Q4 2018

Interim financial report

Frigaard Property Group

Financial highlights

- ✓ Strong 2018 performance with pro forma revenue of NOK 926m and pro forma EBITDA of NOK 110m
- ✓ Q4 2018 revenue of NOK 272m and EBITDA of NOK 53m
- ✓ Strong order backlog of NOK 969m per year-end 2018
- ✓ 53 housing units sold in 2018 compared to 39 housing units sold in 2017

Key figures[1]

Amounts in NOK million

	Reported 2018 *)	Q4 2018	Pro forma 2018 **)	2017	Q4 2017
Revenue	654,3	272,1	925,5	318,7	82,7
Gross profit	184,8	88,9	231,8	91,6	27,2
EBITDA	83,7	53,2	109,7	21,2	5,1
EBIT	77,4	51,5	103,3	16,7	3,6
Net profit	47,1	34,7	73,0	11	1,2
Gross profit margin	*28,3 %*	*32,7 %*	*25,0 %*	*28,7 %*	*32,9 %*
EBITDA margin	*12,8 %*	*19,6 %*	*11,8 %*	*6,7 %*	*6,2 %*

[1] Reported numbers based on IFRS accounting principles and is not audited by the Group´s auditor. Alento results are included as of 1 July 2018 in the formal reporting. Hence, their first half year results are not included in the formal 2018 reporting.
Pro forma figures presented include Alento results for the whole year and incremental revenue recognition on internal projects no longer done under IFRS.

Financial results Q4

Income statement and order intake

Q4 revenue of NOK 272m (NOK 83m), EBITDA of NOK 53m (NOK 5m). Revenue and EBITDA will fluctuate from quarter to quarter as a direct result of the completion of the various projects.

Total order intake in Q4 2018 was NOK 495m (NOK 289m).

Segments

Frigaard Property Group AS consists of two segments, Construction of turnkey homes and commercial buildings where the Group has consumed the responsibility as building owner, and Construction of commercial buildings and projects where the Groups is acting as a contractor. For Q4, the segment for intern projects reported revenue of NOK 73m and EBITDA of NOK 40m. The segment for external projects reported revenue of NOK 199m and EBITDA of NOK 14m.

Financial results full year

Income statement and order intake

2018 pro forma revenue of NOK 926m[2], pro forma EBITDA of NOK 110m. The EBITDA is close to the budget for 2018 (NOK 116m).

Revenue and EBITDA will fluctuate from quarter to quarter as a direct result of the completion of the various projects.

Full year order intake was NOK 1,056m (NOK 787m), corresponding to an increase of 34 % on a pro forma basis including Alento. Order backlog as of year end 2018 was NOK 969m.

Segments

For full year 2018, the segment for intern projects reported revenue of NOK 122m and EBITDA of NOK 46m. The segment for external projects reported revenue of NOK 532m and EBITDA of NOK 38m.

Cash flow

Net cash flow from operations was negative with NOK 18m as the Group acquired land and prepared two projects for 2019. FPG received NOK 300m in proceeds from the bond issue during first half year. Related to acquisition of Alento there was a payment of NOK 100m.

Balance sheet

The Group had total equity of NOK 258m (NOK 14m) per 2018, corresponding to an quity ratio of 29.1%. Net interest-bearing debt was NOK 172m. Net interest-bearing debt after adjustment for leasing liability, construction loans and plot reserve loans was NOK 83m.

[2] Including Alento and incremental revenue recognition on internal projects

Status ongoing projects – Alento

4 largest ongoing projects per Q4 2018

Stadionkvartalet BT5

Principal:	Vestaksen Mjøndalen Stadion AS
Type of building:	Apartment building with underground parking, 31 units
Size:	Approx. 4,800 m^2, NOK 72 million excl. VAT
Progression:	Progression according to plan
Handover:	Q4 2019

Neselva Hageby – BT1

Principal:	Neselva Hageby AS
Type of building:	Apartment building with underground parking, 124 units
Size:	Approx. 9.400 m^2, NOK 250 million excl. VAT
Progression:	Progression according to plan
Handover:	Q4 2020

Solkilen

Principal:	Solkilen Terrasse AS
Type of building:	Combined commercial and apartment building; 30 apartments
Size:	Approx. 5,600 m2 commercial and residential, NOK 114 million excl. VAT
Progression:	2-3 months behind schedule due to proliferation and security complications, comprising a potential builder risk
Handover:	Q1 2020

