 000	1.7%
VERDIPAPIRFONDET PARETO INVESTMENT	1 596 366	1.7%
State Street Bank and Trust Comp *	1 006 629	1.1%
JPMorgan Chase Bank, N.A., London *	966 761	1.0%
FLPS - GL S-M SUB	940 800	1.0%
HOLBERG NORGE	936 553	1.0%
HOLTA INVEST AS	846 619	0.9%
SELVAAG BOLIG ASA **	837 068	0.9%
Baard Schumann	777 127	0.8%
J.P. Morgan Bank Luxembourg S.A. *	774 862	0.8%
BANAN II AS	600 000	0.6%
State Street Bank and Trust Comp *	590 520	0.6%
STOREBRAND NORGE I VERDIPAPIRFOND	581 069	0.6%
Morgan Stanley & Co. International	579 538	0.6%
SPARHANS AS	476 221	0.5%
GEMSCO AS	460 400	0.5%
Total 20 largest shareholders	74 214 703	79.1%
Other shareholders	19 550 985	20.9%
Total ordinary shares	93 765 688	100.0%

* Further information regarding shareholders is presented at: <http://sboasa.no/en/Aksjeinformasjon/Aksjonarer.aspx>

** The shares were purchased for the company's share programmes for employees.

The 20 largest shareholders at 31 December 2017 were as follows

Shareholder	Ordinary shares	Ownership/voting share
Selvaag Gruppen AS	50 180 087	53.5%
Landsforsøkringar Fastighetsfond	5 278 334	5.6%
Morgan Stanley & Co. Int. PLC. *	2 747 423	2.9%
Pareto AS	2 065 624	2.2%
Selvaag Bolig ASA **	2 004 071	2.1%
SEB Prime Solutions Sissener Canop	2 000 000	2.1%
Holberg Norden	1 812 539	1.9%
Holberg Norge	1 693 763	1.8%
Verdipapirfondet Pareto Investment	1 686 000	1.8%
FLPS - GL S-M SUB	1 202 000	1.3%
Holta Invest AS	1 200 000	1.3%
JPMorgan Chase Bank, N.A., London *	1 010 166	1.1%
Regents of the University Of Michi	959 183	1.0%
JPMorgan Chase Bank, N.A., London *	856 021	0.9%
State Street Bank and Trust Comp *	766 754	0.8%
State Street Bank and Trust Comp *	630 473	0.7%
Storebrand Norge I Verdipapirfond	590 932	0.6%
Banan II AS	555 190	0.6%
Fidelity int Real Estate Fund	531 300	0.6%
Torstein Tvenge	500 000	0.5%
Total 20 largest shareholders	78 269 860	83.5%
Other shareholders	15 495 828	16.5%
Total ordinary shares	93 765 688	100.0%

* Further information regarding shareholders is presented at: <http://sboasa.no/en/Aksjeinformasjon/Aksjonarer.aspx>

** The shares were purchased for the company's share programmes for employees.

Directors and the chief executive officer held no share options in the company during 2018 and 2017. See note 22 for an overview of share ownership in the company by directors and the chief executive officer.

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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 were no diluting effects related to the share capital in 2018 and 2017.

	2018	2017
Profit (loss) for the period attributable to shareholders of the company in NOK 1 000	566 939	401 045
Weighted average number of shares outstanding during the period	92 403 798	92 149 762
Basic earnings per share in NOK	6.14	4.35
Diluted earnings per share in NOK	6.14	4.35

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 2.50 per share for the second half of 2018, corresponding to NOK 234.4 million. Furthermore, NOK 2.00 per share was paid on the basis of the financial results for the first half of 2018, corresponding to NOK 184.9 million. The total dividend for 2018 of NOK 419.3 million equals 73% of earnings per share. The dividend paid for 2017 was NOK 276.4 million, corresponding to NOK 3.00 per share. That equalled 70% of earnings per share. The dividend for the second half of 2018 is subject to approval by the AGM on 30 April and is not reflected in the financial statements for 2018. See the table below for specification of the amounts.

Dividend paid is calculated on the basis of the total number of shares, which amounts to 93 765 688. In order to find the net amount paid, the dividend related to own shares owned by Selvaag Bolig ASA at the time of approval is deducted.

(amounts in NOK 1 000)	Dividend for the first half			Proposed dividend for the second half*			Total for 2018
	NOK per share	Number of shares	Amount	NOK per share	Number of shares	Amount	
Gross dividend	2.00	93 765 688	187 531	2.50	93 765 688	234 414	421 946
Dividend related to own shares	2.00	1 307 577	2 615	-	-	-	2 615
Net dividend paid	-	-	184 916	-	-	234 414	419 330

* The amount is calculated gross since the number of own shares held at the time the dividend is approved, 30 April 2019, was not known at 31 December 2018.

Dividend paid in 2018 was NOK 351.4 million. This consisted of NOK 166.4 million for the second half of 2017 and NOK 184.9 million for the first half of 2018.

(amounts in NOK 1 000)	Dividend for the first half			Dividend for the second half			Total for 2017
	NOK per share	Number of shares	Amount	NOK per share	Number of shares	Amount	
Gross dividend	1.20	93 765 688	112 519	1.80	93 765 688	168 778	281 297
Dividend related to own shares	1.20	2 150 794	2 581	1.80	1 307 577	2 354	4 935
Net dividend paid	-	-	109 938	-	-	166 425	276 362

Dividend paid in 2017 was NOK 197.8 million. This consisted of NOK 87.9 million for the second half of 2016 and NOK 109.9 million for the first half of 2017.

Note 16: Interest-bearing liabilities

Specification of interest-bearing liabilities

(amounts in NOK 1 000)	2018	2017
Non-current liabilities		
Bank loans	1 795 798	1 836 824
Bond issue	-	-
Total non-current interest-bearing liabilities at amortised cost	1 795 798	1 836 824
Current liabilities		
Bank loans	520 508	380 608
Total current interest-bearing liabilities at amortised cost	520 508	380 608
Total interest-bearing liabilities at amortised cost	2 316 305	2 217 431

Selvaag Bolig ASA has a credit facility agreement with DNB. This was expanded from NOK 400 million to NOK 500 million in 2018 and matures in April 2022. The company also has an annually renewed credit facility of NOK 150 million. No drawings had been made against any of these facilities at 31 December. Previously, the group had a bond loan of NOK 500 million. This was repaid in 2017.

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 no top-up loans, land loans of NOK 1 356 million and construction loans of NOK 960 million.

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Company (amounts in NOK 1 000)	Loan instrument	Lender	2018	Currency	Maturity date
Selvaag Bolig ASA	Working capital facility	DNB	-	NOK	Unspecified
Selvaag Bolig ASA	Revolving credit facility	DNB	-	NOK	04.04.2021
Selvaag Bolig Lørenskog AS	Land loan	DNB/Handelsbanken	280 000	NOK	30.09.2021
Selvaag Bolig Hamang AS	Land loan	DNB	230 000	NOK	30.09.2020
Selvaag Bolig Langhus AS	Land loan	DNB	85 000	NOK	30.12.2019
Selvaag Bolig ASA - Lørenporten	Land loan	DNB	111 100	NOK	03.08.2019
Selvaag Bolig ASA - Trævarefabrikken	Land loan	DNB	86 000	NOK	31.03.2021
Skårer Bolig AS	Land loan	DNB	195 000	NOK	30.11.2021
Selvaag Løren 7 AS	Land loan	DNB	110 500	NOK	30.12.2019
Jaasund AS	Land loan	SR Bank	65 765	NOK	31.12.2021
Lervik Brygge	Land loan	SR Bank	94 820	NOK	01.12.2022
Aase Gaard AS	Land loan	SR Bank	50 000	NOK	01.12.2022
Selvaag Bolig Ballerud AS	Land loan	Sparebanken Øst	48 000	NOK	30.09.2019
Selvaag Bolig Vinterportalen AS	Construction loan	DNB/Handelsbanken	240 000	NOK	31.03.2022
Selvaag Bolig Hovinenga AS	Construction loan	DNB/Handelsbanken	304 954	NOK	30.06.2020
Selvaag Bolig Glassverket AS	Construction loan	DNB	64 832	NOK	31.03.2020
Selvaag Bolig Bispelua AS	Construction loan	DNB/Handelsbanken	49 519	NOK	30.08.2019
Selvaag Bolig Lørenporten AS	Construction loan	DNB	61 083	NOK	31.03.2021
Lervik Brygge AS	Construction loan	SR-Bank	123 343	NOK	30.09.2020
Lade Allè 67-69 Holding AS	Construction loan	Sparebank 1 SMN	116 389	NOK	31.12.2019
Total interest-bearing debt			2 316 305		

Interest rates are based on three-month Nibor plus a margin. At 31 December 2018, the average interest rate was 3.67% for the land loans and 3.70% for the construction loans.

