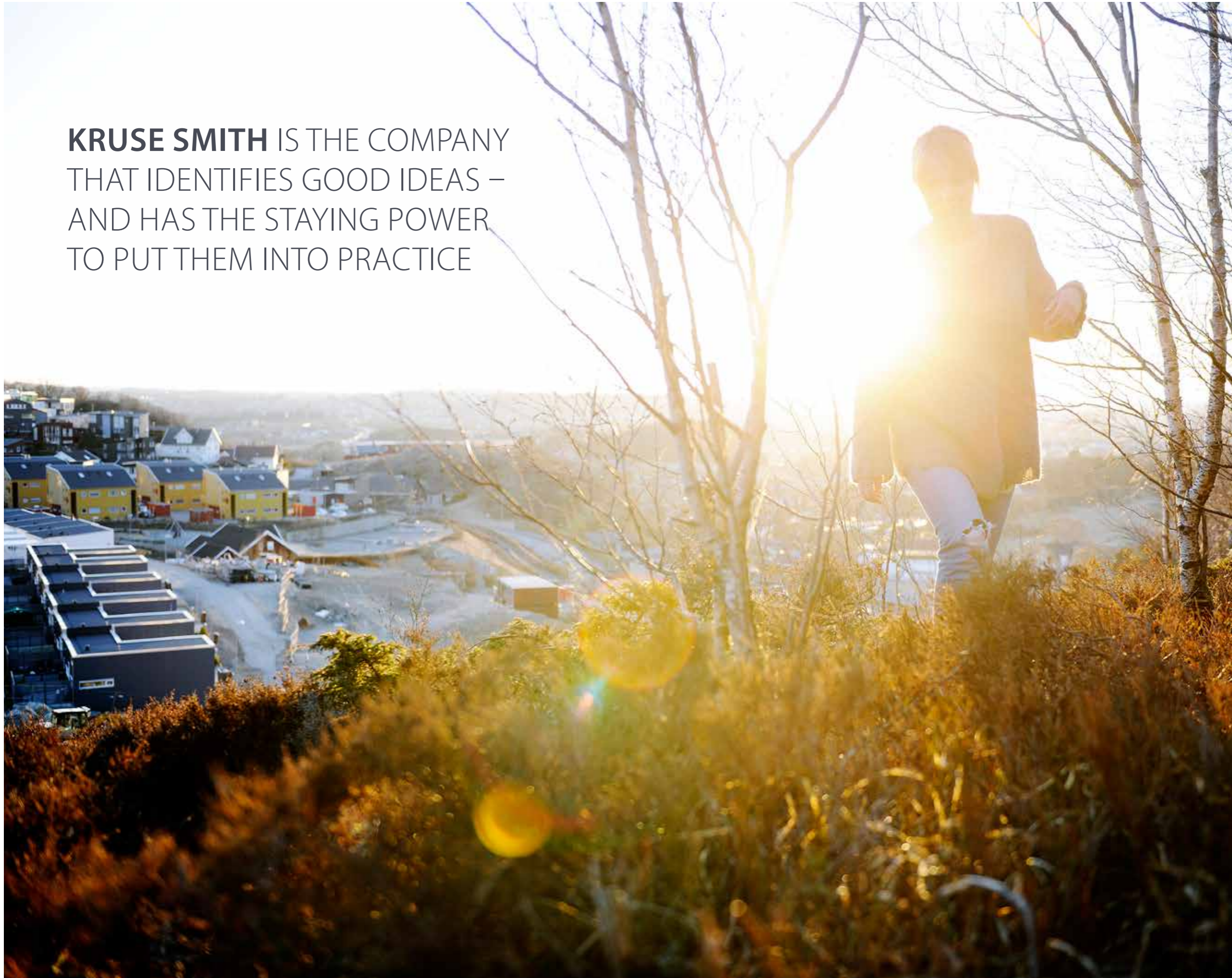




**SEE  
IMPOSSI-  
BILITIES**



**KRUSE SMITH** IS THE COMPANY THAT IDENTIFIES GOOD IDEAS – AND HAS THE STAYING POWER TO PUT THEM INTO PRACTICE



### CONTENTS

KPI's	Page 4
Board of Directors' report	Page 5
Income statement	Page 9
Balance sheet	Page 10
Cash flow analysis	Page 12
Accounting principles	Page 13
Notes	Page 15
Auditor's report	Page 32



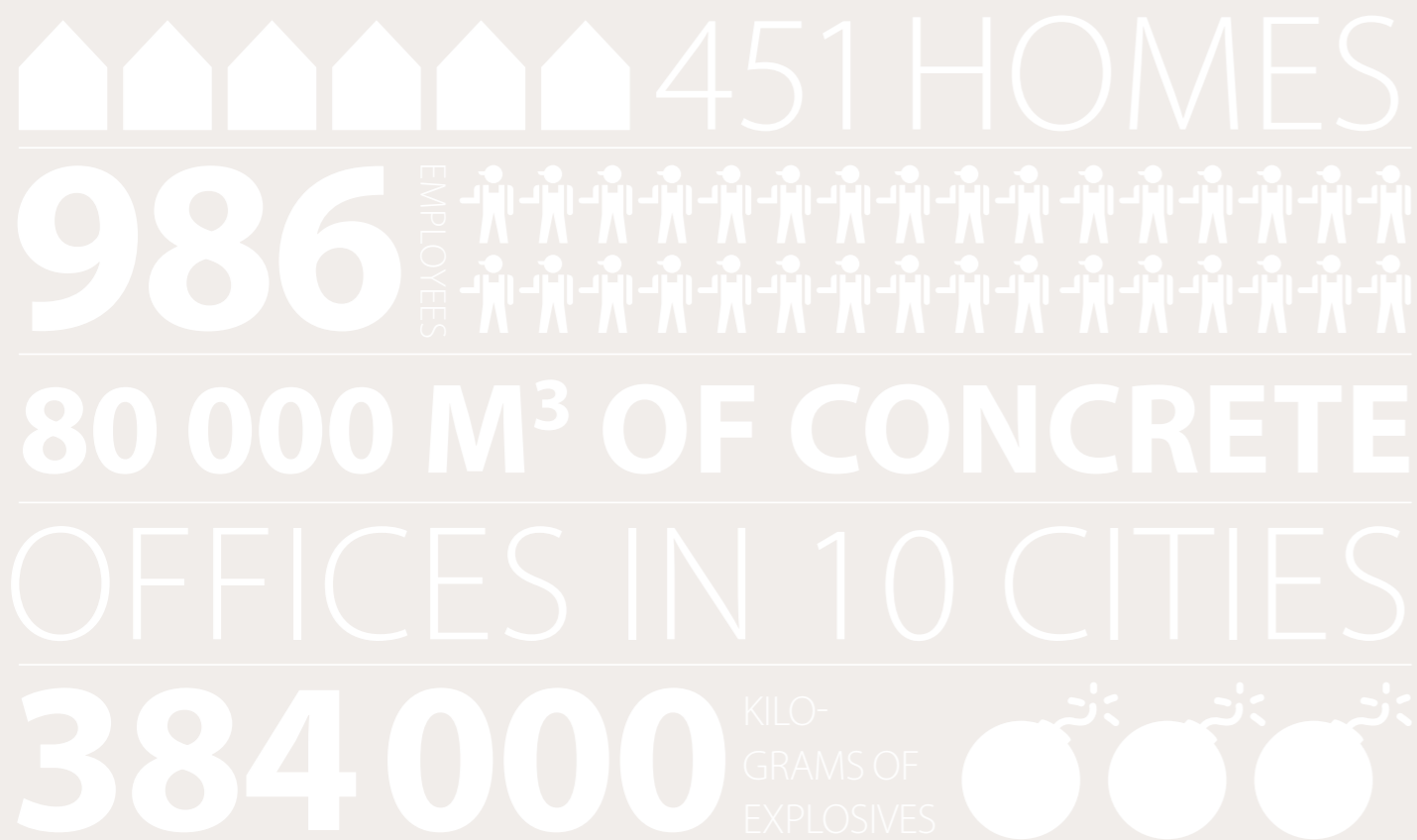
**FEDAFJORD BRIDGE IS A SUSPENSION BRIDGE ACROSS FEDAFJORD IN KVINESDAL MUNICIPALITY. IT IS 566 M LONG WITH A MAIN SPAN OF 331 M AND A 50 M MAST CLEARANCE.**

Skaarlia in Sandnes is a modern and vibrant city district of Sandnes. A district that Kruse Smith is leaving its mark on – field by field, stage by stage.



## KEY FIGURES

(figures in NOK million)	2013	2012	2011	2010	2009
Revenue	4 044	4 105	3 303	3 081	2 610
Profit before tax	63,7	100,2	81,2	31,7	135,7
Profit as a % of revenue	1.6%	2.4%	2.5%	1.0%	5.2%
Equity in NOK million	546,4	526,9	474,4	440,2	420,4
Equity ratio as a %	19.3%	20.7%	22.6%	23.0%	25.4%
Return on equity after tax in %	9.0%	15.5%	13.2%	6.4%	26.4%
Net bank deposits – interest-bearing debt	-722,6	-520	-311,4	-418,3	-117,1
Number of employees	986	973	960	954	867
Revenue per employee	4,101	4,219	3,441	3,230	3,010
Order backlog as of 31/12/2013	4 887	4 173	3 665	2 698	2 606



## BOARD OF DIRECTORS' REPORT 2013

### NATURE OF THE BUSINESS AND LOCATIONS

The Group is engaged in property development, homebuilding and contract work within construction, building renovation and road and rail construction. The business is run from Group headquarters in Kristiansand with regional offices in Sola, Kristiansand and Oslo, and with district offices in Haugesund, Lyngdal, Arendal, Åseral, Kragerø and Porsgrunn.

### CORPORATE STRUCTURE

The parent company Kruse Smith AS conducted no business activity in 2013 other than owning shares in the subsidiaries.

There are no employees at Kruse Smith AS, but the CEO of Kruse Smith Entreprenør AS is the Group CEO and General Manager of Kruse Smith AS.

The consolidated financial statements report the combined accounting figures for the Kruse Smith Group.

The company financial statements include the share of profits from the subsidiaries according to the equity method. See further information about this in the notes regarding the financial statements.

### GOING CONCERN

The annual accounts have been prepared on the basis of the going concern assumption. The basis for this assumption is formed by the profit forecast for 2014 and the company's and Group's long-term forecasts. The Board believes that the company and the Group have a healthy economic and financial position.

### FINANCIAL RISK

#### Liquidity risk

Liquidity management has enjoyed high priority in 2013. The liquidity of the Group is subject to significant fluctuations, but has increased steadily in the course of 2013. To further increase economic freedom of action, the Board will continue to monitor the liquidity situation closely this year as well. The Group has a liquidity reserve of NOK 603 million, of which NOK 355 million consists of undrawn credit facilities. Liquidity risk is mainly related to projects, and the Board considers the risk in these projects to be moderate.

#### Market risk

The business has little direct exposure to exchange rate fluctuations. The company has a floating interest rate for its debts and the Group is therefore exposed to interest rate fluctuations. In order to limit this risk, the Group has entered into swap agreements. The return on liquid assets is also dependent on the interest rate level and bond market developments. The funds are invested in floating interest rate accounts.

