

**Q4**  
**2019**

# Fourth quarter results



**SELVAAG** BOLIG



## Highlights of the fourth quarter 2019

- Operating revenues of NOK 1 414 million (NOK 1 625 million)
- Adjusted EBITDA\*\* NOK 398 million (NOK 513 million) and ordinary EBITDA\* at NOK 375 million (NOK 472 million)
- 140 units sold (148) and construction started on 248 (402)
- 254 units completed (441) and 214 delivered (421)
- Sold a commercial property and an option contract for a combined NOK 320 million
- A total of 1 504 units (1 449) under construction at 31 December, with a combined sales value of NOK 7 155 million (NOK 6 712 million)
- 70 per cent of units under construction are sold (66 per cent)
- The board proposes a dividend of NOK 3.00 per share for the second half (NOK 2.50). Total dividend for the year will then be NOK 5.00 per share (NOK 4.50)
- Agreement entered into with Urban Property on the sale of large parts of the land portfolio. Transaction implemented in the first quarter of 2020, when an extraordinary dividend of NOK 22.00 per share was paid

(Figures in brackets relate to the same period of the year before)

## Key figures

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
<b>IFRS main figures</b>				
Operating revenues	1 414 449	1 624 661	3 368 838	3 342 075
EBITDA*	375 223	471 992	877 455	754 187
EBITDA adjusted**	398 386	513 494	959 361	827 328
Operating profit/(loss)	372 374	471 060	864 707	750 480
Profit/(loss) before taxes	374 636	468 973	853 969	732 470
Cash flow from operating activities	943 696	675 134	985 901	427 017
Net cash flow	690 436	234 922	521 652	171 473
Interest-bearing liabilities	2 253 331	2 316 306	2 253 331	2 316 306
Total assets	6 912 432	6 491 129	6 912 432	6 491 129
Equity	3 382 084	3 116 136	3 382 084	3 116 136
Equity ratio	48.9%	48.0%	48.9%	48.0%
Earnings per share in NOK	3.00	3.93	7.04	6.14
<b>Segment reporting (NGAAP****):</b>				
Operating revenues	1 062 412	1 032 792	3 259 957	2 974 801
EBITDA***	232 741	195 516	770 631	612 419
EBITDA margin	21.9%	18.9%	23.6%	20.6%
<b>Key figures: (net, adjusted for share in joint ventures)</b>				
Number of units sold	140	148	752	696
Number of construction starts	248	402	830	840
Number of units delivered	214	421	732	849
Number of units completed	254	441	776	854

\* EBITDA is operating profit before interest, taxes, depreciation and amortisation.

\*\* EBITDA adjusted is excluding financial expenses included in project costs, see note 6 for details.

\*\*\* EBITDA is operating profit before interest, tax, depreciation, amortisation and profit from associated companies.

\*\*\*\* The NGAAP accounts utilise the percentage of completion method, i.e. percentage of completion multiplied by the sales ratio.

## Financial review

### Summary of overall results

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
<b>Total operating revenues</b>	<b>1 414 449</b>	<b>1 624 661</b>	<b>3 368 838</b>	<b>3 342 075</b>
Project expenses	(936 657)	(1 127 371)	(2 279 485)	(2 421 633)
Other operating expenses, salaries and personnel cost, depreciation and amortisation	(91 698)	(83 002)	(286 870)	(271 758)
<b>Total operating expenses</b>	<b>(1 028 355)</b>	<b>(1 210 373)</b>	<b>(2 566 355)</b>	<b>(2 693 391)</b>
Associated companies and joint ventures	(13 720)	56 772	62 224	101 796
<b>Operating profit</b>	<b>372 374</b>	<b>471 060</b>	<b>864 707</b>	<b>750 480</b>
<b>Net financial expenses</b>	<b>2 262</b>	<b>(2 087)</b>	<b>(10 738)</b>	<b>(18 010)</b>
<b>Profit before taxes</b>	<b>374 636</b>	<b>468 973</b>	<b>853 969</b>	<b>732 470</b>
Income taxes	(96 064)	(105 740)	(199 454)	(165 626)
<b>Net income</b>	<b>278 572</b>	<b>363 233</b>	<b>654 515</b>	<b>566 844</b>

### Results for the fourth quarter of 2019

*(Figures in brackets relate to the corresponding period of 2018. The figures are unaudited.)*

Selvaag Bolig had operating revenues of NOK 1 414.4 million (NOK 1 624.7 million) in the fourth quarter. Revenues from units delivered accounted for NOK 1 068.9 million (NOK 1 596.1 million) of this total. The company also sold a commercial property and an option contract for a combined NOK 320 million. Other revenues derived from non-core activities, mainly rental of commercial premises.

A total of 214 units (421) were delivered in the quarter, including 192 (335) from consolidated project companies and 22 (86) from joint ventures.

Project costs for the quarter totalled NOK 936.7 million (NOK 1 127.4 million), of which NOK 23.2 million (NOK 41.5 million) represented previously capitalised financial expenses. Total project expenses primarily represented construction costs for units delivered as well as costs in projects which did not qualify for capitalisation as inventory.

Operating costs excluding project costs totalled NOK 91.7 million (NOK 83 million) for the period. Payroll costs accounted for NOK 45.8 million (NOK 42.3 million) of this figure. In addition, NOK 5.5 million (NOK 5 million) in payroll costs relating to housing under construction was capitalised during the quarter and will be expensed as project costs on future delivery.

Other operating costs came to NOK 43 million (NOK 39.8 million) for the quarter, including NOK 13.6 million (NOK 18.2 million) for sales and marketing. Fourth-quarter operating costs included NOK 12 million in legal and consultancy fees related to arranging the sale of the land bank (the Urban Property transaction, announced in November 2019).

The share of results from associates was a loss of NOK 13.7 million (profit of NOK 56.8 million) for the quarter. This decline from the same period of 2018 primarily reflected fewer deliveries by joint ventures and impairment of a joint venture project in Trondheim.

Reported EBITDA was NOK 375.2 million (NOK 472 million), corresponding to a margin of 26.5 per cent (29.1 per cent). EBITDA adjusted for financial expenses included in project costs came to NOK 398.4 million (NOK 513.5 million), corresponding to a margin of 28.2 per cent (31.6 per cent). See the section on interest-bearing debt below and note 6 to the financial statements for more information.

Consolidated depreciation and amortisation totalled NOK 2.8 million (NOK 0.9 million). The increase reflects the introduction of a new accounting standard for leases, IFRS 16, with effect from 1 January 2019, which means that part of the lease expenses is classified as depreciation. Operating profit thereby came to NOK 372.4 million (NOK 471.1 million).

Net financial income amounted to NOK 2.3 million (expenses of NOK 2.1 million). Pre-tax profit for the quarter came to NOK 374.6 million (NOK 469 million).

Tax expense for the period came to NOK 96.1 million (NOK 105.7 million). Comprehensive income for the fourth quarter

consequently came to NOK 278.6 million (NOK 363.2 million). NOK 278.6 million of the profit was attributable to the shareholders of Selvaag Bolig ASA (NOK 363.2 million), and NOK 0 (NOK 0) to non-controlling shareholders.