Nordre Jarlsberg Brygge - Bygg R

Principal:	Schage Eiendom AS
Type of building:	Apartment building with underground parking, 54 apartments
Size:	Approx. 8,500 m^2 commercial and residential, NOK 160 million excl. VAT
Progression:	Progression according to plan
Handover:	Q1 2020

Status ongoing projects – Metacon

4 largest ongoing projects per Q4 2018

Moenskogen, phase 2

Principal:	Moenskogen Utvilking AS
Type of building:	2 appartment buildings with underground parking, 32 apartments
Size:	Approx. 3,000 m^2, NOK 73 million excl. VAT
Progression:	Progression according to plan
Handover:	Q4 2019

R2 Panorama

Principal:	Rugdeveien 2 AS
Type of building:	3 appartment buildings with underground parking, 29 apartments
Size:	Approx. 3,000 m^2; NOK 77 million excl. VAT
Progression:	Progression according to plan
Handover:	Q3 2019

Borregaard Spraytørke 3

Principal:	Borregaard AS
Type of building:	Extension and upgrading of existing buildings
Size:	NOK 53 million excl. VAT
Progression:	Progression according to plan
Handover:	Q2 2019

Borg Havn, Lager 14

Principal:	Borg Havn Eiendom AS
Type of building:	Storehous
Size:	Approx. 20,000 m^2, NOK 134 million excl. VAT
Progression:	Progression according to plan
Handover:	Q2 2019

Status ongoing projects – Frigaard Bolig

Internal projects per Q4 2018

R2 Panorama, Eidsberg municipality

22 out of 29 units sold. Metacon engaged as contractor. Building frames erected, started interior work. Progression according to plan with expected completion and handover summer 2019. For more information go to: www.rugdeveien2.no

Moenskogen, phase 2, Sarpsborg municipality

27 of 32 units sold. Metacon engaged as contractor. Basement completed, startet to erect building frame. Expected completion and handover in December 2019. For more information go to: www.moenskogen.no

Aspelundtunet, Askim municipality

14 of 22 units sold. The project is regulated, and construction permit is expected in February 2019. The project is situated 700 meters from the railway station in Askim and will comprise 22 units of chained row houses. For more information go to: www.aspelundtunet.no

Fagerliveien, Fredrikstad municipality

The project is currently in the regulation phase with expected completion in autum 2019. The project is situated som 300 meters from the railway station in Fredrikstad, comprising several buldings with approximately 70 units. For more information go to: www.fpg.no

Høgliveien, Eidsberg municipality

The project is currently in the regulation phase with expected completion in Q1 2019. The project has an elevated and sentral location in Mysen and will comprise several buildings with approximately 56 units in addition to 10 self build plots. For more information go to: www.fpg.no

Hans Nilsen Haugesvei, Fredrikstad municipality

The project is a commercial - and retail building of approximately 5000 kvm2 totally renovated this year. The building fully rented out, and generates a steady income. The project is valued at NOK 74 million in accordance with IAS 40.

Other information

HMS

Health, Environment and security are important focus areas for Frigaard Property Group. We are constantly working to limit the number of personal injuries, and have implemented strickt routines and procedures to ensure this. HMS is on the agenda on every board meeting and as of Q4 2018 we have had zero injuries, compared to one injury during the same quarter last year.

Outlook

The board is pleased with the Q4 2018 and full year 2018 results and the progress of all our ongoing projects. The expected development of current external and internal projects supports a positive outlook for 2019 onwards.

The macro environment for housing and building development in our markets outside of Oslo still gives us an optimistic outlook for the markets that Frigaard Property Group operates in. The market seems to be differentiated, with strong demand for attractive locations and high quality projects with good architecture. All our construction projects are progressing according to plan.

In January 2019, Frigaard Property Group bought a 14 302 sqm plot by Melløs Stadion in Moss to build 175 apartments in a new housing project over three phases.

«Moss is an exciting strategic area for FPG and this plot represents an attractive extension of our development profile. The plot is situated south / west at the highest point in Moss with fantastic views and close proximity to trade and public transportation. We are going to develop a great housing project over the next several years» says Trond Frigaard, the founder of Frigaardgruppen and the majority owner of FPG.