#### Credit risk

The risk that counterparties will not have the financial ability to meet their obligations is considered to be moderate in scope. The Group has performed write-downs of receivables deemed uncertain in 2013 as well. Aside from a few isolated cases, bad debts have been low, historically speaking, and contracts are largely secured by bank guarantees in accordance with Norwegian Standards.

The Board believes that the financial uncertainty of our customers and counterparties in 2014 will be on par with that for 2013.

### Financial targets

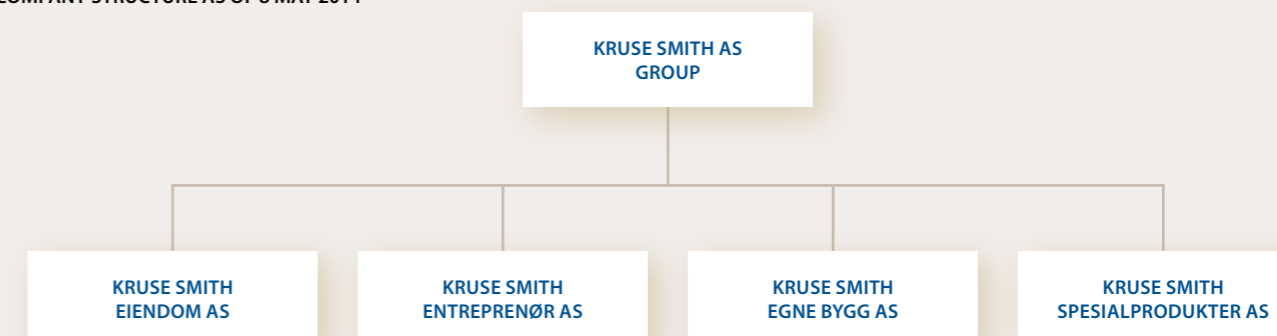
The Group's strategy includes a target equity ratio of 25% and a total pre-tax profit target of 4.5%. These targets were not achieved in 2013.

### EQUALITY AND DISCRIMINATION

We have employees of different nationalities and backgrounds within the Group. We place emphasis on not discriminating when recruiting new employees or during daily work on grounds of ethnicity, national origin, sexual orientation, skin colour, religion, creed or gender. People who speak the Scandinavian languages are given preference, or other conditions being equal. The Group aims to provide a workplace where discrimination does not occur, and is working in active, targeted fashion to design and facilitate the physical working environment accessible to as many people as possible. Individual arrangements are made for employees with disabilities to adapt the workplace, as well as their duties.

Our goal is also to be a workplace in which there is full equality between women and men. The Group's personnel policy includes guidelines on gender equality aimed at precluding discrimination based on gender in relation to pay, promotion and recruitment. We are working systematically to increase the proportion of women working at the company. Of the Group's 986 employees (973 in 2012), 90 are women (84 in 2012). In total there are 82 women among the salaried employees

### COMPANY STRUCTURE AS OF 8 MAY 2014



(73 in 2012) and 8 among the skilled workers (9 in 2012). The differences in pay within comparable positions are very small. The Board comprises four men and two women.

#### EMPLOYEES AND WORKING ENVIRONMENT

At year-end there were 986 employees in the Group, of which 924 were working at Kruse Smith Entreprenør AS, 56 at Kruse Smith AS Eiendom and 6 at Resource Telecom AS.

As of 31/12/2013, the Group had 537 skilled workers and 60 apprentices. The Group's goal is for the number of apprentices to amount to approx. 10% of the number of skilled workers.

The companies and the Group have an active shop steward system. Regular cooperation with the employee trade unions has been constructive and made a positive contribution to the operations of the Group.

The rate of absence due to sickness was 4.54%, compared to 5.02% in 2012. Absence due to sickness in the industry as a whole for 2013 was 5.15%. The Group had established an internal target of having less than 4.3% absence due to sickness in 2013. Work is being done constantly to reduce absence due to sickness and absence costs. Additional measures will be implemented in 2014. An inclusive working life committee will be established in the various districts, and further active measures will be taken with respect to individuals and groups. We employ an active approach to reduce costs associated with absence due to sickness, including through an active cooperation with NAV (the Norwegian Labour and Welfare Administration).

The Group will continue to focus on reporting of undesired incidents (RUI) and ongoing implementation of measures to prevent injuries from happening. In 2013, the Group posted an incident rate of 4.3, down from 4.5 in 2012. Overall, the Group had 7 lost time injuries in 2013, which is the same figure as for 2012. We have been recording the "H-2" incident rate in the Group since 2012. The "H-2 value" refers to the number of injuries in which alternative forms of work were used, plus the number of lost time injuries per million hours worked.

The "H-2 value" in 2013 was 7.3 compared to 16.6 in 2012, which corresponds to six people having required alternative work. Of the seven lost time injuries, one may result in permanent injury, though this is unclear as yet. The other six lost time injuries are not considered to be particularly serious. Absences due to injury in

2013 are attributable to a variety of causes, and there were no particular observable trends.

In recent years, the Group has posted a relatively low number of lost time injuries. Targeted efforts are under way to reduce the number of lost-time injuries. In the opinion of the Board, the injury rate continues to remain low. The industry average in 2013 was 6.93. The company has a system in place for assigning lighter work to people who have sustained minor injuries of a temporary nature. An annual HSE bonus scheme for all employees will be continued in 2014. The bonus is to serve as a motivator to reduce absence due to sickness and lost time injuries, and to improve the HSE quality at construction and building sites. The Group has been an "Inclusive Workplace" since 1 January 2003. Please refer also to the HSE report.

#### EXTERNAL ENVIRONMENT

The Group places emphasis on environmental protection during project implementation, and environmental considerations form part of all stages from planning and implementation to operation, maintenance, sorting and recycling.

The Group does not pollute the environment beyond what is normal for the sector. The Group sorts waste and strives to choose environmentally friendly solutions.

The environment is impacted primarily through energy consumption, waste and the use of substances and materials that are hazardous to health and to the environment. The Group employs sound procedures to ensure that noise, dust, vibrations, transport and emissions are dealt with safely, both with respect to the environment and to those neighbouring building sites and construction yards.

#### RESEARCH AND DEVELOPMENT

The Group continued its focus on R&D in 2013. The task of the R&D department is to stay apprised of new methods, processes and material use that can be used to streamline construction projects. The R&D department has largely allocated its resources for participation in projects to look at cost trends within the industry and increased use and exploitation of BIM (Building Information Modelling) during the planning stage. The R&D department is also working on standardising construction methods and solutions.

#### QUALITY WORK

Kruse Smith received its ISO9000 certificate

from Det Norske Veritas on 12 December 2012. The certificate covers both the contracting company and the property company. Kruse Smith is one of the first construction groups in Norway to possess such an extensive ISO certificate.

The Group has been working on the certification process for 2-3 years. It has been a demanding process with the involvement of many employees. The certificate will serve as an important tool for maintaining systematic and continuous improvement efforts. The new quality system will make an important contribution to enhancing Kruse Smith's competitiveness. It also means that we have a system in place making it easier to document "best practice" for Group employees.

#### MARKET PROSPECTS \*

##### New residential construction

New home starts in January and February 2014 were lower than at any time during the past five years. In particular, apartment construction in the major cities is in decline, but this is also the case for new construction starts of small dwellings and detached houses. 2014 total market forecast: NOK 63.0 billion.

##### Residential renovation, remodelling and extension

The renovation, remodelling and extension market is traditionally driven by the population's purchasing power. Low interest rates, high employment and anticipated wage growth will facilitate up to 5% growth. What uncertainty there is, is related mainly to competition from unregistered labour and the increasing trend of household savings. 2014 total market forecast: NOK 63.0 billion, up 3% from 2013.

##### Non-residential construction - new

Non-residential construction start permits were granted for 360,000 m<sup>2</sup> of non-residential land use in December, up 47% compared to the very weak figure for December 2012. The decline from 2012 was thus approx. 4.5 per cent. Companies are acting more cautiously, even as traditional merchandising faces a serious challenge in online shopping. 2014 total market forecast: NOK 62.5 billion, unchanged from 2013.

##### Non-residential renovation, remodelling and extension

Since 2008, the public sector has maintained the renovation rate at a slightly higher level. There is also an increasing tendency for banks to extend loans to major renovation projects, even as the interest rate is expected to remain

low over a somewhat longer perspective. 2014 total market forecast: NOK 68 billion, up 3.5% from 2013.

#### Road and rail construction

A new national transport plan for Norway envisaged a record investment budget, and the county authorities continue to allocate money to road construction as well. Although the rate of business sector investment remains approx. NOK 20 billion a year, growth in the civil engineering sector is expected for this very reason. The allocations are in line with the approved NTP (National Transport Plan). Total market renovation, remodelling and extension forecast and new construction forecast in 2014: NOK 99.8 billion, up 6.6% from 2013.

#### Public and private consumption

Low interest rates, high employment and the trend in real wages lead us to anticipate that the private-sector economy will continue to remain healthy. The Oil Fund has reached record proportions and the public desire to invest is strong, especially in infrastructure. Investments in the mainland business sector remain low, i.e. at the level required to maintain industrial capacity.

#### Regional differences

We see regional differences in the geographical areas where Kruse Smith operates, both in the property and in the contracting business. Construction demand remains high in Western Norway, both in the commercial and residential sectors. In the Agder counties we can observe a clear levelling off in construction demand. If one includes Telemark (Southern Region), and Eastern Norway (Eastern Region), however, the market harbours positive potential, especially if one includes public new construction (schools, healthcare facilities, etc.). The Road and Rail Construction division at Kruse Smith appears to have significant market potential in the coming years, both in bedrock (tunnel) and concrete structures (bridges, culverts, etc.). \* Source: BNL (Federation of Norwegian Construction Industries)

#### REVENUE AND FINANCIAL RESULTS

In terms of financial results, 2013 was a significantly worse year than 2012. The Group posted a profit before tax of NOK 64 million for 2013, a decrease of NOK 37 million from 2012. The parent company reported a profit of NOK 43 million, compared to NOK 68 million the year before. 2013 was a year that started very well, but ended with a very weak final quarter. Multiple projects were discovered as having significantly worse performance than expected, as a result of which significant write-downs



were performed. The Board and management of the Group are not satisfied with these events. The largest profit deviations are being analysed. The objective of such analysis is to prevent similar deviations in the future. The result for 2013 was also impacted by the fact that the contracting company carried out significant construction contracts in projects owned by the Group. The profit from these projects is excluded from the financial statements.

The results from construction operations in the Eastern Region also negatively impact the 2013 financial results to a significant degree. The challenge after the acquisition of Skutle AS is an ongoing one, but significant challenges have also emerged in a couple of the projects conducted under Kruse Smith auspices after the acquisition. There are still individual legal disputes in the Eastern Region that remain to be resolved. These cases are likely to be resolved through the court system, and no final resolution can be expected in 2014. The Southern Region and Western Region delivered results in line with expectations. The Road and Rail Construction division in the contracting company saw a shortfall in the 2013 income statement compared to expectations for the first time in many years.

The Board of Kruse Smith decided to wind up the investment in telecommunications infrastructure development in 2013. The market for this activity was more challenging than expected.

The Group has assembled its expertise and activities related to property development, residential sales and the production of

wooden houses in the company Kruse Smith AS Eiendom. This company also posted good financial results in 2013. Despite the shortfall in housing sales, the company increased its revenue.