## Results for the full year 2019

Selvaag Bolig had operating revenues of NOK 3 368.8 million (NOK 3 342.1 million) in the full year. Revenues from units delivered accounted for NOK 2 962.7 million (NOK 3 225 million) of this total. The company also sold a commercial property and an option contract for a combined NOK 320 million. In 2018, a commercial property was sold for NOK 42.5 million. Other revenues related to non-core activities, mainly rentals.

A total of 732 units (849) were delivered in the full year, including 635 (697) from consolidated project companies and 97 (152) from joint ventures.

Project costs for the full year totalled NOK 2 279.5 million (NOK 2 421.6 million). They primarily represented construction costs for units delivered as well as costs from other projects which did not qualify for capitalisation as inventory.

Operating costs excluding project costs and joint ventures totalled NOK 286.9 million (NOK 271.8 million). Payroll costs accounted for NOK 132.2 million (NOK 142.5 million) of this figure. The decline from the year before primarily reflected the fact that the 2018 amount included provisions for termination payments and compensation related to efficiency improvement processes and terminated employment. In addition, NOK 22 million (NOK 21.1 million) in payroll costs relating to housing under construction was capitalised and will be expensed as project costs on future delivery.

Other operating costs came to NOK 141.9 million (NOK 125.6 million), including NOK 55.8 million (NOK 42 million) for sales and marketing.

The share of results from associates and joint ventures came to NOK 62.2 million (NOK 101.8 million) for the full year. This decline primarily reflected fewer deliveries from joint ventures and impairment of a joint venture project in Trondheim.

Reported EBITDA for the full year was NOK 877.5 million (NOK 754.2 million), corresponding to a margin of 26 per cent (22.6 per cent). The increase primarily reflected higher margins for projects delivered during 2019. EBITDA adjusted for financial expenses included in project costs came to NOK 959.4 million (NOK 827.3 million), corresponding to a margin of 28.5 per cent (24.8 per cent).

Consolidated operating profit for the full year came to NOK 864.7 million (NOK 750.5 million). Net financial expenses were NOK 10.7 million (NOK 18 million).

Pre-tax profit came to NOK 854 million (NOK 732.5 million). Tax expense for the full year came to NOK 199.5 million (NOK 165.6 million). Comprehensive income for the full year consequently came to NOK 654.5 million (NOK 566.8 million). NOK 654.5 million (NOK 566.9 million) of the profit was attributable to the shareholders of Selvaag Bolig ASA, and NOK 0 (negative at NOK 0.1 million) to non-controlling shareholders.

## Cash flow

Consolidated net cash flow from operational activities was NOK 943.7 million (NOK 675.1 million) for the fourth quarter. The increase from the same period of 2018 primarily reflected the positive effect of a reduction in accounts receivable for units delivered and the inclusion of settlement for land purchases in the 2018 figures. See the section on accounts receivable below and note 5 on inventories for more information.

During the full year, consolidated cash flow from operational activities was NOK 985.9 million (NOK 427 million). The change from the year before primarily reflected the same factors specified above for the quarter.

Net cash flow from investing activities was negative at NOK 9.7 million (NOK 59.2 million) for the quarter. The change from the year before primarily represents larger investments in joint ventures and financing of these in 2018.

In the full year, net cash flow from investing activities came to NOK 64.1 million (NOK 20.6 million). Receipts primarily represented settlement of seller credits and dividend from

joint ventures as well as the sale of a joint venture in western Norway, while payments took the form of capital provided to joint ventures.

Net cash flow from financing activities was negative at NOK 243.6 million (NOK 381 million) for the quarter. The change from 2018 primarily reflected reduced net redemption of construction loans.

For the full year, net cash flow from financing activities was negative at NOK 528.4 million (NOK 276.1 million). The change from 2018 primarily reflected increased net redemption of debt and higher dividend payments in 2019.

The group's holding of cash and cash equivalents at 31 December totalled NOK 1 178.7 million (NOK 657 million), an increase of NOK 690.4 million from 30 September and NOK 521.7 million from a year earlier.

### Cash flow summary

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
Profit before taxes	374 636	468 973	853 969	732 470
<b>Net cash flow from operating activities</b>	<b>943 696</b>	<b>675 134</b>	<b>985 901</b>	<b>427 017</b>
<b>Net cash flow from investment activities</b>	<b>(9 652)</b>	<b>(59 201)</b>	<b>64 128</b>	<b>20 558</b>
<b>Net cash flow from financing activities</b>	<b>(243 607)</b>	<b>(381 012)</b>	<b>(528 377)</b>	<b>(276 102)</b>
Net change in cash and cash equivalents	690 436	234 922	521 652	171 473
<b>Cash and cash equivalents at start of period</b>	<b>488 250</b>	<b>422 112</b>	<b>657 034</b>	<b>485 561</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 178 686</b>	<b>657 034</b>	<b>1 178 686</b>	<b>657 034</b>

## Financial position

The carrying amount of Selvaag Bolig's total inventory (land, units under construction and completed units) at 31 December was NOK 4 299.2 million, compared with NOK 4 654.4 million at 30 September and NOK 4 306.3 million a year earlier. The decline during the fourth quarter primarily reflected units delivered and the sale of a commercial property. Furthermore, NOK 662.5 million has been reclassified as assets held for sale in connection with the agreement entered into for the sale of parts of the land bank to Urban Property. See note 7 for detailed information. See note 5 for a further specification of inventory.

Consolidated accounts receivable totalled NOK 82.2 million at 31 December, compared with NOK 257.3 million at 30 September and NOK 215 million a year earlier. The decrease during the quarter reflects the delivery of many units late in the previous period, so that settlement was received in the fourth quarter. This is regarded as a normal fluctuation and involves no credit risk, since the funds are placed in client accounts at settlement agents from delivery of the unit until settlement is received.

Equity was NOK 3 382.1 million (NOK 3 116.1 million) at 31 December, corresponding to an equity ratio of 48.9 per cent (48 per cent). Selvaag Bolig ASA paid NOK 185.9 million (NOK

184.9 million) in dividend in the third quarter, based on results for the first half of 2019. It paid NOK 232.3 million (NOK 166.4 million) in dividend during the second quarter, based on results for the second half of 2018. Non-controlling interests amounted to NOK 7.9 million (NOK 9.4 million) of equity.

Other current non-interest-bearing liabilities for the group totalled NOK 710.7 million (NOK 562.3 million) at 31 December, of which NOK 207.1 million (NOK 200.9 million) represented advance payments from customers.

At 31 December, consolidated interest-bearing debt amounted to NOK 2 253.3 million (NOK 2 316.3 million), of which NOK 1 092.3 million (NOK 1 795.8 million) was non-current and NOK 1 161 million (NOK 520.5 million) was current. The increase in the proportion of current debt primarily reflected reclassifications in connection with land

loans which are to be redeemed in connection with the sale of parts of the land bank to Urban Property. See note 7 for more information.

The group had land loans totalling NOK 1 294.1 million (NOK 1 356.2 million) at 31 December. These loans are normally converted to construction loans in line with the progress of the respective construction projects.

Selvaag Bolig ASA has a credit facility agreement of NOK 500 million with DNB, which matures in April 2022. This facility was reduced by NOK 150 million in January 2020 in connection with the sale of parts of the land bank to Urban Property. The company also has an annually renewed overdraft facility of NOK 150 million with DNB. No drawings had been made against any of these facilities at 31 December.

