ANNUAL REPORT 2012

SYSTEMATIC AND TARGETED EFFORTS LAY THE FOUNDATIONS FOR GROWTH

Kruse Smith has an order backlog totalling NOK 4.2 billion, a record high for the Group at year-end. Such a strong growth in order backlog is not only important for the company, but for the market as a whole. Our customers seek solidity, predictability and security for all deliveries.

WE HAVE GATHERED OUR TOTAL STOCK OF EXPERTISE WITHIN PROPERTY DEVELOPMENT AND HOME BUILDING INTO ONE COMPANY, KRUSE SMITH EIENDOM. THIS COMPANY HAS BECOME AN EXTREMELY IMPORTANT CUSTOMER FOR KRUSE SMITH ENTREPRENØR. THE PHOTOGRAPH ILLUSTRATES SKAARLIA IN SANDNES MUNICIPALITY, WHERE WE ARE CURRENTLY WORKING ON MAJOR HOUSING PROJECTS.

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HOLMENKOLLEN SKI JUMP – THE MOST POPULAR TOURIST ATTRACTION IN NORWAY. WE HAVE WORKED ON THE DUCT PENETRATIONS, PROTECTING THEM AGAINST FIRE AND RODENT DAMAGE.

The photograph on the front page illustrates the Tre Taarn project in Sandnes. This is an exciting, unique and innovative project which has attracted considerable attention in the region.

2012:

5,750 METRES OF TUNNEL

Revenues in 2012 were 24% higher than in 2011

4,105,000,000

973 EMPLOYEES

334 HOMES

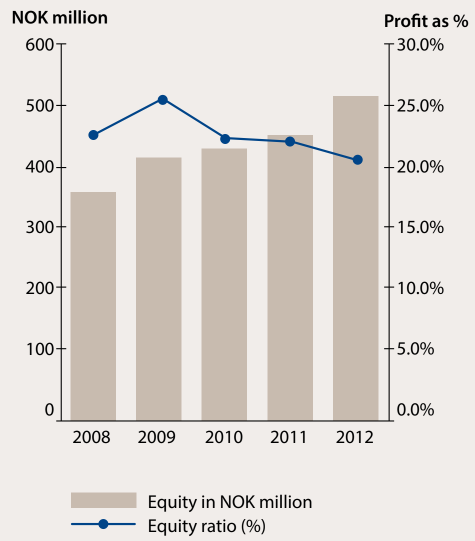
OFFICES IN 10 CITIES

ON 12 DECEMBER 2012, KRUSE SMITH GAINED CERTIFICATION IN ACCORDANCE WITH **ISO 9001**

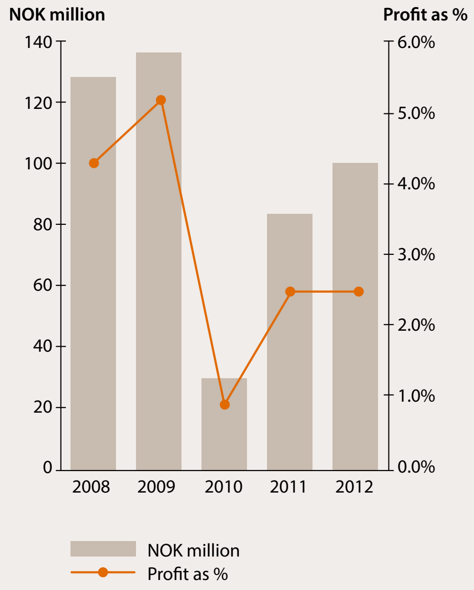
KEY FIGURES

(Figures in NOK million)	2012	2011	2010	2009	2008
Revenues	4,105	3,303	3,081	2,610	2,945
Profit before tax	100.2	81.2	31.7	135.7	128.0
Profit as % of revenue	2.4%	2.5%	1.0%	5.2%	4.3%
Equity in NOK million	526.9	474.4	440.2	420.4	356.1
Equity ratio (%)	20.7%	22.6%	23.0%	25.4%	23.3%
Return on equity after tax (%)	15.5%	13.2%	6.4%	26.4%	29.1%
Net bank balance – interest-bearing debt	-520.0	-311.4	-418.3	-117.1	19.9
Number of employees	973	960	954	867	890
Revenue per employee	4.219	3.441	3.230	3.010	3.309
Orders on hand at 31 December	4,173	3,665	2,698	2,606	2,194