The plot is fully regulated and ready for construction, and the first round of sales will be launched in Q2 2019. The plot purchase is consistent with FPG´s strategy to develop housing projects in central locations in Eastern Norway. FPG currently holds a plot bank that extends over the next several years and the company is continuously looking for attractive new plots in Eastern Norway suitable for housing development projects.

The company is currently working with several potential acquisition targets, and will continuosly seek to find targets that match our current expansion strategy in terms of business model, culture and geography.

Financial statements

Frigaard Property Group AS - Group

Consolidated Income Statement

	Year		Fourth quarter	
All amounts in NOK thousand	**2018**	**2017**	**2018**	**2017**
Revenue	624 514	315 031	242 618	71 283
Other operating revenue	29 802	3 642	29 512	11 430
Total operating revenue	**654 316**	**318 673**	**272 130**	**82 713**
Cost of goods sold	469 469	227 104	183 214	55 523
Salaries and personnel expense	82 416	54 168	29 296	16 197
Other operating expense	18 757	16 215	6 405	5 827
EBITDA	**83 674**	**21 186**	**53 215**	**5 167**
Depreciation and amortisation expense	6 304	4 473	1 719	1 528
Operating profit	**77 370**	**16 713**	**51 496**	**3 638**
Interest income	730	39	363	-49
Other financial income	-	109	-	109
Interest expense group	-	1 464	-	1 464
Interest expense	16 490	572	6 933	198
Other financial expense	646	292	152	175
Profit before income tax	**60 964**	**14 533**	**44 774**	**1 861**
Income taxes	13 825	3 544	10 033	670
Net profit for the period	**47 139**	**10 989**	**34 741**	**1 191**
Profit/(loss) is attributable to:				
Majority share of profit/(loss)	45 378	8 442	34 741	1 440
Minority share of profit/(loss)	1 761	2 548	-	-248
Total	**47 139**	**10 990**	**34 741**	**1 191**

Statement of comprehensive income

	Year		Fourth quarter	
Other comprehensive income				
Items which will not be reclassified to profit and loss				
Actuarial gains (losses) on defined benefit pension plans				
Items which may be reclassified to profit and loss in subsequent periods				
All amounts in NOK thousand	**2018**	**2017**	**2018**	**2017**
Exchange differences				
Net other comprehensive income				
Other comprehensive income				
Total comprehensive income for the year	-	-	-	-
Profit for the year attributable to:				
Equity holders of the parent company	45 378	8 442	34 741	1 440
Non-controlling interests	1 761	2 548	-	-248
	47 139	10 990	34 741	1 191
Total comprehensive income attributable to:				
Equity holders of the parent company				
Non-controlling interests				
	-	-	-	-

Frigaard Property Group AS - Group

Statement of Financial Position

ASSETS	Year 31.12.2018	31.12.2017	01.01.2017
All amounts in NOK thousand			
Deffered tax asset	-	841	-
Goodwill	284 019	7 635	7 635
Total intangible assets	**284 019**	**8 476**	7 635
Property and plant	619	129	244
Machinery	7 732	7 401	8 455
Office machinery, equipment and similar	851	979	737
Total property, plant and equipment	**9 202**	**8 509**	**9 436**
Right-of-use assets	14 558	17 583	19 405
Investment property	74 000	20 800	-
Investment in associated companies and joint vent	-	-	-
Other investments	160	170	-
Other long term receivables - group companies	-	-	2 382
Other long term receivables	216	-	-
Total non-current financial assets	**88 934**	**38 553**	**21 787**
TOTAL NON-CURRENT ASSETS	**382 155**	**55 537**	**38 859**
Inventories and development properties	**149 411**	**58 208**	**686**
Accounts receivables	125 584	48 876	35 556
Short term receivables - group companies	210	210	400
Other short-term receivables	19 009	1 237	886
Total receivables	**144 803**	**50 323**	**36 842**
Cash and cash equivalents	**210 215**	**22 936**	**2 816**
TOTAL CURRENT ASSETS	**504 429**	**131 467**	**40 344**
TOTAL ASSETS	**886 584**	**187 004**	**79 203**