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

Company (amounts in NOK 1 000)	Loan instrument	Lender	2017	Currency	Maturity date
Selvaag Bolig ASA	Working capital facility	DNB	-	NOK	Unspecified
Selvaag Bolig ASA	Revolving credit facility	DNB	-	NOK	04.04.2021
Selvaag Bolig Lørenskog AS	Land loan	DNB/Handelsbanken	81 300	NOK	30.09.2018
Selvaag Bolig Hamang AS	Land loan	DNB	230 344	NOK	30.09.2020
Selvaag Bolig Langhus AS	Land loan	DNB	85 000	NOK	30.12.2019
Selvaag Bolig ASA - Lørenporten	Land loan	DNB	266 554	NOK	03.08.2019
Skårer Bolig AS	Land loan	DNB	195 000	NOK	30.11.2018
Selvaag Løren 7 AS	Land loan	DNB	110 500	NOK	30.12.2019
Jaasund AS	Land loan	SR Bank	52 996	NOK	31.12.2018
Lervik Brygge AS	Land loan	SR Bank	119 973	NOK	01.12.2022
Aase Gaard AS	Land loan	SR Bank	50 000	NOK	01.12.2022
Selvaag Bolig Ballerud AS	Land loan	Sparebanken Øst	48 000	NOK	30.09.2019
Selvaag Bolig Formtoppen AS	Construction loan	DNB/Handelsbanken	203 784	NOK	31.05.2019
Selvaag Bolig Hovinenga AS	Construction loan	DNB/Handelsbanken	383 363	NOK	30.06.2020
Selvaag Bolig Bjørnåsen Syd II AS	Construction loan	DNB	24 284	NOK	31.12.2018
Selvaag Bolig Nybyen Økern AS	Construction loan	DNB	194 753	NOK	31.12.2019
Selvaag Bolig Lørenporten AS	Construction loan	DNB	135 553	NOK	31.03.2021
Selvaag Bolig Løren 5 AS	Construction loan	DNB/Handelsbanken	27 027	NOK	30.09.2018
Other companies	Other loans	Handelsbanken	9 000	NOK	31.12.2020
Total interest-bearing debt			2 217 431		

Interest rates are based on three-month Nibor plus a margin. At 31 December 2017, the average interest rate was 3.23% for the land loans and 3.16% for the construction loans.

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

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Non-current interest-bearing liabilities

Maturity schedule for non-current loans

Period	2018	2017
To be repaid during 2019	-	929 891
To be repaid during 2020	723 130	622 708
To be repaid during 2021	687 848	284 225
To be repaid during 2022 or later	384 821	-
Total	1 795 798	1 836 824

Current interest-bearing liabilities

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

Maturity schedule for current loans

Period	2018	2017
Repayable within 0-6 months after period-end	-	-
Repayable within 6-12 months after period-end	520 508	380 608
Total	520 508	380 608

Collateral and guarantees, etc

Secured loans	2018	2017
Bank loans - financial institutions	2 316 305	2 217 431

Carrying value of land pledged as security on bank loans	2018	2017
Inventory	3 981 143	4 016 037

Note 17: Trade and other payables

(amounts in NOK 1 000)	2018	2017
Trade payables	181 360	166 479
Current non-interest-bearing liabilities payable to Selvaag Gruppen	-	-
Accrued expenses	292 865	255 310
Other current financial liabilities	-	-
Total other current non-interest-bearing financial liabilities	292 865	255 310
Other current liabilities*	269 466	597 972
Total other current non-interest-bearing liabilities	562 331	853 282

* Prepayments from customers were NOK 200.9 million at 31 December 2018, compared with NOK 385.3 million at 31 December 2017.

Trade payables

The group's trade payables have the following maturity structure at 31 December:

Maturity	2018	2017
Repayable 0-3 months after the end of the reporting period	181 360	166 479
Repayable 3-6 months after the end of the reporting period	-	-
Net trade payables	181 360	166 479

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

The group is a Norwegian real estate developer, focusing on Norwegian development projects and properties. The group has certain investments in foreign operations, where net assets are exposed to foreign currency translation risk, but to a limited extent. Projects outside Norway are financed in local currency through subsidiaries. However, the group purchases 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.

(c) Liquidity risk

Conservative liquidity management ensures the group has sufficient liquid assets and funding available to meet its obligations. In 2017, the group entered into an agreement for a revolving credit facility of NOK 400 million with DNB. This was increased to NOK 500 million in 2018. At the same time, the bond loan of NOK 500 million was repaid and a revolving credit facility of NOK 150 million was cancelled. The group manages its liquidity actively to ensure adequate liquidity at any time. It supervises forecast 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.

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

<i>(amounts in NOK 1 000)</i>	Note	Total at 31.12.2018	< 1 year	1-3 years	3-6 years	6-10 years	> 10 years	Not specified
Interest-bearing liabilities								
Bank loans*	16	2 492 632	599 054	1 502 281	391 297	-	-	-
Other interest-bearing liabilities	16	-	-	-	-	-	-	-
Total interest-bearing liabilities		2 492 632	599 054	1 502 281	391 297	-	-	-

<i>(amounts in NOK 1 000)</i>		Total at 31.12.2018	< 1 year	1-3 years	3-6 years	6-10 years	> 10 years	Not specified
Non-interest-bearing liabilities								
Trade payables	17	181 360	181 360	-	-	-	-	-
Current non-interest-bearing liabilities payable to the Selvaag group	17	-	-	-	-	-	-	-
Accrued expenses	17	292 865	292 865	-	-	-	-	-
Other current financial liabilities	17	-	-	-	-	-	-	-
Other current liabilities	17	269 466	269 466	-	-	-	-	-
Other non-current non-interest-bearing liabilities	18.3	3 225	-	3 225	-	-	-	-
Total non-interest-bearing liabilities		746 916	743 691	3 225	-	-	-	-

* Including estimated interest payments

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

<i>(amounts in NOK 1 000)</i>	Note	Total at 31.12.2017	< 1 year	1-3 years	3-6 years	6-10 years	> 10 years	Not specified
Interest-bearing liabilities								
Bank loans*	16	2 370 566	419 405	1 642 750	308 411	-	-	-
Other interest-bearing liabilities	16	-	-	-	-	-	-	-
Total interest-bearing liabilities		2 370 566	419 405	1 642 750	308 411	-	-	-

<i>(amounts in NOK 1 000)</i>		Total at 31.12.2017	< 1 year	1-3 years	3-6 years	6-10 years	> 10 years	Not specified
Non-interest-bearing liabilities								
Trade payables	17	166 479	166 479	-	-	-	-	-
Current non-interest-bearing liabilities payable to the Selvaag group	17	-	-	-	-	-	-	-
Accrued expenses	17	255 310	255 310	-	-	-	-	-
Other current financial liabilities	17	-	-	-	-	-	-	-
Other current liabilities	17	597 972	597 972	-	-	-	-	-
Other non-current non-interest-bearing liabilities	18.3	8 349	-	8 349	-	-	-	-
Total non-interest-bearing liabilities		1 028 110	1 019 761	8 349	-	-	-	-

* 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. In order to optimise the capital structure, the management evaluates all available funding sources on an on-going basis. In addition, the company has two facilities, one of NOK 500 million and one of NOK 150 million, for general funding of the group.

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18.3 Financial assets and liabilities

Classification of financial assets and liabilities

(amounts in NOK 1 000)	Note	2018		2017	
		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		-	119 290	-	122 982
Other non-current assets	11	-	326 074	-	214 039
Financial non-current assets		-	445 364	-	337 021
Trade receivables		-	215 007		133 832
Other current financial receivables	11	-	40 440	-	27 907
Cash and cash equivalents		-	657 034	-	485 561
Financial current assets		-	912 481	-	647 300
Financial assets		-	1 357 845	-	984 321
		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	-	1 795 798	-	1 836 824
Other non-current non-interest-bearing liabilities		-	3 225	-	8 349
Financial non-current liabilities		-	1 799 023	-	1 845 173
Current interest-bearing liabilities	16	-	520 508		380 608
Trade payables		-	181 360	-	166 479
Other current non-interest-bearing financial liabilities	17	-	292 865		255 310
Financial current liabilities		-	994 733	-	802 396
Financial liabilities		-	2 793 756	-	2 647 569

Classification of financial assets and liabilities

(amounts in NOK 1 000)	Note	2018	2017
Trade receivables and other current and non-current financial assets			
Loans to associated companies and joint ventures		119 290	122 982
Other non-current assets	11	326 074	214 039
Trade receivables		215 007	133 832
Other current financial receivables	11	40 440	27 907
Total trade receivables and other current and non-current financial assets		700 811	498 760
Cash and cash equivalents			
Cash and cash equivalents		657 034	485 561
Trade payables and other non-interest-bearing financial liabilities			
Other non-current non-interest-bearing liabilities		3 225	8 349
Trade payables		181 360	166 479
Total other current non-interest-bearing financial liabilities	17	292 865	255 310
Total trade payables and other non-interest-bearing financial liabilities		477 450	430 138
Interest-bearing liabilities			
Non-current interest-bearing liabilities	16	1 795 798	1 836 824
Current interest-bearing liabilities	16	520 508	380 608
Total interest-bearing liabilities		2 316 305	2 217 431

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Sensitivity analysis

Interest rate risk

2018			
Adjustment to interest level in basis points	50	100	150
Effect - bank loans	(11 334)	(22 669)	(34 003)
Effect - other loans	-	-	-
Effect on cash flow (in NOK 1 000)	(11 334)	(22 669)	(34 003)
2017			
Adjustment to interest level in basis points	50	100	150
Effect - bank loans	(10 736)	(21 473)	(32 209)
Effect - other loans	-	-	-
Effect on cash flow (in NOK 1 000)	(10 736)	(21 473)	(32 209)

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 calculations are based on average interest rates for the year. 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% at 31 December in 2018 and 2017 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 value of financial instruments

Principles for estimating fair value

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

Fair value hierarchy

The group measures fair value using the following fair value hierarchy, which 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 which are observable for assets or liabilities, either directly (ie, as prices) or indirectly (ie, derived from prices).

Level 3: Inputs for assets or liabilities which 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 by the 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 instrument.

Cash and cash equivalents

The fair value for this class of financial instrument 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 instrument.

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 which 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.

