KRUSE SMITH

Annual Report 2015

Clarion Hotel Air, Sola

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Photo: The Norwegian Public Roads Administration/Tor Arne Thorsen

Key figures for the Kruse Smith Group

(Figures in NOK million)	2015	2014	2013	2012	2011
Revenue	4,203	3,921	4,044	4,105	3,303
Pre-tax profit	52.1	102.1	63.7	100.2	81.2
Profit as % of revenue	1.2%	2.6%	1.6%	2.4%	2.5%
Equity	668.5	611.1	546.4	526.9	474.4
Equity ratio (%)	20.9%	19.1%	19.3%	20.7%	22.6%
Return on equity after tax (%)	8.6%	16.4%	9.0%	15.5%	13.2%
Number of employees	906	921	986	973	960
Revenue per employee	4.639	4.257	4.101	4.219	3.441
Orders on hand at 31 December	3,734	4,650	4,887	4,173	3,665

Kastellodden, Mandal

Board of Directors' report 2015

NATURE OF THE BUSINESS AND LOCATIONS

The Group is engaged in property development, home building and contract work within building, building renovations and Infrastructure. The business is run from our head office in Kristiansand with regional offices in Sola, Kristiansand and Oslo, and district offices in Haugesund, Bergen, Lyngdal, Arendal, Kragerø and Porsgrunn.

COMPANY STRUCTURE

The parent company Kruse Smith AS has not engaged in any business activity in 2015 other than owning shares in the subsidiaries.

Kruse Smith AS does not have any employees but the CEO of Kruse Smith Entreprenør AS is Group CEO and general manager of Kruse Smith AS.

The consolidated financial statements show the aggregated accounting figures for the Kruse Smith Group. The company financial statements include the share of profit in subsidiaries using the equity method. Read more about this in the notes to the financial statements.

GOING CONCERN

The annual report and financial statements have been prepared under the going concern assumption. This assumption is based on the profit forecast for 2016 and the company's and the Group's long-term forecasts for the years ahead. The Board of Directors considers the company and the Group to have a sound economic and financial position.

FINANCIAL RISK

Liquidity risk

Liquidity management has been a priority in 2015. The Group's liquidity varies significantly over the course of a month. Liquidity has fallen over the last year, although it improved significantly at the end of 2015. The Board of Directors will continue to monitor the development in liquidity closely in 2016.

The Group has cash resources of NOK 655 million, including an undrawn line of credit of NOK 350 million. The liquidity risk is mainly linked to projects. These vary significantly in terms of complexity, size, duration and risk. Settlement of some projects is associated with substantial risk, but the Board considers the overall project-related risk to be moderate.

Market risk

Foreign currency hedging is considered in connection with business activities that are directly exposed to and invoiced in foreign currencies. The company's debts are at floating interest rates, and the Group is therefore exposed to interest rate fluctuations. The Group has entered into swap contracts to limit this risk. Returns on cash holdings are also dependent on the interest-rate level and developments in the bond market. Funds are invested at floating rates.

Credit risk

The risk of counterparties being unable to meet their commitments is considered to be moderate. The Group has again in 2015 written down receivables considered to be uncertain. With a small number of exceptions, bad debts have historically been low, and contracts are largely secured by bank guarantees in accordance with Norwegian Standards. The Board of Directors assesses that financial uncertainties among our customers and counterparties will remain at the same level in 2016 as in 2015.

Financial targets

As part of its strategy, the Group has an equity ratio target of 25% and an overall pre-tax profit target of 4.5%. Profit in 2015 was 1.2%. Equity grew by 9.4% to NOK 669 million, giving an equity ratio of 20.9%.

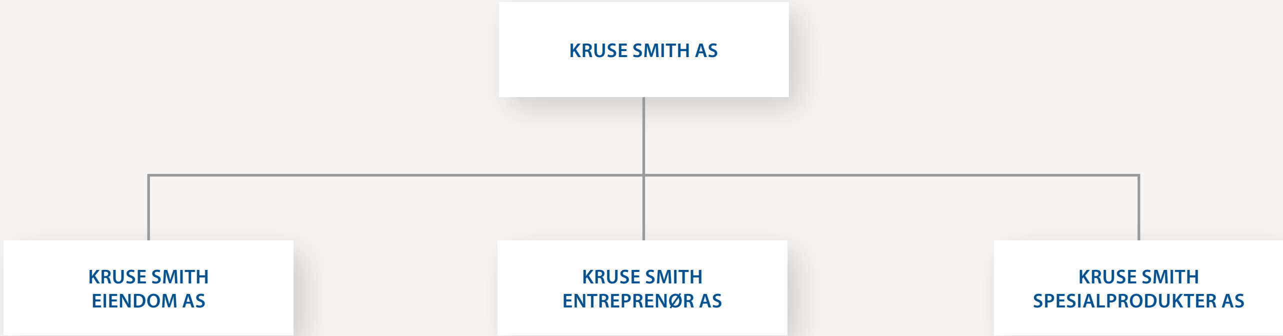
EQUALITY AND DISCRIMINATION

The Group has employees of various nationalities and backgrounds. We attach importance to no distinction based on ethnicity, national origin, sexual orientation, skin colour, religion, philosophy or gender being made in recruitment and day-to-day work. Among candidates with equal qualifications etc., preference is given to those who speak a Scandinavian language.

The Group aims to provide a workplace free from discrimination, and we work actively to facilitate and provide a physical working environment that is accessible to all. Individual adaptation of workplace and work tasks is carried out for employees with disabilities.

At the same time, the Group aims to be a workplace where there is full equality between women and men. The Group's staff policy incorporates guidelines on equality, which aim to ensure that there is no gender-based

COMPANY STRUCTURE:



differential treatment/discrimination in connection with salary, promotion and recruitment. We work consciously to increase the number of women in the company. In 2015, 92 of the Group's 906 employees were women (91 of 921 in 2014). There are a total of 84 (82) women among the administrative staff and 8 (9) among the skilled workers. Salary differentials within comparable positions are very small.

The Board of Directors comprises four men and two women.

EMPLOYEES AND WORKING ENVIRONMENT
At 31 December 2015, the Group had 906 employees: 846 in Kruse Smith Entreprenør AS and 60 in Kruse Smith Eiendom AS, including 466 skilled workers and 42 apprentices. The Group aims for the number of apprentices to be approx. 10% of the number of skilled workers.

The companies and the Group have an active system of employee representation. The regular cooperation between the employees' organisations and the Group has been constructive and has made a positive contribution to operations.

The sickness absence rate was 4.4 %, against 4.3% in 2014. Sickness absence in the sector in 2015 was 4.9%. The Group had an internal target of a sickness absence rate of less than 4.5% in 2015; this target has been retained for 2016. Measures to reduce sickness absence and the associated costs are implemented on an ongoing basis. Further measures will be taken in 2016. Committees for an inclusive working environment will be set up in the various districts, with additional active measures to target individuals and groups. We take an active approach towards reducing the costs associated with sickness absence, including active cooperation with the Norwegian Labour and Welfare Administration (NAV).

The Group will continue to focus on reporting of undesirable incidents (RUI) and initiate further injury prevention measures on an ongoing basis. In 2015, the Group achieved an H-value of 3.1, down from 3.2 in 2014. In total, there were five injuries resulting in absence in the Group, which is the same as in 2014. The H-2 value was 7.6 (10.2), equivalent to seven persons having required alternative work. The H-2 value represents the number of injuries that required alternative work plus the number of injuries resulting in absence per million hours worked. None of the five injuries resulting in absence will lead to permanent injury, but three of the injuries could have had more serious outcomes. Two of these injuries were reviewed, and a learning document drawn up. There were various causes for the injuries resulting in absence in 2015, and no particular trends have emerged in terms of nature of injury. However, it is apparent that young employees under the age of 26 are more susceptible to injury than their older colleagues. The Group has launched an initiative – "Ung i Kruse" – to raise awareness of the risk of injury among this employee group.

The Group has had relatively few injuries resulting in absence in recent years and is working purposefully to reduce these figures further. The Board of Directors still considers the H-value to be low. In 2015, the average H-value for the sector was 6.1. The company has a system for assigning lighter duties to employees who have suffered a minor injury of a temporary nature. The annual HSE bonus scheme for all employees will continue in 2016. The bonus is intended to serve as a motivating factor to reduce sickness absence and injuries resulting in absence, and to improve the quality of HSE at construction and building sites. The Group has been an 'inclusive workplace' (IA-bedrift) since 1 January 2003.

A series of themed days focusing on HSE were held in 2015. These were a great success and will be repeated in 2016.

EXTERNAL ENVIRONMENT
The Group takes environmental aspects into consideration when implementing projects, and focuses on the environment at every stage from planning and implementation to operation, maintenance, sorting of waste and recycling.

The activities of the Group do not pollute the external environment more than is normal for the sector. The Group sorts waste by source and strives to choose environmentally friendly solutions. The Group reports separately on greenhouse gas emissions and aims to reduce its environmental footprint by 20% from 2013 to 2017.

