Partnering with Urban Property to finance land investments

Market Presentation – 18 November 2019

Updated 23 December 2019

SELVAAG BOLIG

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Divestment of land bank and partnership

- Urban Property is a new entity set up with the purpose of owning land for Selvaag Bolig, through (i) acquiring Selvaag Boligs current land bank and (ii) investing in future land for Selvaag Bolig
- The partnership will allow Selvaag Bolig to optimize core business by separating land ownership from project development
- Urban Property will partner exclusively with Selvaag Bolig. Urban Property will have a right-of-first-refusal on new land acquisitions and Selvaag Bolig will have an option to repurchase the land upon construction start
- The strategic partnership and transaction reduces current and future invested capital, increases return on capital, and increases long term growth potential
- Urban Property is owned by Oslo Pensjonsforsikring, Equinor Pensjon, Selvaag and Rema Etablering Norge
- As a result of the transaction Selvaag Bolig will pay an extraordinary dividend and repay debt

Business model before transaction

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Development and land ownership

Business model after transaction

SELVAAG BOLIG — Development

Urban Property — Land ownership

Transaction value

~3 400

Million

Extraordinary dividend

22.0

NOK per share

Agenda

- **Rationale**
- Long term partnership
- Transaction summary
- Financial implications

Current business model: Selvaag Bolig

Business characteristics	Residential development	Land bank
Capital intensity	Low	High
Investment horizon	Short	Long
Return potential	High	Low/Medium
Operational risk	Medium	Low

Residential development and investing in land are two very distinct businesses with different characteristics

New business model: Selvaag Bolig and UP

Business characteristics	Residential development	Land bank
Capital intensity	Low	High
Investment horizon	Short	Long
Return potential	High	Low/Medium
Operational risk	Medium	Low

Optimizing core business and capital returns

What

We separate the two distinct business profiles with different investment appeal.

How

We establish a strategic cooperation with Urban Property. This allows a new business model that secures optimal value creation throughout the value chain.

Why

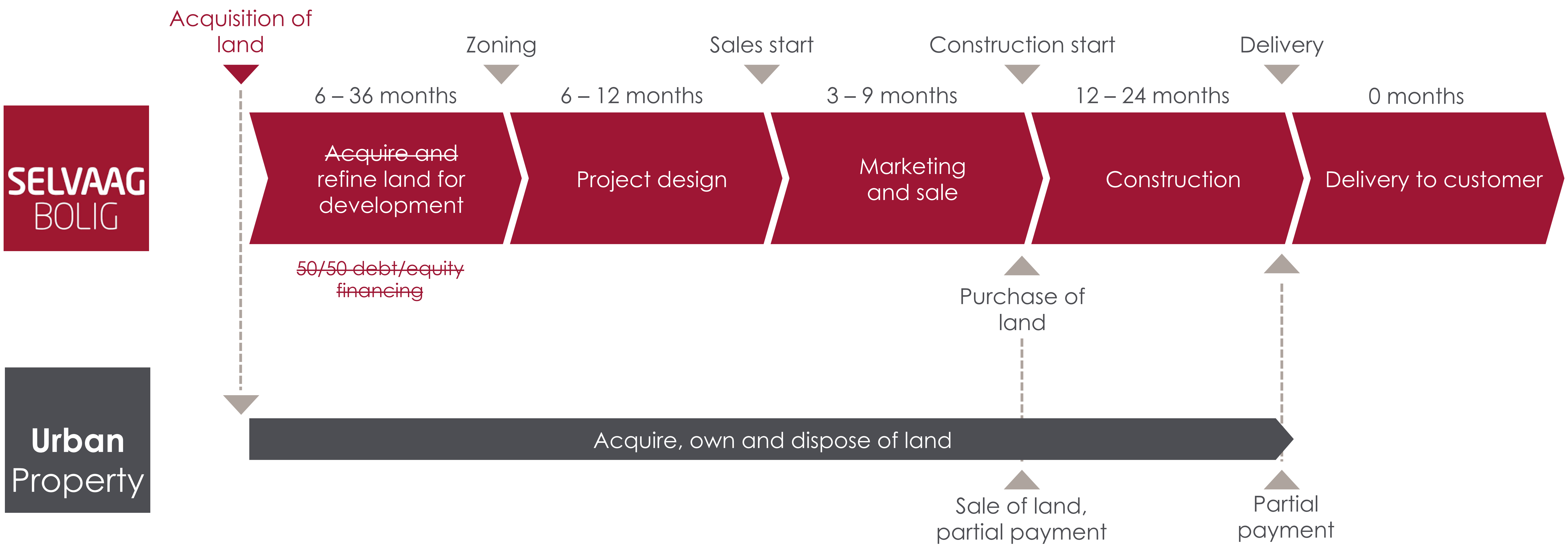
We improve capital returns and enhance long-term growth potential.

Improved financing, no other strategic change

Strategy	Value drivers
Competitive housing offering, targeting growth regions	▪ Presence in fast-growing urban regions with high demand and large market depth ▪ Competitive prices, addressing large customer base ▪ Defined housing concepts, aimed at wide range of consumers
Large, actively-managed land bank*, owned by partner Urban Property*	▪ Value appreciation through refinement of land for housing development ▪ Flexibility to develop thousands of homes in growing urban regions ▪ Active asset management ▪ ***Partnership reduces invested capital, and strengthen ability to buy land***
Efficient and flexible cost structure	▪ No in-house construction arm: improves flexibility and cost optimisation ▪ Project-based business model improves flexibility and reduces risk ▪ Economies of scale through large projects ▪ Lean organisation reduces overhead
Capital-efficient business model backed by strong balance sheet	▪ 60% pre-sale before construction start lowers project financing need and inventory risk ▪ Sound debt structure and financial flexibility

Reduced invested capital in practice, in effect no equity needed in Selvaag Bolig for land

Residential development value chain: cooperation between Selvaag Bolig and Urban Property