### Net interest-bearing debt

(figures in NOK 1 000)	Q4 2019	Q3 2019	2018
Non-current interest-bearing debt	1 092 288	1 741 114	1 795 798
Current interest-bearing debt	1 161 043	759 923	520 508
Cash and cash equivalents	(1 178 686)	(488 250)	(657 034)
<b>Net interest-bearing debt</b>	<b>1 074 645</b>	<b>2 012 787</b>	<b>1 659 272</b>

The group's interest-bearing debt falls primarily into three categories: 1) top-up loans, which are liabilities in parent company Selvaag Bolig ASA, 2) land loans and 3) construction loans. At 31 December, the group had no top-up loans, land loans of NOK 1 294 million and total construction loans of NOK 959 million.

### Interest-bearing debt at 31 December 2019 (NOKm)



Interest costs on land loans are normally recognised in profit and loss until the site secures planning permission. They are capitalised against the site from the day the project secures planning permission, and recognised in profit and loss as part of the cost of sales when the units are delivered. Interest charges on construction loans are capitalised during the construction period and recognised under cost of sales in the same way.

At 31 December, interest on NOK 1 159 million in land loans had been capitalised, while interest charges of NOK 135 million relating to land loans spread over two projects were recognised in profit and loss.

## Operational reporting

Each project is followed up individually in daily operations, and operational reporting accordingly comprises one main segment - housing development. Reporting also comprises the "other business" segment. The latter primarily includes service deliveries in completed Pluss projects as well as group administration not allocated to the main segment. Operational reporting utilises the percentage of completion method for recognising revenues and profit, which differs from the IFRS where profit is recognised on delivery. Note 4 to the financial statements presents segment information reconciled with the financial reporting figures (IFRS).

### Segments fourth quarter 2019

(figures in NOK 1 000)	Operating revenues		EBITDA		Operating profit/loss	
	Q4 19	Q4 18	Q4 19	Q4 18	Q4 19	Q4 18
Property development	1 043 457	1 018 351	286 415	240 140	298 173	249 096
Other	18 955	14 441	(53 674)	(44 624)	(54 148)	(45 556)
IFRS adjustments	352 037	591 869	142 482	276 476	128 349	267 520
<b>Total group</b>	<b>1 414 449</b>	<b>1 624 661</b>	<b>375 223</b>	<b>471 992</b>	<b>372 374</b>	<b>471 060</b>

### Segments full year 2019

(figures in NOK 1 000)	Operating revenues		EBITDA		Operating profit/loss	
	12M 19	12M 18	12M 19	12M 18	12M 19	12M 18
Property development	3 204 163	2 928 742	921 317	770 738	1 023 012	846 484
Other	55 794	46 059	(150 686)	(158 319)	(153 965)	(161 958)
IFRS adjustments	108 881	367 274	106 824	141 768	(4 340)	65 954
<b>Total group</b>	<b>3 368 838</b>	<b>3 342 075</b>	<b>877 455</b>	<b>754 187</b>	<b>864 707</b>	<b>750 480</b>

## Housing development

This segment comprises all Selvaag Bolig's projects regardless of geographical location, since each project is followed up individually.

Operating revenues for the fourth quarter were NOK 1 043.5 million (NOK 1 018.4 million). They derived from 19 projects (20) currently in production as well as the sale of a commercial property and an option contract for a combined NOK 320 million.

Operating costs, primarily for construction and sales, are directly related to the projects and amounted to NOK 757

million (NOK 778.2 million) for the fourth quarter. Construction costs in the segment reporting are exclusive of directly-related financial expenses (interest on construction loans). This differs from the IFRS accounts, where financial expenses are included in project costs on delivery.

EBITDA presents operating profit (loss) before depreciation, gain (loss), and share of profit (loss) from associates. It came to NOK 286.4 million (NOK 240.1 million) for the quarter, corresponding to a profit margin of 27.4 per cent (23.6 per cent).

## Other business - unallocated

The other business segment comprises a number of activities in the group which are not regarded as part of the core business on a stand-alone basis. It also includes administration and management which cannot be attributed directly to the projects and are accordingly not allocated to the housing development segment.

Operating revenues for the segment in the fourth quarter came to NOK 19 million (NOK 14.4 million), while operating costs amounted to NOK 72.6 million (NOK 59.1 million). Costs relate largely to remuneration for the administration and management, as well as to central marketing. Operating costs for the fourth quarter included NOK 12 million in legal

and consultancy fees related to arranging the sale of the land bank (the Urban Property transaction, announced in November 2019). EBITDA was thereby negative at NOK 53.7 million (NOK 44.6 million).

## Review of operations

*All figures are presented net, adjusted for Selvaag Bolig's share of joint ventures, unless otherwise specified.*

### Operations

The positive trend in the housing market continued in the fourth quarter. With a good balance between supply and demand, sales were good. The market was particularly positive in Oslo and Akershus.

A total of 169 units with a combined value of NOK 859 million were sold during the quarter. Selvaag Bolig's share amounted to 140 units with a combined value of NOK 705 million.

Work started on constructing 248 units during the fourth quarter, so that Selvaag Bolig had 1 504 units worth some NOK 7.2 billion under construction at 31 December. A total of 254 units were completed during the quarter.

To manifest value creation in the group, segment reporting shows revenue and costs in the various projects using the percentage of completion method as its accounting principle.

### Projects

The company has projects in Oslo, Bærum, Asker, Lørenskog, Moss, Ski, Stavanger, Sandnes, Sola, Tønsberg, Trondheim, Bergen and Stockholm. However, no projects were under construction in Bærum, Bergen or Sandnes during the fourth quarter.

### Quarterly development of the project portfolio

	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Number of units sold	148	243	210	159	140
Number of construction starts	402	97	311	174	248
Number of units completed	441	12	307	203	254
Number of units delivered	421	29	246	243	214
Number of units under construction	1 449	1 534	1 538	1 510	1 504
Proportion of sold units under construction	66 %	70 %	71 %	72 %	70 %
Number of completed unsold units	26	13	48	34	56
Sales value of units under construction (NOK million)	6 712	7 097	7 039	7 192	7 155

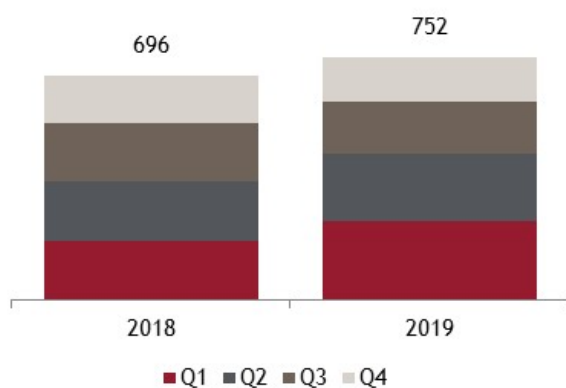
### Purchase and sale of land

The group sold a commercial property in Bærum for about NOK 270 million during the quarter.



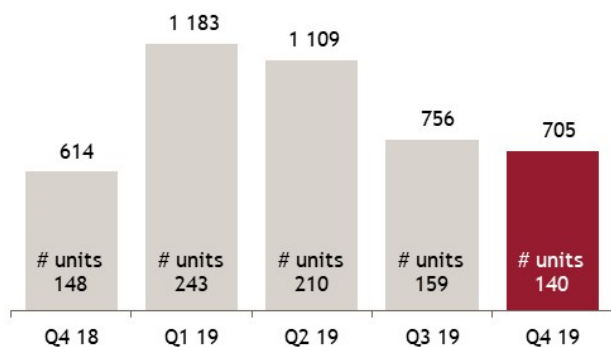
## Sales developments and progress

### Units sold



Total housing sales during the fourth quarter, including Selvaag Bolig's relative share of joint ventures, amounted to 140 units with a combined sales value of NOK 705 million. These sales comprise Selvaag Bolig's consolidated project companies as well as its relative share of units sold in joint-venture projects. Sales in the same period of 2018 totalled 148 units with a combined value of NOK 614 million.