Impact on the external environmental essentially involves energy consumption, waste and use of substances and materials that are hazardous to health and the environment. The Group has good routines in place to ensure that noise, dust, vibrations, transport and emissions are dealt with safely, with respect to both the environment and people living near buildings and construction sites. Kruse Smith is a member of IEH, Ethical Trading Initiative Norway.

RESEARCH AND DEVELOPMENT
The Group maintained its focus on R&D in 2015. The mandate for R&D is to keep up-to-date with new methods, processes and materials that can be used to make building projects more efficient, and to develop our core expertise. A significant proportion of R&D resources is spent on improving how the work is structured to make it more purposeful. The Group has continued and stepped up its use of BIM (Building Information Modelling) in planning work. The R&D department also works on standardisation of building methods and solutions. The Group has also started using VDC (Virtual Design and Construction) in projects, in conjunction with certification obtained from Stanford University.

QUALITY WORK
Kruse Smith renewed and recertified its ISO 9001 quality management system in 2015.

The certificate is an important tool in maintaining systematic and continuous improvements. The quality system will play an important role in developing Kruse Smith's competitiveness, and means that we have a system in place that makes it easier to document 'best practice' for employees in the Group.

MARKET DEVELOPMENT *
Statistics Norway's production index for construction showed overall growth of 2.2% for the building and construction market in 2015, with construction increasing by 8.8% and building by 0.6%. The building and construction market is expected to grow by 4.1% in 2016. The housing market is expected to grow by approx. 3.8% and construction by 14.9%, while non-residential building is expected to fall by 1.7%. These forecasts do not include renovations, conversions and extensions, which are expected to total approx. NOK 180 billion in 2016.
*Source: Statistics Norway/Federation of Norwegian Construction Industries

Statistics Norway's data show that permits were issued for 29,400 new homes in 2015, an increase of 2,250 from 2014. This figure is expected to increase by 3.8% in 2016. Most of the fluctuation in this market occurs in the apartment/multi-family housing segment. The market for detached homes and small houses is relatively stable. The building and construction market is expected to have a total value of approx. NOK 400 billion in 2016.

Regional differences
Regional differences in Kruse Smith's geographical areas are apparent within both property development and contracting (building). The fall in oil prices has had a significant impact on building demand. Several thousand employees in the oil service industry have lost their jobs, engendering uncertainty and a 'wait-and-see' attitude to buying new homes. This in turn has impacted the demand for commercial buildings, with many premises now empty in both Agder and Rogaland. Increased demand for homes is still expected in Eastern Norway but with a slight fall in demand for non-residential buildings. At present, the oil price fall does not seem to be affecting this region.

Where public buildings such as schools and healthcare facilities are concerned, significant growth is expected in this market segment going forward. Kruse Smith's construction division also appears to have good market potential in the coming years, within both rock (tunnel) and concrete constructions (bridges, culverts, etc.).

REVENUE AND FINANCIAL RESULTS
Results in 2015 were weak. The Group achieved a pre-tax profit of NOK 52 million, a reduction of NOK 50 million on 2014. The parent company reported a profit of NOK 53 million, compared with NOK 85 million in 2014. Profit for the year is not at a satisfactory level for the Group.

The year was dominated by a substantial write-down on one project.

The Board of Directors and management focus on analysing non-conformances and remedying weaknesses in daily routines via our quality system. There is special focus on risk management in projects and risk analysis ahead of projects.

Results from contracting activities in 2015 are characterised by a very weak result for the construction division. Region South, Region West and Region East delivered results in line with expectations.

The Group has a small number of ongoing disputes that are expected to be resolved via the legal system.

The Group has brought together its expertise and activities within property development, sale of homes and production of wooden buildings in the company Kruse Smith Eiendom AS. Results for 2015 were affected by a lower level of activity in the property market and were significantly weaker than expected. Housing sales increased compared with 2014, but remained lower than expected, with sales of homes in Region West particularly poor. The Group's primary market is the southern part of Western Norway, where the fall in the oil price has led to a market slump and a 'wait-and-see' attitude in the market for commercial property and homes, as well as in the turnover of completed sites and companies. This means that the property development company continues to accrue development costs, while revenues are delayed. The increase in sales of homes in 2015 can be attributed to the sale of approx. 100 homes in the Oslo region, which was the region where we sold the most homes in 2015. The Group's focus on the property market in the Oslo region is starting to produce positive results, and we are seeing a significantly higher level of activity in this market.

As a consequence of the low level of activity within its primary markets, the property development company has reduced its headcount by nine. This reduction will be implemented during the first six months of 2016.

The Group posted total revenue of NOK 4,203 million in 2015 (NOK 3,921 million), an increase of NOK 282 million on the year before.

The Group's cash and cash equivalents at 31 December 2015 totalled NOK 334 million (NOK 436 million). The Group also has an undrawn credit facility of NOK 350 million.

Transferred from other equity	NOK (910,000)
Transferred to revaluation reserve	NOK 54,404,000
Total allocations:	NOK 53,493,000

The Group's equity at 31 December 2015 was NOK 669 million, an increase of NOK 57 million on 2014. Current liabilities at 31 December 2015 were NOK 1,645 million (NOK 1,743 million). NOK 1,077 million of the total liabilities of NOK 2,524 million is interest-bearing debt, compared with NOK 1,068 million of NOK 2,495 million in 2014.

The Group's cash flow from operating activities was negative at NOK -103 million, due to sale of operating equipment and changes in inventories and timing. Net cash flow from investing activities was positive at NOK 20 million after payments received for loan receivables. Cash flow from financing activities was negative at NOK -20.6 million after dividend payments of NOK 28 million. Cash at bank and in hand was reduced by NOK 102 million.

The parent company reported cash flow from operating activities of NOK 28.5 million, comprising return on subsidiaries.

OUTLOOK

At year-end 2015, the Kruse Smith Group's order reserve totalled approx. NOK 3.7 billion, down approximately NOK 1 million on last year. The reduction in orders stems mainly from the construction division and Region South. The 'oil crisis' has made its presence felt in the level of activity in the market for homes and commercial property, but this does not explain the slump in the construction division. At 31 December 2014, orders for construction were at an all-time high but are more 'normal' at 31 December 2015.

Despite a weak increase in new projects, sales of homes developed well in 2015, and the housing market is expected to continue to improve in 2016. We believe the main reason for the development in sales of homes lies in the historically low interest rates now available for home loans. Many experts are warning against the increase in lending.

There are geographical differences in the level of market activity within building. After a significant slowing down of building activity in 2015 in Rogaland and Agder, we expect to see a levelling out during 2016. However, uncertainty as to how the oil price will develop means there is still significant uncertainty as to future developments in building activity.

Continued growth in road and rail construction is expected in 2016.

The focus on Eastern Norway is now starting to produce positive results. We are also seeing that Eastern Norway is less susceptible to market fluctuations.

The Board of Directors expects the contracting company to face increased competition in 2016, as well as increased pressure on its margins. Efforts to improve efficiency are ongoing.

Kruse Smith has now been established in Bergen for approx. one year, with both property development and contracting activities. The contracting company has now won its first orders, and the property development company is part-owner in a major housing and commercial project.

In April 2015, Kruse Smith Entreprenør joined forces with the contracting group Backe AS to form the plant hire company BAS AS. Kruse Smith transferred all the plant and equipment we currently hire out to the building sites to the new company, together with our employees working in this area (26 persons). Heavy construction plant was not transferred. Kruse Smith Entreprenør owns 50% of the new company.

Economic developments in Europe may once again produce surprises in 2016, but we believe oil prices to be the key parameter in Norway's economic development. The refugee crisis may have a positive impact on the sector. Among other things, the government has sought a pledge from the industry to provide 10,000 homes for refugees. Being used to major fluctuations, the sector does not view this as an insoluble problem; it is more a question of where and how to build, and who is financing this project. The refugee situation seems to have quietened down in recent months, but may quickly come to the fore again.

We believe the crisis in the oil industry means the labour market will be a little less tight in 2016. The crisis has triggered a substantial increase in applications for building-related subjects at upper-secondary level, which is important in securing future recruitment in our sector.

We also expect to see a moderate pay settlement in 2016.

Signals from the Bank of Norway suggest that the interest rate will remain low for the rest of the year. The Bank of Norway reduced the headline rate of interest to a record-low 0.5% in March 2016, and experts are predicting a further rate reduction in the course of the year.

Based on the existing order reserve, increased focus on cost efficiency and our current knowledge of the markets, the Board of Directors expects to see an improvement in revenue and profit in 2016. The Board of Directors considers that the financial statements provide satisfactory information on the Group's position at 31 December 2015. The Board is not aware of any circumstances arising after 31 December 2015 that are not disclosed in the annual report and financial statements and that are material to the assessment of the company or the Group at 31 December 2015.