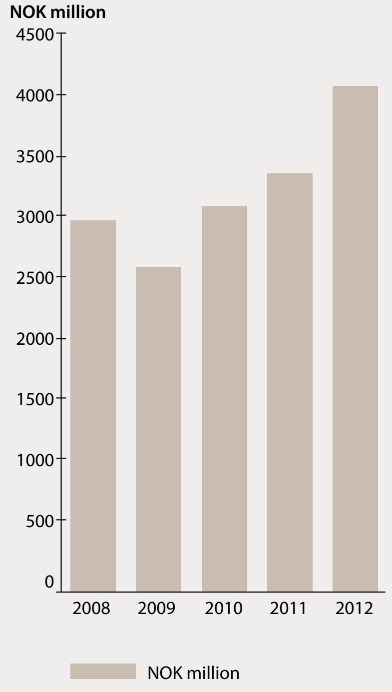
EQUITY IN NOK MILLION AND AS PERCENTAGE OF AGGREGATE CAPITAL



PROFIT ORDINARY PROFIT BEFORE TAX



REVENUES



2012 – CHANGE, COMPETENCIES AND QUALITY

2012 was a year of definite progress when compared with 2011. Kruse Smith could report an increase in revenues of more than NOK 800 million. As such, the Group has a significantly stronger equity and cash flow. Does this mean that 2012 was an easy year? Most definitely not!

Our success is not thanks to less competition on the market, rather the opposite. I believe that the success achieved by Kruse Smith in the year now past is grounded on our ability to work systematically and towards our goals. We are able to make all those minor changes required in order to adapt to a market featuring an increasing number of competitors and increasingly stringent requirements. We no longer compete locally and nationally with other contractors, our competitors now come from every corner of Europe. This is most evident on the market for construction projects.

IN EARLY 2012, THE GROUP WAS STRUCTURED INTO TWO MAIN SEGMENTS.
We have gathered all our expertise related to property development and home building (terrace houses and detached houses) into one company, Kruse Smith Eiendom AS. This company has become an extremely important customer for the contracting segment. I hope and believe that this structural change will help strengthen both companies, allowing all our highly skilled employees in both segments to make each other even better in the future.

RECORD-BREAKING ORDER BACKLOG AT THE START OF 2013
Not only could the Group report record-breaking revenues in 2012, we have also accumulated an order backlog which at the start of 2013 totalled NOK 4.2 billion – the highest ever recorded at the start of a year. The market demand is for solidity and reliability among suppliers and this is reflected in the development in order backlog, and in the substantial development of our Group!

MANAGEMENT, DEVELOPMENT AND RISK MANAGEMENT LEADING UP TO 2015
We have soon reached the halfway stage of our three-year strategy. One of the strategic goals established for this period comprises Management, Development and Risk Management. The development of our managerial staff at all levels of the organisation will provide an important competitive edge in the near future. Our own management development programme has now been implemented and will involve the entire organisation over the next two years.

By developing our managers, we achieve a much stronger competitive force and improved capacity for change and development. We also believe that by developing the skills of our managers, they will be able to identify a much wider range of opportunities in a world experiencing rapid change. Despite our very optimistic outlook at the present time, we are well aware that changes can come quickly and that the situation may be very different in perhaps a few months' time. The contracting and construction industry has to become more innovative and flexible to change in order to succeed on the markets of the future.

IMPROVEMENTS TO EFFICIENCY AND OPTIMISATION IN ORDER TO MEET COMPETITION FROM ABROAD
A great number of our competitors come from Europe, where unemployment is high and salaries are substantially lower than those in Norway. Despite measures implemented for minimum wages and the Directive relating to recruitment agencies introduced by the public authorities, there still remain cost-related differences between domestic and international competitors. It is therefore increasingly important to maintain a focus on the efficiency and optimisation of our working processes. By increasing our level of expertise in tools and methods such as LEAN and BIM, and using these tools to a larger extent, we can achieve these goals.

12. 12. IN 2012, KRUSE SMITH WAS AWARDED THEIR ISO 9001 CERTIFICATE.
We are among the first organisations in our industry to gain certification. Certification relies on both internal and external factors. We are aware that our internal processes for work and interaction require renewal and development. The certification process has been comprehensive and results in a new structure and greater awareness in terms of documentation and quality.