### Value of units sold (NOKm)



Selvaag Bolig started sales during the quarter in two projects, comprising 32 residential units (205).

### Sales starts in the quarter

Project	# of units	Category	Region
Aase Gaard	17	Terraced	Stavanger
Kaldnes Beddingen	15	Flat	Greater Oslo
Total	32		

Construction began on 248 (402) units during the quarter. At 31 December, Selvaag Bolig consequently had 1 504 (1 449) units under construction. They included 1 367 units in Greater Oslo, 87 in the rest of Norway and 50 abroad.

Construction starts can vary substantially from quarter to quarter, since construction normally only begins when 60 per cent of the value in a project has been sold.

The order backlog at 31 December - in other words, the sales value of the 1 504 (1 449) units then under construction - was NOK 7 155 million (NOK 6 712 million).

A total of 254 (441) units were completed in the fourth quarter, and 214 (421) - including ones completed earlier - were delivered. The completed units were spread over four projects.

At 31 December, the group held 56 (26) completed but unsold units. Consolidated project companies accounted for 635 (697) of the units delivered, while 97 (152) were in part-owned project companies.

### Units completed by project

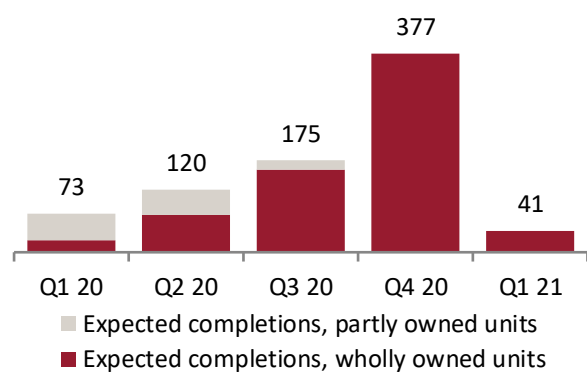
Project	# units	Category	Region
Hovinenga	114	Flat	Greater Oslo
Saga Park	32	Flat	Trondheim
Lørenporten	94	Flat	Greater Oslo
Svea Serenad	15	Flat	Stockholm
Total	254		

Based on anticipated progress for the projects, 73 units are expected to be completed in the first quarter of 2020. Estimated completions for 2020 as a whole amount to 744 units.

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**Expected number of completions**

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## Share information

The company had 93.77 million issued shares at 31 December, divided between 2 895 shareholders.

The 20 largest shareholders controlled 79.1 per cent of the total number of issued shares. The largest shareholder was Selvaag AS, with a 53.5 per cent holding.

During the quarter, the Selvaag Bolig share varied in price from NOK 46.50 to NOK 74.00. The latter was also the closing price at 31 December, compared with NOK 51.50 at 30 September. The share price accordingly rose by 44 per cent over the quarter.

A total of just over four million shares, or 4.3 per cent of the overall number outstanding, were traded during the period. Share turnover totalled NOK 242.1 million during the quarter, corresponding to an average daily figure of roughly NOK 3.9 million.

### 20 largest shareholders at 31 December 2019

Shareholder	# of shares	% share
SELVAAG AS	50 180 087	53.5%
LANDSFORSÅKRINGAR FASTIGHETSFOND	5 653 788	6.0%
TAIGA INVESTMENT FUNDS PLC-TAIGA F	2 741 751	2.9%
PARETO INVEST AS	2 065 624	2.2%
VERDIPAPIRFONDET PARETO INVESTMENT	1 413 000	1.5%
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 397 062	1.5%
SEB PRIME SOLUTIONS SISSENER CANOP	1 221 349	1.3%
State Street Bank and Trust Comp *)	1 217 125	1.3%
JPMorgan Chase Bank, N.A., London *)	1 000 000	1.1%
FLPS - GL S-M SUB	928 800	1.0%
HOLTA INVEST AS	814 119	0.9%
Landkreditt Utbytte	800 000	0.9%
MUSTAD INDUSTRIER AS	730 179	0.8%
VERDIPAPIRFONDET HOLBERG NORGE	700 000	0.7%
Morgan Stanley & Co. International	610 216	0.7%
BANAN II AS	600 000	0.6%
Baard Schumann	565 127	0.6%
TMAM EUROPEAN REAL ESTATE SEC	544 506	0.6%
SANDEN AS	518 186	0.6%
STOREBRAND NORGE I VERDIPAPIRFOND	507 654	0.5%
<b>Total 20 largest shareholders</b>	<b>74 208 573</b>	<b>79.1%</b>
Other shareholders	19 557 115	20.9%
<b>Total number of shares</b>	<b>93 765 688</b>	<b>100.0%</b>

\*) Further information regarding shareholders is presented at:  
<http://sboasa.no/en>

## Risk and uncertainty factors

As a housing developer, Selvaag Bolig is exposed to risks which could affect the group's business and financial position. Risk factors relate to land development, sales and the execution of housing projects, and can be divided into market, operational and financial categories. The group gives priority to work on managing and dealing with risk, and has established routines and control systems to limit and control risk exposure.

Macroeconomic conditions - particularly unemployment and interest rates - as well as demographic changes are factors which affect the group's progress. See the company's annual report, available on its website, for a more detailed explanation of the risk and uncertainty factors it faces.

## Transactions with related parties

The general meeting of Selvaag Bolig approved in December 2019 the sale of a large proportion of the company's land holdings to a separate company structure, Urban Property. Selvaag AS owns 30 per cent of the latter. The transaction

was implemented in January 2020. See note 7 for further details. See note 23 to the group's annual reports for detailed information on transactions with related parties in earlier years.

## Housing market

According to Statistics Norway (SSB), seasonally adjusted Norwegian house prices at 31 December were on average 0.5 per cent higher than at 30 September and up by 2.6 per cent from 31 December 2018. Price developments differed between Selvaag Bolig's core areas during the quarter. Overall prices rose by 1.2 per cent during the quarter in Oslo including Bærum, and were 4.6 per cent higher than at 31 December 2018. In Akershus county excluding Bærum, prices

rose by 0.6 per cent and were up by 2.7 per cent from 31 December 2018. Prices in Stavanger declined by four per cent during the quarter and were down by 3.2 per cent from 31 December 2018. Prices in Bergen were up by one per cent in the quarter and by 2.8 per cent from 31 December 2018. In Trondheim, prices rose by one per cent for the quarter and were 0.1 per cent higher than at 31 December 2018.

## Outlook

Selvaag Bolig is well positioned, with large projects centrally located in and around Greater Oslo, Stavanger, Bergen and Trondheim. The newbuild market has been stable and normal during 2019 and so far in 2020. Sales for Selvaag Bolig have been particularly positive in Oslo and Akershus. Good macroeconomic conditions, high household purchasing power and demographic trends mean that Selvaag Bolig expects a stable market for new housing in the time to come, but with regional variations. It anticipates that demand and price growth will be strongest in Greater Oslo, and that markets in Stavanger, Bergen and Trondheim will be quieter because of a high supply side. According to SSB, urbanisation and population growth create a large and long-term demand for new housing in Selvaag Bolig's core areas. Interest-rate increases and the continuation of the residential mortgage rules have not led so far to any reduction in sales.