Kristiansand, 25 April 2016

TOMAS LEIRE
Chairman of the Board

AAGE P. DANIELSEN
Board member

STEFAN LOSSIUS
Board member

SISSEL LEIRE
Board member

LIV BRIT KAMBO
Board member

JOHN G. BERNANDER
Board member

JAN A. HESTÅS
Group CEO

Income statement

		GROUP		PARENT COMPANY	
(All figures in NOK 1,000)	NOTE	2015	2014	2015	2014
OPERATING INCOME AND EXPENSES					
Operating income					
Sales revenue	11	4,155,794	3,871,441	0	0
Other operating income	11,14	46,883	49,744	0	0
Total operating income		**4,202,677**	**3,921,185**	**0**	**0**
Operating expenses					
Project expenses	6	3,231,537	2,879,323	0	0
Payroll costs	9,12	743,132	747,804	775	756
Depreciation and amortisation	2	33,714	40,326	0	0
Impairment losses	2	600	5,000	0	0
Other operating expenses	12	170,210	132,825	310	220
Total operating expenses		**4,179,194**	**3,805,277**	**1,086**	**977**
OPERATING PROFIT/LOSS		**23,484**	**115,907**	**(1,086)**	**(977)**
FINANCIAL INCOME AND EXPENSES					
Financial income					
Income on investment in subsidiaries	3	0	0	54,404	85,456
Income on investment in associates	3,7	15,288	50	0	0
Interest income from Group companies		264	0	0	0
Other interest income		9,220	11,255	151	871
Other financial income	16	40,454	11,483	0	0
Total financial income		**65,226**	**22,788**	**54,554**	**86,327**
Financial expenses					
Other interest expenses		34,159	35,129	277	559
Other financial expenses	16	2,437	1,424	0	0
Total financial expenses		**36,596**	**36,553**	**277**	**559**
NET FINANCIAL ITEMS		**28,631**	**(13,765)**	**54,278**	**85,768**
PRE-TAX PROFIT FROM ORDINARY ACTIVITIES		**52,114**	**102,142**	**53,192**	**84,792**
Tax on profit from ordinary activities	10	(3,220)	7,239	(301)	(179)
PROFIT FROM ORDINARY ACTIVITIES		**55,334**	**94,903**	**53,493**	**84,971**
PROFIT FOR THE YEAR		**55,334**	**94,903**	**53,493**	**84,971**
Minority shareholders' share of profit	1	2,656	9,932		
Majority shareholders' share of profit	1	52,678	84,971		
TRANSFERS AND ALLOCATIONS					
Transferred to revaluation reserve				54,404	49,472
Provision for ordinary dividend				0	25,000
Transferred to other equity				(910)	10,498
Transferred to reserves				0	0
TOTAL TRANSFERS AND ALLOCATIONS				**53,493**	**84,971**

Balance sheet

		GROUP		PARENT COMPANY	
(All figures in NOK 1,000)	NOTE	2015	2014	2015	2014
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Concessions, patents, licences, etc.	2	6,540	6,300	0	0
Deferred tax asset	10	0	0	301	0
Goodwill	2	95	737	0	0
Total intangible assets		**6,635**	**7,037**	**301**	**0**
Property, plant and equipment					
Land, buildings and other real property	2,5	229,352	232,093	0	0
Plant and machinery	2,5	69,180	110,477	0	0
Movables, fixtures, tools, office equipment	2,5	8,698	10,488	0	0
Total plant, property and equipment		**307,229**	**353,058**	**0**	**0**
Financial assets					
Investments in subsidiaries	3	0	0	565,666	513,605
Investments in associates	3,5	404,195	241,935	0	0
Loans to associates	4,7	123,020	110,392	0	0
Investments in shares and units	3	6,463	5,969	0	0
Bonds and other receivables	4,9	8,466	10,685	0	0
Total financial assets		**542,144**	**368,980**	**565,666**	**513,605**
TOTAL NON-CURRENT ASSETS		**856,008**	**729,076**	**565,967**	**513,605**
CURRENT ASSETS					
Goods/projects on own account	5,6	654,612	625,453	0	0
Receivables					
Trade receivables	4,5,6,7	1,215,073	1,237,666	0	0
Other receivables	7	133,337	137,460	0	0
Receivables from Group companies	7	516	39,636	2,611	58,575
Total receivables		**1,348,926**	**1,414,763**	**2,611**	**58,575**
Cash and bank balances, etc.	4,5	333,965	436,298	14,947	214
TOTAL CURRENT ASSETS		**2,337,503**	**2,476,513**	**17,558**	**58,789**
TOTAL ASSETS		**3,193,511**	**3,205,589**	**583,525**	**572,394**

LIV BRIT KAMBO
Board member

SISSEL LEIRE
Board member

TOMAS LEIRE
Chairman of the Board

AAGE P. DANIELSEN
Board member

Balance sheet

		GROUP		PARENT COMPANY	
(All figures in NOK 1,000)	NOTE	2015	2014	2015	2014
EQUITY AND LIABILITIES					
EQUITY					
Contributed equity					
Share capital	1,8	117,040	117,040	117,040	117,040
Share premium fund	1	92	92	92	92
Other contributed equity	1	50,160	50,160	50,160	50,160
Total contributed equity		**167,292**	**167,292**	**167,292**	**167,292**
Retained earnings					
Reserves	1	423,783	368,760	0	0
Revaluation reserve	1	0	0	368,945	314,503
Other equity	1	0	0	44,866	45,815
Total retained earnings		**423,783**	**368,760**	**413,812**	**360,318**
Total equity attributable to shareholders in the parent company		**591,075**	**536,052**	**581,104**	**527,610**
Minority interests	1	77,459	75,021	0	0
TOTAL EQUITY		**668,534**	**611,073**	**581,104**	**527,610**
LIABILITIES					
NON-CURRENT LIABILITIES					
Provisions					
Pension obligations	9	8,289	8,505	0	0
Deferred tax	10	67,514	65,324	0	0
Other provisions	3,16	37,216	52,900	0	0
Total provisions		**113,019**	**126,729**	**0**	**0**
Other non-current liabilities					
Liabilities to credit institutions	4,5	704,332	689,667	0	0
Non-current liabilities to Group companies		0	0	0	11,425
Other non-current liabilities	4,5	62,150	34,805	0	0
Total other non-current liabilities		**766,482**	**724,472**	**0**	**11,425**
TOTAL NON-CURRENT LIABILITIES		**879,501**	**851,201**	**0**	**11,425**
CURRENT LIABILITIES					
Liabilities to credit institutions/building loans	5	310,469	344,120	0	510
Trade payables		483,616	398,164	23	0
Tax payable	10	1,263	69,492	0	0
Public sector charges due		120,814	120,186	0	0
Dividend		0	28,134	0	25,000
Current liabilities to Group companies		75	3	2,399	7,849
Other current liabilities	5,6,7	729,238	783,214	0	0
TOTAL CURRENT LIABILITIES		**1,645,477**	**1,743,315**	**2,422**	**33,359**
TOTAL LIABILITIES		**2,524,977**	**2,594,516**	**2,422**	**44,784**
TOTAL EQUITY AND LIABILITIES		**3,193,511**	**3,205,589**	**583,525**	**572,394**

Kristiansand, 25 April 2016

STEFAN LOSSIUS
Board member

JOHN G. BERNANDER
Board member

JAN A. HESTÅS
Group CEO

Cash flow statement

CASH FLOW STATEMENT	GROUP		PARENT COMPANY	
(All figures in NOK 1,000)	2015	2014	2015	2014
Cash flow from operating activities				
Pre-tax profit	52,114	102,142	53,192	84,792
Tax paid in the period	-69,492	-5,167	0	0
Loss/(gain) on sale of non-curr. assets (associates and non-curr. assets)	-134,462	-47,845	0	0
Ordinary depreciation and amortisation	34,314	45,326	0	0
Change in pension obligation recognised in the balance sheet	-216	2,221	0	0
Share of profit from subsids and associates (minus dists from the co.)	-15,288	9,705	-24,767	-57,161
Change in inventory and projects on own account	-32,285	64,596	0	0
Change in trade receivables and prepayments from customers	19,667	108,392	0	0
Change in trade payables	85,452	-108,587	23	-19
Change in other accruals	-42,617	52,837	0	0
Items classified as investing or financing activities	0	0	0	-61
Net cash flow from operating activities	**-102,813**	223,620	**28,448**	27,551
Cash flow from investing activities				
Proceeds from sale of non-current assets	6,989	3,872	0	0
Purchase of property, plant and equipment	-16,772	-34,303	0	0
Proceeds from financial loan receivables	25,097	0	0	0
Payments on financial loan liabilities	0	-31,095	0	0
Proceeds from current loan receivables	7,343	0	28,888	0
Proceeds from disposal of shares and units in other enterprises	69,326	24,365	7,343	3,503
Purchase of shares in subsidiaries/other companies	-71,727	-9,508	-7,561	-1,121
Net cash flow from investing activities	**20,256**	-46,669	**28,670**	2,382
Cash flow from financing activities				
Proceeds from new borrowing (long-term and short-term)	42,010	50,300	0	0
Payment of debt	0	0	-16,875	-8,771
Repayment of debt (long-term and short-term)	-33,652	-39,660	0	0
Other changes	0	-5,229	0	0
Dividend payments	-28,134	-26,015	-25,000	-21,600
Net cash flow from financing activities	**-19,776**	-20,604	**-41,875**	-30,371
Net cash flow for the period	**-102,333**	156,347	**15,243**	-438
Cash and cash equivalents at the start of the period	436,298	279,951	-296	142
Cash and cash equivalents at the end of the period	**333,965**	436,298	**14,947**	-296
This comprises:				
Bank deposits	333,965	436,298	14,497	214
Interest fund	-	-	-	-510
Total cash and cash equivalents	333,965	436,298	14,497	-296
Undrawn business credit (cf. note 4)	350,000	351,075	350,000	350,000

Accounting principles

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

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 management to exercise judgement. Areas that rely heavily on such judgements or that have a high level of complexity, and areas where assumptions and estimates are material to the financial statements, are described in the notes.