Externally, we are witnessing stricture requirements and expectations on a formal certification scheme, particularly on the construction market. We believe that this is just the beginning. Kruse Smith has a goal to take on a leading role within HSE and quality. The new certification process has allowed us to create a system for quality work and has been an important measure to help us reach this goal.

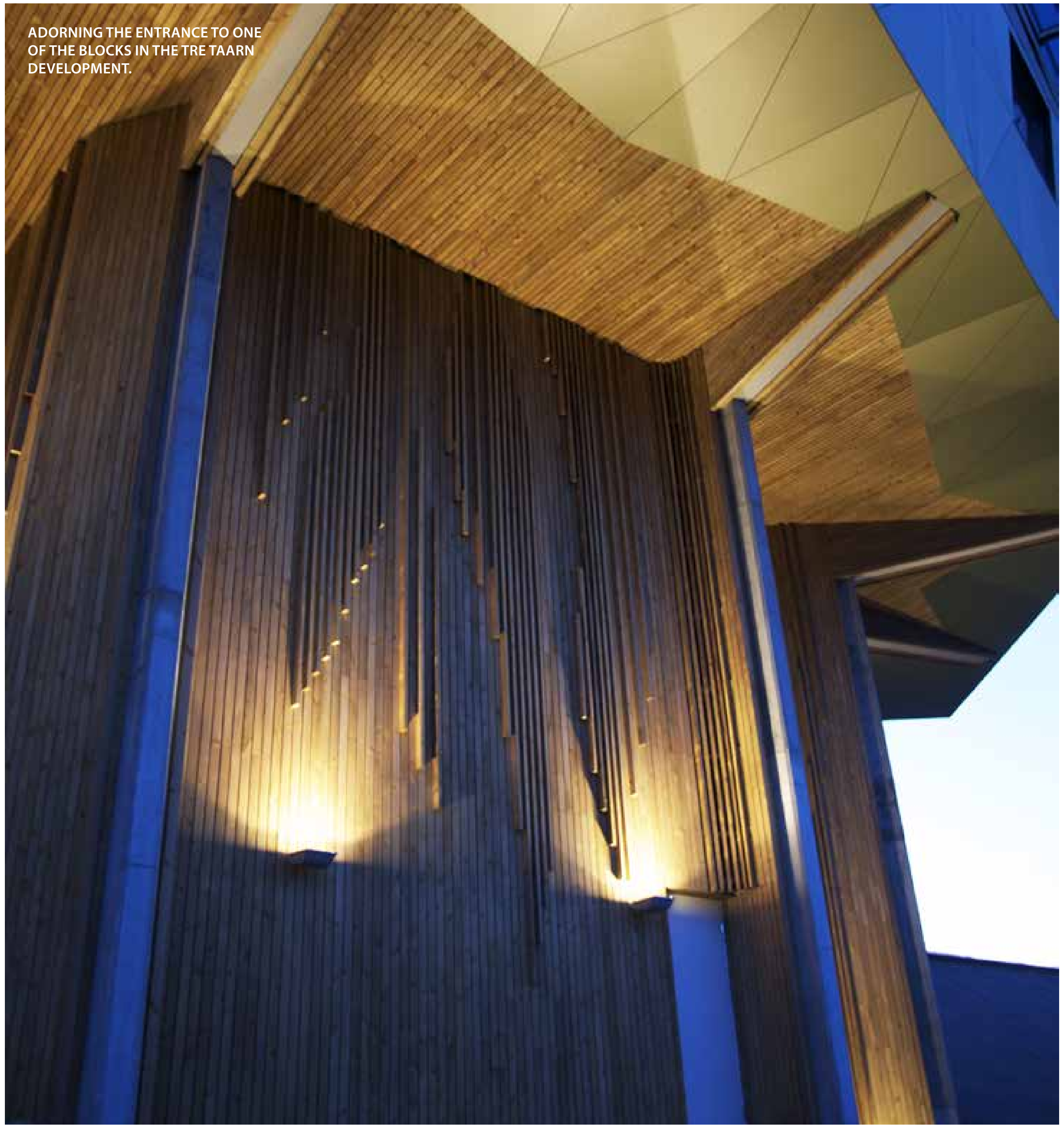
GOOD PROGNOSES – REGION BY REGION
The profit figure reported by the Group for 2012 was significantly higher than that for 2011. All our markets and geographical catchment areas are showing signs of positive development. Kruse Smith has a comprehensive real estate portfolio which has made considerable contributions to profit figures for 2012. With the acquisition of the property development company, Sjælsø AS, Kruse Smith Eiendom could open an office in Oslo in 2012.