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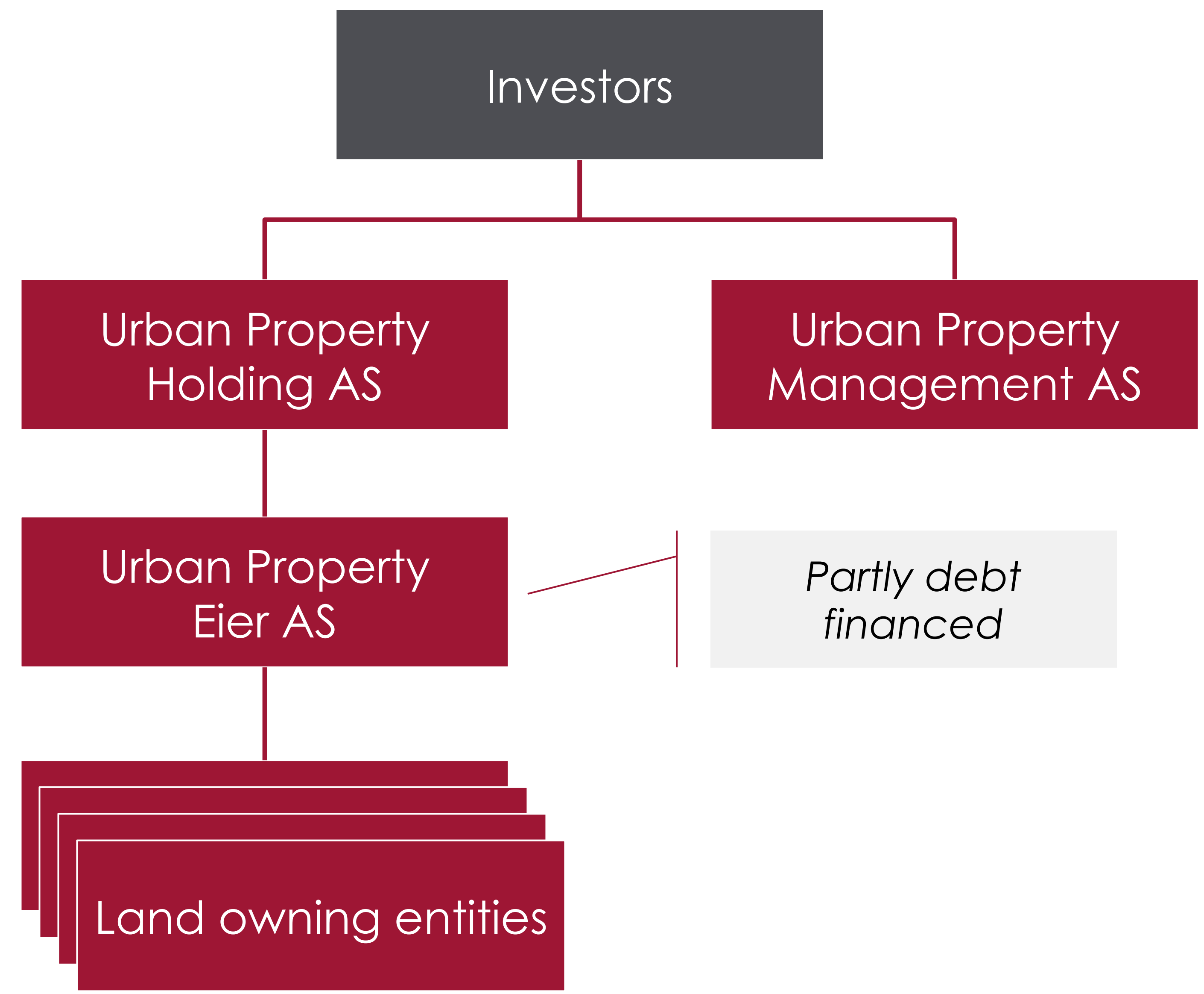
Introduction to Urban Property

In brief	▪ **Urban Property is a new entity set up with the purpose of (i) acquiring the initial portfolio from Selvaag Bolig and (ii) invest in future land for residential development** - Urban Property will partner exclusively with Selvaag Bolig. Urban Property will have a right-of-first-refusal on new land acquisitions and Selvaag Bolig will have an option to repurchase the land upon construction start - Urban Property a long term financing partner for Selvaag Bolig
Operating model	▪ **Urban Property will primarily be responsible for owning, financing and managing land, and Selvaag Bolig for the development** - Selvaag Bolig will be responsible for sourcing, analysing, prepareing investment documentation, due diligence, negotiating and concluding deals. Urban Property will be involved through representation in the acquisition team - Selvaag Bolig will have a right and obligation to provide the following services to Urban Property according to the cooperation agreement: zoning, permission planning, project design, construction agreements, marketing and sale, construction management, and delivery and after-market
Financing	▪ **Urban Property will be financed by bank debt, initially secured through a committed bridge loan facility from DNB, and new equity underwritten by a club of investors consisting of Oslo Pensjonsforsikring (30%), Equinor Pensjon (30%), Selvaag (30%) and Rema Etablering Norge (10%)**

Structure of Urban Property

- Ownership and rights to plots are carved-out and transferred to Urban Property
  - Urban Property consist of Urban Property Holding AS ("UP Holding") and Urban Property Eier AS ("UP Eier")
  - UP Eier is a wholly owned subsidiary of UP Holding
- Urban Property Management AS ("UP Management")
  - Shall manage properties with the aim to prepare them for housing construction
  - UP Management is owned by pro rata the shareholders of UP Holding
- The board of directors in Urban Property companies will be appointed representatives of the shareholders
  - The Transaction does not comprise any employees or personnel of Selvaag Bolig
  - No agreements current or anticipated are entered into to the benefit of executive management or board members in relation to the Transaction
- Customary shareholders agreement will be entered into, regulating the relationship between the shareholders and securing the contemplated business operations of Urban Property
- A group chart for Urban Property and Selvaag Bolig post Transaction is included in the Appendices to the Presentation



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Transaction details and conditions for completion