CONSOLIDATION

The consolidated financial statements comprise companies in which the parent company, directly or indirectly, exercises control. The consolidated financial statements are prepared as if the Group were a single economic entity. Intercompany transactions and balances are eliminated. The same applies to internal profits and unrealised gains. The consolidated financial statements are prepared in accordance with uniform 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 are recognised in the consolidated financial statements at fair value on the acquisition date. 'Identifiable assets' refers to both property, plant and equipment and intangible assets other than goodwill. Any increase or decrease in value in excess of that which can be attributed to identifiable assets and liabilities is recognised in the balance sheet as goodwill or negative goodwill. Goodwill is treated as a residual and is recognised in the balance sheet at the share observed in the acquisition transaction. Goodwill is amortised on a straight-line basis over its estimated economic life. In the case of step acquisitions, any increase in value of existing shareholdings is allocated to assets and liabilities with an offset in equity. If a company leaves the Group, the increased value is recycled against equity.

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

REVENUE RECOGNITION

Construction contracts

Work in progress linked to fixed-price contracts with a long production period is valued according to the running settlement method. The degree of completion is calculated as accrued costs as a percentage of estimated total cost. The total cost is reassessed on an ongoing basis. In the case of projects expected to generate a loss, the entire estimated loss is expensed immediately.

Accrued, non-invoiced revenue is recognised in the balance sheet under trade receivables. Production invoiced in advance is included under other current liabilities.

Projects on own account

For projects on own account where the building process has started and a significant part of the project has been sold, revenue is recognised on the basis of expected final result and the project's sales percentage ratio.

Lease income and sale of services

Revenue from the sale of services is recognised as it is earned. Lease income is recognised on a straight-line basis over the term of the lease.

OTHER PRINCIPLES

Subsidiaries / associates / joint ventures (jointly controlled enterprises)

Associates are companies in which Kruse Smith has significant influence (normally owns more than 20%) but which are not subsidiaries or jointly controlled enterprises (joint ventures). Joint ventures are companies in which Kruse Smith runs operations together with other investors and where the company has significant influence but not control.

Subsidiaries and associates are recognised in the company financial statements using the equity method. Associates are also recognised using the equity method in the consolidated financial statements. Under this method, the investment is valued at the share of equity in the company, and the share of profit is recognised as income. The investment is valued at cost at the acquisition date, i.e. including any increase or decrease in value in connection with the acquisition. When calculating the share of profit, depreciation of any increase or decrease in value is taken into account, together with internal gains. Distributions from the company are recognised in the balance sheet as a reduction of the initial investment.

Realised gains/losses are recognised as other financial income/expenses. In the case of step acquisitions, an increase in value is not allocated to the shareholding acquired until control has been gained (establishment of group relationship).

Share of profit and capital in a joint venture is recognised using the gross principle. This method entails a share of the joint venture's profit and balance sheet total being reflected in the individual items in the income statement and balance sheet. The acquisition method is applied to acquisition of joint ventures. Internal transactions and gains between the jointly controlled enterprise and Kruse Smith AS are eliminated. Any increase or decrease in value is allocated to the respective revenue and balance sheet items.

Classification and valuation of balance sheet items

Current assets and current liabilities comprise items that fall due for payment within one year after the acquisition date, and items related to the flow 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 in the balance sheet at nominal value at the time they are incurred.

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

Other equity investments and units

Equity investments and investments in general partnerships and limited partnerships in which Kruse Smith does not have significant influence are recognised in the balance sheet at acquisition cost. Investments are written down to fair value if the impairment is not temporary. Dividends received and other distributions from the companies are recognised as other financial income provided the distribution does not represent repayment of capital.

Receivables
Trade receivables and other receivables are shown in the balance sheet at nominal value after deduction of provision for bad debt. Provision for bad debt is made on the basis of an individual assessment of the receivable concerned. In addition, an unspecified provision is made to cover potential losses on other trade receivables.

Inventory
Stocks of purchased goods are valued at the lower of average purchase cost and fair value. Finished goods and goods in progress manufactured in house are valued at full production cost, including interest on building loans where relevant. Write-downs are made to cover foreseeable impairment.

Foreign currencies
Monetary items, receivables and liabilities in foreign currencies are recognised according to the exchange rate at the end of the financial year.

Short-term investments
Short-term investments (shares and units recognised as current assets) are valued at the lower of acquisition cost and fair value on the balance sheet date. This does not apply to investments in financial instruments where the underlying instrument (share/bond) is subject to listing on the Stock Exchange and the investment is part of a trading portfolio intended for resale and capital gain. Such investments are recognised 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 is recognised in the balance sheet and depreciated on a straight-line basis to residual value over the expected economic life. In the event of changes to the deprecation schedule, the impact is distributed over the remaining depreciation period ('breakpoint method'). Maintenance of operating equipment is recognised as operating expenses on an ongoing basis. Additions and improvements are added to the cost of the operating equipment and depreciated in line with the asset. The difference between maintenance and additions/improvements is calculated in relation to the condition of the operating equipment at purchase.

Research and development
Research and development expenses are expensed as they are incurred.

Pensions – unfunded (AFP, contractual early retirement pension) and funded defined benefit schemes
Pensions expenses and pension obligations are calculated using straight-line accrual, based on assumptions for discount rate; future adjustments to pay, pensions and national insurance benefits; future return on plan assets; and actuarial assumptions concerning mortality, voluntary early retirement, etc. A corridor solution is used in the event of estimate differences. Estimate differences that exceed 10% of the higher of obligation and assets are amortised over the average contribution period. Plan assets are valued in the balance sheet at fair value minus net pension obligations. The new contractual early retirement scheme, introduced on 1 January 2011, is considered to be a defined benefit multi-enterprise scheme, but as the administrator is not able to procure reliable estimates of entitlements earned, the scheme is recognised for accounting purposes as a defined contribution scheme.

Pension accounting uses a straight-line contribution profile and expected final salary as the contribution basis.

Pensions – funded defined contribution schemes
The costs of funded defined contribution pensions correspond to the premium for the period paid to the insurance company.

Tax
The tax cost in the income statement covers both tax payable for the period and change in deferred tax. Deferred tax is calculated at 25% (2015) and 27% (2014) on the basis of temporary differences between accounting and tax values, and tax loss carryforwards at the end of the financial year. Temporary differences that increase or reduce tax and that are reversed or may be reversed in the same period are offset. Deferred tax assets are recognised in the balance sheet to the extent that they are likely to be able to be utilised by the company or Group.

Leases
A distinction is made between finance and operating leases. Operating equipment financed by finance leases is classified for accounting purposes as property, plant and equipment. The counterentry is recognised as a non-current liability. Lease amounts are allocated between interest expense and repayment of the liability.

Operating leases are recognised as an operating expense, based on the invoiced lease amount.