Total consolidated revenue for 2013 amounted to NOK 4,044 million, representing a slight decrease of NOK 61 million compared to the previous year. The entirety of the reduction is attributable to reduced revenue within the contracting part of the Group. The property division of the Group saw an increase in turnover.

Cash and cash equivalents as of 31/12/2013 amounted to NOK 280 million for the Group (NOK 203 million in 2012). In addition, the Group has an undrawn credit facility amounting to NOK 355 million. The Board of Directors proposes that Kruse Smith AS' profit for the year be allocated as follows:

Transferred from other equity	NOK	32,759,629
Transferred to fund for valuation differences	NOK	(11,040,821)
Allocated to dividend	NOK	21,600,000
<b>Total allocations:</b>	<b>NOK</b>	<b>43,318,808</b>

Group equity as of 31/12/2013 amounts to NOK 546 million. This is an increase of NOK 19 million compared to 2012. Current liabilities amount to NOK 1,393 million as of 31/12/2013 (NOK 1,334 million in 2012). Of the total debt of NOK 2,290 million, NOK 998 million is interest-bearing (NOK 723 million in 2012). The Group's cash flow from operations was negative by NOK 83.1 million. Negative cash

flow from operations is due primarily to significant investments in inventory in the form of land parcels and properties for development and sales. Net investment was negative by NOK 54.5 million after making significant investments in underlying companies and non-current assets. Proceeds from assuming long-term debt and short-term construction loans are the primary explanation for positive cash flow from financing activities, net NOK 214.0 million. Liquid assets increased by NOK 76.5 million. The parent company had an operating cash flow of NOK 32.9 million. This cash flow stems from returns on subsidiaries.

The Board expects margins to level off in 2014. Continuous efforts are under way to improve the efficiency of the Group. Use of Lean as a project management tool is one method for increasing project efficiency. The Group has also begun to deploy BIM in its project development work. BIM is now starting to become well established within the Group.

#### FUTURE TRENDS

The order backlog of the Kruse Smith Group was approx. NOK 4.9 billion at year-end and thus approx. NOK 700 million higher than the year prior. This is the largest order backlog the Group has ever had at the beginning of a new year. The most significant growth seen in the backlog is in road and rail construction and in the Eastern Region. This strong order backlog provides a good starting point for the Group's operations in 2014. The shortfall in new home sales was larger than expected in 2013. We expect a slight improvement in the market for home sales in 2014.

Within construction, there are significant geographic differences in terms of market activity, manifesting in more margin pressure in the markets in question. The Agder counties were the area in which we noted the greatest slow-down in activities in 2013. We do not expect

to see any significant improvements in Agder in 2014.

The main markets for Kruse Smith in 2014 will continue to be these: construction, road and rail, housing and property development. The renovation, remodelling and extension (RRE) market, also known as building renovation, is an important but challenging market for Kruse Smith. RRE is a large market, but is also the market with the most competition. The market is dominated by a large number of small projects and many small operators. It is also within the RRE market that the most disreputable operators are found. This is a concern for both industry and public authorities. Kruse Smith focuses on slightly larger projects and specialised projects in which the Group's expertise can be harnessed. The market in the central regions of Rogaland appears set to continue its strong performance in 2014.

The trend in new home sales for 2014 is the largest element of suspense within the Group's markets. 2013 saw a weaker trend in home sales than anticipated, and Q1 2014 has continued along the same lines. However, we are picking up more positive signals concerning new home sales at the moment. New home sales represent a very important driving force in the industry. The overall housing construction market in Norway is expected to grow in 2014.

The road and rail construction market performed well in 2013, and all forecasts point to continued strong growth in this segment. Road and rail construction is the market with the most competition from foreign operators. We believe this trend will continue in 2014.

We believe that the market in 2014 will perform somewhat better than in 2013, but there continues to be uncertainty about the solvency of several European countries.

Furthermore, there have been significant tensions in Eastern Europe related to Russia's annexation of the Crimea. This may have implications for market developments and for the financial markets. The tension is causing uncertainty among many investors, and also causes the cost of financing to increase.

We think the labour market will be a bit less tight in 2014, but we think there will continue to be a shortage of qualified labour. There is a major shortage of engineers in the oil industry, and this can also be witnessed in our industry in the form of increased wage pressures for certain groups.

The prices for most economic inputs are anticipated to increase less than in 2013. The signals from Norges Bank seem to indicate that interest rates will remain reasonably stable for the rest of the year. Norges Bank is maintaining the key interest rate at 1.5% and has not adjusted the rate since March 2012.

There will be an increased focus on project management in 2014 in order to make sure that projects with lagging earnings are detected as early as possible, thereby reducing potential losses in such projects. Given the existing order backlog, the increased attention to cost streamlining and our current level of market expertise, the Board believes that 2014 will see a positive trend in both financial results and revenue.

It is the opinion of the Board that the financial statements provide comprehensive information about the Group's position at year-end. The Board is not aware of anything having occurred since 31/12/2013 that is not included in the annual accounts and which is of major importance for the assessment of the company or the Group as of 31/12/2013.

Kristiansand, Norway, 8 May 2014



**TOMAS LEIRE**  
Chairman of the Board



**JOHANNES KAMBO**  
Board Member



**SISSEL LEIRE**  
Board Member



**JOHN G. BERNANDER**  
Board Member



**AAGE P. DANIELSEN**  
Board Member



**CATHRINE LEIRE LOSSIUS**  
Board Member



**JAN A. HESTÅS**  
Group CEO

## INCOME STATEMENT

(Amounts in whole thousands)	NOTE	THE GROUP		THE PARENT COMPANY	
		2013	2012	2013	2012
<b>OPERATING INCOME AND OPERATING EXPENSES</b>					
<b>Operating income</b>					
Sales income	11	4,013.912	4,098.569	0	0
Other operating income	11,14	29.758	6.289	0	0
<b>Total operating income</b>		<b>4,043.669</b>	<b>4,104.858</b>	<b>0</b>	<b>0</b>
<b>Operating expenses</b>					
Project expenses	6	3,009.811	3,135.686	0	0
Wages and salaries	9,12	734.416	710.257	503	377
Depreciation of property, plant and equipment and intangible assets	2	39.156	35.928	0	0
Write-down of property, plant and equipment and intangible assets	2	4.259	3.733	0	0
Other operating expenses	12	178.630	127.061	173	153
<b>Total operating expenses</b>		<b>3,966.272</b>	<b>4,012.665</b>	<b>677</b>	<b>529</b>
<b>OPERATING PROFIT/LOSS</b>		<b>77.397</b>	<b>92.193</b>	<b>-677</b>	<b>-529</b>
<b>FINANCIAL INCOME AND EXPENSES</b>					
<b>Financial income</b>					
Income from investments in subsidiaries	3	0	0	43.664	67.843
Income from investments in associated companies	3,7	(5.199)	21.859	0	0
Other interest income		6.733	7.730	939	462
Other financial income	16	12.287	4.148	0	0
<b>Total financial income</b>		<b>13.821</b>	<b>33.737</b>	<b>44.603</b>	<b>68.306</b>
<b>Financial expenses</b>					
Other interest expenses		26.018	24.742	741	383
Other financial expenses	16	1.479	939	0	0
<b>Total financial expenses</b>		<b>27.497</b>	<b>25.681</b>	<b>741</b>	<b>383</b>
<b>NET FINANCIAL ITEMS</b>		<b>(13.676)</b>	<b>8.057</b>	<b>43.861</b>	<b>67.922</b>
<b>ORDINARY PROFIT/LOSS BEFORE TAX</b>		<b>63.721</b>	<b>100.250</b>	<b>43.185</b>	<b>67.393</b>
Tax on ordinary profit/loss	10	15.657	22.723	-134	-126
<b>ORDINARY PROFIT/LOSS</b>		<b>48.063</b>	<b>77.527</b>	<b>43.319</b>	<b>67.519</b>
<b>PROFIT FOR THE YEAR BEFORE MINORITY INT.</b>		<b>48.063</b>	<b>77.527</b>	<b>43.319</b>	<b>67.519</b>
Minority interests' share of profit/loss	1	4.745	10.008	0	0
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>43.319</b>	<b>67.519</b>	<b>43.319</b>	<b>67.519</b>
<b>TRANSFERS AND ALLOCATIONS</b>					
Transferred to revaluation reserve				(11.041)	47.235
Allocated to ordinary dividend				21.600	33.000
Transferred to other equity				32.760	(12.716)
<b>TOTAL TRANSFERS AND ALLOCATIONS</b>				<b>43.319</b>	<b>67.519</b>



## BALANCE SHEET

(Amounts in whole thousands)	NOTE	THE GROUP		THE PARENT COMPANY	
		2013	2012	2013	2012
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Concessions, patents, licenses, etc.	2	6.060	6.000	0	0
Deferred tax assets	10	3.462	3.943	0	126
Goodwill	2	1.517	3.855	0	0
<b>Total intangible assets</b>		<b>11.039</b>	<b>13.797</b>	<b>0</b>	<b>126</b>
<b>Property, plant and equipment</b>					
Land, buildings and other real property	2,5	308.493	237.571	0	0
Machinery and equipment	2,5	104.306	113.670	0	0
Fixtures and fittings, tools, office machines	2,5	15.584	10.562	0	0
<b>Total property, plant and equipment</b>		<b>428.382</b>	<b>361.802</b>	<b>0</b>	<b>0</b>
<b>Financial fixed assets</b>					
Investments in subsidiaries	3	0	0	456.017	444.267
Investments in associated companies	3,5	204.582	163.182	0	0
Loans to associated companies	4,7	84.773	159.653	0	0
Investments in stocks and shares	3	5.260	4.038	0	0
Bonds and other receivables	4,9	11.941	6.050	0	0
<b>Total financial fixed assets</b>		<b>306.555</b>	<b>332.922</b>	<b>456.017</b>	<b>444.267</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>745.976</b>	<b>708.522</b>	<b>456.017</b>	<b>444.393</b>
<b>CURRENT ASSETS</b>					
<b>Goods/projects on own account</b>					
Goods/projects on own account	5,6	609.583	330.488	0	0
<b>Receivables</b>					
Trade receivables	4,5,6,7	1.122.321	1.226.868	0	0
Other receivables	7	78.801	68.123	0	0
Receivables from Group companies	7	24	10	72.598	50.490
<b>Total receivables</b>		<b>1.201.146</b>	<b>1.295.001</b>	<b>72.598</b>	<b>50.490</b>
Bank deposits, cash and cash equivalents	4,5	279.951	203.460	142	4.513
<b>TOTAL CURRENT ASSETS</b>		<b>2.090.681</b>	<b>1.828.949</b>	<b>72.739</b>	<b>55.003</b>
<b>TOTAL ASSETS</b>		<b>2.836.657</b>	<b>2.537.472</b>	<b>528.756</b>	<b>499.396</b>