## Interim financial statements (IFRS)

## Statement of comprehensive income

(figures in NOK 1 000, except earnings per share)	Q4 2019	Q4 2018	2019	2018
Revenues	1 388 650	1 596 099	3 282 480	3 267 505
Other revenues	25 799	28 562	86 358	74 570
<b>Total operating revenues</b>	<b>1 414 449</b>	<b>1 624 661</b>	<b>3 368 838</b>	<b>3 342 075</b>
Project expenses	(936 657)	(1 127 371)	(2 279 485)	(2 421 633)
Salaries and personnel costs	(45 844)	(42 265)	(132 213)	(142 498)
Depreciation and amortisation	(2 849)	(932)	(12 748)	(3 707)
Other operating expenses	(43 005)	(39 805)	(141 909)	(125 553)
<b>Total operating expenses</b>	<b>(1 028 355)</b>	<b>(1 210 373)</b>	<b>(2 566 355)</b>	<b>(2 693 391)</b>
Associated companies and joint ventures	(13 720)	56 772	62 224	101 796
<b>Operating profit</b>	<b>372 374</b>	<b>471 060</b>	<b>864 707</b>	<b>750 480</b>
Financial income	9 984	6 133	16 742	10 219
Financial expenses	(7 722)	(8 220)	(27 480)	(28 229)
<b>Net financial expenses</b>	<b>2 262</b>	<b>(2 087)</b>	<b>(10 738)</b>	<b>(18 010)</b>
<b>Profit/(loss) before taxes</b>	<b>374 636</b>	<b>468 973</b>	<b>853 969</b>	<b>732 470</b>
Income taxes	(96 064)	(105 740)	(199 454)	(165 626)
<b>Net income</b>	<b>278 572</b>	<b>363 233</b>	<b>654 515</b>	<b>566 844</b>
<b>Other comprehensive income/expenses</b>				
Translation differences	6	3 437	(6)	317
<b>Total comprehensive income/(loss) for the period</b>	<b>278 578</b>	<b>366 670</b>	<b>654 509</b>	<b>567 161</b>
<b>Net income for the period attributable to:</b>				
Non-controlling interests	-	(19)	-	(95)
Shareholders in Selvaag Bolig ASA	278 572	363 252	654 515	566 939
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Non-controlling interests	-	(19)	-	(95)
Shareholders in Selvaag Bolig ASA	278 578	366 689	654 509	567 256
<b>Earnings per share for net income/(loss) attributed to shareholders in Selvaag Bolig ASA:</b>				
Earnings per share (basic and diluted) in NOK	3.00	3.93	7.04	6.14

*The consolidated financial information has not been audited*

## Statements of financial position

(figures in NOK 1 000)	Note	Q4 2019	Q3 2019	2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		383 376	383 376	383 376
Other intangible assets		-	-	-
Property, plant and equipment		5 588	6 062	8 565
Right-of-use lease assets		44 219	46 574	-
Investments in associated companies and joint ventures		430 281	418 710	415 280
Loans to associated companies and joint ventures		70 893	142 046	119 290
Other non-current assets		165 283	307 935	326 074
<b>Total non-current assets</b>		<b>1 099 640</b>	<b>1 304 703</b>	<b>1 252 585</b>
<b>Current assets</b>				
Inventories (property)	5	3 636 663	4 654 423	4 306 304
Trade receivables		82 220	257 334	215 007
Other current receivables		51 052	68 357	60 199
Cash and cash equivalents		1 178 686	488 250	657 034
Assets held for sale	7	864 171	-	-
<b>Total current assets</b>		<b>5 812 792</b>	<b>5 468 364</b>	<b>5 238 544</b>
<b>TOTAL ASSETS</b>		<b>6 912 432</b>	<b>6 773 067</b>	<b>6 491 129</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributed to shareholders in Selvaag Bolig ASA		3 374 218	3 064 522	3 106 770
Non-controlling interests		7 866	7 866	9 366
<b>Total equity</b>		<b>3 382 084</b>	<b>3 072 388</b>	<b>3 116 136</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Pension liabilities		1 017	532	277
Deferred tax liabilities		34 256	92 889	93 011
Provisions		60 373	60 373	60 373
Other non-current non interest-bearing liabilities		3 105	3 149	3 225
Non-current lease liabilities		35 263	37 243	-
Non-current interest-bearing liabilities		1 092 288	1 741 114	1 795 798
<b>Total non-current liabilities</b>		<b>1 226 302</b>	<b>1 935 300</b>	<b>1 952 684</b>
<b>Current liabilities</b>				
Current lease liabilities		7 922	8 555	-
Current interest-bearing liabilities		1 161 043	759 923	520 508
Trade payables		167 633	140 621	181 360
Current tax payables		198 676	169 272	158 110
Other current non interest-bearing liabilities		710 728	687 008	562 331
Liabilities directly associated with assets classified as held for sale	7	58 044	-	-
<b>Total current liabilities</b>		<b>2 304 046</b>	<b>1 765 379</b>	<b>1 422 309</b>
<b>Total liabilities</b>		<b>3 530 348</b>	<b>3 700 679</b>	<b>3 374 993</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6 912 432</b>	<b>6 773 067</b>	<b>6 491 129</b>

*The consolidated financial information has not been audited*

## 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
<b>Equity as of 1 January 2019</b>	<b>185 857</b>	<b>1 394 857</b>	<b>700 629</b>	<b>5 792</b>	<b>3 528</b>	<b>816 106</b>	<b>3 106 772</b>	<b>9 366 *)</b>	<b>3 116 136</b>
Transactions with owners:									
Dividend	-	-	-	-	-	(418 179)	(418 179)	-	(418 179)
Share buy back	-	-	-	-	-	-	-	-	-
Employee share programme	985	-	-	-	-	30 133	31 118	-	31 118
Dividend to non-controlling interests	-	-	-	-	-	-	-	(1 500)	(1 500)
<i>Total comprehensive income/(loss) for the period:</i>									
Net income/(loss) for the period	-	-	-	-	-	654 515	654 515	-	654 515
Other comprehensive income/(loss) for the period	-	-	-	(6)	-	-	(6)	-	(6)
<b>Equity as of 31 December 2019</b>	<b>186 842</b>	<b>1 394 857</b>	<b>700 629</b>	<b>5 786</b>	<b>3 528</b>	<b>1 082 575</b>	<b>3 374 220</b>	<b>7 866 *)</b>	<b>3 382 084</b>

<b>Equity as of 1 January 2018</b>	<b>183 523</b>	<b>1 394 857</b>	<b>700 629</b>	<b>5 475</b>	<b>3 528</b>	<b>560 710</b>	<b>2 848 724</b>	<b>9 419 *)</b>	<b>2 858 142</b>
Transactions with owners:									
Dividend	-	-	-	-	-	(351 341)	(351 341)	-	(351 341)
Share buy back	-	-	-	-	-	-	-	-	-
Employee share programme	2 334	-	-	-	-	39 840	42 174	-	42 174
<i>Total comprehensive income/(loss) for the period:</i>									
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
<b>Equity as of 31 December 2018</b>	<b>185 857</b>	<b>1 394 857</b>	<b>700 629</b>	<b>5 792</b>	<b>3 528</b>	<b>816 106</b>	<b>3 106 772</b>	<b>9 366 *)</b>	<b>3 116 136</b>

The consolidated financial information has not been audited.