After several years of difficult contracts subsequent to the financial crisis, the new contracts we now have in Rogaland are more balanced. West Norway (Region Vest) plays an important role for the Group's overall profitability. We continue to struggle somewhat in East Norway and expect this to remain the case in 2013. However, we are confident that the measures we have implemented will have a positive impact – particularly in 2014.

Kruse Smith has taken part in several projects involving both public and private partners, and recently started on our largest project to date – Aquarama in Kristiansand. These types of project require specialised expertise, and Kruse Smith Eiendom has joined forces with the University of Agder to establish a doctoral scholarship in order to achieve further developments within this field.

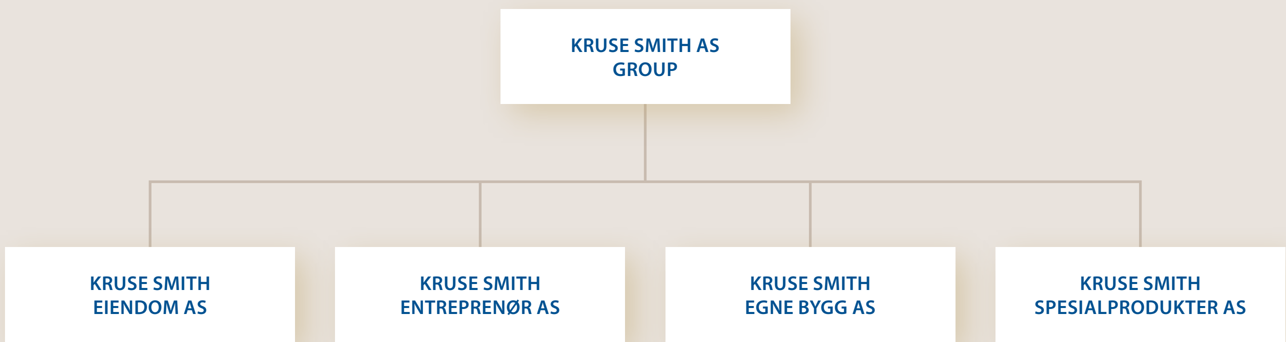
THE SUCCESS ACHIEVED IN 2012 HAS PROVIDED WITH A STRONG STARTING POINT FOR 2013.
I am confident that we will be able to harvest a number of opportunities throughout the year. While fully exploiting these short-term benefits, it remains just as important to continue building a team of employees who can help Kruse Smith achieve future progress. This will allow us to continue as an attractive and popular partner for our customers and other organisations in the years to come.

JAN HESTÅS
CEO of Kruse Smith



ADORNING THE ENTRANCE TO ONE OF THE BLOCKS IN THE TRE TAARN DEVELOPMENT.

CORPORATE STRUCTURE AS OF 2 MAY 2013



BOARD OF DIRECTORS' REPORT 2012

NATURE OF THE BUSINESS AND LOCATIONS

The Group is engaged in property development, home building and contract work within building, renovations and construction. The business is run from the Group's head office in Kristiansand with regional offices in Sola, Kristiansand, Oslo and Lillestrøm, and district offices in Haugesund, Lyngdal, Arendal, Åseral, Kragerø and Spikkestad.

COMPANY STRUCTURE

The parent company Kruse Smith AS has not engaged in any business in 2012 other than owning shares in the subsidiaries.

Kruse Smith AS does not have any employees but the CEO of Kruse Smith Entreprenør AS is the Group Chief Executive and General Manager of Kruse Smith AS.

The consolidated financial statements include the combined accounting figures for the Kruse Smith Group. The company financial statements include the share of profit from subsidiaries using the equity method. More information on this matter is provided in the notes to the accounts.

GOING CONCERN

The financial statements have been prepared on the basis of the going concern assumption. This assumption is based on the profit forecast for 2013 and the company's and the Group's long-term forecasts for the years ahead. The Board of Directors considers that the company and the Group have a sound economic and financial position.