## BALANCE SHEET

(Amounts in whole thousands)	NOTE	THE GROUP		THE PARENT COMPANY	
		2013	2012	2013	2012
<b>EQUITY AND DEBT</b>					
<b>EQUITY</b>					
<b>Paid-up equity</b>					
Share capital	1,8	117.040	167.200	117.040	167.200
Share premium reserve	1	92	92	92	92
Other paid-up equity		50.160	0	50.160	0
<b>Total paid-up equity</b>		<b>167.292</b>	<b>167.292</b>	<b>167.292</b>	<b>167.292</b>
<b>Retained earnings</b>					
Reserves	1	314.011	293.704	0	0
Revaluation reserve	1	0	0	265.031	276.071
Other equity	1	0	0	35.317	2.557
<b>Total retained earnings</b>		<b>314.011</b>	<b>293.704</b>	<b>300.347</b>	<b>278.628</b>
<b>Total equity attributable to parent company owners</b>		<b>481.303</b>	<b>460.996</b>	<b>467.639</b>	<b>445.920</b>
Minority interests	1	65.096	65.881	0	0
<b>TOTAL EQUITY</b>		<b>546.399</b>	<b>526.878</b>	<b>467.639</b>	<b>445.920</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
<b>Provisions for liabilities</b>					
Pension liabilities	9	8.006	8.980	0	0
Deferred tax	10	132.496	123.636	0	0
Other provisions for liabilities	3,16	48.203	32.179	0	0
<b>Total provisions for liabilities</b>		<b>188.705</b>	<b>164.795</b>	<b>0</b>	<b>0</b>
<b>Other non-current liabilities</b>					
Liabilities to credit institutions	4,5	685.583	469.575	0	0
Non-current liabilities to Group companies		0	0	12.072	20.409
Other non-current liabilities	4,5	23.203	42.184	0	0
<b>Total other non-current liabilities</b>		<b>708.787</b>	<b>511.758</b>	<b>12.072</b>	<b>20.409</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>897.492</b>	<b>676.553</b>	<b>12.072</b>	<b>20.409</b>
<b>CURRENT LIABILITIES</b>					
Liabilities to credit institutions/construction loans	5	293.821	236.036	0	0
Accounts payable		506.606	554.425	19	67
Current tax	10	5.167	722	0	0
Public duties payable		124.514	104.392	0	0
Dividend		26.015	36.754	21.600	33.000
Current liabilities to Group companies	7	62	61	27.365	0
Other current liabilities	5,6,7	436.582	401.652	61	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>1.392.767</b>	<b>1.334.041</b>	<b>49.045</b>	<b>33.067</b>
<b>TOTAL DEBT</b>		<b>2.290.258</b>	<b>2.010.594</b>	<b>61.117</b>	<b>53.476</b>
<b>TOTAL EQUITY AND DEBT</b>		<b>2.836.657</b>	<b>2.537.472</b>	<b>528.756</b>	<b>499.396</b>

Kristiansand, 8 May 2014



**TOMAS LEIRE**  
Chairman of the Board



**JOHANNES KAMBO**  
Board Member



**SISSEL LEIRE**  
Board Member



**JOHN G. BERNANDER**  
Board Member



**AAGE P. DANIELSEN**  
Board Member



**CATHRINE LEIRE LOSSIUS**  
Board Member



**JAN A. HESTÅS**  
Group CEO

## CASH FLOW ANALYSIS

CASH FLOW ANALYSIS (Amounts in whole thousands)	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Profit/loss before tax	63 721	100 250	43 185	67 393
Taxes paid during the period	-722	-241	0	-12
Loss/(gain) on sale of non-current assets (associated companies and non-current assets)	-35 521	-1 929	0	0
Ordinary depreciation	43 415	39 661	0	0
Change in capitalised pension liability	-1 120	-1 576	0	0
Share of profit from subsidiaries and associated companies (net of distributions from the company)	39 059	-19 659	-10 351	-39 961
Change in inventories and projects for own account	-279 095	-5 741	0	0
Change in trade receivables and customer prepayments	129 115	-231 450	0	0
Change in accounts payable	-47 819	116 049	-48	10
Change in other accrual accounting items	5 914	-21 942	61	0
Items classified as investing or financing activities	0	0	0	0
<b>Net cash flow from operations</b>	<b>-83 053</b>	<b>-26 578</b>	<b>32 847</b>	<b>27 430</b>
<b>Cash flow from investing activities</b>				
Proceeds from sale of non-current assets	19 346	4 309	0	0
Purchase of property, plant and equipment	-115 424	-51 690	0	0
Proceeds from financial loans receivable	71 859	0	0	0
Payment for purchase of intangible assets	0	0	0	0
Payments on non-current loan liabilities	0	0	0	-20 442
Proceeds from current loans receivable	0	0	6 508	0
Payments on current loan liabilities	0	0	0	0
Proceeds on disposal of stocks and shares in other companies	93 867	21 041	0	0
Purchase of shares in subsidiaries/other companies	-124 099	-80 938	-2 389	-536
<b>Net cash flow from investing activities</b>	<b>-54 451</b>	<b>-107 278</b>	<b>4 119</b>	<b>-20 978</b>
<b>Cash flows from financing activities</b>				
Proceeds from new borrowings (non-current and current)	615 963	219 843	0	20 409
Payment of debt	0	0	-8 337	0
Repayment of debt (non-current and current)	-356 851	-32 638	0	0
Other changes	-8 363	0	0	0
Dividend payments	-36 754	-31 037	-33 000	-27 882
Net equity contributions	0	0	0	0
<b>Net cash flows from financing activities</b>	<b>213 995</b>	<b>156 168</b>	<b>-41 337</b>	<b>-7 473</b>
<b>Net cash flow for the period</b>	<b>76 491</b>	<b>22 312</b>	<b>-4 371</b>	<b>-1 021</b>
Cash and cash equivalents at beginning of period	203 460	181 148	4 513	5 534
<b>Cash and cash equivalents at end of period</b>	<b>279 951</b>	<b>203 460</b>	<b>142</b>	<b>4 513</b>
Consists of:				
Bank deposits	279 951	203 460	142	4 513
Interest fund	-	-	-	-
Total cash and cash equivalents	279 951	203 460	142	4 513
Unused credit facility (see note 4)	354 755	358 003	350 000	0

## ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted Norwegian accounting principles.

### USE OF ESTIMATES

The preparation of financial statements in accordance with the Norwegian Accounting Act requires the use of estimates. Furthermore, application of the company's accounting principles requires the exercise of judgement on the part of management. The particular areas that contain these types of discretionary assessments, a high degree of complexity, or areas where assumptions and estimates are material to the financial statements, are disclosed in the notes.

### CONSOLIDATION

The consolidated financial statements include subsidiaries in which the parent company directly or indirectly possesses a controlling influence. The consolidated financial statements have been prepared as if the Group were a single economic entity. Transactions and intercompany accounts between Group companies have been eliminated. The same applies to intragroup profits and unrealised gains. The consolidated financial statements are prepared using uniform accounting principles.

Acquired subsidiaries are recognised in the consolidated financial statements based on the parent company's acquisition cost. The acquisition cost is allocated to identifiable assets and liabilities in the subsidiary, which is recognised in the consolidated financial statements at fair value as of the acquisition date. Identifiable assets refer to both tangible and intangible assets, other than goodwill. Any added value or shortfall in market value beyond what can be attributed to identifiable assets and liabilities is carried in the balance sheet as goodwill or negative goodwill. Goodwill is treated as a residual value and is carried at the proportion observed in the acquisition transaction. Goodwill is depreciated on a straight-line basis over its estimated economic lifetime. For successive acquisitions, added value on existing ownership interests is allocated to assets and liabilities with a contra entry for equity. When a company leaves the Group, written up value is recycled against equity.

Minority interests are shown on the balance sheet as a separate item under equity. This implies that assets and liabilities are shown inclusive of minority interests. In the income statement, minority interests are calculated on the basis of the profit/loss after tax.

### RECOGNITION OF INCOME

#### Road and rail construction contracts

Work in progress associated with fixed-price contracts with long production cycles are valued according to the current settlement method. Degree of completion is calculated as accrued expenses as a percentage of estimated total cost. Total cost is reassessed continuously. For projects expected to result in a loss, the entire estimated loss is recognised immediately.

Accrued, non-invoiced income is included in the balance sheet under trade receivables. Pre-invoiced production is included under other current liabilities.

#### Projects for own account

In projects for own account where the construction process has begun and a substantial portion of the project has been sold, income is recognised based on the estimated final result and sales rate of the project.

#### Lease income and sale of services

Sale of services is recognised in line with the accrual period. Lease income is recognised on a straight line basis over the term of the lease.

### OTHER PRINCIPLES

#### Subsidiaries / Associated Companies / Working Partnerships (joint ventures)

Associated companies are companies in which Kruse Smith has significant influence (normally owns more than 20%) but which are not subsidiaries or joint ventures (working partnerships). Working partnerships are companies where Kruse Smith runs the business along with other investors, and where the company possesses significant influence but not control.

Subsidiaries and associated companies are valued using the equity method in the company financial statements. Associated companies are also valued according to the equity method in the consolidated financial statements. Under this method, the investment is valued according to the share of equity held in the company, and the share of profit/loss is recognised in the income statement. On the acquisition date, the investment is valued at cost, i.e. including added value or shortfall in market value. The calculation of share in profit/loss takes into account depreciation of added value or shortfall in market value, as well as intragroup gains. Distributions from the company are recognised as a reduction of the investment on the balance sheet. In the case of

successive acquisitions, added value is not allocated to the ownership interest acquired prior to establishing control (Group formation).

Share of profits/losses and capital in working partnerships is recognised according to the gross principle. This method means that the share in working partnerships' profit/loss and balance sheet is reflected in the individual line items of the income statement and balance sheet. The acquisition method is applied to the acquisition of working partnerships. Intragroup transactions and gains from the working partnership and Kruse Smith AS are eliminated. Added value and shortfall on market value are allocated to the respective income statement and balance sheet items.

#### Classification and valuation of balance sheet items

Current assets and liabilities include items due for payment within one year of the date of acquisition, and items related to the circulation of goods. Other items are classified as non-current assets/non-current liabilities. Current assets are valued at the lower of acquisition cost and fair value. Current liabilities are recognised at nominal value at the time the debt was incurred.

Non-current assets are valued at acquisition cost, but are written down to fair value if the impairment is not expected to be temporary. Long-term liabilities are recognised in the balance sheet at nominal value at the time of establishment.

#### Other long-term shareholdings and participations

Long-term shareholdings and investments in general partnerships and limited partnerships where Kruse Smith does not have significant influence are carried at acquisition cost. The investments are written down to fair value if impairment is not temporary. Dividends received and other distributions are recognised as other financial income if the distribution does not represent repayment of capital.

#### Receivables

Trade and other receivables are carried on the balance sheet at nominal value less a provision for expected losses. The loss provision is made on the basis of an individual assessment of the given receivable. In addition, an unspecified provision is made for other trade receivables in order to cover potential losses.

**Inventories**

Stocks of purchased products are valued at the lower of average acquisition cost and fair value. Finished goods and goods in production are valued at full production cost including capitalised interest expenses where applicable. Write-downs are made for foreseeable impairments.

**Currency**

Monetary items, receivables and liabilities in foreign currencies are valued according to the exchange rate at year-end.

**Current investments**

Current investments (stocks and shares valued as current assets) are valued at the lower of acquisition cost and fair value as of the balance sheet date. This does not apply to investments in financial instruments where the underlying instrument (equity/bond loan) is subject to listing on the stock exchange, and the investment is part of a trading portfolio for the purpose of resale and capital gain. Such investments are valued at fair value. Dividends received and other distributions from the companies are recognised as other financial income.