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

## Statement of cash flow

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxes	374 636	468 973	853 969	732 470
Income taxes paid	(110 060)	(51 663)	(158 888)	(102 659)
Depreciation and amortisation	2 849	932	12 748	3 707
Share of profits/(losses) from associated companies and joint ventures	13 720	(56 772)	(62 224)	(101 796)
Changes in inventories (property)	369 275	547 451	62 734	283 732
Changes in trade receivables	175 114	13 669	132 787	(81 175)
Changes in trade payables	70 412	64 377	(13 727)	14 881
Changes in other operating working capital assets	24 163	(7 614)	10 189	(21 943)
Changes in other operating working capital liabilities	23 587	(304 219)	148 312	(300 201)
<b>Net cash flow from operating activities</b>	<b>943 696</b>	<b>675 134</b>	<b>985 901</b>	<b>427 017</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment and intangible assets	-	-	100	-
Purchases of PPE and intangible assets	(19)	(51)	(453)	(842)
Purchases of businesses and subsidiaries, net of cash acquired	-	1 365	-	1 365
Proceeds from sale of associated companies	-	-	44 500	-
Purchases of associated companies and joint ventures	(7 733)	(53 390)	(19 219)	(53 405)
Proceeds from sale of other investments and repayment of loans	-	14 220	22 000	44 920
Purchases of other investments and loans	(1 900)	(21 345)	(22 300)	(43 612)
Dividends and disbursements from associated companies and joint ventures	-	-	39 500	72 132
<b>Net cash flow from investment activities</b>	<b>(9 652)</b>	<b>(59 201)</b>	<b>64 128</b>	<b>20 558</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	293 270	802 853	1 398 284	1 709 364
Repayments of borrowings	(555 030)	(1 195 773)	(1 518 391)	(1 662 034)
Repayments of lease liabilities	(2 613)	-	(10 454)	-
Dividends paid to equity holders of Selvaag Bolig ASA	-	-	(418 179)	(351 341)
Payment of profit sharing and dividends to non-controlling interests in subsidiaries	-	-	(1 500)	-
Proceeds from disposal of shares Selvaag Bolig ASA	20 765	11 909	21 864	27 909
<b>Net cash flow from financing activities</b>	<b>(243 607)</b>	<b>(381 012)</b>	<b>(528 377)</b>	<b>(276 102)</b>
Net change in cash and cash equivalents	690 436	234 922	521 652	171 473
<b>Cash and cash equivalents at start of period</b>	<b>488 250</b>	<b>422 112</b>	<b>657 034</b>	<b>485 561</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 178 686</b>	<b>657 034</b>	<b>1 178 686</b>	<b>657 034</b>

*The consolidated financial information has not been audited*



## Selected notes to the quarterly financial statements

### 1. General information and accounting policies

Selvaag Bolig ASA (the "company") and its subsidiaries (together "the group") is a property development group, involved in the construction of residential property for sale in the ordinary course of business. The condensed consolidated interim financial information consists of the group and the group's interest in associated companies and jointly controlled entities.

The group's consolidated financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. The report does not include all the information and disclosures required for annual financial statements and should be read in conjunction with the group's consolidated financial statements for 2018.

IFRS 15 Revenue from Contracts with Customers is a standard for income recognition introduced on 1 January 2018. It replaces IAS 18, which applies in part to sales of goods and services, and IAS 11 on construction contracts, as well as IFRIC 15, which has been the prevailing interpretation of the income recognition rules for residential property sales. Earlier practice for income recognition related to property development projects for own account in Norway will not change with the implementation of IFRS 15. The matter was considered by the International Financial Reporting Interpretations Committee (IFRIC) and a final decision issued in March 2018.

IFRS 16 Leases is a new standard introduced on 1 January 2019. It will mean that almost all leases must be recognised in the balance sheet. The standard removes the distinction between operating and financing leases and requires recognition of a right to use (the right to use the leased asset) and a financial liability which represents the present value of rental payments for the right to use. An exemption from this solution can be chosen for short-term and low-value leases. The income statement will also be affected because operating expenses are replaced by interest and depreciation, so key metrics such as EBITDA will change. Operating cash flows will be higher since cash payments for the principal part of the lease liability are classified as a financing activity. The effects are not considered to be material.

The accounting policies applied in preparing these interim condensed consolidated financial statements are otherwise consistent with those applied in the group's consolidated financial statements for the year ended 31 December 2018.

### 2. Accounting judgements, estimates and assumptions

The preparation of interim financial information requires management to make judgements, estimates and assumptions which affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were largely the same as those which applied in the consolidated financial statements for the year ended 31 December 2018.

### 3. Transactions with related parties

See note 23 to the consolidated financial statements for 2018 for detailed information on related-party transactions in previous years.

### 4. Segment information

The main segment is defined as property development. In addition, the other segment consists of services and estate agent as well as unallocated revenues and costs.

The group utilises the percentage of completion method in its internal reporting for which the degree of completion is estimated on the basis of expenses incurred relative to total estimated costs and sales rate. Operating profit (loss) under the percentage of completion method also includes an estimated profit element. 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 stage of completion to completed contract) can be found in the segment reporting under "Reconciliation EBITDA to operating profit (loss)".

Group management considers segment results based on the percentage of completion method for determining EBITDA. The method of measurement is defined as operating profit (loss) before "Depreciation and amortisation", "Other gain (loss), net", and "Share of income (losses) from disposals from associated companies and joint ventures". 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

**Fourth quarter 2019****(figures in NOK 1 000)**

Operating revenues	1 043 457	18 955	1 062 412
Project expenses	(737 833)	(376)	(738 209)
Other operating expenses	(19 209)	(72 253)	(91 462)
<b>EBITDA (percentage of completion)</b>	<b>286 415</b>	<b>(53 674)</b>	<b>232 741</b>

**Reconciliation EBITDA to operating profit (loss):**

EBITDA (percentage of completion)	286 415	(53 674)	232 741
Sales revenues (adjustment effect of percentage of completion)	(713 587)	-	(713 587)
Sales revenues (completed contract)	1 065 624	-	1 065 624
Project expenses (adjustment effect of percentage of completion)	473 195	-	473 195
Project expenses (completed contract)	(671 643)	-	(671 643)
Lease liabilities	2 613	-	2 613
Depreciation and amortisation	-	(2 849)	(2 849)
Share of income (losses) from associated companies and joint ventures	(13 720)	-	(13 720)
Other gain (loss), net	-	-	-
<b>Operating profit (loss)</b>	<b>428 897</b>	<b>(56 523)</b>	<b>372 374</b>

Units under construction	1 504	N/A	N/A
Units delivered	214	N/A	N/A

**Fourth quarter 2018**

<b>(figures in NOK 1 000)</b>	<b>Property development</b>	<b>Other</b>	<b>Total</b>
Operating revenues	1 018 351	14 441	1 032 792
Project expenses	(754 862)	(344)	(755 206)
Other operating expenses	(23 349)	(58 721)	(82 070)
<b>EBITDA (percentage of completion)</b>	<b>240 140</b>	<b>(44 624)</b>	<b>195 516</b>