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Note 19: Income taxes

Specification of income tax (expense) income

(amounts in NOK 1 000)	2018	2017
Current income taxes payable	(158 110)	(103 782)
Under-allocated the year before	-	-
Changes in deferred taxes	(7 515)	1 129
Income taxes in profit (loss)	(165 625)	(102 653)

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

Reconciliation from nominal to effective income tax rate

(amounts in NOK 1 000)	2018	2017
Profit (loss) before income taxes	732 470	503 532
Estimated income taxes in accordance with nominal tax rate (23%)	(168 468)	(120 848)
Taxable income related to the exemption method, in accordance with section 2-38 of the Norwegian Taxation Act	1 042	13 160
Other non-deductible expenses	(26 966)	(4 287)
Other non-taxable income	1 245	2 542
Other items	-	-
Unrecognised deferred tax assets	-	-
Change in income tax rate (from 23% to 22%)	4 109	3 514
Share of income from associated companies and joint ventures	23 413	3 266
Income tax income (expense)	(165 625)	(102 653)
Effective income tax rate*	22.6 %	20.4 %

* The difference between effective and nominal tax rates in 2018 and 2017 primarily reflects a reduction in the tax rate for Selvaag Bolig in Norway and share of income from associated companies included on the basis of the equity method. Profit (loss) before taxes includes the shares of profit (loss) attributable to Selvaag Bolig ASA's and non-controlling interests in companies subject to partnership taxation. Consolidated tax expense does not include tax liabilities for taxable entities which 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 22% with effect from 2019. Deferred tax at 31 December 2018 has consequently been calculated on the basis of a 22% tax rate. The effect on the tax expense for 2018 is a reduction of NOK 4.1 million.

Share of income from associated companies and joint ventures

Share of income from associated companies and joint ventures which 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 at 31 December

(amounts in NOK 1 000)	2018		2017	
	Asset	Liability	Asset	Liability
Non-current assets	6 349	-	6 999	-
Inventory property	-	123 434	-	119 258
Receivables	2 569	-	2 544	-
Current liabilities	9 232	-	11 967	-
Non-current liabilities	12 258	-	13 897	-
Losses carried forward	2 622	-	2 971	-
Total temporary differences	33 030	123 434	38 378	119 258
Unrecognised deferred tax assets	2 606	-	2 657	-
Net deferred tax assets (liabilities) in the statement of financial position	(93 010)	-	(83 537)	-

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.

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

<i>(amounts in NOK 1 000)</i>	2018	2017
Net deferred tax assets (liabilities) at 1 January	(83 537)	(84 486)
Acquisition of subsidiaries	(973)	-
Disposal of subsidiaries	(985)	(180)
Recognised in the statement of comprehensive income	(7 515)	1 129
Recognised directly in the statement of changes in equity	-	-
Net deferred tax assets (liabilities) at 31 December	(93 010)	(83 537)

Selvaag Bolig ASA has acquired companies with land plots in previous years. These companies have no activities other 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 that the assets are recognised net after deferred tax. See IAS 12.22 c. The land plots in the land bank affected by this had a book value of NOK 482 million (2017: NOK 518) at 31 December 2018. Based on a nominal tax rate of 22%, latent tax obligations of NOK 93.8 million relate to the plots (2017: NOK 97.6). These latent deferred taxes are not recognised in the financial statements.

Note 20: Provisions

<i>(amounts in NOK 1 000)</i>	2018	2017
Provision for contractual infrastructure	60 373	60 373
Other non-current provisions	-	-
Total non-current provisions for other liabilities	60 373	60 373

The provision for contractual infrastructure is related to infrastructure and the construction of parking areas in Lørenskog. Infrastructure obligations amount to about NOK 6.4 million and are expected to start falling due from 2020. 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>	2018	2017
At 1 January	60 373	75 073
Obligations arising during the year and effects of changes in estimates	-	-
Amounts utilised	-	(14 700)
Reclassification after business combinations	-	-
Reclassification of pension obligations	-	-
Obligations in acquired companies	-	-
At 31 December	60 373	60 373

Note 21: Contingent liabilities and guarantees

The group is subject to the following contingent liabilities as a result of ownership interests in subsidiaries and associated companies:

<i>(amounts in NOK 1 000)</i>	2018	2017
Guarantees to vendors	26 016	25 163
Capital not called up - limited partnerships	7 784	7 784
Total contingent liabilities	33 800	32 947

Parent company guarantees of NOK 400.6 million had been given in 2018 and NOK 427.4 million in 2017. 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.

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

This statement of remuneration is valid for work performed by leading employees of the group.

Pursuant to section 6-16a of the Public Limited Companies Act, the board of directors prepares a statement on the determination of salary and other remuneration for the CEO and other senior executives. The group applies the following principles in determining the remuneration of the CEO and the management group.

The board takes the view that the salary and other remuneration of the CEO and the executive management should be competitive, and total remuneration should reflect the extent of their responsibilities. Senior executives may receive remuneration as a bonus in addition to basic salary, conditional on the fulfilment of certain performance criteria, as well as ordinary additional remuneration for this type of position. All executives are members of the group's ordinary pension scheme. The group has no specific remuneration arrangement for the CEO or other executives connected with the 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)

2018	Position	Salary	Bonus	Share purchase programme	Pension	Other	Total
Olav Hindahl Selvaag ¹	CEO	1 882	-	-	44	2	1 928
Baard Schumann ¹	CEO	3 880	6 388	4 876	66	4 246	19 456
Sverre Molvik	CFO	3 055	2 280	1 735	88	24	7 182
Halvard Kverne	Vice president regions	2 430	2 280	1 642	88	32	6 472
Øystein Klungland	Vice president Greater Oslo	3 055	2 280	1 640	88	17	7 080
Kristoffer Gregersen	Vice president communications and market	1 437	1 330	946	88	20	3 820
Petter Cedell	Vice president property investment	1 926	1 786	277	88	17	4 094
Total - group management		17 663	16 344	11 116	550	4 358	50 031

¹ Baard Schumann left the position as CEO in June 2018. Remuneration to Baard Schumann in 2018 includes severance pay. Olav Hindahl Selvaag has been acting CEO from this time and will remain so until the new permanent CEO joins the company in May 2019.

Effects from the change in the company's share purchase programme in 2018 for the group management (amounts in NOK 1 000)

The company amended its share purchase programme for management in 2018 following an extraordinary general meeting during November. One result of the change is that the programme was implemented twice during the transitional year, since the final implementation under the earlier programme would have been in the spring of 2019. The background for the amendment was to simplify the terms and harmonise the implementation date with the general programme for other employees. The transitional effects in 2018, which also include advance payment of bonus which would normally have been made in 2019, are presented in the table below:

	Advance payment of bonus	Effect in 2018 from change in share purchase programme
Sverre Molvik	1 974	1 050
Halvard Kverne	1 974	1 050
Øystein Klungland	1 974	1 050
Kristoffer Gregersen	1 000	426
Petter Cedell	400	170
	7 321	3 747

2017	Position	Salary	Bonus	Share purchase programme	Pension	Other	Total
Baard Schumann	CEO	4 569	6 525	5 290	85	698	17 166
Sverre Molvik	CFO	2 128	2 050	1 663	85	87	6 013
Halvard Kverne	Vice president regions	2 128	2 050	1 728	85	85	6 076
Øystein Klungland	Vice president Greater Oslo	2 128	2 050	1 660	85	87	6 010
Kristoffer Gregersen	Vice president communications and market	1 295	1 200	906	85	50	3 537
Petter Cedell	Vice president property investment	1 880	1 500	158	85	29	3 652
Total - group management		14 129	15 375	11 405	510	1 036	42 454

At 31 December 2018, former CEO Baard Schumann had a loan of NOK 1.8 million from Selvaag Bolig ASA. The interest rate was equal to the norm rate published by the Norwegian Ministry of Finance. The loan was repaid in February 2019.

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Specification of director's fees (amounts in NOK 1 000)

	Posisjon	2018	2017
Gisele Marchand ¹	Chair	375	365
Olav Hindahl Selvaag ²	Chair	545	525
Karsten Bomann Jonsen ³	Director	350	340
Tore Myrvold	Director	-	-
Peter Groth ⁴	Director	325	315
Anne Sofie Bjørkholt	Director	275	265
Christopher Brunvoll ⁵	Director (elected by the employees)	23	11
Marianne Ørnsrud ⁵	Director (elected by the employees)	-	32
Sissel Kristensen ⁵	Director (elected by the employees)	35	-
Rune Thomassen ⁵	Director (elected by the employees)	12	21
Total - board		1 940	1 874

¹ From June 2018, Gisele Marchand became acting chair and Olav Hindahl Selvaag took on the role of acting CEO. The fee includes NOK 100 000 for work as chair of the audit committee.

² The fee includes NOK 65 000 for work in the compensation committee.

³ Karsten Bomann Jonsen was replaced as director by Tore Myrvold at the AGM of 2 May 2018. The fee includes NOK 75 000 for work in the audit committee.

⁴ The fee includes NOK 50 000 for work in the compensation committee.

⁵ Christopher Brunvoll replaced Rune Thomassen as director in April 2017.

⁵ Sissel Kristensen replaced Marianne Ørnsrud as director in April 2017.

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Specification of fees paid to the auditor

(amounts in NOK 1 000)	2018	2017
Statutory audit services to the parent company	1 075	1 212
Statutory audit services to subsidiaries	1 387	1 477
Other assurance services	239	266
Tax advisory services	-	-
Other non-audit services	100	53
Total fees paid to the auditor (exclusive of VAT)	2 801	3 008

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

	Position	2018	2017
Olav Hindahl Selvaag ¹	CEO	50 231 661	50 231 661
Tore Myrvald ²	Director	13 000	6 000
Peter Groth ²	Director	120 000	120 000
Gisele Marchand	Chair	5 000	5 000
Marianne Ørnsrud	Alternate director (elected by the employees)	10 562	7 919
Christopher Brunvoll	Director (elected by the employees)	22 958	16 349
Rune Thomassen	Alternate director (elected by the employees)	18 958	12 349
Halvard Kverne	Vice president regions	356 226	156 195
Øystein Klungland	Vice president Greater Oslo	352 116	152 085
Sverre Molvik	CFO	356 226	156 195
Kristoffer Gregersen	Vice president communications and market	169 445	70 385
Petter Cedell	Vice president property investment	49 628	16 087

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 on salary and other remuneration to members of the group's management will be presented for a vote at the annual general meeting in April 2019.