Frigaard Property Group AS - Group

Statement of Financial Position

EQUITY AND LIABILITIES	Year 31.12.2018	31.12.2017	01.01.2017
All amounts in NOK thousand			
Share capital	550	414	400
Share premium reserve	228 178	2 587	4 800
Total paid-in capital	**228 728**	**3 001**	**5 200**
Retained earnings	29 519	4 756	-6 659
Total retained earnings	**29 519**	**4 756**	**-6 659**
Non-controlling interests	-	6 262	5 125
TOTAL EQUITY	**258 247**	**14 019**	**3 666**
Deferred tax	6 288	-	1 400
Total provisions	**6 288**	**-**	**1 400**
Bonds	292 846	-	-
Liabilitites to financial institutions	26 729	27 300	5 227
Construction loan	43 295	-	-
Leasing liabilities	16 014	19 009	17 711
Other non-current liabilities	-	64 255	-
Total non-current liabilities	**378 884**	**110 564**	**22 938**
Current lease liabilities	3 613	3 166	1 694
Accounts payable	100 191	26 878	16 491
Tax payable	8 099	101	292
Public duties payable	25 407	6 168	4 904
Short term liabilities to group companies	-	-	17 826
Other short-term liabilities	105 855	26 109	9 992
Total current liabilities	**243 165**	**62 422**	**51 199**
TOTAL LIABILITIES	**628 337**	**172 986**	**75 537**
TOTAL EQUITY AND LIABILITIES	**886 585**	**187 004**	**79 203**

Frigaard Property Group AS - Group

Consolidated statement of cash flows

All amounts in NOK thousand

	01.01-31.12 2018	01.01-31.12 2017
Cash flow from operations		
Profit before income taxes	60 964	14 534
Taxes paid in the period	-1 223	-292
Gain/loss from sale of fixed assets	-673	-
Depreciation	6 304	4 473
Investment property changes in fair value	-34 691	-3 350
Change in inventory	-91 203	-19 547
Change in trade debtors	-66 098	-11 771
Change in trade creditors	49 334	6 657
Change in other provisions	58 883	17 405
Net cash flow from operations	**-18 404**	**8 109**
Cash flow from investments		
Proceeds from sale of fixed assets	773	-
Purchase of fixed assets	-20 313	-1 325
Proceeds from loans	-	407
Purchase of shares in subsidiaries	-100 000	-8 757
Proceeds from sale of other investments	170	-
Purchase of other investment	-352	-
Net cash flow from investments	**-119 722**	**-9 675**
Cash flow from financing		
Proceeds from the issuance of bonds	300 000	-
Repayments of liabilities from bonds	-7 154	-
Proceeds from long term loans	-	24 879
Repayment of long term loans	-64 261	-2 413
Proceeds from long term building loans	43 295	-
Repayment of financial lease liabilities	-3 302	-1 694
Group contribution paid	-1 750	-
Net cash flow from financing	**266 828**	**20 772**
Net change in cash and cash equivalents	128 702	16 344
Cash and cash equivalents at the beginning of the period	22 936	3 730
Cash and cash equivalents from purchased subsidiaries	58 577	2 862
Cash and cash equivalents at the end of the period	**210 215**	**22 936**

Statement of changes in equity

(NOK 1000)

	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
			Other Equity			
	Share capital	Share premium reserve	Retained earnings	Total other equity		
Equity as at 01.01 2017	400	4 800	-6 659	-6 659	5 126	3 667
Divdends to non-controlling interests			-637	-637		-637
Equity adjusted as at 01.01 2017	400	4 800	-7 296	-7 296	5 126	3 030
Contribution of equity 30.06.2017	14	3 586				3 600
Loss covered from share premium		-5 799	5 799	5 799		-
Purchase of 9% of shares in Metacon			-3 600	-3 600		-3 600
Decrease in non-controlling interests in Metacon reduction of 9% (40%)			1 412	1 412	-1 412	-
Profit for the period			8 442	8 442	2 548	10 990
Other comprehensive income				-		-
Equity as at 31.12 2017	414	2 587	4 757	4 757	6 262	14 020
				-		
Adjusted equity as at 01.01 2017	414	2 587	4 757	4 757	6 262	14 020
						-
Profit for the period			8 442	8 442	2 548	10 990
Other comprehensive						
Dividends				-		-
Total other comprehensive income from operations						
Total comprehensive income	-	-	8 442	8 442	2 548	10 990
Equity as at 31.12 2017	414	2 587	4 757	4 757	6 262	14 019