**Reconciliation EBITDA to operating profit (loss):**

EBITDA (percentage of completion)	240 140	(44 624)	195 516
Sales revenues (adjustment effect of percentage of completion)	(1 001 992)	-	(1 001 992)
Sales revenues (completed contract)	1 593 862	-	1 593 862
Project expenses (adjustment effect of percentage of completion)	718 220	-	718 220
Project expenses (completed contract)	(1 090 386)	-	(1 090 386)
Lease liabilities	-	-	-
Depreciation and amortisation	-	(932)	(932)
Share of income (losses) from associated companies and joint ventures	56 772	-	56 772
Other gain (loss), net	-	-	-
<b>Operating profit (loss)</b>	<b>516 616</b>	<b>(45 556)</b>	<b>471 060</b>

Units under construction	1 449	N/A	N/A
Units delivered	421	N/A	N/A

## At 31 Dec 2019

(figures in NOK 1 000)

Operating revenues	3 204 163	55 794	3 259 957
Project expenses	(2 203 911)	(839)	(2 204 750)
Other operating expenses	(78 935)	(205 641)	(284 576)
<b>EBITDA (percentage of completion)</b>	<b>921 317</b>	<b>(150 686)</b>	<b>770 631</b>
<b>Reconciliation EBITDA to Operating profit (loss):</b>			
EBITDA (percentage of completion)	921 317	(150 686)	770 631
Sales revenues (adjustment effect of percentage of completion)	(2 828 584)	-	(2 828 584)
Sales revenues (completed contract)	2 937 465	-	2 937 465
Project expenses (adjustment effect of percentage of completion)	1 917 090	-	1 917 090
Project expenses (completed contract)	(1 991 825)	-	(1 991 825)
Lease liabilities	10 454	-	10 454
Depreciation and amortisation	-	(12 748)	(12 748)
Share of profits (losses) from associated companies and joint ventures	62 224	-	62 224
Other gain (loss), net	-	-	-
<b>Operating profit (loss)</b>	<b>1 028 141</b>	<b>(163 434)</b>	<b>864 707</b>
Units under construction	1 504	N/A	N/A
Units delivered	732	N/A	N/A

## At 31 Dec 2018

(figures 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)
<b>EBITDA (percentage of completion)</b>	<b>770 738</b>	<b>(158 319)</b>	<b>612 419</b>
<b>Reconciliation EBITDA to operating profit (loss):</b>			
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 contract)	3 214 507	-	3 214 507
Project expenses (adjustment effect of percentage of completion)	2 011 966	-	2 011 966
Project expenses (completed contract)	(2 339 269)	-	(2 339 269)
Lease liabilities	-	-	-
Depreciation and amortisation	-	(3 707)	(3 707)
Share of profits (losses) from associated companies and joint ventures	101 796	-	101 796
Other gain (loss), net	-	-	-
<b>Operating profit (loss)</b>	<b>912 506</b>	<b>(162 026)</b>	<b>750 480</b>
Units under construction	1 449	N/A	N/A
Units delivered	849	N/A	N/A

## 5. Inventory - property

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

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

(figures in NOK 1 000)	Q4 2019	Q3 2019	2018
Land (undeveloped)	930 725	1 924 018	1 600 290
Work in progress	2 523 294	2 560 496	2 539 828
Completed units	182 644	169 909	166 186
<b>Carrying amount</b>	<b>3 636 663</b>	<b>4 654 423</b>	<b>4 306 304</b>

The reduction in undeveloped land from the previous quarter primarily reflects the reclassification of NOK 662.5 million as assets held for sale in connection with

the agreement entered into for the sale of parts of the land bank to Urban Property. See note 7.

## 6. Project expenses and EBITDA

The group expenses all directly attributable costs in construction projects as project expenses. This includes financial expenses. Below is a specification showing the

project cost and EBITDA including and excluding financial expenses

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
<b>Project expenses</b>	<b>(936 657)</b>	<b>(1 127 371)</b>	<b>(2 279 485)</b>	<b>(2 421 633)</b>
Finance expenses	(23 163)	(41 502)	(81 906)	(73 141)
Other project expenses	(913 494)	(1 085 869)	(2 197 579)	(2 348 492)

(figures in NOK 1 000)	Q4 2019	Q4 2018	2019	2018
<b>EBITDA*</b>	<b>375 223</b>	<b>471 992</b>	<b>877 455</b>	<b>754 187</b>
<b>EBITDA-margin</b>	<b>26.5%</b>	<b>29.1%</b>	<b>26.0%</b>	<b>22.6%</b>
<b>EBITDA adjusted**</b>	<b>398 386</b>	<b>513 494</b>	<b>959 361</b>	<b>827 328</b>
<b>EBITDA-margin adjusted</b>	<b>28.2%</b>	<b>31.6%</b>	<b>28.5%</b>	<b>24.8%</b>

\* EBITDA is operating profit before interest, taxes, depreciation and amortisation.

\*\* EBITDA adjusted is excluding financial expenses included in project costs, see note 6 for details.

## 7. Assets held for sale

The group has entered into an agreement to sell a substantial proportion of the land it owns where construction has yet to start (the transaction) to Urban Property (UP), which is owned by external third parties. The transaction was implemented on 21 January 2020. Reference is made to stock exchange announcements on 18 November 2019 and 21 January 2020. The purpose of the transaction is to reduce the group's financial borrowings and tied capital, and to free up substantial added value in the Selvaag Bolig (SBO) portfolio of properties which will increase the group's capacity to pay dividend. Through options and pre-emption agreements with UP, the group will have the opportunity to buy back in stages the

properties sold as and when required where this is commercially interesting for further development and construction.

The transaction covers properties which are divided into Portfolios A, B and C. Portfolio A comprises properties expected to be bought back through the exercise of a pre-emptive right within a longer timeframe extending beyond 2020. Portfolio B comprises properties where the group has buy-back options which primarily fall within a timeframe expected to be shorter than 2020. Portfolio C covers future land purchase agreements, and prepayments related to these, with third parties where the group currently does



not own the properties. The transaction also includes the purchase by UP of two companies which currently take the form of joint ventures between SBO and Veidekke Eiendom AS and NHP Eiendom AS respectively. Portfolios B and C are covered by options for the group to buy back the properties later. SBO and UP intend to pursue a long-term collaboration, so that SBO will also obtain options to purchase land which UP acquires in the future. The intention is that UP will enter into agreements on acquiring new properties in the market, and that SBO will have an option to buy these from UP as and when this is considered commercially appropriate.

The accounting effects of the transaction for Portfolios A, B and C as well as for the sale of interests in joint ventures are discussed in more detail below.

#### **Portfolio A property sales - pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The consideration for shares and settlement of intercompany liabilities related to Portfolio A is NOK 1 542 million. The carrying amount of these properties at 31 December 2019 was NOK 663 million and was presented in the balance sheet as properties held for sale.

The transaction was implemented in the first quarter of 2020 and the interim financial statements will reflect a net gain of NOK 921 million on the sale of Portfolio A properties.

A pre-emptive right will be held by the group to buy back the land 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 opted to provide qualitative and quantitative information about the planned sale of Portfolio A pursuant to the requirements in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in order to provide investors with supplementary information about the Portfolio A sale.