**Property, plant and equipment**

Plots of land are not depreciated. Other property, plant and equipment are carried and depreciated on a straight-line basis to residual value over the estimated useful life of the asset. In the event of changes to the depreciation schedule, the impact is distributed over the remaining depreciation time ("breakpoint method"). Maintenance costs for assets are recognised as operating costs on a continuous basis. Expenditure and improvements are added to the cost price of the asset and depreciated along with the asset. The difference between maintenance and expenditure/improvements is calculated in relation to the condition of the asset on the purchase date.

**Pensions – unsecured (early retirement pension) and secured defined-benefit schemes**

Pensions expenses and pension commitments are calculated according to straight line accrual, based on assumptions concerning the discount rate, future payroll adjustments, pensions and social security benefits, future yield on pension funds and actuarial assumptions regarding mortality, voluntary resignation etc. Pension funds are valued at fair value minus net pension commitment on the balance sheet. The new early retirement pension scheme from 1/1/2011 is considered to be a defined-

benefit, multi-employer scheme, but because the administrator is not able to procure reliable estimates of accrued entitlements, the scheme is recognised as a defined-contribution scheme. Accounting for pensions is based on a straight-line contribution profile and estimated final salary as the basis for contribution.

**Pensions – defined-contribution secured schemes**

The costs of defined-contribution, secured pension schemes corresponds to the premium paid to the insurance company during the period.

**Tax**

The tax cost in the income statement includes both tax payable for the period and change in deferred tax. Deferred tax is calculated at 28% on the basis of temporary differences existing between accounting and tax values, and tax loss carry-forwards at the end of the financial year. Tax-increasing and tax-reducing temporary differences which reverse or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that the asset can be utilised by the company or Group.

**Leasing**

Financial leasing is differentiated from operational leasing. Assets financed by financial leasing are classified under property, plant and equipment for accounting purposes. The offsetting entry is posted under non-current liabilities. Lease payments are distributed between interest expense and principal debt repayment. Operational leasing is recognised as an operating cost, based on the invoiced lease.

**Contingencies**

Contingencies related to costs are recognised when the contingency can be estimated and the costs are regarded as probable.

**Statement of cash flow**

The indirect method is utilised to prepare the statement of cash flow. Cash and cash equivalents include petty cash and bank deposits in addition to liquid holdings that can immediately be converted to cash without significant exchange rate risk. Dividends from subsidiaries are included in the cash flow from operating activities.

**Comparative figures**

A change has been made with respect to last year's comparative figures in that the road and rail construction investment has been

increased by MNOK 5, whereas inventory has been reduced by MNOK 7 and deferred tax has been reduced by MNOK 2.

**Hedging**

The Group enters into hedging contracts related to interest rates. In the event that interest rate hedging covers underlying loan amounts with a floating rate, the value of the hedging agreement is treated as an off-balance sheet item in which the interest rate differential accrues in line with the underlying hedged item. If the hedging instrument does not have coverage in the underlying loan, the value is recognised according the lowest value principle, i.e. a shortfall on the agreement is recognised, whereas a gain is not.

**Change of comparative figures**

A change has been made between the balance sheet items inventory (MNOK 5), non-current assets (MNOK -8) and deferred tax (MNOK 3) in last year's financial statements. The change was made as a result of an adjustment to a previous acquisition analysis, and is associated with added value on the consolidated balance sheet.

**Figures presented in notes**

All figures are in NOK 1,000 unless otherwise stated.



# NOTES TO THE FINANCIAL STATEMENTS



**NOTE 1 EQUITY**

(All figures are in 1,000)

PARENT COMPANY	Share capital	Share premium reserve	Other paid-up equity	Fund for valuation differences	Other equity	Total equity
Equity as of 31/12/2011	167.200	92	-	276.072	2.556	445.920
Profit for the year	-	-	-	-11.041	54.360	43.319
Reduction of share capital	-50.160	-	50.160	-	-	-
Allocated to dividend	-	-	-	-	-21.600	-21.600
<b>Equity as of 31/12/2012</b>	<b>117.040</b>	<b>92</b>	<b>50.160</b>	<b>265.031</b>	<b>35.316</b>	<b>467.639</b>

GROUP	Share capital	Share premium reserve	Other paid-up equity	Reserves	Minority interests	Total equity
Accounting equity as of 31/12/2012	167.200	92	-	293.704	65.882	526.878
Reduction of share capital	-50.160	-	50.160	-	-	-
Distributions to minority interests	-	-	-	-	-4.466	-4.466
Capital increase	-	-	-	-	2.293	2.293
Change in equity related to successive acquisitions	-	-	-	-1.412	-2.389	-3.801
Error in last year's financial statements*	-	-	-	-	-969	-969
Profit for the year	-	-	-	43.319	4.745	48.064
Allocated to dividend	-	-	-	-21.600	-	-21.600
<b>Equity as of 31/12/2013</b>	<b>117.040</b>	<b>92</b>	<b>50.160</b>	<b>314.011</b>	<b>65.096</b>	<b>546.399</b>

\*A correction has been made related to allocation of added value to minority interests from earlier periods. The correction only relates to balance sheet items, and is not considered significant with regard to comparative figures.

**NOTE 2 PROPERTY, PLANT AND EQUIPMENT**

(All figures are in 1,000)

**GROUP**

Property, plant and equipment	Plots of land	Construction in progress	Buildings	Machinery/equipment, etc.	Fixtures and fittings, office machines, etc.	Rights	Goodwill	Total property, plant and equipment
Acquisition cost as of 01/01	85.349	37.534	147.491	268.370	32.404	6.000	28.953	606.101
Additions	18.780	56.348	13.518	18.995	11.054	60	-	118.755
Disposals	-285	-	-3.591	-30.490	-7.185	-	-23.835	-65.386
<b>Acquisition cost 31/12</b>	<b>103.844</b>	<b>93.882</b>	<b>157.418</b>	<b>256.875</b>	<b>36.273</b>	<b>6.060</b>	<b>5.118</b>	<b>659.470</b>
Accumulated depreciation 31/12	-	-	-40.890	-149.140	-20.690	-	-3.601	-214.321
Accumulated write-downs 31/12	-4.259	-	-1.503	-3.428	-	-	-	-9.190
Reversed write-downs 31/12	-	-	-	-	-	-	-	-
<b>Carried value as of 31/12</b>	<b>99.585</b>	<b>93.882</b>	<b>115.025</b>	<b>104.307</b>	<b>15.583</b>	<b>6.060</b>	<b>1.517</b>	<b>435.959</b>
Depreciation for the year	-	-	4.177	28.277	4.365	-	2.337	39.156
Write-downs for the year	4.259	-	-	-	-	-	-	4.259
Estimated useful life:			20–50 years	3–15 years	3–15 years		5–10 years	

Both the parent company and the Group use straight-line depreciation for all property, plant and equipment.

<b>Capitalised interest included in the acquisition cost</b>	-	3.446	-	-	-	-	-	3.446
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Estimated goodwill for the acquisition of enterprises can be specified as follows:	Residual value 31/12
G. Sørli AS	1.0 million 0,3
Budeng & Vik Holding AS	4.1 million 1,2

Goodwill is depreciated over a period of 10 years. The depreciation period is determined by the estimated period in which the goodwill item is justified by the yield from the investment. Identified added value from an acquisition is allocated to the relevant accounting items. Added value related to depreciable assets is depreciated in relation to estimated lifetime.

**Financial leasing:**

Of which carried lease agreements (financial leasing) included in acquisition cost	27.654	27.654
Book value as of 31/12/2013	19.656	19.656
Depreciation for the year	3.390	3.390
Leasing liabilities recognised as of 31/12/2013	18.206	18.206

The remaining leasing period is between 53 and 80 months.

**Operational leasing/lease agreements:**

Estimated leasing cost in 2014 is NOK 4,482.

**NOTE 3 SUBSIDIARIES, ASSOCIATED COMPANIES, ETC.**

(All figures are in 1,000)

**PARENT COMPANY**

Stocks and shares reported as non-current assets	Registered business address	Voting rights and shareholding in %	Acquisition cost	Carried equity on acquisition	Opening balance 01/01	Recognised profit/loss	Addition/disposal	Other changes	Share of equity 31/12	Closing balance as of 31/12	Of which added value/shortfall
<b>Subsidiaries</b>											
Kruse Smith Entreprenør AS	Kristiansand	90.49%	123 254	123 254	266 948	-622	1351	0	267 677	267 677	0
Kruse Smith Egne Bygg AS	Kristiansand	90.49%	20 751	20 751	26 712	4 060	135	-3 583	27 324	27 324	0
Kruse Smith Eiendom AS	Kristiansand	90.49%	24 212	24 212	150 607	46 321	903	-38 420	200 351	159 411	-40 940
Kruse Smith Spesialprodukter AS	Kristiansand	100%	500	500	0	-6 096	0	7 701	1 605	1 605	0
<b>Total</b>					<b>444 267</b>	<b>43 663</b>	<b>2389</b>	<b>-34 302</b>	<b>496 957</b>	<b>456 017</b>	<b>-40 940</b>

GROUP	Shareholding/ voting rights	Registered business address
Kruse Smith Entreprenør AS	90.49%	Kristiansand
Kruse Smith Egne Bygg AS	90.49%	Kristiansand
Kruse Smith Eiendom AS	90.49%	Kristiansand
Biejordene AS	100.00%	Kristiansand
Develop 1 Hjemmel AS	100.00%	Oslo
Dyvika Eiendom AS	100.00%	Kristiansand
Eco Bygg AS AS	100.00%	Kristiansand
Elvebredden Syd AS	100.00%	Kristiansand
Fagermoen AS	100.00%	Kristiansand
Fuhr Park AS	100.00%	Kristiansand
Kjøita 40 AS	100.00%	Kristiansand
Kompetansebygg Tangen AS	100.00%	Kristiansand
Kruse Smith Boligutvikling AS	100.00%	Sandnes
Kruse Smith Eiendomsutvikling AS	100.00%	Oslo
Kruse Smith Formålsbygg AS	100.00%	Kristiansand
Kruse Smith Hasseløy AS	100.00%	Førresfjorden
Kruse Smith Kanalboligen AS	100.00%	Sandnes
Kruse Smith Spesialprodukter AS	100.00%	Kristiansand
Kruse Smith Telecom AS	100.00%	Oslo
KSE Byutvikling AS	100.00%	Kristiansand
KSE Byutvikling I AS	100.00%	Kristiansand
Lindesnes Ferieleiligheter AS	100.00%	Kristiansand
Lindesnes Hotell AS	100.00%	Kristiansand
Nygårds Jorde AS	100.00%	Kristiansand
Resource Telecom AS	100.00%	Oslo
Skutle AS	100.00%	Oslo
Strandgaten 41 AS	100.00%	Sandnes
Vaagsbyen Bolig AS	100.00%	Kristiansand
Vaagsbyen Dagligvare AS	100.00%	Kristiansand
Vaagsbyen Kjøreskole AS	100.00%	Kristiansand
Vaagsbyen Næringsutleie AS	100.00%	Kristiansand
Vindmøllegangen AS	100.00%	Kristiansand
Kragerø Utvikling AS with subsidiaries	51.00%	Kristiansand