	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
			Other Equity			
	Share capital	Share premium reserve	Retained earnings	Total other equity		
Equity as at 01.01 2018	414	2 587	4 757	4 757	6 262	14 020
Capital increase	136	225 591				225 727
Group Contribution			-1 330	-1 330		-1 330
Decrease in non-controlling interests in Metacon reduction of 40%			-19 287	-19 287	-8 023	-27 310
Profit for the period			45 378	45 378	1 761	47 139
Other comprehensive income				-		-
Equity as at 31.12 2018	550	228 178	29 517	29 517	0	258 245
				-		
Adjusted equity as at 01.01 2018	550	228 178	29 517	29 517	-	258 245
Profit for the period			45 378	45 378	1 761	47 139
Other comprehensive						
Issue of share capital				-		-
Total other comprehensive income from operations						
Total comprehensive income	-	-	45 378	45 378	1 761	47 139
Equity as at 31.12 2018	550	228 178	29 517	29 517	-	258 247

Notes to the consolidated financial statements

1 General information

Frigaard Property Group AS is a Norwegian building- and construction group with its main office located in Sarpsborg. The Group is operating in Norway.

The head office is located at Bredmyra 4, 1739 Borgenhaugen.

This summary of financial information for the 4th quarter of 2018 has not been audited.

2 Basis of preparation

Frigaard Property Group have implemented IFRS from 01.01.2018. As the annual report for 2018 will be the first annual report for Frigaard Property Group the accounting principles will be shown in total in point 4 to Notes to the consolidated financial statements.

Frigaard Property Group AS' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union (EU). There are no material differences between IFRS as issued by the IASB and as endorsed by the EU for the consolidated financial statements of the Group.

3 Changes in the Group's structure

Subsidiaries

Group Companies	**Location**	**Ownership**
Frigaard Property Group AS (parent company)	Sarpsborg	100 %
Metacon AS	Rakkestad	100 %
Alento AS	Drammen	100 %
Sub-group Frigaard Bolig:	Sarpsborg	100 %
Frigaard Bolig AS (parent company in sub-group)	Sarpsborg	100 %
Høgliveien 30 AS	Sarpsborg	100 %
Aspelundveien 5 AS	Sarpsborg	100 %
Fagerliveien Utvikling AS	Sarpsborg	100 %
Moenskogen Utviikling AS	Sarpsborg	100 %
Hans Nilsen Hauges vei 1 AS	Sarpsborg	100 %
Hans Nilsen Hauges vei 1 Hjemmel AS	Sarpsborg	100 %
Rugdeveien 2 AS	Sarpsborg	100 %
Höganloft Fastigheter AB	Tranås	100 %

During 4th quarter 2018 there have been a new acquisitions of Höganloft Fastigheter AB. This is a newly established company without any business at year end.

4 Accounting policies

New and amended accounting standards

Significant accounting policies

4.1 Income and cash flow statements

Frigaard Property Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows, and interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

4.2. Financial reporting framework and basis of preparation of the consolidated financial statements

Frigaard Property Group AS' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Union (EU). There are no material differences between IFRS as issued by the IASB and as endorsed by the EU for the consolidated financial statements of the group.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

The functional currency of the parent company is Norwegian Kroner (NOK), and this is also the presentation currency of both the parent and the group.

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates which by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. Accounting estimates are areas that involves a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in paragraph 6.

The consolidated financial statements have been prepared on a going concern basis.

4.3 Consolidation principles and equity accounting

Subsidiaries

Control

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of Frigaard Property Group AS.

4.3.1 Accounting for business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary that meets the definition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets.

Acquisition related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total amount of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the income statement

Accounting for asset acquisitions

For acquisition of a subsidiary not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values as at the date of acquisition. Such transactions or events do not give rise to goodwill.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Frigaard Property Group AS has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer and the chief financial officer and the manager for corporate planning.

Frigaard Property Group AS has defined its two segments as:

- Construction of turnkey homes and commercial buildings where the Group has consumed the responsibility as building owner.
- Construction of commercial buildings and projects where the Groups is acting as a contractor.