Transaction details – preliminary

	Transaction	Selvaag Bolig[1]
Gross property value	**NOK 3 830m**	**NOK 3 360m**
Deferred tax discount	**NOK 325m**	**NOK 295m**
Other net liabilities	**NOK 45m**	**NOK 30m**
Net transaction value[2]	**NOK 3 370m**	**NOK 2 960m**
Book value of divested assets[3]		**NOK 1 475m**
Realised gain[4]		**NOK 1 045m**
Repayment of debt[5]		**NOK 1 160m**
Free liquidity from transaction		**NOK 1 800m**

Transaction details are preliminary and dependent on value development after valuation date / pro contra and accounting aspects in Selvaag Bolig.
1) Two joint venture projects are included in the transaction, the column describe Selvaag Boligs share of the transaction.
2) After a price adjustment of -2.5% (also reduces repurchase price of land)
3) Of divested assets about NOK 0.7 billion relates to Portfolio B, which from an accounting perspective will remain in SBOs balance sheet after the Transaction
4) Part of sold land bank will not result in any gain or loss being recorded after IFRS, and realised gain is adjusted accordingly.
5) Included half of repayment of debt in joint ventures

Conditions for completion

Approval by the general meeting in Selvaag Bolig	**9 December 2019**
Signing of final agreements on external financing of Urban Property	**17 December 2019**

All dates are indicative (on or about) and subject to change

- Selvaag AS, holding 53.52% of the shares in Selvaag Bolig, has undertaken to vote in favour of the transaction.
- Final draft agreements for the Transaction have been negotiated between the parties, and the parties have committed to signing subject to the approval by the general meeting in Selvaag Bolig.
- A committed bridge loan facility from DNB Bank ASA has been established.
- The parties have committed to make or ensure necessary corporate resolutions (other than the approval by the Selvaag Bolig general meeting).

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Land bank segmentation and repurchase rights

The divested land bank is divided into categories with different agreement structures. This is mainly due to accounting matters.

		No of units	UP ownership
Portfolio A		2,177	Owned
Portfolio B		968	Owned
Joint ventures (Selvaag Bolig owns 50%)		939	Owned
Portfolio C	C1	1,050	Forward
	C2	2,915	Option
Total to Urban Property		5,134 (8,049)[1,2]	
Not part of initial transaction		7,268 (4,353)[1,2]	
Total		12,402	

Brief comment on agreement structure

- Pre-Emption Agreement: Provides Selvaag Bolig with a pre-emptive right to purchase plots in portfolio A. The price and other terms shall be negotiated for each respective purchase
- Option Agreement: Provides Selvaag Bolig with a right to repurchase plots in portfolio B, joint ventures and portfolio C against a pre-determined option premium
- Cooperation Agreement: Principles for cooperation between Selvaag Bolig and Urban Property in relation to the acquisition of new properties and the further development of new and existing plots. Also sets out a pre-emptive right for Urban Property to acquire plots that Selvaag Bolig are in a position to acquire.
- Selvaag Bolig will have a right and an obligation to be in charge of project development pursuant to separate project development agreements entered into between the Company and Urban Property

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1) The numbers in parentheses include portfolio C2 that are not port if the inital transaction, but which Urban Property has an option to acquire
2) The number of units also includes the partners' share of two joint venture projects that are included in the transaction with Urban Property

Land bank transaction details

Property	Location	Company	Ownership status	No. units	Area (sqm)	Gross value Total (NOKm)	Gross value Per unit (NOKk)	Gross value Per sqm (NOK)
Portfolio A								
Lørenvangen 22	Oslo	Selvaag Løren 7 AS	Acquired	140	9,750	228	1,629	23,385
Skårer Bolig AS	Lørenskog	Skårer Bolig AS	Acquired	841	51,086	505	601	9,886
(A) Lørenskog Stasjonsby	Lørenskog	Selvaag Bolig Lørenskog AS	Acquired	573	39,391	511	891	12,968
(B) Langhus	Follo	Selvaag Bolig Langhus AS	Acquired	161	10,287	100	622	9,738
(C) Landås Vest	Asker	Selvaag Bolig Landås AS	Acquired	72	4,320	70	975	16,251
Landås Øst	Asker	Selvaag Bolig Landås AS	Option	390	27,300	437	1,119	15,992
Total Portfolio A				**2,177**	**142,134**	**1,851**	**850**	**13,022**
Portfolio B								
Luhrtoppen	Lørenskog	Selvaag Bolig Stasjonsby I AS	Acquired	288	19,424	259	899	13,327
(A) Lørenskog Stasjonsby	Lørenskog	Selvaag Bolig Lørenskog AS	Acquired	172	10,300	158	921	15,383
(C) Landås Vest	Asker	Selvaag Bolig Landås AS	Acquired	118	10,331	176	1,492	17,036
(B) Langhus	Follo	Selvaag Bolig Langhus AS	Acquired	98	6,696	71	728	10,648
Lervig Brygge Vest	Stavanger	Lervig Brygge AS	Acquired	292	20,740	229	786	11,059
Total Portfolio B				**968**	**67,491**	**894**	**924**	**13,246**
Joint ventures								
HK4	Trondheim	Haakon VII'S GT 4 AS	Acquired	599	35,649	386	645	10,836
Sinsenveien	Oslo	Sinsenveien 45 - 49 AS	Acquired	340	22,000	552	1,624	25,095
Total joint ventures				**939**	**57,649**	**938**	**999**	**16,278**
Total Portfolio A+B+joint ventures				**4,084**	**267,274**	**3,683**	**902**	**13,781**
Portfolio C								
Portfolio C1						***pre-payments*** [1]		
Bjerke Nord	Oslo	Selvaag Bolig Bjerke AS	Forward	400	26,000	105	263	4,038
Grenseveien-Myrfaret	Ski	-	Forward	385	26,900	30	78	1,115
Solberg felt B1 og B2	Ås	Selvaag Bolig Solberg AS	Option	153	10,704	8	52	747
Sandsliåsen 59	Bergen	Selvaag Bolig Sandsliåsen AS	Forward	112	6,944			
Total Portfolio C1				**1,050**	**70,548**	**143**	**n.a**	**n.a**
Grand total				**5,134**	**337,822**	**3,826**	**n.a**	**n.a**