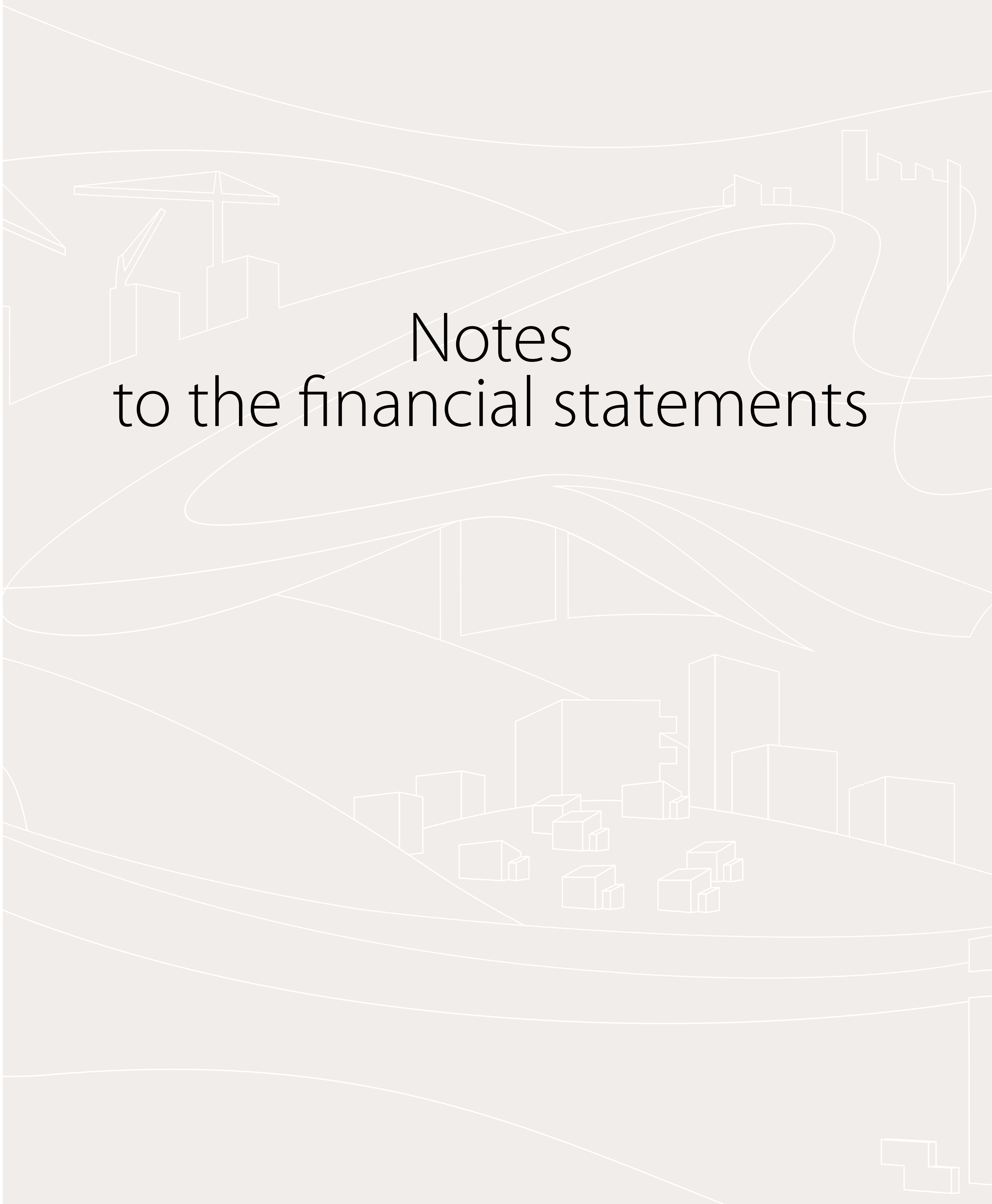
Contingencies
Expense-related contingencies are recognised when the outcome can be estimated and the expense is regarded as probable.

Cash flow statement
The cash flow statement is prepared using the indirect method. Cash etc. includes cash and bank deposits as well as liquid assets that can immediately be converted into cash without any significant exchange risk. Dividends from subsidiaries are included in cash flow from operating activities.

Hedging
The Group enters into interest rate-hedging transactions. If the interest rate hedging covers underlying loans at a floating rate of interest, the value of the hedging transaction is recognised as an off-balance sheet item where the interest rate difference is accrued in line with the underlying hedged object. If the hedging instrument is not covered by the underlying loan, the value is recognised according to the lower value principle, i.e. any shortfall on the transaction is recognised, while a gain is not.

Presentation of figures in the notes
All figures are in NOK 1,000 unless otherwise stated.

Notes
to the financial statements



NOTE 1 EQUITY

(All figures in NOK 1,000)

PARENT COMPANY	Share capital	Share premium fund	Other contributed equity	Fund for valuation differences	Other equity	Total equity
Equity at 31 December 2014	**117,040**	**92**	**50,160**	**314,503**	**45,815**	**527,610**
Profit for the year	-	-	-	54,404	-910	**53,494**
Transfer	-	-	-	38	-38	-
Reduction of share capital	-	-	-	-	-	-
Provision for dividend	-	-	-	-	-	-
Equity at 31 December 2015	**117,040**	**92**	**50,160**	**368,945**	**44,867**	**581,104**

GROUP	Share capital	Share premium fund	Other contributed equity	Reserves	Minority interests	Total equity
Book equity at 31 December 2014	**117,040**	**92**	**50,160**	**368,760**	**75,021**	**611,073**
Disposal of minority					-218	**-218**
Step acquisition				2,345		**2,345**
Profit for the year				52,678	2,656	**55,334**
Provision for dividend						-
Equity at 31 December 2015	**117,040**	**92**	**50,160**	**423,783**	**77,459**	**668,534**

NOTE 2 PROPERTY, PLANT AND EQUIPMENT

(All figures in NOK 1,000)

GROUP

Property, plant and equipment	Land	Buildings under construction	Buildings	Machinery/ plant etc.	Movables, inventory, office equipment, etc.	Rights	Goodwill	Total plant, property and equipment
Acquisition cost at 1 January	77,831	31,800	159,050	278,611	32,167	6,300	5,118	**590,877**
Additions, operating equipment	27	-	23,676	56,881	1,656	240	-	**82,480**
Disposals, operating equipment	-	-8,370	-15,450	-188,171	-90	-	-1,000	**-213,081**
Acquisition cost at 31 December	**77,858**	**23,430**	**167,276**	**147,321**	**33,733**	**6,540**	**4,118**	**460,276**
Acc. depreciation at 31 Dec.	-	-	-28,401	-76,765	-25,035	-	-4,023	**-134,224**
Acc. write-downs at 31 Dec.	-9,259	-	-1,552	-1,376	-	-	-	**-12,187**
Reversed write-downs at 31 Dec.	-	-	-	-	-	-	-	-
Carrying amount at 31 December	**68,599**	**23,430**	**137,323**	**69,180**	**8,698**	**6,540**	**95**	**313,865**
Depreciation for the year	-	-	5,272	24,607	3,193	-	642	**33,714**
Write-downs for the year	-	-	600	-	-	-	-	**600**
Expected economic 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.

Capitalised interest incl. in acq. cost	-	**1,674**	**2,171**	-	-		-	**3,845**

Estimated goodwill in connection with acquisition of enterprises can be specified as follows:		**Residual value at 31 December**
Budeng & Vik Holding AS	4.1 million	0.09

Goodwill is amortised over 10 years. The amortisation period is determined by the estimated period during which the goodwill is justified by the return on the investment.

Any identified increase in value in connection with an acquisition is allocated to the relevant accounting items. Any increase in value related to depreciable assets is depreciated in relation to expected economic life.

Finance leases:

Of which lease agreements (finance leases) rec. in the BS and incl. in acq. cost	70,796	**70,796**
Book value at 31 December 2015	50,663	**50,663**
Depreciation for the year	11,560	**11,560**
Lease commitment recognised at 31 December 2015	55,936	**55,936**

Remaining lease period is between 26 and 84 months.

Operating leases/lease agreements:

The estimated lease payment for 2016 is NOK 11,716.

NOTE 3 SUBSIDIARIES, ASSOCIATES, ETC.

(All figures in NOK 1,000)

PARENT COMPANY

Shares and units recognised under non-current assets	Registered business address	Voting share and ownership interest in %	Acquisition cost	Book equity on acquisition	Opening balance at 1 January	Profit	Additions/ disposals	Other changes	Share of equity 31 December	Closing balance at 31 December	Of which increase/ decrease in value
Subsidiaries											
Kruse Smith Entreprenør AS	Kristiansand	90.49%	123,254	123,254	252,992	12,295	98	15,214	280,599	280,599	-
Kruse Smith Egne Bygg AS	Kristiansand	90.49%	20,751	20,751	58,407		(58,407)		-	-	-
Kruse Smith Eiendom AS	Kristiansand	90.49%	24,212	24,212	198,962	42,292	58,528	(15,214)	301,897	284,568	(17,329)
Kruse Smith Spesialprodukter AS	Kristiansand	100.00%	500	500	3,244	(183)	-	(2,561)	500	500	-
Total					**513,605**	**54,404**	**219**	**(2,561)**	**582,996**	**565,667**	**(17,329)**

GROUP	Ownership interest/ voting share	Registered business address
Kruse Smith Entreprenør AS	90.05%	Kristiansand
Kruse Smith Eiendom AS	90.05%	Kristiansand
Amon AS	58.34%	Farsund
Biejordene AS	100.00%	Kristiansand
Dyvika Eiendom AS	100.00%	Kristiansand
Eco Bygg AS	100.00%	Kristiansand
Eidet AS	100.00%	Kristiansand
Elvebredden Syd AS	100.00%	Kristiansand
Fagermoen AS	100.00%	Kristiansand
Fuhr Park AS	100.00%	Kristiansand
Idda Utvikling AS	100.00%	Kristiansand
Kompetansebygg Tangen AS	100.00%	Kristiansand
Kruse Smith Boligutvikling AS	100.00%	Sandnes
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
KSE Byutvikling AS	100.00%	Kristiansand
KSE Byutvikling I AS	100.00%	Kristiansand
Lindesnes Ferieleiligheter AS	100.00%	Kristiansand
Lørenskog Næringsbygg AS	100.00%	Oslo
Nybyen Utvikling AS	100.00%	Kristiansand
Nygårds Jorde AS	100.00%	Kristiansand
Sandnes Byutvikling AS	100.00%	Stavanger
Strandgaten 41 AS	100.00%	Sandnes
Vaagsbyen Bolig AS	100.00%	Kristiansand
Vaagsbyen Dagligvare AS	100.00%	Kristiansand
Vaagsbyen Næringsutleie AS	100.00%	Kristiansand
Kragerø Utvikling AS with subsidiaries	51.00%	Kristiansand