	Year		Fourth quarter	
All amounts in NOK thousand	**2018**	**2017**	**2018**	**2017**
Income statement				
Construction of turnkey homes and commercial buildings as building owner	122 292	76 199	72 825	3 982
Construction of commercial buildings and projects where the Groups is acting as a contractor	532 024	242 474	199 305	78 731
Total revenue	**654 316**	**318 673**	**272 130**	**82 713**
Construction of turnkey homes and commercial buildings as building owner	45 534	10 370	39 500	4 132
Construction of commercial buildings and projects where the Groups is acting as a contractor	38 139	10 816	13 715	1 035
EBITDA	**83 673**	**21 186**	**53 215**	**5 167**
Construction of turnkey homes and commercial buildings as building owner	45 534	9 810	39 500	3 572
Construction of commercial buildings and projects where the Groups is acting as a contractor	31 836	6 903	11 996	66
EBIT	**77 370**	**16 713**	**51 496**	**3 638**

4.5 Property, plant and equipment

All property, plant and equipment (PPE) are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, where applicable, borrowing costs. Cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criterias are met and excludes the costs of day-to-day servicing of an item of PPE. Subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Estimated useful life by category is as follows:

- Buildings, 20 years
- Machinery and equipment, 3 -7 years
- Other assets, 3 -5 years

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Gain and losses on disposal are determined by comparing the transaction price to the book value of the assets.

4.6 Leasing activities

The Group has applied IFRS 16 using the modified retrospective approach.

Significant accounting policies

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of one to five years but property lease agreements may have further extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Group as a lessee

Separating components in the lease contract

For contracts that constitutes, or contains a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then account's for each lease component within the contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the Group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group do not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. Instead, the Group recognises these costs in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

Group presents its lease liabilities as separate line items in the statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Group
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The Group applies the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group has elected to not apply the revaluation model for its right of use asset for leased buildings.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Group presents it's right-of-use assets as separate line items in the consolidated statement of financial position.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group’s incremental borrowing rate.

4.7. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. The changes in fair value are recognised in Net gain/(loss) from fair value adjustment of investment property. Tax compensation that is the result of purchase of investment property is recognized in the period after the acquistion in the consolidated profit and loss as Net gain/(loss) from fair value adjustment of investment property.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognized in the income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

The overview below shows the changes in booked values:

	2018	2017
Opening balance as at 1 January	20 800	-
Additions from business combinations	-	17 450
Other additions	18 509	-
Net gain/loss on changes in fair value	34 691	3 350
As at 31 December	**74 000**	20 800

Investment property is valued at its fair value based on an annual valuation carried out by the independent real estate agent Grydeland Eiendom AS/Borg Bygg Forvaltning AS. Grydeland Eiendom AS/Borg Bygg Forvaltning AS has substantial experience in valuing these types of properties in the geographical areas in which the groups investment properties are located.

The fair value given by the real estate agent is combined with internal valuations and other external analyses in order to conclude with the best estimate of the fair value of the group's investment properties. The value is calculated by discounting yearly net rental income, with a discount rate that reflects risk in the net rental income. Contractual and expected cash flows are included in the calculations. Determination of fair value for investment properties is significantly affected by factors such as assumed market rent, future maintenance, discount rate, inflation and residual value. Inflation assumtions are based on Norges Bank's longterm inflation target of 2 percent. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and seller in an arm's length transaction at the date of valuation.

4.8 Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business acquired, in case of a bargain purchase, the difference is recognised directly in the income statement. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

4.9 Depreciation and amortization

Depreciation and amortization expenses are measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use. Tangible and intangible assets with an indefinite useful life are not depreciated.

A component of an item of property, plant and equipment with a significantly differing useful life and a cost that is significant in relation to the item is depreciated separately. At each financial year-end the Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets. Intangible assets with indefinite useful life are tested for impairment at least annually.

4.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

4.11 Financial assets and financial liabilities

Classification

The Group classifies its financial assets in two categories; those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and is presented net within other gains (losses) in the period in which it arises.

Financial assets represent a contractual right by the Group to receive cash or another financial asset in the future. Financial assets include financial derivatives, receivables and equity interests. Financial assets are derecognized when the rights to receive cash from the asset have expired or when the Group has transferred its rights to receive cash flows and has either transferred substantially all of the risks and rewards of the asset or has transferred control of the asset.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at nominal value.

Trade receivable

Trade receivable are initially recognized at fair value, subsequently accounted for at amortized cost and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Discounting generally does not have a material effect on accounts receivable, however, in special cases discounting may be applied.