Projects with stages in both Portfolio A and B:

(A) **Lørenskog Stasjonsby**: Total 745 units, 49,691 sqm area, NOK 669m value

(B) **Langhus**: Total 259 units, 16,983 sqm area, NOK 171m value

(C) **Landås Vest**: Total 190 units, 14,651 sqm area, NOK 246m value

1) The NOK 143m for portfolio C1 constitutes a pre-payment only, with additional payments to be made to the sellers upon later stages in the development process

Land bank repurchase price regime

Land bank portfolio	Repurchase price regime
Portfolio A	▪ Selvaag Bolig has a pre-emptive right to purchase plots ▪ The price and other terms shall be negotiated for each respective purchase ▪ No running payments
Portfolio B	▪ Option premium to be paid per quarter ▪ Selvaag Bolig pay 50% of purchase price at construction start and 50% at completion ▪ Break-fee if option not executed
Joint Ventures	▪ Option premium accumulated ▪ Selvaag Bolig and partner through joint venture project company pay 50% of purchase price at construction start and 50% at completion ▪ Break-fee if option not executed
Portfolio C **(Evergreen case – long term agreement structure)**	▪ Option premium accumulated, but an initial small option premium paid up front ▪ Selvaag Bolig to pay 50% of purchase price at construction start and 50% at completion ▪ Break-fee if option not executed

Timeline

November

18 November:
Announcement of the transaction and call to EGM

18 – 20 November:
Company roadshow and investor education

December

9 December:
EGM to approve the transaction

23 December:
Signing of final agreements

January

21 January (on or about):
Expected closing of the transaction

30 January (on or about):
Payment of extraordinary dividend

DIVIDEND:
Payment of dividends shall be finally resolved by the board of directors in accordance with the authorisation granted by the EGM on 9 December 2019 after closing. A separate announcement of key information relating to the cash dividend shall be announced when the final dates are fixed by the company.

Agenda

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- Long term partnership
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Balance sheet implications, preliminary

Statement of financial position **Figures in NOK millions**	**Carrying value Q3 2019**	**Portfolio A**	**Portfolio B**	**Portfolio C**	**Joint ventures**	**Financing**	**Total change**
Assets							
Cash (representing net consideration from UP)		1 542	864	139	188	(937)	1 795
Inventory Portfolio A	663	(663)					(663)
Inventory Portfolio B	679						0
Receivable from associated companies	69				(69)		(69)
Investments in associated companies	(9)				9		9
Prepayments for property acquisitions	143			(143)			(143)
Liabilities							
Interest bearing liabilities (bank debt)	937					(937)	(937)
Financial debt obligation	0		871				871
Deferred tax liabilities		(58)	(12)				(70)
Income tax payable		16	4				21
Equity							
Equity		921		(4)	128		1 045

Statement of comprehensive income **Figures in NOK millions**	**Portfolio A**	**Portfolio B**	**Portfolio C**	**Joint ventures**	**Financing**	**Total change**
Gain, sale of properties	921	0	(4)			917
Gain from sale of associated companies				128		128
Profit (loss) before income taxes	921	0	(4)	128	0	1 045

Based on the above table with preliminary figures the accounting effects would be approximately NOK 1.8 billion in increased cash, a reduction of property inventory of NOK 0.7 billion, a reduction of receivables and investments in joint ventures/associated companies of about NOK 60 million (net), a reduction of prepayments for property acquisitions of NOK 143 million, reduced bank debt of NOK 0.9 billion, increased financial debt obligation to UP of NOK 0.9 billion, and tax effects of approximately NOK 50 million (net). For the statement of comprehensive income the accounting effects will be an estimated gain (primarily from sale of Portfolio A) of NOK 0.9 billion and NOK 0.1 billion (from sale of joint ventures/associated companies).

Accounting details in appendix.

Option premium details

Key terms

Option premium	Entry	0.5%	Payable at the time when Urban Property acquires land (applicable to new investments only)
Option premium	Running	~5.5% p.a.	The accumulated balance payable at the time when Selvaag Bolig acquires back the land plot from Urban Property
Option premium	Exercise	2.0%	Payable at the time when Selvaag Bolig acquires land from Urban Property (at construction start)
Principal		Acquisition price	50% paid at construction start and the remaining balance at completion

Key comments

0.5% of the purchase price falls due to Urban Property when Urban Property purchase land and an option agreement with Selvaag Bolig is in place. No such option premium applies to the initial transaction.

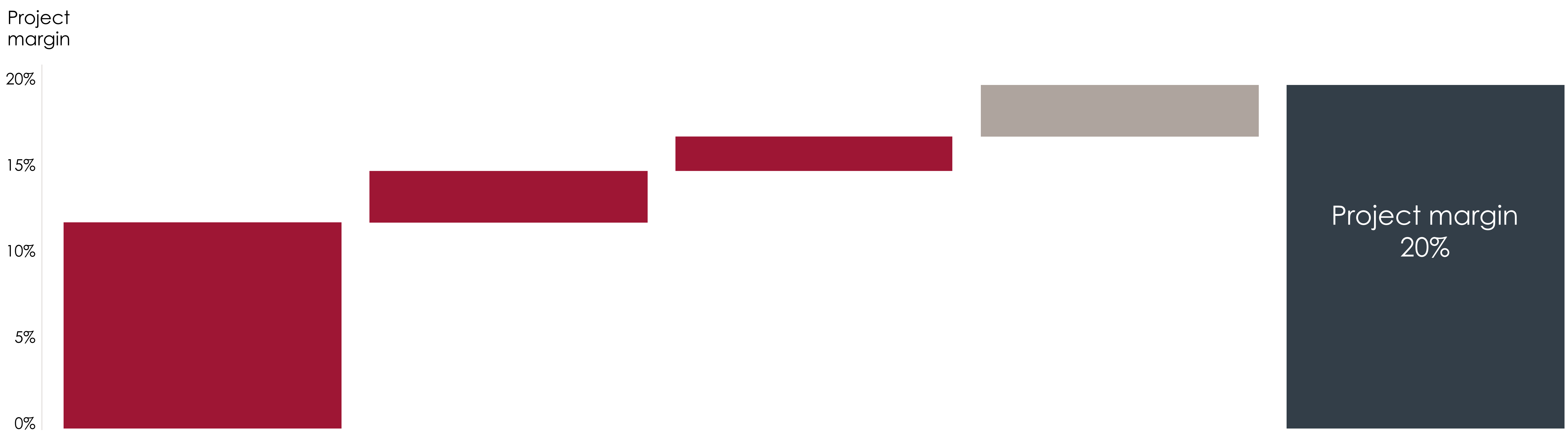
NIBOR + 3.75%, currently approximately 5.5%, accumulates to the initial transaction price. Applies to portfolio C as well as for Joint Ventures. For portfolio B the option premium is payable each quarter.