Stocks and shares reported as non-current assets	Registered business address	Voting rights and shareholding in %	Acquisition cost	Carried equity on acquisition	Opening balance 01/01	Recognised profit/loss	Addition/disposal	Other changes	Share of equity 31/12	Closing Balance as of 31/12	Of which added value
Shares and participations in associated companies (20–50% shareholding)											
Akost GmbH	Germany	40.00%	2000	669	1 881	180	0		1 107	2 061	954
Arendal Utvikling AS	Arendal	50.00%	505	505	275	-1 217			-942	-942	0
AQ Hotelleiendom AS	Kristiansand	50.00%	60	60	-138	-1 097	26 125		24 890	24 890	0
AQ Næring AS	Kristiansand	50.00%	60	60	-217	375	17 500		17 658	17 658	0
AQ Parkering AS	Kristiansand	50.00%	60	60	-52	47	8 000		7 995	7 995	0
Aquarama Kristiansand AS	Kristiansand	50.00%	53	53	-9 736	-18 353	3 500		-4 012	-24 589	-20 577
Ausviga Eiendom AS	Kristiansand	50.00%	503	503	146	-353			-207	-207	0
Bergesletta Utvikling AS	Kristiansand	33.33%	102	102	-8	-91			-99	-99	0
BRKS Holding AS	Kristiansand	50.00%	50	50	-124	-190			-314	-314	0
Bryggen Senter Hommersåk AS	Sandnes	50.00%	3 405	3 405	2 183	-226			2 957	1 957	-1 000
Bryggerrestauranten AS	Sandnes	50.00%	200	44	9	-5	0		4	4	
Buggeland AS	Stavanger	33.33%	508	508	542	1 396		-1 430	508	508	0
Bytoppen AS	Kristiansand	50.00%	2 703	2 703	2 702	-198		0	2 504	2 504	
Bærumsveien Butikkeiendom AS	Oslo	50.00%	255	255	256	0	-256		0	0	
Greverud Kjøpesenter AS	Oslo	50.00%	27 697	4 301	28 515	0	-28 515		0	0	0
Greverud Utvikling AS	Oslo	50.00%	12 666	1 010	12 636	0	-12 636		0	0	0
Eidet AS	Kristiansand	50.00%	2 747	747	216	-169			47	47	0
Gauselbakken Nord AS	Stavanger	33.33%	300	300	59	0	-59		0	0	0
Hagltårnet Næring AS	Sandnes	50.00%	6 763	6 763	3 762	0	-3 762		0	0	0
Hagltårnet Holding AS	Stavanger	50.00%	3 762	3 762	0	-763	3 762		3 981	2 999	-982
Hamrevann AS	Bærum	20.00%	20 000	-124	24 527	-199	0		5 155	24 328	19 173
Hanapiren AS	Kristiansand	50.00%	2 250	1 250	230	-4	0		226	226	0
Harald Hårfagresgt 124 AS	Sandnes	50.00%	2 505	2 505	985	713	0		1 698	1 698	0
Heidrun Boliger AS	Stavanger	50.00%	505	5 005	0	-627	505		18	-122	-140
Hinna Brygge AS	Stavanger	50.00%	1 013	1 013	104	-11			93	93	0
Jernbaneveien Flekkefjord AS	Kristiansand	50.00%	610	600	2 496	602		0	3 098	3 098	0
Jørpeland Tomter AS	Sandnes	50.00%	506	506	469	-10			459	459	0
Jørpeland Utviklingsselskap AS	Sandnes	35.00%	1 781	1 781	1 179	-19			1 160	1 160	0
Kanalsletta Utvikling AS	Stavanger	33.33%	50	50	4 562	793			10 643	5 355	-5 288
Karmsundgaten Mediehus AS	Haugesund	50.00%	9 050	9 013	-1 043	668	0	0	6 362	-375	-6737
Karpos AS	Grimstad	50.00%	429	1	425	0			-10	425	435
Kastellodden AS	Kristiansand	50.00%	6 594	352	0	-451	6 594		-134	6 143	6 277
Lauvåsen Helsebygg AS	Kristiansand	23.60%	238	238	155	-1 056	0	0	-901	-901	0
Madla Byutvikling	Sandnes	33.33%	304	304	-7 195	-1 630			-8 825	-8 825	0
Malmö Utvikling AS	Kristiansand	40.00%	42	42	13	-60			-47	-47	0
Nybyen Utvikling AS	Kristiansand	50.00%	503	503	-2 781	-9	4 500		1 710	1 710	0
Nådlandskvartalet	Sandnes	33.33%	700	700	447	-47			400	400	0
Odden Næringsbygg AS	Kristiansand	50.00%	3 150	3 150	8 213	365			8 761	8 578	-183
Prestebekken Eiendom AS	Kristiansand	50.00%	6 554	6 554	399	-818	1 000		581	581	
Pynteneset AS	Stavanger	21.50%	28	28	28	-8	0		20	20	
Pynteneset Eiendom AS	Stavanger	25.00%	225	225	-2 694	-251			-2 945	-2 945	0
Randesund Tomteutvikling AS	Kristiansand	23.60%	6 037	493	6 220	-157	0		519	6 063	5 544
Randesund Tomteutvikling											
Næringspark AS	Kristiansand	23.60%	1 566	128	1 813	1 289	0		1 664	3 102	1 438
Randesund Tomteutvikling Prosjekt											
N3 AS	Kristiansand	23.60%	237	21	228	0	0		12	228	216
Rauland Fritidsbolig AS	Kristiansand	50.00%	1 000	497	670	-63			97	607	510
REKS Holding AS	Oslo	50.00%	27 307	27 307	0	-1 924	27 307		25 383	25 383	0
Rundeskogen AS	Sandnes	50.00%	53	53	10 208	7 403	-17 611	0	0	0	0
Rona Senter AS	Lillesand	50.00%	7 500	1 969	7 294	-592	0		1 171	6 702	5 531
Rosenlund Utviklingsselskap AS	Sandnes	50.00%	1 500	1 500	0	-35	1 500		1 465	1 465	0
Siriskjær Utbygging AS	Sandnes	50.00%	5 710	4 729	7 646	6 087	0		12 752	13 733	981
Sporafjell Utviklingsselskap AS	Stavanger	50.00%	1 005	1 005	1 005	-333	0		672	672	0
Tangen Kristiansand AS	Kristiansand	40.00%	20 002	20 002	18 179	-3 631	11 661		26 335	26 209	-126
Tangen Pluss AS	Kristiansand	50.00%	507	507	10 302	8 833		-18 550	585	585	0
Tastarustå Byutvikling AS	Sandnes	33.33%	300	300	771	566		0	1 337	1 337	0
Åsedalen Boligpark AS	Stavanger	25.00%	236	236	3 518	82	0		602	3 600	2 998
<b>Total</b>					<b>141 280</b>	<b>-5 198</b>	<b>49 15</b>	<b>-19 980</b>	<b>156 193</b>	<b>165 217</b>	<b>9 024</b>
Companies with negative value presented as other provisions for liabilities (non-current)					21 902					39 366	
<b>Balance sheet value in the financial statements</b>					<b>163 182</b>					<b>204 583</b>	

Some of the associated companies also have underlying subsidiaries and associated companies.

OTHER LONG-TERM SHAREHOLDINGS:	Shareholding in %	Number	Cost price	Book value
Jåsund Utviklingselskap AS	17.00%	178	890	890
Sørbø Hove AS	15.00%	320	1 105	1 105
Nord-Jæren Utvikling AS	12.60%	882	3 047	3 047
Urban Sjøfront AS	9.09%	100	100	100
Vennesla Vekst AS	1.88%	10	10	10
Lokal Veitvikling AS	5.88%	10	10	10
Other shares			98	98
<b>Total</b>			<b>5 260</b>	<b>5 260</b>

**NOTE 4 RESTRICTED BANK DEPOSITS, RECEIVABLES AND DEBT**

(All figures are in 1,000)

**Restricted bank deposits**

Restricted bank deposits for advance tax deductions totalling NOK 32,376 are included below.

Bank deposits in the balance sheet. The overdraft facility limit is NOK 365,000 as of 31/12/2013.

In addition, the Group has NOK 211 in an escrow account. The unused overdraft facility is NOK 354,755.

**Outstanding receivables**

Non-invoiced production is included in trade receivables in the amount of NOK 395,327, cf. additional information in note 6.

Outstanding receivables have been written down together by an amount of NOK 31,149 to account for foreseeable losses.

**Confirmed losses have been recognised in the financial statements.**

Total provisions are estimated to be sufficient to cover potential losses on total receivables.

**Other financial instruments**

This applies to mutual funds/fixed income funds that can be liquidated within a short period of time.

This item has been liquidated as of 31/12/2013.

	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>Receivables with maturity more than one year in the future</b>				
Other non-current receivables	0	0	96 714	157 241
<b>Total</b>	<b>0</b>	<b>0</b>	<b>96 714</b>	<b>157 241</b>

	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>Non-current liabilities with maturity more than five years in the future</b>				
Liabilities to credit institutions	0	0	236 501	91 019
Other non-current liabilities	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>236 501</b>	<b>91 019</b>

	GROUP	
	2013	2012
<b>Specification of other non-current liabilities</b>		
Leasing obligations	18 206	17 781
Other non-current liabilities	23	19 428
Interest-free municipal debt	4 974	4 975
<b>Total</b>	<b>23 203</b>	<b>42 184</b>

**NOTE 5 GUARANTEES AND SURETIES**

(All figures are in 1,000)

	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>Guarantee/surety liability:</b>				
Contractor guarantees and guarantees pursuant to the Norwegian Housing Construction Act	0	0	750 794	613 160
Parent company guarantee	2 220 810	1 975 295	0	0
Surety liability	0	22 600	272 547	887 347
<b>Total guarantees:</b>	<b>2 220 810</b>	<b>1 997 895</b>	<b>1 023 341</b>	<b>1 500 507</b>
<b>Debt secured by mortgage</b>	<b>0</b>	<b>0</b>	<b>1 002 585</b>	<b>574 625</b>
<b>The book value of assets pledged as security for loans and guarantees is as follows:</b>				
Outstanding trade receivables			1 239 995	874 933
Shares			454 412	165 050
Inventory			398 406	209 690
Motor vehicles			119 651	113 729
Real property including plots of land and projects for own account			227 858	144 318
<b>Total:</b>	<b>0</b>	<b>0</b>	<b>2 440 322</b>	<b>1 507 720</b>

	GROUP	
	2013	2012
The company's book guarantee commitment comprises		
- Provision for commitments (non-current)	0	0
- Guarantee commitment included in current liabilities	26 315	41 854
<b>Total</b>	<b>26 315</b>	<b>41 854</b>

In addition, the company has guaranteed continuing operations for the following companies: Aquarama Kristiansand AS and Ausviga Eiendom AS.

**Multiple account system:**

A multiple account system has been set up whereby Kruse Smith AS is the main account holder with the bank.

Certain other subsidiaries participate via sub-accounts. The company financial statements recognise the balances of the corporate accounts as bank deposits or bank liabilities. Kruse Smith Entreprenør AS is jointly and severally liable in respect of the bank together with the participants in the corporate account scheme. A working capital facility has been extended to the Group as a whole under the scheme.

The Group's (and participants in the scheme) unused credit facility is 354,755 as of 31/12.