Financial liabilities

Financial liabilities represent a contractual obligation by the Group to deliver cash in the future, and are classified as either short or long-term. The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL.
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired, and the assessment is forward-looking based on the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics)
- external market indicators and
- tenant and customer base.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

4.12 Income taxes, current and deferred

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. According to the exception in IAS 12, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4.13 Employee benefits and post-employment benefits

Payments to employees, such as wages, salaries, social security contributions, paid annual leave, as well as bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Contributions to the Groups defined contribution plan is recognized in the income statement in the period in which they accrue. Multiemployer defined benefit plans (AFP) where available information is insufficient to use defined benefit accounting are accounted for as if the plan were a defined contribution plan.

4.14 Provisions

Provisions for legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost. Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

4.15 Share capital and dividends

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The amount of dividends recognised as distributions to owners during the period and the related amount per share are presented either in the consolidated statement of changes in equity or in the notes. Dividends will not be displayed in the consolidated statement of comprehensive income or income statement.

4.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Frigaard Property Group capitalises borrowing costs on qualifying inventories.

4.17 Revenue recognition

Frigaard Property Group AS has implemented IFRS 15 Revenue Recognition from 01.01.2018. The new standard for revenue recognition replaces IAS 11, IAS 18 and IFRIC 15. IFRS 15 stipulates evaluation criteria for revenue recognition that differs from earlier standards. The key principle of IFRS 15 is that compensation that an enterprise expects to be entitled to shall be recognised as revenue based on a pattern that reflects the transfer of the goods or services to the customer. IFRS 15 introduces a new and structured five-step model for the recognition and measurement of revenues. Effect of the implementation is adjusted for in the comparison figures shown for 2017.

Revenue includes rental income, sale of developed units and revenue from contracting projects.

Land development and unit resale

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at the point in time when the legal title has passed to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Contraction projects

The largest operating segment in the Group relates contracting projects. These are engineering and construction projects delivered to public and private customers based on contractual agreed scope and price. These arrangements are characterized by the fact that the customers finance the projects.

Revenue from engineering and construction projects is recognized over the lifetime for the project as these customer contracts qualify as performance obligations satisfied over time. According to IFRS 15, the revenue from contracting projects is to be recognized over time (percentage-of-completion) in connection with a gradual transition of control. Application of the percentage-of-completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the customer contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total assignment costs, which reflects how the control is transferred to the purchaser.

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

Provisions for potential losses are recognized against income for the relevant year, and provisions for losses are recognized as soon as they become known. Contract modifications covering alterations and supplementary works, compensation for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable; meaning when there is a legal right to payment for them.

4.18 Interest income and expense

Interest income and expense are recognised within finance income and finance costs in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

4.19 Other expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred on an accrual basis.

4.20 Earnings per share

The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. The calculation of earnings per share is not affected by preferred shares or convertible debentures, since the Group has no such items.

5. Financial risk management

5.1. Financial risk factors

Through its business operations in the market for property development and construction projects, the Group is, aside from business risk, exposed to various financial risks.

These financial risks are defined as market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Risk management is carried out by Group management.

Market risk

Market risk can be defined as the risk that the group's income and expenses, future cash flows or fair value of financial instruments will vary as a result of changes in market prices. The market price includes three types of risks: exchange risks, interest risks and price risks.

Foreign exchange risk

The Group operates primarily in the Norwegian market and is therefore subject to limited foreign exchange risk. No hedge accounting in accordance with IFRS 9 is applied.

Price risk

Frigaard Property Group has no significant exposure to price risk as it does not hold any equity securities or commodities. The Group is not exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk.

The demand for residential and commercial properties is subject to a large number of risk factors, including economic downturns, interest levels, urbanization trends and demographic changes. Shifts in demand is closely monitored, and reflected in commercial plans and budgets. No residential building projects are approved by the board of directors before a minimum of 60 % of the value of a property project has been sold, thus limiting the price risk to the remaining 40 % of the project value.

See paragraph 6 for further information regarding Critical accounting estimates and assumptions.

Government regulations and zoning restriction risks

Changes in property regulations, legislation and zoning restrictions from the relevant public authorities can affect both the progress and implementation of the various property development projects of Frigaard Property Group, and can thus potentially limit the opportunities for further development of properties. This can in turn lead to delays and cost increases.

Interest rate risk

The group's interest rate risk is mainly related to bonds and bank loans where the interest rate is not fixed.