2.0% of the initial purchase price. Applies to portfolio B and C as well as for Joint Ventures

For Portfolio A, Selvaag Bolig has a pre-emptive right to purchase plots. The Pre-Emption Agreement establishes that the parties shall negotiate the price and other terms concerning each respective purchase. Selvaag Bolig and Urban Property are, based on detailed knowledge of the plots and their value potential, comfortable that the value development during Urban Property ownership will not impair Selvaag Bolig's ability to develop the relevant projects in a profitable way and give Urban Property their expected return on investment.

Historic general margin development through project stages*

6 – 36 MONTHS	6 – 12 MONTHS	3 – 9 MONTHS	12 – 24 MONTHS	0 MONTHS
Acquire and refine land for development	Project design	Contracting, marketing and pre-sales	Construction and sales	Delivery to customers



- Land acquired with minimum 12% project margin and minimum 12% IRR (+2% provisions)
- Adding value through building permits and area utilisation
- Value added when achieving 60% pre-sale
- Maximising price in accordance with market
- Delivery in accordance with expectations

* Assuming flat market development

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Example project calculations before and after

	1 BOOK VALUE OF LAND		2 MARKET VALUE OF LAND		3 LAND OWNED BY URBAN PROPERTY	
Figures for illustration purposes only	MNOK	%	MNOK	%	MNOK	%
Sales revenue	**348.5**	**100.0 %**	**348.5**	**100.0%**	**348.5**	**100.0%**
Construction cost	195.8	56.2 %	195.8	56.2%	195.8	56.2%
Land cost	34.9	10.0 %	69.7	20.0%	85.2	24.4%
Other costs	24.5	7.0 %	24.5	7.0%	24.5	7.0%
Project cost	**255.2**	**73.2 %**	**290.0**	**83.2%**	**305.5**	**87.7%**
Net finance (excluding Urban Property)	11.0	3.2 %	16.8	4.8%	5.3	1.5%
TOTAL REVENUE	**348.5**	**100.0 %**	**348.5**	**100.0%**	**348.5**	**100.0%**
TOTAL COST	**266.2**	**76.4 %**	**306.8**	**88.0%**	**310.9**	**89.2%**
PROFIT	**82.3**	**23.6 %**	**41.7**	**12.0 %**	**37.7**	**10.8%**
Internal rate of return (IRR)		**25.0 %**		**12.2%**		**28.0%**

One-off gain on owned land

Implications on current land bank

Future projects given a flat market development

1. Initial project margin and IRR at current structure with book value of land about half of market value
2. Initial project margin and IRR at current structure given land at marked value
3. Initial project margin and IRR with Urban Property as partner and land at marked value (including option premium)

Example apply a land ownership period in Urban Property of 3-4 years, and a finance cost of 4% on all capital invested in the project

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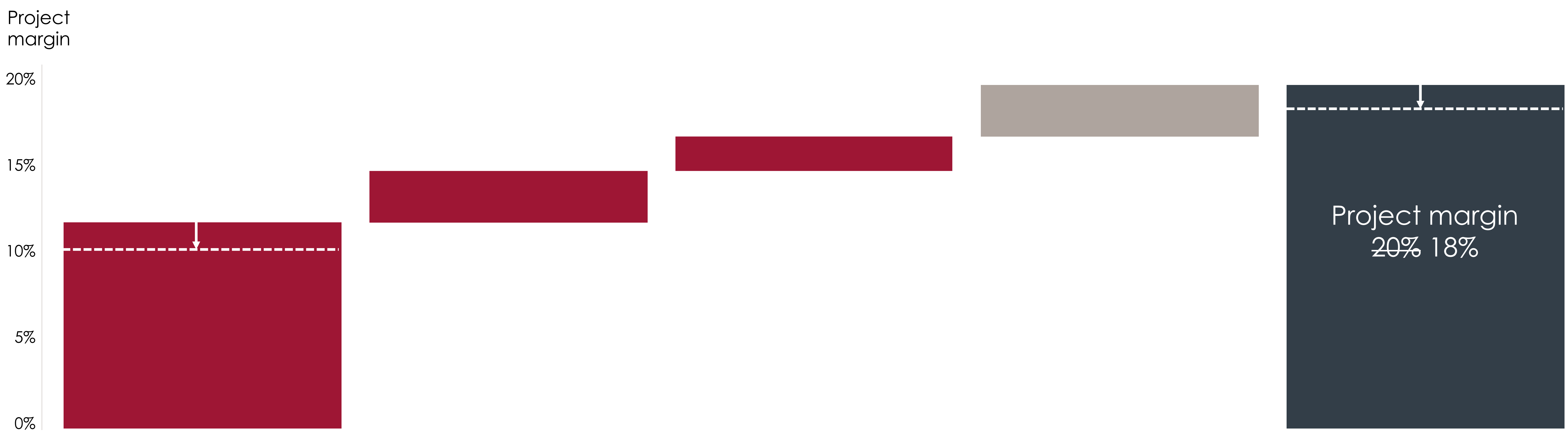
Project margin to somewhat deflate*, but higher IRR and less/no equity tied in land