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 determining remuneration packages

Remuneration for management in Selvaag Bolig ASA should be competitive.

The remuneration packages must be designed so as to avoid unreasonable compensation owing 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 will not receive specific compensation for directorships at 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 mainly on objective, definable and measurable criteria. For the management group, variable pay (bonus) may not exceed 100% of fixed base salary.

The company has a share purchase programme for the company's executive management. Members of the executive management can choose

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to purchase shares in the company limited upwards to the individual's annual salary. 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 will be based on circumstances which are possible for management to influence, and specify 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 rights 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 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 which may result in liabilities for damages or the individual in being indicted for violation of the law.

The 2018 financial year 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

(amounts in NOK 1 000)	2018	2017
Sales of goods and services		
Selvaag Gruppen AS (parent company)	-	-
Associated companies	26 933	21 448
Joint ventures		
Other related parties (including subsidiaries of the parent company)	-	-
Purchase of goods and services		
Selvaag Gruppen AS (parent company)	(699)	(686)
Other related parties (including subsidiaries of the parent company)	(9 751)	(8 897)
Financial income		
Other related parties (including subsidiaries of the parent company)	1 413	1 381
Financial expenses		
Selvaag Gruppen AS (parent company)	-	-

The following receivables and liabilities were outstanding at 31 December

(amounts in NOK 1 000)	2018	2017
Receivables		
Selvaag Gruppen AS (parent company)	41 738	40 104
Associated companies	-	-
Other related parties (including subsidiaries of the parent company)	-	12
Liabilities		
Selvaag Gruppen AS (parent company)	-	(41)
Other related parties (including subsidiaries of the parent company)	(2 433)	(152 569)

Other related-party transactions

In 2017, Selvaag Bolig purchased and took delivery of a site at Lørenskog for NOK 225 million. The vendor was Vinterparken Holding AS, a joint venture part-owned by Selvaag Gruppen AS. The settlement was made in 2018.

The group has provided various guarantees, mainly through purchased guarantees, to associated companies and joint ventures totalling NOK 247.4 million.

CONSOLIDATED FINANCIAL STATEMENTS

Note 24: Investments in associated companies and joint ventures

Company	Year of acquisition	Registered office	Ownership and voting power	
			2018	2017
Sandvika Boligutvikling KS	2008	Norway	33.3%	33.3%
Sandvika Boligutvikling AS	2008	Norway	37.0%	37.0%
Stord Industribbygg AS and Holding AS*	2011	Norway	66.0%	66.0%
Tangen pluss AS	2011	Norway	50.0%	50.0%
S Trumpet Holding AB (formerly Projektbolaget Sädesärlan AB)	2011	Sweden	50.0%	50.0%
Kaldnes Brygge AS	2016	Norway	50.0%	50.0%
Kaldnes Boligutvikling AS**	2012	Norway	25.0%	25.0%
Sandnes Eiendom Invest AS	2013	Norway	50.0%	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 incl. subsidiaries	2015	Norway	50.0%	50.0%
Selvaag Boligutvikling II AS (formerly Ehousing AS)***	2016	Norway	100.0%	50.0%
Sandsliåsen Utbygging AS	2016	Norway	50.0%	50.0%
Sandsliåsen 46 Utbygging AS	2018	Norway	50.0%	-
Haakon Vlls gate 4 AS og Holding AS	2017	Norway	50.0%	50.0%
Fornebu Sentrum Utvikling AS	2017	Norway	50.0%	50.0%
Pottemakerveien Utvikling AS	2017	Norway	50.0%	50.0%
Heimdal Stasjonsby AS	2017	Norway	50.0%	50.0%

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

** The company is a wholly owned subsidiary of Kaldnes Brygge AS.

*** The company became a wholly owned subsidiary of Selvaag Bolig ASA in 2018.

Specification of investments in associated companies and joint ventures 2018

(amounts in NOK 1 000)	Ownership share	Carrying amount 01.01.18	Additions/disposals	Share of profit	Equity adjustments and dividends	Carrying amount 31.12.18
Sandvika Boligutvikling KS	33.3%	686	-	-	-	686
Sandvika Boligutvikling AS	37.0%	3 163	-	(34)	-	3 129
Kaldnes Brygge AS	50.0%	128 448	-	20 350	(14 000)	134 798
Stord Industribbygg AS and Holding AS*	66.0%	26 193	12 730	3 178	-	42 101
Sandnes Eiendom Invest AS	20.0%	43 759	53 383	(506)	(8 000)	88 636
Tangen pluss AS	50.0%	414	-	-	-	414
S Trumpet Holding AB (formerly Projektbolaget Sädesärlan AB)	50.0%	46 322	-	478	(46 800)	-
Kirkeveien Utbyggingsselskap AS	50.0%	15 075	-	30	-	15 105
Tiedemannsfabrikken AS	50.0%	2 085	-	72 974	-	75 059
Smedplassen Prosjekt AS	50.0%	7 351	-	16 852	-	24 203
Sinsenveien Holding AS incl. subsidiaries	50.0%	4 434	-	(4 831)	-	(397)
Sandsliåsen Utbygging AS	50.0%	6 113	-	(237)	-	5 876
Sandsliåsen 46 Utbygging AS	50.0%	-	15	(22)	-	(7)
Haakon Vlls gate 4 AS og Holding AS	50.0%	(1 682)	-	(3 598)	-	(5 280)
Fornebu Sentrum Utvikling AS	50.0%	5 016	-	(772)	-	4 244
Pottemakerveien Utvikling AS	50.0%	(261)	-	(558)	-	(819)
Heimdal Stasjonsby AS	50.0%	29 039	-	(1 508)	-	27 531
Selvaag Boligutvikling II AS (formerly Ehousing AS)	50.0%	85	(85)	-	-	-
Total		316 241	66 043	101 796	(68 800)	415 280

* Addition in 2018 is conversion of debt to equity capital

CONSOLIDATED FINANCIAL STATEMENTS

Specification of investments in associated companies and joint ventures 2017:

(amounts in NOK 1 000)	Ownship share	Carrying amount 01.01.17	Additions/ disposals	Share of profit	Equity adjustments and dividends	Carrying amount 31.12.17
Sandvika Boligutvikling KS	33.3%	686	-	-	-	686
Sandvika Boligutvikling AS	37.0%	3 422	-	(259)	-	3 163
Kaldnes Brygge AS	50.0%	118 907	-	9 541	-	128 448
Stord Industribygg AS and Holding AS*	66.0%	35 307	-	(9 114)	-	26 193
Sandnes Eiendom Invest AS	20.0%	42 202	-	1 557	-	43 759
Tangen pluss AS	50.0%	486	-	(72)	-	414
S Trumpet Holding AB (formerly Projektbolaget Sdesrlan AB)	50.0%	45 988	-	334	-	46 322
Kirkeveien Utbyggingsselskap AS	50.0%	10 037	5 000	38	-	15 075
Tiedemannsfabrikken AS	50.0%	4 342	-	(2 257)	-	2 085
Smedplassen Prosjekt AS	50.0%	9 351	-	(2 000)	-	7 351
Sinsenveien Holding AS incl. subsidiaries	50.0%	12 624	-	(8 190)	-	4 434
Sandslisen Utbygging AS	50.0%	6 228	-	(115)	-	6 113
Haakon Vlls gate 4 AS og Holding AS	50.0%	-	20	(1 702)	-	(1 682)
Fornebu Sentrum Utvikling AS	50.0%	-	5 016	-	-	5 016
Pottemakerveien Utvikling AS	50.0%	-	53	(314)	-	(261)
Heimdal Stasjonsby AS	50.0%	-	29 944	(905)	-	29 039
Ehousing AS	50.0%	237	-	(152)	-	85
Total		289 818	40 033	(13 610)	-	316 241

* Share of profit/loss includes a write down of NOK 10 million.

Subsidiaries in the group had given NOK 119 million (123) in loans to associated companies and joint ventures at 31 December.

Specification of investments in associated companies and joint ventures 2017

(amounts in NOK 1 000)	2 018	2 017
Total assets	2 987 350	2 480 17
Total liabilities	2 277 247	1 986 638
Net assets	710 103	493 541
Total revenues	1 259 386	322 086
Total profit (loss) for the year	214 815	3 609

Note 25: Additional information revenues

Selvaag Bolig had operating revenues of NOK 3 342.1 million (NOK 3 228.8 million). Revenues from units delivered accounted for NOK 3 225 million (NOK 2 760 million) of this total. Furthermore, commercial property was sold for NOK 42.5 million. Two sites were sold in 2017 for a total of NOK 405 million. Other revenues derived from non-core activities, mainly rental of commercial premises, project management and service revenue, see the specification below.

(amounts in NOK 1 000)	2018	2017
Lease revenues*	27 552	23 387
Service revenue	45 768	39 602
Other operating revenues	1 250	801
Total other revenues	74 570	63 790

* At 31 December in both 2018 and 2017, all operating leases where the group acts as a lessor were cancellable.

The group had 1 449 units under construction at 31 December (2017: 1 463), with a combined sales value of NOK 6 712 million (2017: NOK 6 994). Sixty-six per cent of units under construction were sold (73 per cent).