Customer credit risk - risk in trade accounts receivable

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the group. Customer credit risk is managed through Frigaard Property Group’s common procedures for identifying and managing risk, including tender approval procedure and ongoing operational risk assessments of varying sizes and types with the different customer categories in the markets of operation.

Frigaard Property Group’s credit risk refers the risk to the group's trade receivables and investment in liquid assets. As the for business for housing development a large part is based on customer prepayments before the hand over of the property, the group's credit risk is considered reasonably low. For building and engineering contracts, the customer is normally subject to arrangements ensuring bank guarantees and prepayments throughout the project.

The Group’s operations related to construction projects extends customer credit related to account receivables and recognized work-in-project receivables. Historic customer credit losses has been limited, and projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

The customer credit risk related to commercial customers are therefore considered medium. In the case where construction projects customers are public sector clients, state or municipal owned enterprises, the customer credit risk is considered to be low. There have been no losses during 2018, and there is no provision for losses at 31.12.2018.

Liquidity and refinancing risk

Liquidity and refinancing risk is defined as the risk of Frigaard Property Group not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans and bonds. Constraints regarding financing opportunities will negatively affect cash flows from planned projects. The Group uses liquidity forecasting as a means of managing the fluctuations in short-term liquidity. Surplus liquidity is, if possible, is primarily used to repay the principal on loan liabilities and redemption right regarding issued bonds.

Funding

The Group's principal financial liabilities, besides derivative financial liabilities, comprise of various bonds, bank loans, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. Frigaard Property Group has borrowing arrangement through both committed bank credit facilities and market funding programs. In addition to building- and development loans in various banks, Frigaard Property Group has a bond loan of NOK 300 million maturing in June 2021.

The bond loan is defined as a senior secured bond with a security pledged in the shares in the subsidiaries. The bond loan limit is NOK 600 million, where Frigaard Property Group as of the balance sheet date has drawn up NOK 300 million. There are no covenants related to the the bond loan, but further borrowing can only be made if net debt / EBITDA <3.0 and ICR> 3.0. The bond loan will be listed on the Oslo Stock Exchange within the second quarter in 2019.

The Group can at its own discretion redeem the total bond liability at a price equal to 102 percent of the outstanding bound amount before December 2020, and 101 percent of the outstanding bound amount after December 2020.

These arrangements provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding for property development projects.

All decisions relating to external long term financing in the Group's subsidiaries are made by the management of the parent company, i.e no subsidiary has a mandate to take out loans themselves or establish overdraft facilities. The Group companies can issue ordinary project guarantees to its customers.

Frigaard Property Group has no official credit rating.

Capital management

The Group's main goal is to maximize shareholder value while ensuring the Group's ability to continue operations.The group has an overall target to maintain a capital structure that gives the group an optimal capital binding given the current market situation. The group makes the necessary changes to their capital structure based on an ongoing assessment of the business' financial situation and future prospects in the short and medium term.

6. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Investment properties

The fair value of investment properties is determined by using valuation techniques.

Property projects under construction

The Group commenced construction of several investment properties and commercial building projects during the year, where the customer contracts qualify for revenue recognition over time based on the percentage-of-completion method. A consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

Goodwill

Goodwill on acquisitions of subsidiaries is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The two operating segments are considered to be different cash generating units (CGU) against which goodwill is tested. The recoverable amount from the CGU is calculated by taking the historical cash flows for the CGU, taken into account expectations for moderate growth in the market segments. Calculation of the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

7. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) Interpretation 23, Uncertainty over Income Tax Treatments, which clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group is in the process of assessing the impact of this new interpretation.

Amendments to IFRS 3, Business Combinations

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Board of Frigaard Property Group, Sarpsborg, 28.2.2019

Helge Stemshaug	Trond O. Frigaard	Ellen M. Hanetho
Kristian Lindland	Petter Bøhler	Terje K. Lyngaas

Additional information

Please contact

Ellen Hanetho
INVESTOR RELATIONS
ellen@frigaardinvest.no
(+47) 48 22 07 50

Terje Lyngaas
CFO
terje@frigaardgruppen.no
(+47) 95 00 19 99

FRIGAARD PROPERTY GROUP AS
Bredmyra 4 – 1739 Borgenhaugen, Norway
Telefon: (+47) 69 97 39 00
Org.nr.: 996 056 279

Financial calendar

2018 annual report:	25.4.2019
2019 Q1 report:	29.5.2019