Shares and units recognised under non-current assets	Registered business address	Voting share and ownership interest in %	Acquisition cost	Book equity on acquisition	Opening balance at 1 January	Profit/loss taken to income	Additions/ disposals	Other changes	Share of equity 31 December	Closing balance at 31 December	Of which increase/ decrease in value
Akost GmbH	Germany	40.00%	2,000	669	2,595	(494)			1,679	2,101	422
Arendal Utvikling AS	Arendal	50.00%	505	505	(1,628)	(535)			(2,163)	(2,163)	-
AQ Hotelleiendom AS	Kristiansand	50.00%	60	60	22,174	(643)	(21,531)		-	-	-
AQ Næring AS	Kristiansand	50.00%	60	60	17,970	1,153	(19,123)		-	-	-
AQ Parkering AS	Kristiansand	50.00%	60	60	8,928	949	(9,877)		-	-	-
Aquarama Kristiansand AS	Kristiansand	50.00%	53	53	(27,131)	15,199			(11,932)	(11,932)	-
Austrått Utvikling AS	Sandnes	21.33%	1,941	1,941	1,860	(230)			1,630	1,630	
Ausviga Eiendom AS	Kristiansand	50.00%	503	503	(567)	(353)			(920)	(920)	-
BAS Maskinutleie AS	Sørum	50.00%	116,869	42,425		5,196	116,869	(21,326)	90,004	100,739	10,735
Bergesletta Utvikling AS	Kristiansand	33.33%	102	102	271	(159)			112	112	-
BRKS Holding AS	Kristiansand	50.00%	50	50	649	79			728	728	-
Bryggen Senter Hommersåk AS	Sandnes	50.00%	3,405	3,405	1,737	(156)	(1,581)		-	-	-
Bryggerestauranten AS	Sandnes	50.00%	200	44	(647)	-	647		-	-	
Buggeland AS	Stavanger	33.33%	508	508	539	186			725	725	-
Bytoppen AS	Kristiansand	50.00%	2,703	2,703	2,037			(2,037)	-	-	
Hagltårnet Holding AS	Stavanger	50.00%	3,762	3,762	1,827	(52)		3,676	6,460	5,451	(1,009)
Hammaren Utvikling AS	Sandnes	22.00%	17,500	660		431	17,500		630	17,931	17,301
Hamrevann AS	Bærum	20.00%	20,000	(124)	23,827	10	-		4,139	23,837	19,698
Harald Hårfagresgt. 124 AS	Sandnes	50.00%	2,505	2,505	1,012	430			1,442	1,442	-
Heidrun Boliger AS	Stavanger	50.00%	505	5,005	(1,387)	(69)	5,000		3,598	3,544	(54)
Hinna Brygge AS	Stavanger	50.00%	1,013	1,013	194	(10)			184	184	-
Jernbaneveien Flekkefjord AS	Kristiansand	50.00%	610	600	3,725	1,104		(962)	3,867	3,867	-
Jørpeland Tomter AS	Sandnes	50.00%	506	506	454	(6)	(448)		-	-	-
Jørpeland Utviklingsselskap AS	Sandnes	35.00%	1,781	1,781	1,754	(124)			1,630	1,630	-
Kanalsletta Utvikling AS	Stavanger	33.33%	50	50	5,214	521			10,890	5,735	(5,155)
Karpos AS	Grimstad	50.00%	429	1	421	(4)	(417)		-	-	-
Kastellodden AS	Kristiansand	50.00%	6,594	352	7,280	1,056	-		6,940	8,336	1,396
Løkenåsen Eiendomsutvikling AS	Fet	50.00%	6,050	8		(438)	10,040		3,394	9,602	6,208
Madla Byutvikling	Sandnes	33.33%	304	304	(10,399)	(1,665)			(12,064)	(12,064)	-
Malmø Utvikling AS	Kristiansand	40.00%	42	42	1,601	(646)			955	955	-
Morbergtoppen Boligutvikling AS	Oslo	50.00%	50	50	(394)	(933)	2,550		1,223	1,223	
Nådlandskvartalet	Sandnes	33.33%	700	700	453	124			577	577	-
Odden Næringsbygg AS	Kristiansand	50.00%	3,150	3,150	9,268	1,074			10,525	10,342	(183)
Paradis Boligutvikling 1 AS	Sola	35.00%	525	525		(1)	525		524	524	
Paradis Utvikling AS	Bergen	50.00%	51,362	908		956	55,312		2,565	56,268	53,703
Prestebekken Eiendom AS	Kristiansand	50.00%	6,554	6,554	765	(1,024)	1,000		741	741	
Pynteneset AS	Stavanger	21.50%	28	28	22	(5)	-		17	17	
Pynteneset Eiendom AS	Stavanger	25.00%	225	225	(3,016)	(125)			(3,141)	(3,141)	-
Randesund Tomteutvikling AS	Kristiansand	23.60%	6,037	(2,260)	9,638	1,278			2,619	10,916	8,297
Rauland Fritidsbolig AS	Kristiansand	50.00%	1,000	497	538	(41)			(27)	497	524
REKS Holding As	Oslo	50.00%	27,307	27,307	39,129	772			40,432	39,901	(531)
Rona Senter AS	Lillesand	25.00%	7,500	1,484	4,449	1,586	-		19	6,035	6,016
Rosenlund Utviklingsselskap AS	Sandnes	50.00%	1,500	1,500	1,408	(50)			1,358	1,358	-
Siriskjær Utbygging AS	Sandnes	50.00%	5,710	7,387	18,115	3,850	-		23,642	21,965	(1,677)
Solsiden Rona AS	Kristiansand	33.33%	10,015	10,015	9,510	(494)			9,016	9,016	-
Sporafjell Utviklingsselskap AS	Stavanger	50.00%	1,005	1,005	113	(309)	5,260		5,064	5,064	-
Tangen Kristiansand AS	Kristiansand	40.00%	20,002	20,002	34,812	8,577			43,553	43,389	(164)
Tangen Pluss AS	Kristiansand	50.00%	507	507	462	108		-	570	570	-
Tastarustå Byutvikling AS	Sandnes	33.33%	300	300	3,347	99		-	3,446	3,446	-
Åsedalen Boligpark AS	Stavanger	25.00%	236	236	3,837	(40)	-		717	3,797	3,080
Reversal of previously unrealised profit transferred to other financial income						(20,844)					
Total					**196,766**	**15,288**	**161,726**	**(20,649)**	**255,368**	**373,975**	**118,607**
Companies with negative equity presented as other provisions (non-current)					45,169					30,220	
Balance sheet value in the financial statements					**241,935**					**404,195**	

Some of the associates also have underlying subsidiaries and associates.

OTHER EQUITY INVESTMENTS:	Ownership interest in %	Number	Cost	Book value
Jåsund Utviklingsselskap AS	17.80%	178	890	890
Sørbø Hove AS	15.00%	320	1,105	1,105
Harfsby AS	14.50%	55,262	725	725
Nord-Jæren Utvikling AS	12.60%	882	3,047	3,047
Sandnes Indre Havn Utbyggingsselskap AS	10.30%	12,151	500	500
Urban Sjøfront AS	9.09%	100	100	100
Lokal Veiutvikling AS	5.88%	10	10	10
Other shares			86	86
Total			**6,463**	**6,463**

NOTE 4 LOCKED-IN BANK DEPOSITS, RECEIVABLES AND LIABILITIES

(All figures in NOK 1,000)

Locked-in bank deposits

Locked-in bank deposits of NOK 28,590 for advance tax deductions are included under Bank deposits in the balance sheet.
The overdraft facility limit at 31 December 2015 is NOK 350,000. The undrawn overdraft facility is NOK 350,000.

Outstanding receivables

Net non-invoiced production is included in trade receivables at an amount of NOK 259,553, cf. supplementary information in note 6.
Outstanding receivables have been written down en bloc by an amount of NOK 124,199 for foreseeable losses. Confirmed losses have been expensed in the financial statements.
Total provisions are assessed to be sufficient to cover potential losses on the total receivables.