Note 26: Events after the reporting period

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





STATEMENT OF PROFIT AND LOSS

(Amounts in NOK 1 000)	Note	2018	2017
OPERATING REVENUE AND COST			
Sales revenue	15	71 019	57 462
Lease revenue		-	103
Total operating revenue		71 019	57 565
OPERATING EXPENSES			
Project expenses		4 974	7 721
Salaries and personnel expenses	7, 9	163 036	156 294
Depreciation and amortisation	1	3 615	3 540
Other operating expenses	9	64 372	61 104
Total operating expenses		235 997	228 659
Operating profit (loss)		(164 978)	(171 094)
FINANCIAL ITEMS			
Financial items			
Interest received from group companies		17 041	18 899
Other interest income		7 233	5 099
Other financial income		934 973	785 357
Interest charges paid to group companies		24 244	18 890
Other interest charges		19 158	32 794
Other financial costs	14	178 646	24 508
Other gains (loss), net		-	(28 567)
Net financial items		737 199	704 596
Profit (loss) before income taxes		572 221	533 502
Income tax (expense) income	8	147 140	126 468
Profit (loss) for the year		425 081	407 034
Net profit		425 081	407 034
Allocation			
Proposed dividend		234 414	168 778
Transferred to/from other equity		190 667	238 256
Total allocation		425 081	407 034

FINANCIAL POSITION

(Amounts in NOK 1 000)	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax asset	8	3 194	2 876
Total intangible assets		3 194	2 876
Property, plant and equipment			
Land, buildings and property	1, 3	3 476	20 187
Inventory and other equipment	1	4 205	7 058
Total property, plant and equipment		7 681	27 245
Non-current financial assets			
Investments in subsidiaries	2	2 270 020	2 542 697
Investments in associated companies	2	233 457	198 673
Other investments		4 949	4 949
Other receivables	4, 12	883 062	910 873
Total non-current financial assets		3 391 488	3 657 192
Total non-current assets		3 402 363	3 687 313
CURRENT ASSETS			
Receivables			
Trade receivables	3, 12	24 194	28 330
Other receivables from group companies	12	1 044 276	822 666
Other receivables	4	41 225	55 867
Total receivables		1 109 695	906 863
Cash and cash equivalents	10	269 009	29 861
Total current assets		1 378 704	936 724
Total assets		4 781 067	4 624 037

FINANCIAL POSITION

(amounts in NOK 1 000)	Note	2018	2017
EQUITY AND LIABILITIES			
Paid-in capital			
Share capital	5,6	187 531	187 531
Own shares	5	(1 724)	(4 058)
Share premium account	5	1 395 478	1 395 478
Other paid-in capital	5	1 217 079	1 169 134
Total paid-in capital		2 798 364	2 748 085
Total equity		2 798 364	2 748 085
Liabilities			
Accrued liabilities			
Pension obligation	7	83	93
Total accrued liabilities		83	93
Non-current liabilities			
Non-current interest-bearing liabilities	3	86 000	266 555
Other non-current liabilities	3, 12	1 143 525	1 073 050
Total non-current liabilities		1 229 525	1 339 605
Current liabilities			
Current interest-bearing liabilities	3	111 100	-
Trade payables	11, 12	7 876	8 696
Current income taxes payable		126 021	91 840
Public taxes		16 325	11 705
Dividend		234 414	168 778
Intercompany debts	12	210 173	203 386
Other current liabilities		47 186	51 849
Total current liabilities		753 095	536 254
Total liabilities		1 982 703	1 875 952
Total equity and liabilities		4 781 067	4 624 037

Oslo, 21 March 2019



Gisele Marchand
Chair



Peter Groth
Director



Tore Myrvold
Director



Sissel Kristensen
Director
(elected by the employees)



Anne Sofie Bjørkholt
Director



Christopher Brunvoll
Director
(elected by the employees)



Olav Hindahl Selvaag
President and CEO

STATEMENT OF CASH FLOWS

<i>(amounts in NOK 1 000)</i>	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before income taxes		572 221	533 502
Income taxes paid		(90 574)	(53 121)
Other (gains) losses, net		-	28 567
Depreciation and amortisation	1	3 615	3 540
Share of (income) losses from associated companies and joint ventures		14 000	-
Change in trade receivables		4 136	6 768
Change in trade payables		(820)	2 486
Changes in other working capital*		204 459	29 550
Net cash flow from operating activities		707 037	551 292
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for acquisition of tangible and intangible fixed assets		(762)	(767)
Proceeds from disposal of subsidiaries and associated companies		-	69 343
Payments for acquisitions of subsidiaries and associated companies		(100 144)	(40 033)
Proceeds from disposal of other investments and repayments on loans given		44 920	34 085
Payments for acquisition of other investments and loans given		(61 669)	(101 759)
Dividends and distributions from subsidiaries		187 000	-
Net cash flow from investing activities		69 345	(39 131)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		86 000	-
Repayments of borrowings		(155 454)	(517 296)
Proceeds from group contribution		59 037	194 959
Payment of group contribution		(203 386)	(167 009)
Dividends paid to equity holders of Selvaag Bolig ASA		(351 340)	(197 820)
Share buy back Selvaag Bolig ASA		-	(76 892)
Proceeds from disposal of shares Selvaag Bolig ASA		27 909	17 783
Net cash flow from financing activities		(537 234)	(746 275)
Net change in cash and cash equivalents		239 148	(234 114)
Cash and cash equivalents at 1 January		29 861	263 975
Cash and cash equivalents at 31 December		269 009	29 861

* Net effect from group contribution was NOK 832.4 million for 2018, compared with NOK 619.3 million in 2017.

ACCOUNTING POLICIES

ACCOUNTING POLICIES FOR SELVAAG BOLIG ASA

The annual accounts have been compiled in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP).

Use of estimates

The preparation of the accounts pursuant to the Accounting Act requires the use of estimates. Furthermore, the application of the company's accounting principles requires management to exercise its judgement. Areas where such judgements are extensively applied, where the level of complexity is high, or where assumptions and estimates are significant for the annual accounts are described in the notes.

SALES REVENUES

Revenues from sales of goods and services are assessed at the fair value of the consideration, net after deduction of VAT. Sales of goods are recorded as income when the company has delivered its products to the customer and no unfulfilled liabilities exist which could influence the customer's acceptance of the delivery. Provision for expected guarantee work is recorded as a cost and as a provision for liabilities.

Services are recorded as income as they are provided.

CLASSIFICATION OF BALANCE SHEET ITEMS

Assets intended for permanent ownership or use are classified as fixed assets. Assets associated with the flow of goods are classed as current assets. Other receivables are classified as current assets if they are to be repaid within one year. Analogue criteria are applied for liabilities. Nevertheless, the first year's instalment on long-term receivables and liabilities is not classified as a current asset or liability.

Acquisition cost

The acquisition cost of assets comprises the purchase price less bonuses, discounts and the like, plus purchase expenses (freight, customs duty, non-refundable public duties and other direct purchase expenses). Where purchases in foreign currencies are concerned, the asset is capitalised at the exchange rate prevailing at the time of the transaction.

Where tangible fixed assets and intangible assets are concerned, the acquisition cost also includes direct expenses for preparing the asset for use, such as costs for testing the asset.

Interest expenses related to manufacturing fixed assets are expensed.

INTANGIBLE ASSETS

Expenses for own development activities are expensed on a continuous basis.

Expenses for other intangible assets are capitalised to the extent that it is possible to identify a future financial benefit related to developing an identifiable intangible asset, and the expenses can be measured reliably. In the opposite case, such expenses are expensed on a continuous basis.

TANGIBLE FIXED ASSETS

Land and residential flats are not depreciated. Other tangible fixed assets are capitalised and depreciated on a straight-line basis to their residual value over the expected exploitable lifetime of the asset. In the event of changes to the depreciation plan, the effect is allocated over the remaining depreciation period (the breakpoint method). Maintenance of fixed assets is expensed continuously as operating expenses. Upgrades and improvements are added to the acquisition price of the asset and depreciated in line with the asset. The distinction between maintenance and upgrade/improvement is calculated in relation to the asset's condition at the time of acquisition.

Leased fixed assets are capitalised as fixed assets if the lease is regarded as financial.

INVESTMENTS IN OTHER COMPANIES

With the exception of short-term investments in listed shares, the cost method is used for recording investments in other companies. The cost price is increased when funds are injected in connection with capital expansions or when group contributions are made to subsidiaries. Dividends received are basically recorded as income. Dividends which exceed the share of retained earnings after the acquisition are recorded as a reduction in the acquisition cost. Dividend/group contribution from subsidiaries is recorded in the same year that the subsidiary allocates the amount. Dividend from other companies is recorded as financial income on receipt.

IMPAIRMENT OF FIXED ASSETS

Where there is an indication that the carrying amount of a fixed asset is higher than its fair value, the asset is tested for impairment. This test is performed at the lowest level of fixed assets which has independent cash flows. If the carrying amount is higher than both the sales value and the recoverable amount (present value in continued use/ownership), the asset is written down to the higher of sales value or recoverable amount.

Earlier impairments, with the exception of impaired goodwill, are reversed if the requirements for impairment are no longer present.

INVENTORY AND BUILDINGS UNDER CONSTRUCTION

Goods are assessed at the lower of acquisition cost (on the FIFO principle) and fair value. The cost price of manufactured products includes direct material and payroll costs with the addition of a relative share of indirect costs.

When developing homes on its own account, the company uses the percentage of completion method, where the recording of project profit as income is limited to the relative share of the project which has been sold.

The practical consequence of the accounting policy applied is that total project costs incurred during the life of the project are expensed as cost of sales and the project value (costs plus share of profit) is recorded as income and capitalised in the balance sheet. Project value less payments from customers is normally recorded as work in progress. If payments from customers exceed the contractual income earned, the excess is recorded as advances from customers.

When the project is completed, the cost price of unsold homes is transferred to inventory and thereby reduces operating revenues and expenses by the cost price of the unsold homes. In certain circumstances at the termination of the project, this can result in low or negative operating income/cost of sales in the company's annual accounts.

CONSTRUCTION CONTRACTS

Work in progress related to fixed-price contracts with a long production life is assessed using the percentage of completion method. The degree of completion is calculated as costs incurred as a percentage of the expected total cost. The total cost is reassessed continuously. Where a project is expected to show a loss, the whole loss is expensed immediately.