FINANCIAL RISK

Liquidity risk

Liquidity management has been a priority area in 2012. Group liquidity has varied to a certain extent but has gradually grown stronger in 2012. The Board of Directors is prepared to closely monitor the development in liquidity in 2013 in order to further enhance the Group's economic freedom to manoeuvre.

The Group has a liquidity reserve of NOK 561 million, NOK 358 million of which is unutilised drawing rights. NOK 33.6 million of this reserve is held for tax deductions. The liquidity risk is mainly linked to projects and the Board considers the risk in the projects to be moderate.

Market risk

The Group only has a minor degree of exposure to currency fluctuations. The Group has a floating interest rate for its debts and is therefore exposed to changes in interest rates. In order to limit this risk, the Group has entered into interest swap agreements. Moreover, the return on the company's liquid assets is dependent on the interest rate level and developments in the bond market. The funds are invested at floating rates.

Credit risk

The risk of counter parties not having the economic capacity to discharge their commitments is considered to be low. The Group has made write-downs of receivables which are considered insecure in 2012. With few individual exceptions, bad debts have historically been low and contracts are largely secured by bank guarantees in accordance with Norwegian Standards.

The financial crisis and its repercussions and the increase in debt problems in certain European countries have resulted in an increase in financial costs. In the opinion of the Board of Directors, financial uncertainties in the present year among our customers and counter parties will remain at the same level as in 2012 .

Financial targets

As part of its strategy, the Group has an equity ratio target of 25% and a total pre-tax profit target of 4.5%. These targets were not achieved in 2012.

EQUALITY AND DISCRIMINATION

The Group has employees with different nationalities and backgrounds. We emphasise complete equality when it comes to recruitment and daily work and make no differences based on ethnicity, national origin, personal preferences, skin colour, religion, philosophy or gender. We prefer employees who speak a Scandinavian language among candidates who have equal qualifications etc. The Group follows a strategy to provide a place of work where there is no form of discrimination, and we are actively involved in achieving our goals to facilitate and provide a physical working environment which is accessible to all. Individual organisation of workplace and work tasks is carried out for employees with disabilities. The Group aims to be a workplace where there is full equality between women and men. The Group follows clear guidelines which aim to ensure that there is no gender-based differential treatment/discrimination in connection with salary, promotion and recruitment. We are actively involved in measures to increase the number of women who work for the company. Of the Group's 973 employees (960 in 2011), 84 are women (73 in 2011). There are a total of 73 women among the administrative staff (66 in 2011) and nine among the skilled workers (eight in 2011). The differences in payroll between comparable positions in the Group are minor.

The Group's Board of Directors comprises three men and two women.

EMPLOYEES AND WORKING ENVIRONMENT

At year-end, the Group had 973 employees, of which 915 work for Kruse Smith Entreprenør AS, 55 for Kruse Smith Eiendom AS and three for Resource Telecom AS. As of 31 December 2012, the Group had 557 skilled workers and 48 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 representation. The regular cooperation between the employees' organisations and the Group has been constructive and had a positive impact on operations.

In 2012, sickness absence rate was 5.02% compared with 5.34% in 2011. The average rate for sickness absence in the industry as a whole was 4.93% in 2011. Our goal for 2012 was to achieve sickness absence of less than 4.3%. Measures are continuously implemented to reduce sickness absence. In 2013, the different districts set up committees for an inclusive working environment and further active measures will be implemented to target individual persons and groups. We take an active approach towards reducing the costs related to sickness absence, and this includes an active cooperation with the Norwegian Labour and Welfare Organisation (NAV).

The Group will continue to focus on reporting of undesired incidents (RUI) and continuously implementing measures to prevent damage/injury. In 2012 the Group achieved an H value of 4.5. This is an increase from 4.0 in 2011. In total, the Group reported seven injuries resulting in absence, compared with six in 2011.

In 2012, the Group implemented registration of the H-2 value in order to highlight injuries which required alternative forms of work. The H-2 value was 16.6, which implies that 19 persons have required alternative work. Of the seven injuries resulting in absence, it appears that one may result in a permanent injury (fall from ladder and fracture to the foot). The other six injuries resulting in absence are not considered serious. There are various causes for injuries resulting in absence in 2012 and no particular trends have emerged.