6 – 36 MONTHS	6 – 12 MONTHS	3 – 9 MONTHS	12 – 24 MONTHS	0 MONTHS
Acquire and refine land for development	Project design	Contracting, marketing and pre-sales	Construction and sales	Delivery to customers



- Land acquired with minimum ~~12%~~ 10% project margin ~~and minimum 12% IRR (+2% provisions)~~
- Adding value through building permits and area utilisation
- Value added when achieving 60% pre-sale
- Maximising price in accordance with market
- Delivery in accordance with expectations

* Assuming flat market development. Actual project margin dependent on expected land holding period

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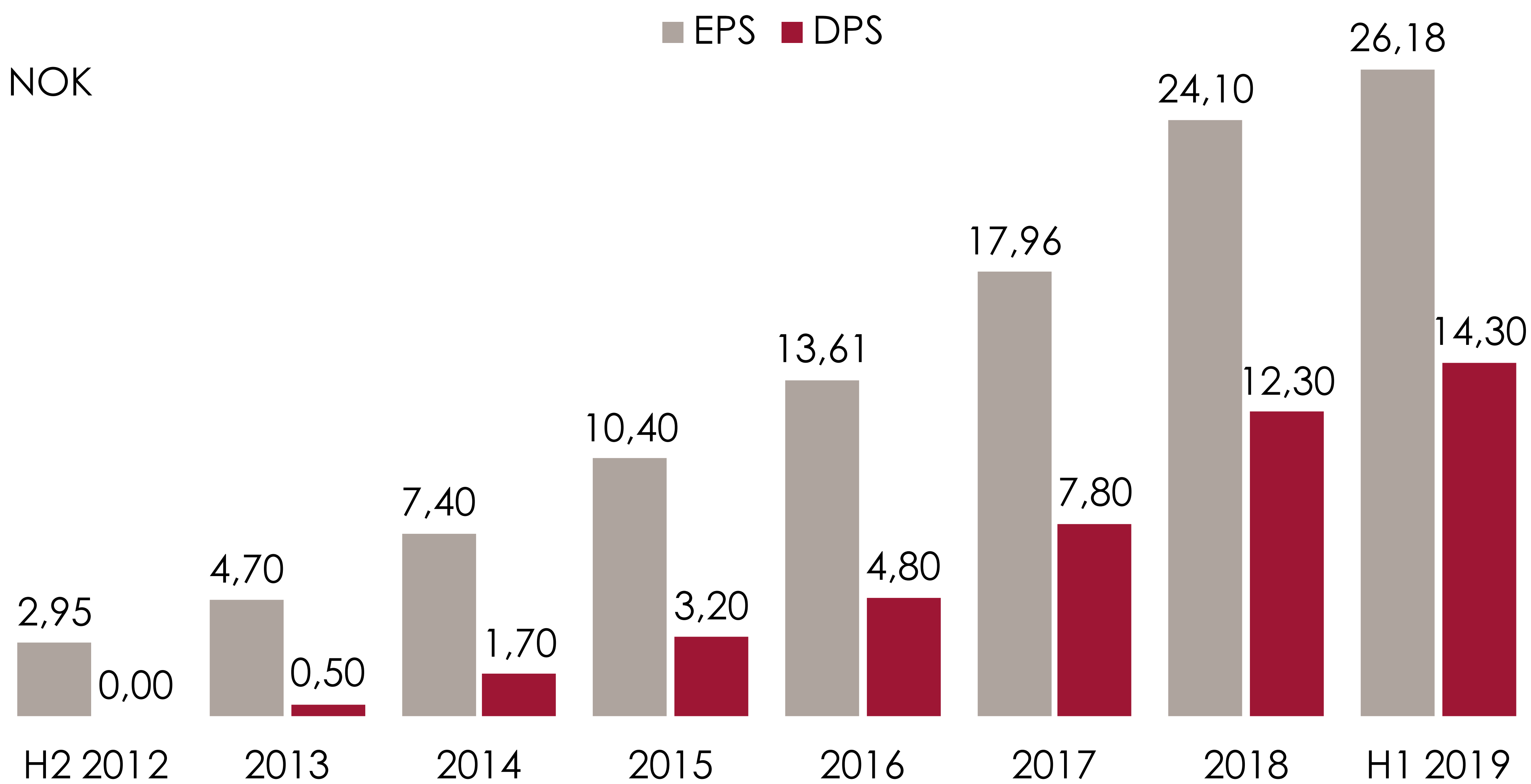
No change in short and medium term project margins

- Partnership with Urban Property does not affect ongoing projects
- For accounting purposes, the sale of Portfolio B will not result in any gain or loss being recorded at time of transaction
- Cash flow effect from difference between market value and book value realized, but effect on project margins limited to the impact from higher financing cost (option premium to Urban Property)
- Longer term project margins somewhat reduced in a flat market from 20% to about 18%

Reduced need to retain earnings for land financing

Accumulated earnings and dividend per share



Gap more than closed due to extraordinary dividend Q1 2020, dividend policy going forward to be considered

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Thank you for your attention – follow us online!