RECEIVABLES

Accounts receivable are capitalised in the balance sheet after deduction of the provision for expected loss. Provision for loss is made on the basis of an individual assessment of the receivables and a supplementary provision to cover other expected loss. Significant financial problems at the customer, the probability that the customer will go into liquidation or enter a financial restructuring, and delays and shortfalls in payments are regarded as indicators that the receivable must be written down.

Other receivables, both current and long-term, are recorded at the lower of face value and fair value. Fair value is the present value of expected

future payments. Nevertheless, no discounting is done when the effect of discounting is insignificant for the accounts. Provision for loss is assessed in the same way as accounts receivable.

FOREIGN CURRENCY

Receivables and liabilities in foreign currencies are assessed at the exchange rate prevailing at the end of the accounting year. Exchange rate gains and losses related to the sale and purchase of goods in foreign currencies are recorded as sales income and cost of sales.

Forward contracts

The company and the group use forward contracts for foreign currency to secure a future exchange rate for existing (capitalised) receivables/liabilities (fair value hedging), or for reasonably assured future payments received/made in foreign currencies (cash flow hedging).

Forward contracts which secure further payments received/made are not recorded in the accounts.

LIABILITIES

Loans are initially recorded at fair value less transaction costs. They are then measured at amortised cost, and differences between the loan paid out (less transaction costs) and the redemption value are recorded in the profit and loss account over the term of the loan using the effective interest rate method.

Loans are classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

GUARANTEE WORK/CLAIMS

Guarantee work/claims related to completed sales are assessed at the estimated cost of such work. The estimate is calculated on the basis of historical figures for guarantee work, but corrected for expected variance because, for example, of changes in quality assurance routines and the product range. The provision is recorded in other short-term liabilities, and the change in the provision is expensed.

PENSIONS

Pensions are accounted for in accordance with the Norwegian Accounting Standard on pension expenses. Defined contribution pension plans are accrued using the matching principle. Contributions for the year to the pension scheme are expensed. Early retirement commitments under the Norwegian Confederation of Trade Unions/Confederation of Norwegian Enterprise (LO/NHO) AFP scheme relate to a defined benefit multi-enterprise plan, but are recorded as a defined contribution plan since they are not measurable.

TAX

Tax expense in the profit and loss account includes both tax payable for the period and the change in deferred tax. Deferred tax is calculated using relevant tax rates on the basis of temporary differences arising between accounting and tax values as well as possible tax-related losses for carrying forward at the end of the accounting year. Temporary tax-increasing and tax-reducing differences which reverse or could reverse in the same period are offset. Recording deferred tax benefit on net tax-reducing differences which are not offset and losses for carrying forward are justified on the basis of expected future earnings. Deferred tax and tax benefit which can be capitalised are recorded net in the balance sheet.

Tax reduction on group contribution paid, and tax on group contribution received which is applied to reducing the acquisition price or directly against equity, are applied directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax).

Deferred tax is recorded at the nominal amount.

CASH FLOW STATEMENT

The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments which can be converted immediately and without significant price risk to known cash amounts and with a remaining term of less than three months from the acquisition date.

Note 1: Fixed assets

Fixed assets	Land	Inventory and other equipment	Total
Cost at 1 January 2018	20 187	18 635	38 822
Additions	-	762	762
Disposals	16 711	-	16 711
Cost at 31 December 2018	3 476	19 397	22 873
Accumulated depreciation	-	15 193	15 193
Accumulated write-downs	-	-	-
Carrying amount at 31 December 2018	3 476	4 205	7 681
Depreciation current year	-	3 615	3 615

Land is not depreciated. Inventory and other equipment are depreciated over three to five years on a straight-line basis.

Note 2: Subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are accounted for using the cost method.

Subsidiary	Registered office	Ownership and voting power	Equity last year (100 %)	Profit and loss last year (100 %)	Carrying amount
Selvaag Pluss AS	Oslo	100%	165 394	266	179 854
Selvaag Bolig Sandsliåsen AS	Oslo	100%	5 800	(34)	5 536
Selvaag Boligutvikling I AS	Oslo	100%	114 911	4 603	114 911
Selvaag Boligutvikling II AS	Oslo	100%	2 000	453	2 068
Selvaag Boligmegling AS	Oslo	100%	3 562	(20)	3 169
Selvaag Eiendomsoppgjør AS	Oslo	100%	1 455	(233)	1 455
Selvaag Bolig Glassverket AS	Oslo	100%	22 766	(1 058)	24 632
Selvaag Bolig Lørenskog AS	Oslo	100%	46 815	(752)	192 374
Selvaag Bolig Ormerud AS	Oslo	100%	2 200	227	2 200
Selvaag Bolig Bjerke AS	Oslo	100%	3 641	(86)	3 726
Selvaag Bolig Langhus AS	Oslo	100%	23 297	(211)	23 849
Selvaag Bolig Solberg AS	Oslo	100%	17 805	(1 678)	19 711
Selvaag Løren 7 AS	Oslo	100%	122 520	(225)	132 095
Selvaag Bolig Hamang AS	Oslo	100%	52 002	(6 041)	65 459
Selvaag Bolig Øst AS ¹	Oslo	30%	149 472	(69 408)	54 218
Selvaag Bolig Rogaland AS	Stavanger	100%	228 578	1 292	395 500
Selvaag Pluss Eiendom KS ²	Oslo	66.7%	221 381	(635)	176 374
H-Pro 5 AS	Oslo	100%	165 001	(465)	161 389
Selvaag Bolig Ballerud AS	Oslo	100%	2 071	(2 117)	11 078
Selvaag Bolig Avløs AS	Oslo	100%	1 050	(29)	1 768
Selvaag Bolig Tomt II AS	Oslo	100%	443	(43)	443
Selvaag Bolig Landås AS	Oslo	100%	3 902	(958)	12 131
Øya Lervig Brygge AS	Stavanger	100%	48 560	17 580	42 424
Selvaag Bolig Hovinenga	Oslo	100%	16 315	103 558	47 115
Selvaag Bolig Torvmyra AS	Trondheim	100%	2 049	(231)	22 841
Selvaag Bolig Lørenporten AS	Oslo	100%	211 492	209 763	378 486
Selvaag Bolig Trævarefabrikken AS	Oslo	100%	7 904	(1 757)	101 273
Vestparken AS	Oslo	100%	2 734	(3 230)	2 734
Skårer Bolig AS	Oslo	100%	55 255	(2 594)	21 935
Lørenskog Sentrum Vest AS	Oslo	100%	(9 853)	420	68 590
Kaldnes Brygge Syd AS	Oslo	100%	3 035	(29)	682
Carrying amount at 31 December 2018					2 270 020

¹ The company is owned 30% by the parent company and 70% by subsidiary

² The company is owned 66.7% by the parent company and 33.3% by subsidiary

COMPANY ACCOUNTS SELVAAG BOLIG ASA

Associated company	Registered office	Ownership and voting power	Equity last year (100 %)	Profit and loss last year (100 %)	Carrying amount
Sandvika Boligutvikling KS	Oslo	33.3%	6 441	(133)	2 377
Sandvika Boligutvikling AS	Oslo	37.0%	482	1	332
Kirkeveien Utbyggingselskap AS	Oslo	50.0%	4 260	60	15 000
Smedplassen Prosjekt AS	Trondheim	50.0%	3 095	33 700	10 500
Tiedemannsfabrikken AS	Oslo	50.0%	150 101	146 142	7 020
Sinsenveien Holding AS	Oslo	50.0%	(506)	(12 549)	23 620
Sandsliåsen Utbygging AS	Bergen	50.0%	5 472	(750)	6 250
Sandsliåsen 46 Utbygging AS	Bergen	50.0%	(14)	(44)	15
Heimdal Stasjonsby AS	Trondheim	50.0%	52 486	(2 353)	29 944
Fornebu Sentrum Utvikling AS	Oslo	50.0%	7 663	(1 910)	5 016
Pottemakerveien Utvikling AS	Oslo	50.0%	(1 659)	(1 139)	53
Haakon VII gt 4 Holding AS	Trondheim	50.0%	(7 005)	(3 360)	20
Haakon VII gt 4 AS	Trondheim	50.0%	43 866	(3 835)	-
Kaldnes Brygge AS	Tønsberg	50.0%	22 480	57 850	83 541
Stord Industribygg Holding AS	Stord	66.0%	68 159	7 124	49 770
Carrying amount at 31 December 2018					233 457

Selvaag Bolig ASA has uncalled capital of NOK 1 million for its ownershare in Sandvika Boligutvikling KS.