The sale of Portfolio A covers properties where construction has not yet started, and accordingly does not involve the disposal of business operations since the land being sold has not been regarded by the group as a business activity. No significant profit and loss items have therefore been directly attributed to these properties in the group's historical financial statements. The properties being sold (which comprise a substantial part of the land bank) have therefore not been presented earlier as a separate segment.

The sale of Portfolio A properties is therefore presented in this note as a disposal group pursuant to IFRS 5 rather than discontinued operations. A disposal group is defined in IFRS

5.4 as the sale of a group of assets, possibly with certain directly related liabilities, together in a single transaction.

Since the transaction does not involve the sale of business operations, no historical profit or loss items are available (as specified above) for presentation. A presentation of the sale of A properties pursuant to IFRS 5 will accordingly cover only how the Portfolio A land is presented in the balance sheet.

Further information on the sale of Portfolio A properties is presented in the table below.

#### **Sale of companies owned 50 per cent from SBO to UP - pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

At 31 December 2019, SBO owned 50 per cent of Sinsenveien Holding AS and 50 per cent of Haakon VII's Gate 4 Holding AS. The first of these companies is a joint venture where Veidekke Eiendom AS owns the remaining 50 per cent of the shares. The second is a joint venture where NHP Eiendom AS owns the remaining 50 per cent of the shares. Both joint venture holdings are being sold in their entirety (100 per cent) in the transaction, with shareholder loans also being redeemed.

The holdings have been treated in the SBO financial statements as associated companies pursuant to IAS 28 Investments in Associates and Joint Ventures. These investments have been owned 50 per cent by external owners and 50 per cent by SBO with equal interests, and the equity method has been applied in SBO's consolidated financial statements.

Following the sale of the two holdings in the joint ventures through the transaction, SBO will no longer own any shares in Sinsenveien Holding AS and Haakon VII's Gate 4 Holding AS. The sale will therefore be recognised in its entirety in profit and loss. The sale of the two holdings will yield a gain of NOK 126 million and have a cash effect of NOK 185 in the first quarter, based on values at 31 December 2019. Between year-end and the implementation of the transaction, SBO provided a further shareholder loan of NOK 17 million which will also be redeemed through the transaction.

Historical shares of profit and loss for the above-mentioned holdings in associated companies are presented in the table below

(figures in NOK 1 000)		Share of results		
Company	Share	2017	2018	2019
Haakon VII gt 4 Holding AS	50 %	-1.7	-3.6	-5.0
Sinsenveien Holding AS	50 %	-8.2	-4.8	-5.3
Total	0	-9.9	-8.4	-10.4

**Property sale Portfolio B**

These properties were recognised with a total carrying amount of NOK 679 million at 31 December 2019. The total consideration amounts to NOK 864 million.

In accounting terms, the sale of Portfolio B with buy-back agreements (in other words, including purchase options) will not involve the calculation of either gain or loss, but be treated as a financing arrangement because SBO retains control of these properties. This means that the carrying amount of Portfolio B will remain unchanged as inventory after the transaction, while the consideration from the sale of Portfolio B will be recognised as a liability (to UP) in the SBO balance sheet.

The difference between sale and buy-back prices at the expected buy-back point is regarded as an interest charge. How far this interest charge can be attributed in the balance sheet to a qualifying asset must be assessed from period to period.

The option premium related to the properties in Portfolio B is paid quarterly, will correspond to about 5.5 per cent annually and will vary with the level of interest rates. SBO can cancel the option at any given time on payment of a fixed break fee corresponding to 48 months of option premiums for the property.

UP holds a sales option from SBO on two construction stages in Portfolio B, where the consideration will consist partly of a cash payment (up to NOK 100 million) and partly of a seller credit for the remainder until completion. The background for this is to secure opportunities to provide UP with liquidity

**Property sale Portfolio C**

Portfolio C covers properties which the group has the right or obligation to purchase in the future. An agreement has been entered into which means that UP acquires rights and obligations corresponding to those currently held by the group in relation to the landowners. SBO will remain the formal counterparty to the present landowners. The agreement covers agreements on future property acquisitions. After UP has acquired a property, SBO will have an option to buy it back on specified terms.

The buy-back prices will rise over time by a growth factor corresponding to about 5.5 per cent annually, which will vary with the level of interest rates. SBO can cancel an option at any given time in exchange for a break fee comprising the accumulated rise in the buy-back price for the property plus a fixed supplement corresponding to 48 months of growth in this price.

In connection with entering into the agreements, UP will pay SBO an amount as compensation for the prepayments made by the group to today's landowners.

The following table provides an overview of estimated accounting effects of the transaction for Portfolios A, B and C as well as the sale of associated companies.:

Statement of financial position	Carrying value						
Figures in NOK 1 000	31.12.2019	Portfolio A	Portfolio B	Portfolio C	Joint ventures	Financing	Total change
<b>Disposal group presented as asset held for sale</b>							
Inventory Portfolio A	662 539	(662 539)					(662 539)
Prepayments for property acquisitions	143 000			(143 000)			(143 000)
Receivable from joint ventures	58 632				(58 632)		(58 632)
<b>Total asset held for sale in the balance sheet 31.12.2019</b>	<b>864 171</b>	<b>(662 539)</b>	<b>-</b>	<b>(143 000)</b>	<b>(58 632)</b>	<b>-</b>	<b>(864 171)</b>
<b>Liabilities part of the disposal group presented as held for sale</b>							
Deferred tax liabilities	58 044	(58 044)					(58 044)
<b>Other assets influenced by in the transaction</b>							
Cash (representing net consideration from UP)		1 541 806	863 579	139 425	184 664	(978 517)	1 750 958
Inventory Portfolio B	678 778						
<b>Other liabilities influenced by the transaction</b>							
Interest bearing liabilities (bank debt) settled as part of the transaction						(978 517)	(978 517)
Financial debt obligation assumed for portfolio B			863 579				863 579
Income tax payable		16 436					16 436
<b>Equity</b>							
Equity		920 875	0	(3 575)	126 033	0	1 043 332
<b>Statement of comprehensive income effects in 2020</b>							
Figures in NOK 1 000		Portfolio A	Portfolio B	Portfolio C	Joint ventures	Financing	Total change
Gain, sale of properties		920 875	-	(3 575)			917 300
Gain from sale of joint ventures					126 033		126 033
<b>Profit (loss) before income taxes</b>		<b>920 875</b>	<b>-</b>	<b>(3 575)</b>	<b>126 033</b>	<b>-</b>	<b>1 043 332</b>

The table above presents a specification of the assets and liabilities classified as held for sale in the presentation of the financial position at 31 December 2019. Other accounting implications of the transaction are also shown. In total, including payments to Veidekke Eiendom AS and

NHP Eiendom AS as settlement for shareholdings and shareholder loans in joint ventures and the settlement of bank loans in the joint ventures, the transaction amounts to NOK 3 399 million.

# SELVAAG BOLIG

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**About Selvaag Bolig**

Selvaag Bolig ASA is a residential property developer controlling entire value chain from acquisition of land to sale of homes. The company has several thousand homes under development at any given time and focuses on the growth areas in and around Greater Oslo, Bergen, Stavanger and Trondheim. Selvaag bolig represents a continuation of Selvaag`s 70-year history and experience, and offers a broad variety of property types. The company is headquartered at Ullern in Oslo.

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