	PARENT COMPANY		GROUP	
Receivables with maturity later than one year	**2015**	**2014**	**2015**	**2014**
Other non-current receivables	-	-	131,487	121,077
Total	**-**	**-**	**131,487**	**121,077**

Non-current liabilities with maturity later than five years	**2015**	**2014**	**2015**	**2014**
Liabilities to credit institutions	-	-	66,756	51,387
Other non-current liabilities	-	-	-	-
Total	**-**	**-**	**66,756**	**51,387**

	GROUP	
	2015	**2014**
Specification of other non-current liabilities		
Lease commitment	55,936	27,057
Other non-current liabilities	1,240	2,774
Interest-free municipal debt	4,974	4,974
Total	**62,150**	**34,805**

NOTE 5 GUARANTEES AND COLLATERAL

(All figures in NOK 1,000)

	PARENT COMPANY		GROUP	
Guarantee/amount guaranteed:	**2015**	**2014**	**2015**	**2014**
Contractor guar. and guar. purs. to the Norw. Home-Building Act	-	-	781,738	700,048
Parent company guarantee	2,480,823	2,367,883	-	-
Amount guaranteed	10,000	-	41,847	14,347
Total guarantees:	**2,490,823**	**2,367,883**	**823,585**	**714,395**
Debt secured by mortgage	**-**	**-**	**1,076,952**	**1,065,818**
The book value of assets provided as security for loans and guarantees is:				
Outstanding trade receivables			1,165,873	1,270,732
Shares			954,536	615,163
Inventory			404,107	185,119
Motor vehicles			77,813	120,857
Real estate including land and projects on own account			283,128	392,758
Total:	**-**	**-**	**2,885,457**	**2,584,629**

	GROUP	
	2015	**2014**
The company's book guarantee commitment comprises:		
Provisions (non-current)	-	-
Guarantee commitment included in current liabilities	24,597	41,525
Total	**24,597**	**41,525**

Multiple account system:

A multiple account system has been set up where the parent company Kruse Smith Entreprenør AS is the main account holder with the bank. Some of the subsidiaries participate via sub-accounts. The balance on the group accounts is shown as bank deposits or bank debt in the company financial statements. Kruse Smith Entreprenør AS is jointly and severally responsible to the bank together with the participants in the group account scheme. A business credit has been granted to the scheme for the Group as a whole. The undrawn business credit for the Group (and the participants in the scheme) is NOK 350,000 at 31 December 2015.

NOTE 6 GOODS/PROJECTS IN PROGRESS

(All figures in NOK 1,000)

	PARENT COMPANY		GROUP	
	2015	2014	2015	2014
Raw materials in stock	-	-	1,339	7,773
Project sites/projects on own account	-	-	653,273	617,680
Total	**-**	**-**	**654,612**	**625,453**

	PARENT COMPANY		GROUP	
Projects in progress	**2015**	**2014**	**2015**	**2014**
Completed production	-	-	3,504,938	3,064,210
Accrued expenses	-	-	-3,236,935	-2,588,073
Net value	**-**	**-**	**268,003**	**476,137**
Owing, included in trade receivables:	**-**	**-**	**259,553**	**263,445**
Prepayments from customers incl. in other curr. liabilities	**-**	**-**	**452,251**	**232,342**

Estimated income and expenses linked to some projects are associated with varying levels of uncertainty. See also the discussion in note 12 on contingencies.

NOTE 7 BALANCES WITH GROUP COMPANIES AND ASSOCIATES

(All figures in NOK 1,000)

PARENT COMPANY:

Receivables and liabilities, Group companies and associates

	2015		2014	
	Associates	Other Group cos	Associates	Other Group cos
Non-current receivables (maturing after one year)	-	-	-	-
Current receivables	-	2,611	-	58,575
Current liabilities	-	2,399	-	7,849
Non-current liabilities	-	-	-	11,425

GROUP:

Receivables and liabilities, Group companies and associates

	2015		2014	
	Associates	Other Group cos	Associates	Other Group cos
Non-current receivables (maturing after one year)	123,020	-	110,392	-
Current receivables	59,287	516	24,464	39,636
Trade receivables	40,962	-	29,549	-
Current liabilities	-	75	-	3
Non-current liabilities	-		-	

Interest is not normally charged on intragroup receivables and liabilities.

NOTE 8 SHARE CAPITAL AND SHAREHOLDERS

(All figures in NOK 1,000)

PARENT COMPANY AND GROUP

	Number	Nominal value	Book value
The share capital comprises:	**16,720,000**	**7**	**117,040,000**
All shares carry equal voting rights.			

The company had the following shareholders at 31 December 2015:	**Number**	**Ownership interest (%)**
Kruse Smith Gruppen AS	14,203,676	84.95%
Kambrium AS	2,181,924	13.05%
Ankers Invest AS	334,400	2.00%
TOTAL	**16,720,000**	**100.00%**

Shares owned by board members and Group CEO	**Role**	**Ownership interest**
Tomas Leire*	Chairman of the Board	42.48%
Sissel Leire*	Board member	14.16%
Stefan Lossius*	Board member	14.16%
Liv Brit Kambo*	Board member	13.05%
Jan A. Hestås*	Group CEO	2.00%

* Indirect shareholding via the companies Kruse Smith Gruppen AS, Kambrium AS and Ankers Invest AS.

NOTE 9 PENSIONS

(All figures in NOK 1,000)

GROUP

The Group has a pension scheme that covers a total of three persons. The scheme provides entitlement to defined future benefits. These mainly depend on the number of contribution years, the salary level when retirement age is reached and the size of the benefits from the national insurance system. The collective pension agreement is financed by building up funds in an insurance company.

In addition, the Group is part of the contractual early retirement pension scheme, which covers 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 came into effect on 1 January 2011, is to be regarded as a defined benefit multi-enterprise scheme but is accounted for as a defined contribution scheme until reliable and sufficient information exists such that the Group can recognise its proportionate share of the pension cost, pension obligation and plan assets in the scheme. The company's obligations are therefore not recognised in the balance sheet as liabilities.

The early retirement pension obligation under the old scheme was recognised in the balance sheet as a liability and was expensed in 2010, with the exception of the obligation related to former employees who are now pensioners under this scheme.

The Group CEO has a separate pension scheme. In addition, two persons have separate agreements in place covering early retirement.

The company also has a defined contribution pension scheme that covers all employees.

Defined benefit scheme (All figures in NOK 1,000)	**2015**	**2014**
Present value of pensions accrued in the period	72	113
Capital cost of pension cost	185	295
Gross pension cost for the year	**257**	**408**
Projected return on plan assets	144	228
Recognised changes in estimates and differences	-	-
Provision for deficit in previous early retirement scheme	-	239
Change in recognised obligation related to changed early retirement scheme	-	-
Net pension cost for the year	**401**	**875**
Accrued employer's contributions	-	-
Net pension cost for the year (including employer's contributions)	**401**	**875**
Cost of defined contribution scheme (including employer's contributions)	**27,734**	**24,332**
Other pension costs	**1,667**	**1,396**
Total pension costs including employer's contributions	**29,802**	**26,603**
Pension payments for the year, defined benefit scheme	1,132	1,967
Investments in plan assets	-	-
Accrued gross pension obligations	7,608	8,139
Other pension obligations	8,288	8,489
Estimated gross pension obligations	**15,896**	**16,628**
Plan assets (at market value)	-8,070	-7,905
Unrecognised changes in estimates and differences	-454	1,396
Estimated net pension obligation (including employer's contributions) at 31 December	**7,372**	**10,119**
Employer's contributions included at	1,074	1,377
Provision for deficit included in pension obligation	-	255
Estimated pension obligation (including employer's contributions) at 31 December, early retirement scheme	-8,288	-6,889
Estimated plan assets (including employer's contributions) at of 31 December, collective pension scheme	915	1,631
Assumptions used in calculating pension obligations:		
Discount rate	2.70%	2.30%
Projected return on plan assets	3.30%	3.20%
Pay adjustment	2.50%	2.75%
Pension adjustment	0.00%	1.75%
Adjustment to basic amount	2.25%	2.50%
Employer's contributions	10.6–14.1%	10.6–14.1%
Average age	71	67
Number of pensioners	4	9

The actuarial assumptions are based on normal assumptions used in insurance in terms of demographic factors and resignation/retirement.

Pursuant to the Norwegian Act on Mandatory Occupational Pension Schemes, the company is obliged to operate an occupational pension scheme. The company and the Group are in compliance with the provisions of the Occupational Pensions Act.