Next event:
4th quarter 2019
12 February 2020

@SelvaagAksjen

Appendix

Income statement IFRS

(figures in NOK million)	Q3 2019	Q3 2018	9M 2019	9M 2018	2018
Total operating revenues	810.0	473.2	1 954.4	1 717.4	3 342.1
Project expenses	(568.1)	(372.0)	(1 342.8)	(1 294.3)	(2 421.6)
Other operating expenses	(68.4)	(56.9)	(185.3)	(186.0)	(268.1)
Other gains (loss)	-	-	-	-	-
Associated companies and joint ventures	58.2	30.5	75.9	45.0	101.8
EBITDA	**231.730**	**74.853**	**502.232**	**282.2**	**754.187**
Depreciation and amortisation	(3.3)	(0.9)	(9.9)	(2.8)	(3.7)
EBIT	**228.4**	**73.9**	**492.3**	**279.4**	**750.5**
Net financial expenses	(3.4)	(4.0)	(13.0)	(15.9)	(18.0)
Profit/(loss) before taxes	**225.0**	**69.9**	**479.3**	**263.5**	**732.5**
Income taxes	(42.1)	(13.4)	(103.4)	(59.9)	(165.6)
Net income	**182.9**	**56.5**	**375.9**	**203.6**	**566.8**
Net income for the period attributable to:					
Non-controlling interests	-	(0.0)	-	(0.1)	(0.1)
Shareholders in Selvaag Bolig ASA	182.9	56.5	375.9	203.7	566.9

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Balance sheet

(figures in NOK million)	Q3 2019	Q2 2019	Q3 2018	2018
Intangible assets	383.4	383.4	383.4	383.4
Property, plant and equipment	6.1	6.7	9.4	8.6
Investments in associated companies and joint ventures	418.7	393.5	305.2	415.3
Other non-current assets	496.6	489.1	348.3	445.4
Total non-current assets	**1 304.7**	**1 272.7**	**1 046.3**	**1 252.6**
Inventories (property)	**4 654.4**	**4 801.2**	**4 944.8**	**4 306.3**
- Land	1 924.0	1 656.5	1 905.9	1 600.3
- Work in progress	2 560.5	2 856.3	2 942.4	2 539.8
- Finished goods	169.9	288.4	96.5	166.2
Other current receivables	325.7	505.9	257.6	275.2
Cash and cash equivalents	488.3	599.9	422.1	657.0
Total current assets	**5 468.4**	**5 907.0**	**5 624.5**	**5 238.5**
TOTAL ASSETS	**6 773.1**	**7 179.6**	**6 670.8**	**6 491.1**
Equity attributed to shareholders in Selvaag Bolig ASA*	3 064.5	3 067.5	2 722.3	3 106.8
Non-controlling interests	7.9	7.9	9.3	9.4
Total equity	**3 072.4**	**3 075.3**	**2 731.7**	**3 116.1**
Non-current interest-bearing liabilities	1 741.1	1 932.7	1 897.1	1 795.8
Other non-current non interest-bearing liabilities	194.2	195.8	147.2	156.9
Total non-current liabilities	**1 935.3**	**2 128.5**	**2 044.3**	**1 952.7**
Current interest-bearing liabilities	759.9	1 032.3	797.9	520.5
Other current non interest-bearing liabilities	1 005.5	943.5	1 097.0	901.8
Total current liabilities	**1 765.4**	**1 975.8**	**1 894.9**	**1 422.3**
TOTAL EQUITY AND LIABILITIES	**6 773.1**	**7 179.6**	**6 670.8**	**6 491.1**

* Corresponding to a book value of NOK 32.7 per share

Accounting effects, introduction

The Group intends to sell a significant portion of its non-developed properties (the "Transaction") in Q 4 to UP, a company owned by external third parties. The purpose of the Transaction is to reduce the Group's total debt and tied-up capital, as well as to release significant additional value from Selvaag Bolig's (SBO) inventory of properties that will increase SBO's dividend capacity. The Transaction is expected to close during Q4 2019. Through options and pre-emption agreements with UP, the Group will have the opportunity to buy back parts of the sold properties, if and when this is commercially viable, for further development and construction.

The Transaction comprises properties that are divided into Portfolio A, Portfolio B and Portfolio C. Portfolio A consists of properties that are expected to be repurchased using pre-emptive rights beyond the year 2020. Portfolio B comprises properties for which the Group has the option of repurchasing these mainly within an expected shorter time frame (2020). Portfolio C includes future property agreements with third parties, and where the Group currently does not have ownership in the properties. The Transaction also includes UP acquiring the Group's ownership in two joint ventures. The Portfolios B and C include options for the Group to buy back the properties in these Portfolios in the future. The Group and UP intend to have a long-term cooperation, so that the Group will also get options to purchase properties that UP acquires in the future. The intention is that SBO and UP together will enter into agreements on the purchase of new properties in the market, whereupon UP finances the purchase and at the same time provides SBO the option to buy the property from UP when it is commercially viable for SBO to do so. The accounting effects of the planned Transaction for Portfolio A, B and C as well as the sale of shares in joint ventures are set out in more detail below.

Accounting effects, details sale of Portfolio A

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The transaction price for Portfolio A is approx. NOK 1.6 billion (depending on which properties that will be included and the outcome of the final negotiations). The carrying amount of these properties is approx. NOK 0.7 billion. as of September 30, 2019.

Given that the Transaction is completed in Q4, the Q4 interim report will reflect a preliminary estimated net gain on the sale of Portfolio A of NOK 0.9 billion. As of September 30, 2019, properties that are expected to be included in the sale (both Portfolio A and B) are presented as inventory in the balance sheet.

The Group will have pre-emptive rights to repurchase the properties if UP decides on a sale. However, the Group cannot at any time require UP to sell the properties.

In the following, the Group has chosen to provide qualitative and quantitative information about the planned sale of Portfolio A in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", to provide investors with additional information on the sale of Portfolio A.

The sale of Portfolio A is expected to comprise the sale of non-developed properties and thus does not entail the sale of operations, since the properties sold have not been considered by the Group to be operations. Therefore, no significant profit items have been directly attributed to these properties in the Group's historical accounts. Therefore, properties that will be sold (which constitute a significant part of the inventory of properties) have not previously been presented as a separate segment by SBO.

The sale of Portfolio A is therefore presented in this note as "disposal group" in accordance with IFRS 5 and not "discontinued operations". "Disposal group" is defined in accordance with IFRS 5.4 as a sale of a group of assets, possibly with some directly related liabilities, together in a single transaction.