**NOTE 6** GOODS/WORK IN PROGRESS

(All figures are in 1,000)

	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
Raw materials in stock	0	0	8 288	7 840
Plots of land for projects/projects for own account	0	0	601 295	330 160
<b>Total</b>	<b>0</b>	<b>0</b>	<b>609 583</b>	<b>338 000</b>

	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>Work in progress</b>				
Completed production		0	9 504 176	3 170 242
Accrued expenses	0	0	-8 745 102	-2 858 401
<b>Net value</b>	<b>0</b>	<b>0</b>	<b>759 074</b>	<b>311 841</b>
<b>Valued as owing, included in trade receivables:</b>	<b>0</b>	<b>0</b>	<b>395 327</b>	<b>322 486</b>
<b>Advance payments from customers included in other current liabilities:</b>	<b>0</b>	<b>0</b>	<b>244 669</b>	<b>216 820</b>

**NOTE 7** INTRAGROUP ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATED COMPANIES

(All figures are in 1,000)

**PARENT COMPANY:**

## Receivables and debt to Group companies and associated companies

	2013		2012	
	Associated companies	Other companies in the Group	Associated companies	Other companies in the Group
Non-current receivables (maturing more than one year in the future)	0	0	0	0
Current receivables	0	72 598	0	50 490
Current liabilities	0	27 365	0	0
Non-current liabilities	0	12 072	0	20 409

**GROUP:**

## Receivables and debt to Group companies and associated companies

	2013		2012	
	Associated companies	Other companies in the Group	Associated companies	Other companies in the Group
Non-current receivables (maturing more than one year in the future)	84 773	0	154 193	0
Current receivables	11 155	24	6 315	10
Trade receivables	45 575	0	62 978	0
Current liabilities	0	61	0	61
Non-current liabilities	0		17 691	

Interest is not normally assessed on intragroup receivables and liabilities.

**NOTE 8** SHARE CAPITAL AND SHAREHOLDER INFORMATION

(Amounts in whole NOK)

## PARENT COMPANY AND GROUP

	Number	Nominal value	Book value
<b>The share capital comprises:</b>	<b>16 720 000</b>	<b>7</b>	<b>117 040 000</b>
All shares have equal voting rights.			

## The company had the following shareholders as of 31/12/2013:

	Number	Shareholding %
Kruse Smith Gruppen AS	14 203 676	84.95%
Kambrium AS	2 181 924	13.05%
Ankers Invest AS	334 400	2.00%
<b>TOTAL</b>	<b>16 720 000</b>	<b>100%</b>

## Shares held by Board members and CEO

	Role	Shareholding
Tomas Leire *	Board Member	73.68%
Johannes Kambo *	Board Member	13.05%
Jan A. Hestås	Group CEO	2.00%

\*Indirect shareholding via the companies Kruse Smith Gruppen AS and Kambrium AS.

**NOTE 9** PENSIONS

(All figures are in 1,000)

**GROUP**

The Group has a pension scheme covering 2 people in Kruse Smith Entreprenør AS. The scheme provides entitlement to defined future benefits. These mainly depend on years of service, salary at retirement and the extent of benefits received from the Norwegian National Insurance Scheme. The collective pension agreement has been financed through the accumulation of funds organised by an insurance company.

In addition, the Group is part of the early retirement pension scheme which extends to all employees. This is partly financed by the company's operations.

The company also has a contractual early retirement scheme. The new contractual early retirement scheme, which is effective from 1 January 2011, is to be regarded as a defined-benefit multiple-company scheme, but is recognised in the accounts as a defined-contribution scheme until reliable and sufficient information is available allowing the Group to recognise its proportional share of the pension cost, pension obligations and plan assets in the scheme. The company's pension obligations are therefore not recognised as liabilities.

The early retirement pension obligation under the old scheme was carried as a liability and was recognised in income in 2010, with the exception of the obligation related to former employees who have now retired under this scheme.

The pension liability reported on the balance sheet includes a provision to cover the deficit from the old early retirement scheme. The Group CEO has a separate pension scheme. In addition, 1 person has a separate agreement related to early retirement. The Company also has a defined-contribution pension scheme that covers all employees.

Defined-benefit scheme (All figures in 1,000)	2013	2012
Present value of pensions accrued during the period	131	109
Capital cost of pension cost	293	338
<b>Gross pension cost for the year</b>	<b>424</b>	<b>447</b>
Projected return on plan assets	182	-334
Recognised changes in estimates and deviations	0	1 530
Provision for deficit in previous early retirement scheme	880	2 642
Change in recognised liabilities related to previous early retirement scheme	0	0
<b>Pension cost for the year</b>	<b>1 486</b>	<b>4 285</b>
Accrued employer's contribution	0	0
<b>Pension cost for the year (including employer's contribution)</b>	<b>1 486</b>	<b>4 285</b>
<b>Cost of defined-contribution scheme (including employer's contribution)</b>	<b>20 147</b>	<b>21 049</b>
<b>Other pension costs</b>	<b>741</b>	<b>673</b>
<b>Total pension costs including employer's contribution</b>	<b>22 374</b>	<b>26 007</b>
Pension payments for the year, defined-contribution scheme	1 493	2 317
Investments in pension funds	0	0
Accrued gross pension liability	7 891	8 052
Other pension liabilities	6 371	4 380
<b>Estimated gross pension liabilities</b>	<b>14 262</b>	<b>124 32</b>
Plan assets (at market value)	-7 515	-7 110
Unrecognised changes in estimates and deviations	-1 406	-1 043
<b>Estimated net pension liability (including employer's contribution) as of 31/12</b>	<b>5 341</b>	<b>4 279</b>
Employer's contribution included at	817	678
Provision for deficit included in pension liability	2 807	2 807
Estimated pension liability (including employer's contribution) as of 31/12, early retirement scheme	-7 578	-5 855
Estimated plan assets (including employer's contribution) as of 31/12, collective pension scheme	1 722	1 576
<b>Assumptions used in the calculation of pension liabilities:</b>		
Discount rate	4.00%	3.90%
Expected return on plan assets	4.40%	4.00%
Payroll adjustment	3.75%	3.50%
Pension adjustment	2.75%	2.50%
Adjustment of the National Insurance base amount	3.50%	3.25%
Turnover	4.00%	4.00%
Employer's (pension) contribution	10.6 – 14.1%	10.6 – 14.1%
Propensity to withdraw from early retirement scheme from 62 - 67 years of age	35%	35%
Number of active participants/right-holders in the early retirement scheme	0	0
Average age	65	65
Number of beneficiaries	13	15

The actuarial assumptions are based on normal conditions used in the insurance business in terms of demographic factors and resignation/retirement. The company is obliged to maintain an occupational pension scheme pursuant to the Norwegian Act on Mandatory Occupational Pensions. The company and the Group are in compliance with the provisions of the Norwegian Act on Mandatory Occupational Pensions.

**NOTE 10 TAX**

(All figures are in 1,000)

	PARENT COMPANY		GROUP	
The tax cost for the year is distributed as follows:	2013	2012	2013	2012
Current tax	0	0	8 299	13 145
Tax on Group contributions	0	0	0	0
Tax payable, previous years	0	0	0	0
Other changes	0	0	0	0
Effect of modified tax rate from 28% to 27%	0	0	-22	
Tax effect of intragroup contributions received/paid	-260	0	0	0
Change in deferred tax	126	-126	7 380	9 578
<b>Total tax cost</b>	<b>-134</b>	<b>-126</b>	<b>15 657</b>	<b>22 723</b>
	PARENT COMPANY			
<b>Calculation of tax basis for the year:</b>	<b>2013</b>	<b>2012</b>		
Profit/loss before tax	43 185	67 393		
Permanent differences	0	0		
Share of profit from subsidiaries and associated companies	-43 664	-67 843		
Change in temporary differences	0	0		
Tax loss carried forward	-450	0		
Intragroup contributions received	25 795	0		
Intragroup contributions paid	-24 866	0		
<b>Tax basis for the year</b>	<b>0</b>	<b>-450</b>		
28% tax	0	0		
<b>Tax payable according to the balance sheet</b>	<b>0</b>	<b>0</b>	<b>5 165</b>	<b>722</b>
	PARENT COMPANY		GROUP	
<b>Overview of temporary differences:</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Receivables	0	0	-2 3591	1 006
Goods	0	0	25 479	39 310
Non-current assets	0	0	41 440	48 513
Provisions under generally accepted accounting principles	0	0	-24 046	-44 704
Capitalised leases	0	0	0	0
Pension provision	0	0	-8 007	-8 661
Pension plan assets	0	0	1 722	1 576
Monetary fund, securities	0	0	0	0
Profit and loss account	0	0	7 007	6 752
Other differences	0	0	-688	-299
Production contracts	0	0	468 139	448 944
<b>Total with an impact on changes in temporary differences</b>	<b>0</b>	<b>0</b>	<b>487 455</b>	<b>492 437</b>
Securities	0	0	0	0
Unutilised remuneration	0	0	0	0
Loss carry-forwards	0	-450	-41 898	-104 226
Other differences	0	0	3 630	46 748
<b>Total temporary differences</b>	<b>0</b>	<b>-450</b>	<b>449 187</b>	<b>434 959</b>
Cannot be set off	0	0	28 724	33
<b>Basis for deferred tax/(deferred tax asset)</b>	<b>0</b>	<b>-450</b>	<b>477 911</b>	<b>434 992</b>
<b>28% deferred tax/(deferred tax asset)</b>	<b>0</b>	<b>-126</b>	<b>129 036</b>	<b>121 798</b>
Deferred tax as of 01/01	-126	0	121 798	107 819
Unrecognised change in deferred tax for the year	126	-126	7 380	9 577
Adjustment in deferred tax on addition/disposal of subsidiaries, etc.	0	0	-142	4 402
<b>Deferred tax/tax assets as of 31/12</b>	<b>0</b>	<b>-126</b>	<b>129 036</b>	<b>121 798</b>
<b>Recognised deferred tax assets that cannot be offset</b>	<b>0</b>	<b>0</b>	<b>3 462</b>	<b>3 943</b>
<b>Recognised deferred tax/deferred tax assets</b>	<b>0</b>	<b>0</b>	<b>132 496</b>	<b>125 739</b>



**NOTE 11 BUSINESS SEGMENTS**

(All figures are in 1,000)

Revenue breakdown	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>By business segment:</b>				
Building construction	0	0	2 826 656	3 033 193
Road and rail construction	0	0	727 672	616 763
Property	0	0	802 158	776 716
Internal eliminations	0	0	-312 817	-321 814
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4 043 669</b>	<b>4 104 858</b>
<b>Revenue from contracting activities by region (excluding property and eliminations):</b>				
Southern Norway	0	0	1 141 206	1 212 456
Western Norway	0	0	1 512 762	1 481 890
Eastern Norway			172 688	338 847
Road and rail, the entire country	0	0	727 672	616 763
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3 554 328</b>	<b>3 649 956</b>

The regional offices have also carried out individual assignments in addition to the geographical regions mentioned above.

These revenues are recognised as revenues generated by the regional offices in charge of the respective assignment.

**NOTE 12 PAYROLL COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES, ETC.**

(All figures are in 1,000)

Payroll costs	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
Salaries	441	330	596 079	576 137
Employer's (pension) contribution	62	47	83 451	81 235
Pension costs	0	0	23 239	23 210
Other benefits	0	0	31 647	29 675
<b>Total</b>	<b>503</b>	<b>377</b>	<b>734 416</b>	<b>710 257</b>

Payroll costs for the parent company relate to fees paid to the Board of Directors.