NOTE 10 TAX

(All figures in NOK 1,000)

	PARENT COMPANY		GROUP	
The tax cost for the year is made up as follows:	**2015**	**2014**	**2015**	**2014**
Tax payable	-	-	1,263	68,102
Tax payable, previous years	-	-	-	-
Other changes	-	-	-6,651	-
Effect of change in tax rate from 27% to 25%	-	-	-6,597	-
Tax effect of group contribution received/paid	-	-179	-	-
Change in deferred tax	-301	-	8,765	-60,863
Total tax cost	**-301**	**-179**	**-3,220**	**7,239**

	PARENT COMPANY			
Calculation of tax base for the year:	**2015**	**2014**		
Pre-tax profit	53,192	84,792		
Permanent differences	7	-		
Share of profit in subsidiaries and associates	-54,403	-85,456		
Change in temporary differences	-	-		
Utilised loss carryforward	-	-		
Group contribution received	-	4,637		
Group contribution paid	-	-3,973		
Tax base for the year	**-1,204**	**-**		
27% tax	-	-		
Tax payable pursuant to balance sheet	**-**	**-**	**1,263**	**69,492**

	PARENT COMPANY		GROUP	
Overview of temporary differences:	**2015**	**2014**	**2015**	**2014**
Receivables	-	-	-123,973	-120,330
Goods	-	-	37,076	40,945
Non-current assets	-	-	87,972	37,857
Provisions in accordance with generally accepted accounting practice	-	-	-25,342	-43,768
Lease agreements recognised in the balance sheet	-	-	-	-
Pension provision	-	-	-8,288	-8,505
Plan assets	-	-	915	1,631
Money market funds, securities	-	-	-	-
Profit and loss account	-	-	1,831	5,760
Other differences	-	-	-1,333	1,187
Production contracts	-	-	441,489	349,573
Total that has an impact on change in temporary differences	**-**	**-**	**410,347**	**264,350**
Securities	-	-	-	-
Unutilised remuneration	-	-	-	-
Loss carryforward	-1,204	-	-140,771	-30,658
Other differences	-	-	481	8,254
Total temporary differences	**-1,204**	**-**	**270,057**	**241,946**
Cannot be offset	-	-	-	-
Deferred tax base/(deferred tax asset)	**-1,204**	**-**	**270,057**	**241,946**
25/27% deferred tax/(deferred tax asset)	**-301**	**-**	**67,514**	**65,325**
Deferred tax at 1 January	-	-	65,325	129,036
Recognised change in deferred tax for the year	-301	-	1,884	-60,863
Adjustment to deferred tax on addition/disposal of subsidiaries etc.	-	-	305	-2,849
Deferred tax/tax asset at 31 December	**-301**	**-**	**67,514**	**65,324**
Deferred tax asset recognised in balance sheet that cannot be offset	**-**	**-**	**-**	**-**
Deferred tax/deferred tax asset recognised in balance sheet	**-301**	**-**	**67,514**	**65,324**

NOTE 11 SEGMENT INFORMATION

(All figures in NOK 1,000)

Specification of revenue	PARENT COMPANY		GROUP	
	2015	2014	2015	2014
By segment:				
Building	-	-	2,823,339	2,704,172
Construction	-	-	1,008,777	727,672
Property development	-	-	518,400	802,158
Internal eliminations	-	-	-147,839	-312,817
Total	**-**	**-**	**4,202,677**	**3,921,185**
Rev. from contracting activities per region (excl. prop. dev. and eliminations)				
South Norway	-	-	1,025,188	1,008,619
West Norway	-	-	1,415,736	1,392,855
East Norway			388,415	315,302
Construction, all of Norway	-	-	1,002,777	727,672
Total	**-**	**-**	**3,832,116**	**3,444,448**

The regional offices have also carried out some assignments outside the geographical regions mentioned above.
This revenue is included as revenue generated by the regional office responsible for the assignment.

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

(All figures in NOK 1,000)

	PARENT COMPANY		GROUP	
Payroll costs	**2015**	**2014**	**2015**	**2014**
Wages and salaries	680	663	602,329	608,992
Employer's contributions	95	93	84,419	85,868
Pension costs	-	-	28,144	25,434
Other benefits	-	-	28,240	27,530
Total	**775**	**756**	**743,132**	**747,824**

Payroll costs for the parent company relate to fees paid to the Board of Directors.
The number of employees at 31 December 2015 was 0 for the parent company and 906 for the Group.

Remuneration of senior executives:	2015	
	Group CEO	Board of Directors
Salary/board fees	2,566	680
Pension expenses	691	0
Other remuneration	11	0
Loans at 31 December	85	

An early retirement pension agreement has been signed with three senior executives, including the general manager.

The Group CEO has entered into a profit-related bonus agreement for 2014 with a maximum bonus of NOK 600,000 including holiday money. The bonus paid in 2015, based on 2014 results, was NOK 190,000. No bonus was earned for 2015. The Group CEO is not included in the bonus schemes applicable to other employees or corporate management. The Group CEO's salary is paid by Kruse Smith Entreprenør AS.

The Group has a loan scheme whereby employees can take out loans, via Nordea Finans. The total balance of the loan at 31 December 2015 is NOK 41,481. Interest benefits are reported for tax purposes. No individual loans or collateral represent more than 5% of the company's equity. The repayment period is normally 100 months or 8.3 years. The Group acts as guarantor for the loan, liable for up to 20% of the loan amount or 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 that also covers management. There are no option agreements.

Auditor

Parent company	2015	2014
The expensed auditor's fee is made up as follows:		
Statutory audit (including technical assistance with annual report and financial statements)		
Other certification services	145	151
Tax consultancy (including technical assistance with tax assessment)	15	
Other assistance	33	9
Total auditor's fee	**193**	**160**
Remuneration of legal firm	0	0

Amounts are exclusive of VAT.

Group	2015	2014
The expensed auditor's fee is made up as follows:		
Statutory audit (including technical assistance with annual report and financial statements)	1,830	1,922
Extended audit and audit procedures	0	0
Other certification services	0	56
Tax consultancy (including technical assistance with tax assessment)	125	92
Other assistance	662	353
Total auditor's fee	**2,617**	**2,424**
Remuneration of legal firm	155	366

Some of the amounts for the Group include VAT.

NOTE 13 CONTINGENCIES AND COMMITMENTS

The Group is involved in a number of disputes as either defendant or claimant. Some cases are complex and associated with significant uncertainty and a wide range of possible outcomes. The outcome of these could have a significant impact on profit and equity. The financial statements reflect management's estimates linked to outcomes. Estimated provisions of this nature are associated with uncertainty.

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

NOTE 14 RELATED PARTIES

The company is part of the group Kruse Smith Gruppen AS and has the other Group companies as related parties. Transactions between Group companies take place on market terms, with the exception of some loans that are provided as interest-free financing.

Companies in the Group have carried out minor assignments for shareholders in 2015, all at market prices. Work has been carried out between companies in the Group on market terms. Sales of non-current assets between companies in the Group are carried out at fair value.

	PARENT COMPANY		Group	
The company's transactions with related parties:	**2015**	**2014**	**2015**	**2014**
A) SALE OF GOODS AND SERVICES				
Sale of goods:				
- Associates	0	0	167,633	190,294
Sale of services:				
- Parent company	0	0	76	39
- Associates	0	0	1,865	1,459
B) PURCHASE OF GOODS AND SERVICES				
Purchase of goods:				
- Associates	0	0	0	0
Purchase of services:				
- Subsidiaries	76	39	0	0

NOTE 15 FINANCIAL MARKET RISK

(All figures in NOK 1,000)

The Group utilises various financial instruments in connection with the management of financial risk.

The Group's contracting business comprises a number of projects. The projects vary significantly in terms of complexity, size, duration and risk. The project composition affects the risk profile of the business.

The company's activities entail 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 currency, strong cash flows, relatively low interest rate exposure and moderate bad debts. The company has a policy of limiting parts of its interest rate risk by utilising interest rate-hedging instruments.

Interest rate risk

The company has entered into interest rate-hedging transactions (swaps) to protect itself against fluctuations in results caused by changes in interest rates. Loan agreements were originally entered into at floating rates of interest, with subsequent interest rate-hedging transactions to secure a fixed rate.

The interest rate swaps entered into are structured as follows:

Foreign currencies	NOK million	Interest rate (fixed)	Maturity	Value
NOK	50	3.23	2016	-848
NOK	50	3.74	2017	-2,930
NOK	100	2.84	2024	-8,460
NOK	100	1.79	2025	-1,103

The interest earned on deposits is also affected by interest rates, as funds are invested at floating rates.

Credit risk

The company is exposed to credit risk on receivables from Group companies and associates, and other trade receivables. The risk of counterparties being unable to discharge their commitments is considered to be moderate. Historically, bad debts have been low, and contracts are largely secured by bank guarantees.

Currency risk

The company's foreign currency exposure is low as income and expenses are normally in the same currency. The same applies to investments and financing.

Price risk

The company's investments primarily comprise investments in subsidiaries and associates. The value of these investments is mainly related to underlying development projects in these companies.

Liquidity risk

The company's financing is based on a combination of bank and project financing. See the cash flow statement for information regarding undrawn credit facilities.

NOTE 16 OTHER FINANCIAL INCOME, OTHER FINANCIAL EXPENSES AND OTHER PROVISIONS

Other financial income includes a gain on the sale of shares of NOK 39,657 for the Group.

Other provisions includes deferred recognition of unrealised internal gains on the sale of shares of NOK 6,997 and a negative value of shares in associates of NOK -30,219 for the Group.

The Group has negligible gains and losses on currency.

To the Annual Shareholders' Meeting of Kruse Smith AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kruse Smith AS, which comprise the financial statements of the parent company, showing a profit of NOK 53 493 000, and the financial statements of the group, showing a profit of NOK 55 334 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is 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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the parent company and the group Kruse Smith AS as at 31 December 2015, and its financial performance and its cash flows for the year

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Kristiansand, 25 April 2016
PricewaterhouseCoopers AS

Svein G Olsen
State Authorised Public Accountant (Norway)

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

Holmegenes, Stavanger