Since the Transaction does not involve the sale of operations, there are (as stated above) no historical income items that can be presented. Thus, a presentation of the sale of Portfolio A in accordance with IFRS 5 will only include how Portfolio A properties would have been presented in the balance sheet.

Accounting effects, details sale of Joint Venture

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

SBO owns as of 30 September 2019 50% of Sinsenveien Holding AS and 50% of Haakon VII's Gate 4 Holding AS. The former is a joint venture where Veidekke Eiendom AS owns the other 50% of the shares. The latter company is a joint venture where NHP Eiendom AS own the other 50% of the shares. Both joint ventures are planned to be sold in their entirety (100%) as part of the Transaction. In addition the shareholder loans will be settled.

The ownership in these joint ventures have been accounted for in SBO's financial statements in accordance with IAS 28 Investments in Associates and Joint Ventures. The investments have been 50% owned by external parties and 50% owned by SBO with equal interests, and the equity method has been used in the financial accounts of SBO.

Upon sale of the two joint ventures in the Transaction, SBO will no longer own any shares in Sinsenveien Holding AS and Haakon VII's Gate 4 Holding AS and will record the sale in full. A sale of the holdings in the two joint ventures in Q4 will result in an estimated gain of NOK 0.1 billion, and a cash effect on NOK 0.2 billion.

The historical income items recorded for the above mentioned joint ventures are set out in the table below.

Company	**Ownership**	**Share of profit (loss) year**			**Share of profit**	
Figures in NOK millions	**share**	**2016**	**2017**	**2018**	**YTD Q3 2018**	**YTD Q3 2019**
Haakon VII gt 4 Holding AS	50 %	0	(1.7)	(3.6)	(2.2)	(2.0)
Sinsenveien Holding AS	50 %	(8.5)	(8.2)	(4.8)	(3.1)	(4.2)
Total		**(8.5)**	**(9.9)**	**(8.4)**	**(5.2)**	**(6.2)**

Accounting effects, details sale of Portfolio B

The total carrying value of these properties amount to approx. NOK 0.7 billion as of September 30 2019, and has an expected transaction price of approx. NOK 0.9 billion.

For accounting purposes, the sale of Portfolio B with buy-back agreements (i.e with call options) will not result in any gain or loss being recorded, but will instead be treated as a financing arrangement due to the fact that SBO will retain control of these properties. This means that the carrying value of Portfolio B will remain unchanged as part of SBO’s inventory after the Transaction, while the consideration from the sale of Portfolio B is recorded as a liability (to Up) in the balance sheet to SBO.

The difference between the selling price and the repurchase price at the expected buy-back date will be reflected as interest expense. Whether the interest expense can be capitalized on a qualifying asset will be assessed from period to period.

For some of the properties the repurchase price will increase over time, while for others an option premium is to be paid quarterly. The growth factor/option premium corresponds to a rate equaling 3-month NIBOR +375 bps annually. SBO may at any time abandon the option, against paying accumulated growth in the buy-back price/option premium, as well as a fixed additional fee corresponding to 48 months growth in the repurchase price on properties (break fee).

Accounting effects, details sale of Portfolio C

Portfolio C includes properties that the Group has the right or obligation to purchase in the future. An agreement has been entered into which provides UP with similar rights and obligations towards the property owners that the Group has as of today. SBO will continue to be the formal contracting party towards the current property owner. The agreement covers agreements on future property purchases. After UP has acquired the properties, SBO will have the option to buy the properties back in accordance with agreed terms. However, for one of the properties, it has been agreed that the Group will have the rights and obligations to repurchase the properties.

In connection with entering into the agreements, UP will pay SBO an amount corresponding to any advance payments that the Group has paid to today's property owners. The repurchase price will increase over time. The growth factor corresponds to a rate equaling 3-month NIBOR +375 bps annually. SBO may at any time abandon the option, against paying accumulated growth in the buy-back price, as well as a fixed additional fee corresponding to 48 months growth in the repurchase price on properties (break fee).

Alternative Performance Measures and certain terms used

The financial information in this Presentation is prepared in accordance with International Financial Reporting Standards (IFRS).

This Presentation contains financial information derived from the Company's audited and unaudited consolidated financial statements, the Company's and un-audited interim financial reports, as well as unaudited management reports. To obtain complete information of the Company's financial position, operational results and cash flow, the financial information in this Presentation must be read in conjunction with the Company's audited financial statements and other regulatory financial information made public by the Company.

This Presentation contains unaudited pro forma financial information, which gives effect to the Company's contemplated Transaction. There is a greater degree of uncertainty associated with pro forma figures than with actual reported results. The unaudited pro forma financial information is based on preliminary estimates and assumptions which the Company believes to be reasonable. The pro forma financial information is being furnished solely for illustrative purposes and addresses a hypothetical situation and is not necessarily an indication of what the Company group's result of operation and financial condition would have been had the transaction been completed on 31 December 2018.

In addition, the Group presents certain non-IFRS financial measures/alternative performance measures (APM):

EBITDA represents operating profit before depreciation, amortization and impairment

Project margin represents operating profit from a single project before tax and administrative overhead, calculated over the project's total lifespan.

The non-IFRS financial measures/APM presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of operating performance; or (b) any other measures of performance under generally accepted accounting principles. The non-IFRS financial measures/APM presented herein may not be indicative of historical operating results, nor are such measures meant to be predictive of future results. The Company believes that the non-IFRS measures/APM presented herein are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortization and impairment, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), business practice or based on non-operating factors. Accordingly, the Company discloses the non- FRS financial measures/APM presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies and across periods, and of the ability to service its debt. Because companies calculate the non-IFRS financial measures/APM presented herein differently, the presentation of these non-IFRS financial measures/APM may not be comparable to similarly titled measures used by other companies.

The non-IFRS financial measure/APM are not part of the consolidated financial statements, and are thereby not audited. The Company can give no assurance as to the correctness of such non-IFRS financial measures/APM and investors are cautioned that such information involve known and unknown risks, uncertainties and other factors, and are based on numerous assumptions. Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these non-IFRS financial measures/APM.

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