The number of employees as of 31/12/2013 was 0 for the parent company and 986 for the Group.

Remuneration for senior executives:	2013		2012	
	Group CEO	Board of Directors	Group CEO	Board of Directors
Salary/Board fees	2 179	441	2 005	330
Pension expenses	784	0	714	0
Other remuneration	40	0	47	0
Loans as of 31/12	205		265	

An early retirement pension agreement has been entered into with 2 senior executives, including the Group CEO. The Group CEO has entered into a results-based bonus scheme for 2013 with a maximum achievable bonus of NOK 600,000.00, inclusive of holiday pay. The Group CEO is not included in the bonus scheme applicable to other employees or to corporate management. The Group has a scheme in place whereby employees can take out loans, via Nordea Finans, and whose total loan balance as of 31/12/2013 is NOK 35,418.00. Interest gains are reported. There are no individual loans/sureties which comprise more than 5% of the company's equity. The term of repayment is normally 100 months or 8.3 years. On default by a debtor, the Group is liable for its own debt and not merely as surety, though upwardly limited to 20% of the loan amount or a maximum NOK 10 million. No other loans have been granted to the Chairman of the Board or other related parties with the exception of loans to Group companies. The company has a bonus agreement for employees which also covers company management. There are no option agreements.

**Auditor**

Parent company	2013	2012
Recognised remuneration paid to the auditor breaks down as follows:		
Statutory audit (including technical assistance with financial statements)	123	114
Other certification services		
Tax consultation (including technical assistance with tax assessment)	0	0
Other assistance	14	19
<b>Total remuneration to auditor</b>	<b>137</b>	<b>133</b>
<b>Remuneration to cooperating legal firms</b>	<b>0</b>	<b>0</b>
Amounts are exclusive of VAT.		
<b>Group</b>	<b>2013</b>	<b>2012</b>
Recognised remuneration paid to the auditor breaks down as follows:		
Statutory audit (including technical assistance with financial statements)	1 856	1 937
Extended audit and control procedures	0	0
Other certification services	45	23
Tax consultation (including technical assistance with tax assessment)	49	44
Other assistance	680	843
<b>Total remuneration to auditor</b>	<b>2 629</b>	<b>2 846</b>
<b>Remuneration to cooperating legal firms</b>	<b>644</b>	<b>791</b>
The consolidated figures are partly inclusive of VAT.		

**NOTE 13 CONTINGENCIES AND COMMITMENTS**

The Group is involved in a number of disputes as either defendant or claimant. These legal cases are not thought to have a significant impact on the Group's financial position, whether individually or in the aggregate.

The Group has a number of commitments related to project financing where the initiation of the projects is contingent upon public approval.

**NOTE 14 RELATED PARTIES**

The company is part of the Kruse Smith Gruppen AS corporation and is a related party with the other Group companies. Transactions between Group companies are effected on market terms, with the exception of individual loans which are provided as interest-free financing.

Companies in the Group have performed minor assignments for shareholders in 2013, all at market prices. Work among the companies has been carried out on market terms. The sale of financial assets between companies in the Group is conducted at fair value.

The company's transactions with related parties:	PARENT COMPANY		GROUP	
	2013	2012	2013	2012
<b>A) SALE OF GOODS AND SERVICES</b>				
Sale of goods:				
– Associated companies	0	0	215 797	442 726
Sale of services:				
– Parent company	0	0	34	21
– Associated companies	0	0	395	9 545
<b>B) PURCHASE OF GOODS AND SERVICES</b>				
Purchase of goods:				
– Associated companies	0	0	0	0
Purchase of services:				
– Subsidiaries	34	21	0	0

**NOTE 15 FINANCIAL MARKET RISK**

(All figures are in 1,000)

The Group utilises various financial instruments in connection with the management of financial risk. The company's activities carry various types of financial risk: market risk (including currency, interest rate and price risk), credit risk and liquidity risk. The company has a low level of sensitivity to changes in change rates, strong cash flows, relatively low interest rate exposure and modest losses on trade receivables. The company's policy is to limit parts of its interest rate risk by utilising interest rate hedging instruments.

**Interest rate risk**

The company has entered into interest rate hedging agreements (swaps) in order to hedge against earnings fluctuations caused by changes in the interest rate. Loan agreements were originally concluded at floating interest rates, with subsequent interest rate hedging agreements entered into to secure a fixed rate.

The interest rate swap agreements entered into are structured as follows:

Currency	NOK million	Interest rate (fixed)	Maturity	Value
NOK	50	3,23	2016	-1,814
NOK	50	3,74	2017	-3,025

The interest yield on deposits is also affected by the interest rate level. The funds are invested in floating interest rate accounts.

**Credit risk**

The company is exposed to credit risk related to receivables from Group companies, associated companies and other accounts receivable.

The risk of counterparties being unable to meet their commitments is considered to be low.

Historically, bad debts have been low and contracts are largely secured through bank guarantees.

**Currency risk**

The company's exposure to currency risk is low as income and costs are normally in the same currency.

The same also applies to investments and financing.

**Price risk**

The company's investments mainly comprise investments in subsidiaries and associated companies.

The value of these investments is mainly related to underlying development projects at these companies.

**Liquidity risk**

The company's financing is based on bank financing combined with project financing.

Please see the statement of cash flow for information regarding unutilised overdraft facilities.

**NOTE 16 OTHER FINANCIAL INCOME, OTHER FINANCIAL EXPENSES AND OTHER PROVISIONS FOR LIABILITIES**

The item Other financial income includes a gain on the sale of shares amounting to NOK 11,772 for the Group.

The item Other provisions for liabilities includes deferred recognition of unrealised intragroup gains on the sale of shares in the amount of NOK 8.8 million for the Group.

The Group has insignificant foreign exchange gains and losses.







To the Annual Shareholders' Meeting of Kruse Smith AS

## Auditor's report

### Report on the Financial Statements

We have audited the financial statements of Kruse Smith AS, which comprise the financial statements of the company, showing a profit of NOK 43,319,000.00, and the financial statements of the Group, showing a profit of NOK 48,063,000.00. The company financial statements and consolidated financial statements comprise the balance sheet as of 31 December 2013, the income statement and cash flow analysis for the year then ended, and a description of significant accounting policies and other explanatory notes.

#### *The Board of Directors' and Group CEO's responsibility for the financial statements*

The Board of Directors and the Group CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal controls as the Board of Directors and Group CEO determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risk that the financial statements will contain material misstatements, whether due to fraud or error. In making such a risk assessment, the auditor considers the internal controls relevant to the company's preparation of financial statements that give a true and fair view. The objective is to design audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have collected forms a sufficient and appropriate basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been prepared in accordance with laws and regulations, and give a true and fair view of the company and Group Kruse Smith AS's financial position as of 31 December 2013, and of its financial performance and cash flows for the fiscal year then ended, in

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State authorised public accountants, members of the Norwegian Institute of Public Accountants and certified public accountant company*



accordance with the Norwegian Accounting Act and with generally accepted accounting practices in Norway.

### Opinion on other matters

#### *Opinion on the Annual Report*

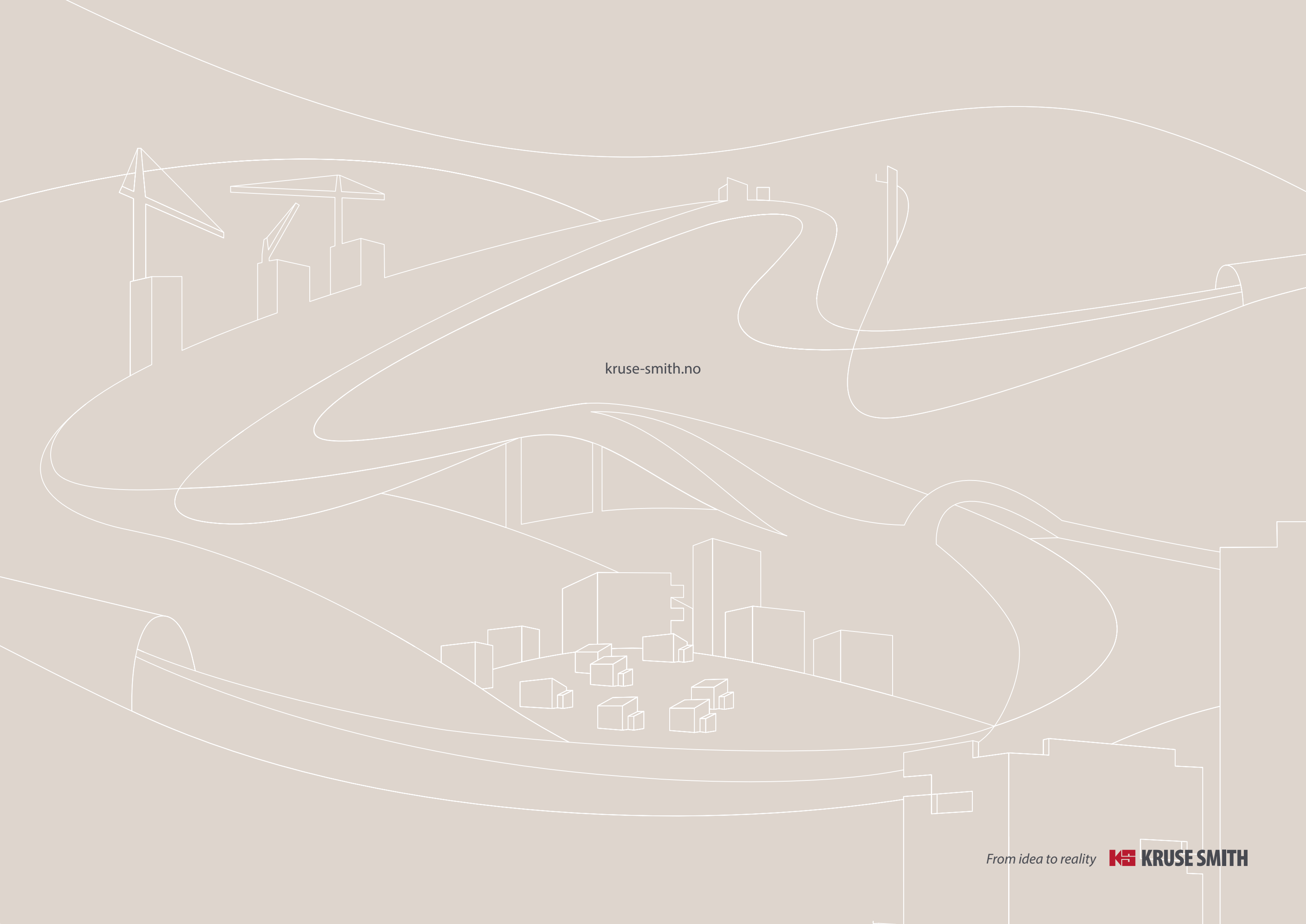
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on registration and documentation*

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

Kristiansand, 8 May 2014  
**PricewaterhouseCoopers AS**

Svein G Olsen  
State Authorised Public Accountant (Norway)

A minimalist line-art illustration of a landscape. The scene is composed of white outlines on a light beige background. In the foreground, a winding road curves across the frame. To the left, there are several buildings, including one with a tall, thin tower. In the middle ground, a bridge with two pillars spans across a valley. The background features rolling hills and more buildings, including a tall, thin tower. The overall style is clean and modern.

kruse-smith.no