Subsidiaries owned via other subsidiaries	Registered office	Ownership and voting power
Aase Gaard AS	Stavanger	100%
Aase Gaard Bolig I AS	Stavanger	100%
Aase Gaard Bolig II AS	Stavanger	100%
Administrasjonsbygget AS	Stavanger	100%
Alfaz Del Sol Services SL	Spain	100%
Norcic Sol Commercial SL	Spain	100%
Nordic Residential SL	Spain	100%
Jaasund AS	Stavanger	100%
Jaasund Bolig I AS	Stavanger	100%
Jaasund Næring AS	Stavanger	100%
Lade Alle 67-69 Holding AS	Oslo	100%
Lervig Brygge AS	Stavanger	100%
Lervig Brygge Vest AS	Stavanger	100%
Løren 5 Næring AS	Oslo	100%
Nesttun Pluss Komplementar AS	Oslo	75%
Nesttun Pluss KS	Oslo	75%
Nyhavn Pluss AS	Oslo	100%
Selvaag Bolig Bjørnåsen Syd II AS	Oslo	100%
Selvaag Bolig Kornmoenga AS	Oslo	100%
Selvaag Bolig Lillohøyden AS	Oslo	100%
Selvaag Bolig Skanstadskogen AS	Oslo	100%
Selvaag Bolig Løren 5 AS	Oslo	100%
Selvaag Bolig Nybyen Økern AS	Oslo	100%
Selvaag Bolig Stasjonsby I AS	Oslo	100%
Selvaag Bolig Formtoppen AS	Oslo	100%
Selvaag Bolig Vinterportalen AS	Oslo	100%
Selvaag Bolig Vaagen AS	Stavanger	100%
Selvaag Pluss International Holding AS	Oslo	100%
Selvaag Pluss Service AS	Oslo	100%
Selvaag Pluss Service AB	Sweden	100%
SPEKS Property SL	Spain	100%
Selvaag Bolig Bispelua AS	Oslo	100%
Strandkanten Pluss II AS	Oslo	100%

Note 3: Receivables and liabilities

Trade receivables	2018	2017
Trade receivables nominal value	24 809	28 330
Allowance for doubtful debts	(615)	-
Net trade receivables	24 194	28 330

Current interest-bearing liabilities	2018	2017
Bank loans - financial institutions (specified below)	111 100	-
Total	111 100	-

Current interest-bearing liabilities	Lender	Currency	Maturity date	Terms	Amount
Land loan	DNB Bank ASA	NOK	03.08.2019	NIBOR 3m + 2.60pp	111 100
Total					111 100

Non-current debt due within 5 years	2018	2017
Bank loans - financial institutions (specified below)	86 000	266 555
Total	86 000	266 555

Non-current liabilities to financial institutions	Lender	Currency	Maturity date	Terms	Amount
Land loan	DNB Bank ASA	NOK	31.03.2021	NIBOR 3m + 2.30pp	86 000
Total					86 000

Non-current liabilities due beyond 5 years	2018	2017
Other non-current debts to group companies	1 143 525	1 073 050
Total	1 143 525	1 073 050

Maturity schedule for non-current loans:	2018	2017
To be repaid during 2019	-	266 555
To be repaid during 2020	-	-
To be repaid during 2021	86 000	-
To be repaid during 2022	-	-
To be repaid during 2023 or later	1 143 525	1 073 050
Total	1 229 525	1 339 605

Pledged debts	2018	2017
Debt	197 100	266 555

Carrying amount of land pledged as security on bank loans	2018	2017
Shares in subsidiaries	548 349	447 076

Note 4: Receivables from associated companies

	Current		Non-current	
	2018	2017	2018	2017
Tiedemannsfabrikken AS	4 108	2 673	-	-
Kaldnes Brygge AS	3 530	1 558	-	12 200
Dockside Næring AS	8	30	-	-
Kaldnes Boligutvikling AS	-	130	-	-
Sinsenveien Holding AS	-	-	11 621	9 295
Sinsenveien 45 - 49 AS	246	-	-	-
Smedplassen Prosjekt AS	238	2 280	-	4 220
Sandsliåsen Utbygging AS	669	625	13 272	6 072
Stord Industribygg AS	-	-	-	1 000
Stord Industribygg Holding AS	11	-	-	48 863
Heimdal Stasjonsby AS	1 268	1 004	9 750	1 500
Haakon Vlls gate 4 AS	3 827	1 690	51 574	44 900
Sandsliåsen 46 Utbygging AS	44	-	-	-
Fornebu Sentrum Utvikling AS	2 285	11 657	-	-
Pottemakerveien Utvikling AS	71	-	31 796	30 389
Sandvika Boligutvikling KS	19	90	-	-
Sandnes Eiendom Invest	277	-	-	-
Kirkeveien Utbyggningselskap AS	-	-	1 277	-
Selvaag Boligutvikling II AS	-	-	-	1 583
Total	16 601	21 737	119 290	160 022

Note 5: Equity

Changes in equity	Share capital	Own shares	Share premium account	Other paid-in capital	Total
Equity 1 January	187 531	(4 058)	1 395 478	1 169 134	2 748 085
Sale of own shares	-	2 334	-	39 841	42 175
Net income/(loss) for the period	-	-	-	425 081	425 081
Dividend paid	-	-	-	(182 563)	(182 563)
Accrued dividend	-	-	-	(234 414)	(234 414)
Equity 31 December	187 531	(1 724)	1 395 478	1 217 079	2 798 364

Note 6: Share capital and shareholders

The share capital of NOK 187 531 376 comprised 93 765 688 shares with a par value of NOK 2.

20 largest shareholders at 31 December 2018	Number of shares	Ownership
SELVAAG GRUPPEN AS	50 180 087	53.5%
LANDSFORSÅKRINGAR FASTIGHETSFOND	5 653 788	6.0%
Morgan Stanley & Co. Int. Plc.*	2 744 671	2.9%
PARETO INVEST AS	2 065 624	2.2%
SEB PRIME SOLUTIONS SISSENER CANOP	1 600 000	1.7%
VERDIPAPIRFONDET PARETO INVESTMENT	1 596 366	1.7%
State Street Bank and Trust Comp*	1 006 629	1.1%
JPMorgan Chase Bank, N.A., London*	966 761	1.0%
FLPS - GL S-M SUB	940 800	1.0%
HOLBERG NORGE	936 553	1.0%
HOLTA INVEST AS	846 619	0.9%
SELVAAG BOLIG ASA**	837 068	0.9%
Baard Schumann	777 127	0.8%
J.P. Morgan Bank Luxembourg S.A.*	774 862	0.8%
BANAN II AS	600 000	0.6%
State Street Bank and Trust Comp*	590 520	0.6%
STOREBRAND NORGE I VERDIPAPIRFOND	581 069	0.6%
Morgan Stanley & Co. International	579 538	0.6%
SPARHANS AS	476 221	0.5%
GEMSCO AS	460 400	0.5%
Total 20 largest shareholders	74 214 703	79.1%
Other shareholders	19 550 985	20.9%
Total ordinary shares	93 765 688	100.0%

* Further information on shareholders is presented at: <http://sboasa.no/en/Aksjeinformasjon/Aksjonarer.aspx>.

** The shares were purchased for the company's share programmes for employees.

Note 7: Pension

Selvaag Bolig ASA is required to offer an occupational pension plan in line with the Act on mandatory occupational pensions ("lov om obligatorisk tjenestepensjon"). The company has a pension plan which meets these requirements.

Defined contribution plan

Selvaag Bolig ASA has a defined contribution plan for all employees.

AFP pension

The company also has an early retirement plan (AFP) covering 64 employees. The AFP plan, established at 1 January 2011, is regarded as a multicompany defined benefit plan, but is treated as a defined contribution plan until reliable and sufficient information is available to determine the company's share of pension cost, pension obligation and funds in the plan. Hence the company's pension obligations are not reflected as debt in the financial statements.

The AFP obligation from the previous plan was included as debt, and was taken to income in 2010, except the obligation related to expected payments to cover the remaining shortage in the old AFP plan.

Other non-vested plans

The company also has other non-vested pension plans where the obligation is estimated and accounted for annually.

Pension costs	2018	2017
Pension cost - IBP/UFP	3 721	3 840
Other pension cost (incl AFP)	949	943
Net pension cost	4 670	4 783
Pension obligations	2018	2017
Early retirement pension (AFP)	-	-
Other pension plans	83	93
Net pension obligations	83	93
Economic assumptions		
Members in non-vested plans	2	2
Discount rate	2.60%	2.30%
Future increase in salaries/pensions	2.75%	2.50%
Future increase in social security base amount	2.50%	2.25%
Expected share of retirement through the AFP plan	50.00%	50.00%

Note 8: Income taxes

Deferred tax assets and liabilities	2018	2017
Temporary differences		
Non-current assets	(4 289)	(2 869)
Net pension funds/obligations	(83)	(93)
Accruals	(10 146)	(9 531)
Gains (loss) account	-	(13)
Other differences	-	-
Net temporary differences	(14 518)	(12 506)
Loss carry forward	-	-
Base for deferred tax asset	(14 518)	(12 506)
22% deferred tax asset	(3 194)	(2 876)
Of which not recognised	-	-
Deferred tax (asset) in the balance sheet	(3 194)	(2 876)

Deferred tax assets are fully recognised as the company expects the position to be utilised against future profits.

Base for tax expense, change in deferred tax and taxes payable	2018	2017
Profit (loss) before income taxes	572 221	533 502
Permanent differences	(749 160)	(743 326)
Base for tax income (expense)	(176 939)	(209 824)
Change in temporary differences	2 012	-
Base for income tax payable	(174 927)	(209 824)
Changes in equity with effect on taxes	-	-
Group contribution received	934 583	782 660
Group contribution given	(210 173)	(203 386)
Use of loss carried forward	-	-
Taxable income (base for tax payable in the balance sheet)	549 483	369 450
Specification of income tax expense	2018	2017
Current income taxes payable	126 381	88 668
Taxes payable from group contribution recognised against investment in subsidiaries	(25 162)	(9 104)
Tax effect from group contribution given	46 238	46 779
Income tax before change in deferred tax	147 457	126 343
Change in deferred tax	(318)	125
Income taxes in profit (loss)	147 140	126 468
Taxes payable	2018	2017
Taxes payable (23% of base for taxes payable in profit (loss))	(40 233)	(48 452)
Taxes payable from group contribution given	(48 340)	(48 813)
Taxes payable from group contribution received	214 954	187 839
Taxes payable from advance tax on liquidated companies	-	1 266
Tax refundable (tax incentive scheme for R&D)	(360)	-
Taxes payable	126 021	91 840
Reconciliation from nominal to effective income tax rate	2018	2017
23% profit (loss) before tax	131 611	128 040
Permanent differences (23%)	(172 307)	(178 398)
Change in income tax rate	(1 957)	(1 909)
Tax effect from group contribution	189 793	178 735
Total	147 140	126 468
Reconciliation of deferred tax asset	2018	2017
Deferred tax (asset) at 1 January	(2 876)	(1 095)
Change in deferred tax	(318)	(1 781)
Net deferred tax liabilities (assets) at 31 December	(3 194)	(2 876)

Note 9: Salaries, number of employees, benefits, loans to employees, etc

Salaries and personnel expenses	2018	2017
Wages and salaries	124 988	111 144
Social security tax	19 980	17 124
Pension costs	4 670	4 783
Other benefits	13 399	23 243
Total	163 036	156 294
Average number of employees	66	68

	Salary	Bonus	Share purchase programme	Pension	Other	Total
Remuneration to CEO - Baard Schumann	3 880	6 388	4 876	66	4 246	19 456
Remuneration to CEO - Olav Hindahl Selvaag	1 882	-	-	44	2	1 928

Baard Schumann left the position as CEO in June 2018. Remuneration to Schumann in 2018 included severance pay. Olav Hindahl Selvaag has been acting CEO from this time and will remain so until the new permanent CEO joins the company in May 2019.

At 31 December 2018, former CEO Baard Schumann had a loan of NOK 1.8 million from Selvaag Bolig ASA. The interest rate was equal to the norm rate published by the Norwegian Ministry of Finance. The loan was repaid in February 2019.

For remuneration of other members of the group management and shares owned by these and by directors, refer to note 22 to the consolidated financial statements.

Bonus is given on a discretionary basis to members of the group management based on such criteria as results, execution of management in line with the company values, and other qualitative and quantitative criteria which the individual executive is able to influence.

In the event of dismissal, the CEO will receive 12 months' salary.

The employees have no share-based remuneration.

NOK 1.94 million has been paid in director's fees in 2018. See note 22 to the consolidated financial statements for details.

Fees paid to the auditor	2018	2017
Statutory audit services (incl technical support with the annual accounts)	1 075	1 212
Other assurance services	108	266
Tax advisory services (incl technical support with tax returns)	-	-
Other non-audit services	100	53
Total fees paid to the auditor	1 283	1 531

Note 10: Restricted bank accounts

The company had no restricted bank accounts at 31 December 2018.

Note 11: Related party transactions

Details of transactions between Selvaag Bolig ASA and other related parties are specified below. Intercompany balances and transactions between Selvaag Bolig ASA and its subsidiaries, which are related parties to the company, are not included here.

Sale of goods and services	2018	2017
Selvaag Gruppen AS (parent company)	-	-
Other related parties (including subsidiaries of parent company)*	26 933	21 448
Purchase of goods and services	2018	2017
Selvaag Gruppen AS (parent company)	699	686
Other related parties (including subsidiaries of parent company)	9 751	8 897
Financial income	2018	2017
Selvaag Gruppen AS (parent company)	1 413	1 381
Other related parties (including subsidiaries of parent company)	3 312	-

The following receivables and liabilities were outstanding at 31 December

Receivables	2018	2017
Selvaag Gruppen AS (parent company)	41 738	40 104
Other related parties (including subsidiaries of parent company)	-	12
Liabilities	2018	2017
Selvaag Gruppen AS (parent company)	-	41
Other related parties (including subsidiaries of parent company)	2 433	2 303

Goods and services sold to related parties are sold at the same prices and terms as to external third parties. Administrative service are purchased from the parent company on market-based terms.

Note 12: Intercompany balances

Current receivables	Trade receivables		Other receivables	
	2018	2017	2018	2017
Group companies	7 188	4 968	1 044 276	822 666
Total	7 188	4 968	1 044 276	822 666

Receivables due in more than 1 year	Other receivables	
	2018	2017
Group companies	488 507	617 341
Total	488 507	617 341

Current liabilities	Other current liabilities Trade payables		Other current liabilities	
	2018	2017	2018	2017
Group companies	-	444	210 173	203 386
Total	-	444	210 173	203 386

Liabilities due in more than 1 year	Other non-current liabilities	
	2017	2018
Group companies	1 143 525	1 073 050
Total	1 143 525	1 073 050

Note 13: Contingent liabilities and guarantees

	2018	2017
Capital not called up - limited partnerships	1 000	7 784
Total contingent liabilities	1 000	7 784

Capital not called up is related to investments in limited partnerships (note 2).

Selvaag Bolig ASA has provided the following guarantees:	Amount
Tax guarantee	5 900
Guarantees related to loans to subsidiaries ("Selvskyldnergaranti")	400 625
Construction client guarantee	435 330
Pre-payment guarantee pursuant to the section 47 of the Housing Construction Act	370 964
Contractor guarantee pursuant to the section 12 of the Housing Construction Act	618 975
Tax payment guarantee to Skatt Øst	27 317
Other guarantees	60 121
Total	1 919 232

Note 14: Other financial expenses

Specification of other financial expenses	2018	2017
Currency	18	10
Write-downs shares in subsidiaries	177 375	7 127
Other financial expenses (guarantees and amortised cost, etc)	1 253	17 371
Total	178 646	24 508

Note 15: Revenue

Revenues are related to business in Norway.

Specification of revenue	2018	2017
Project management and business management	45 500	43 994
Other revenue	25 519	13 467
Total	71 019	57 462



DECLARATION BY THE BOARD OF DIRECTORS AND CEO

We hereby confirm that, to the best of our knowledge, the annual financial statements for the group and the parent company for 2018 have been prepared in accordance with applicable accounting standards and give a true and fairview of the assets, liabilities, financial position and profit or loss of the group and the parent company taken as a whole.

The directors' report gives a true and fair view of the development, profit and position of the group and the parent company, as well as a description of the principal risks and uncertainties facing the group.

The board of directors for Selvaag Bolig ASA
Oslo, 21 March 2019


Gisele Marchand
Chair
Sissel Kristensen
Director
(elected by the employees)
Peter Groth
Director
Anne Sofie Bjørkholt
Director
Tore Myrvold
Director
Christopher Brunvoll
Director
(elected by the employees)
Olav Hindahl Selvaag
President and CEO

AUDITOR'S REPORT



To the General Meeting of Selvaag Bolig ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Selvaag Bolig ASA, which comprise:

- The financial statements of the parent company Selvaag Bolig ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Selvaag Bolig ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There has not been significant changes to the company's business or risks. In this light, we have focused on the same issue as the previous year.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Auditors Report - Selvaag Bolig ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Value of inventory</i> <i>Note 3 and 5 to the group financial statement</i></p> <p>The inventory of property comprise:</p> <ul style="list-style-type: none"> • undeveloped land, • work in progress, and • finished units <p>The inventory constitutes a substantial part of the assets in the statement of financial position, and is measured at the lower of acquisition cost and net realisable value, which requires management to exercise judgment. If a material impairment is identified, a write down of the inventory would be recognized in the financial statement. No material impairment has been recognized in 2018.</p> <p>A project is started, only when a defined minimum pre-sale is achieved. The remaining units are normally sold gradually throughout project completion. The risk of impairment of work in progress is therefore lower than for undeveloped land and finished units that are not sold. As a result we have mainly focused on valuation of undeveloped land and finished units that are not sold.</p> <p><i>Undeveloped land</i></p> <p>Book value of undeveloped land is measured against net realisable value annually. If book value exceeds net realisable value, an impairment loss is recognized. If there are any indications of impairment, Management derives an internal assessment of the net realisable value of land in the form of a prognosis for the project. This prognosis can include factors such as expected housing prices and rate of return, government approvals and estimated construction costs. Determining such assumptions requires management to exercise judgement. The exercise of judgement affects the value of the land and the financial statement directly.</p>	<p><i>Undeveloped land</i></p> <p>Acquisition cost of land consists of historic cost, with accumulated interest expenses from when government regulation was approved. We checked the acquisition cost for all material new acquisitions against purchase contracts. For undeveloped land where interest expenses was activated for the first time, we checked whether government regulation for housing purposes was approved, and the interest against bank confirmations received directly from the banks. Furthermore, we checked sales against sales documentation and reclassification of undeveloped land to work in progress against documentation of building approvals. These procedures did not identify any material deviations.</p> <p>In order to assess the risk of impaired net realisable value of undeveloped land, we obtained a copy of the external valuations.</p> <p>We assessed the competence and objectivity of the external valuation firm and we satisfied ourselves that they used widely recognized and suitable methods and assumptions in their valuations. We inspected management's correspondence, in order to substantiate that the valuation firm received an unbiased mandate and information from management. These procedures provided no indication of significant errors or lack of objectivity in the external valuations.</p> <p>Where the external valuation indicated a market value near or below the booked acquisition cost, we obtained management's prognosis for the project, and challenged management's internal assessment further.</p> <p>Our assessment included comparing management's assumptions to similar assumptions in the external valuations, regulatory status, observed market prices and our knowledge and experience from the group's other projects. Our procedures substantiated that the assumptions used by management were reasonable.</p>

(2)



Auditors Report - Selvaag Bolig ASA

Finished units

Management measures book value of unsold finished units against expected net realisable value annually. If book value exceeds net realisable value, an impairment loss is recognized. Net realisable value is based on management judgment, which also directly affects the value of unsold finished units and the statement of comprehensive income.

Finished units

To assess the value of unsold finished units, we obtained a specification of the units and their booked acquisition costs, and compared these to the net realizable values.

We checked the booked acquisition cost of the units by testing management's internal controls directed at attributing correct costs to the correct projects and units.

We checked net realizable value by comparing management's estimated sales prices with observed recent comparable sales in the area. Our assessment was especially attentive to unsold units in areas where the housing market has been weak. Furthermore, we assessed the sales prices, less the estimated costs necessary to make the sales, against the booked acquisition costs. We agreed with management's view of the net realizable values.

We evaluated whether and found that the disclosures in note 3 and note 5 were in accordance with the requirements in IFRS and that the information reflected the valuation process and management use of judgement appropriately.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

(3)



Auditors Report - Selvaag Bolig ASA

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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AUDITOR'S REPORT



Auditors Report - Selvaag Bolig ASA

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 21 March 2019

PricewaterhouseCoopers AS

Thomas Fraurud

State Authorised Public Accountant

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

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SKÅRERBYEN, AKERSHUS





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