Over recent years, the Group has had relatively few injuries resulting in absence and follows a strict strategy to achieve even further reductions in these figures. In the opinion of the Board of Directors, the H- value has remained low. In 2012, the average H-value for the industry was 7.33. The company has a system for assigning lighter duties to employees who have suffered a minor injury of a temporary nature.

An HSE bonus will be passed on to all employees in 2013. This bonus has been implemented as a motivatorin order to reduce sickness absence, injuries resulting in absence and to improve the quality of HSE at building and construction sites. The Group has been a "Inclusive Working Environment Company" since 1 January 2003.

EXTERNAL ENVIRONMENT

The Group highlights environmental protection during projects and includes environmental protection in all parts of planning and execution of operations, maintenance, separation at source 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 environmental solutions. Impact on the external environmental primarily 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 building and construction sites.

RESEARCH AND DEVELOPMENT

In 2012, Kruse Smith sustained its strategy targeting research and development (R&D). 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. One of the measures implemented by R&D is LEAN (Lean Manufacturing) in addition to an increased use of BIM (Building Information Modelling) during engineering work.

In 2012, we made good progress on the development of an innovative building element for which we have now applied for a patent. The plan is to test the product on a minor scale in 2013. The Group has also carried out development work within energy and the environment which will have an positive impact on our competitive edge. The Research and Development Department is managed by the Technical Director.

QUALITY WORK

On 12 December 2012, Kruse Smith was awarded the ISO 9001 certificate from Det Norske Veritas. This certificate comprises both the contracting company and the property company. Kruse Smith is one of the first contracting companies in Norway to gain certification for the entire organisation, including companies within the corporation. The certificate is the result of two to three years of hard work. This has been a demanding process involving numerous employees.

The certificate is an important tool for maintaining systematic and continuous improvements. The new quality system will have an important impact on Kruse Smith's competitive edge and the system makes it easier to document best practice for the Group's employees.

MARKET, DEVELOPMENT AND OUTLOOK

This year, the member companies of the Federation of Norwegian Construction Industries (BNL) are more confident about the domestic economy than they were at the same time last year. 36.3% of the member companies feel that Norway's economy will improved in 2013 when compared with 2012. The corresponding figure for last year was 17.2% This is thought to result from a number of positive indications from important economies such as Germany and the USA, and that the global economy in total is improving. Given that 90% of the companies responded that they expect equal or improved results when compared with last year, there is clear indication that the industry is expecting a sustained rate of growth within major markets such as the ROT market (rehabilitation, reconstruction and extensions), housing and infrastructure.

Regional differences

The highest expectations for growth and improvements are still found in the Oslo region and Rogaland, while the general outlook appears somewhat lower in inland regions. Telemark in South Norway had the most negative response with the highest number of companies responding that they expect to report a loss.

Recent years have seen a high level of activity in Agder and Telemark, although these regions reported a reduction in new major projects at the start of 2013. The number of projects in the planning stage is also lower than it has been for several years. Despite this, the companies project a market recovery leading up to 2014.

Order backlog and personnel

The development in order backlog principally follows the same regional differences as the projected results. In Rogaland and the Oslo region, a high majority of companies have good order backlogs, while the companies located inland have low order backlogs.

Every second member company of the Norwegian Contractors Association (EBA) plans to recruit new staff next year. Expectations of higher investments in housing are most probably the reason behind the positive attitude among the member companies in the Norwegian Home Builders' Association and Norwegian Contractors Association (EBA). The market outlook for infrastructure and home building is good both in the short and long term, allowing the companies to prepare more long term plans and thereby increase their manpower.

Although 2012 was in many ways a good year for the building industry, no more than 30% of the companies surveyed responded that they were better equipped after 2012 to face market fluctuations.

The company survey performed by the Norwegian Labour and Welfare Organisation indicates that 22% of the companies involved in building and construction are experiencing sever problems with recruitment. In the same survey, the the Norwegian Labour and Welfare Organisation estimated that the industry is lacking a total 8,300 employees. Furthermore, the organisation estimates that 3,900 skilled workers are required for building and construction, while the organisation's own statistics show that more than 9,000 building and construction workers were unemployed in January 2013.

Market and key figures

The monthly statistics for 2012 show that building permits were granted for 30,142 houses in 2012, in addition to 4.87 million square metres for other types of buildings. This corresponds to an increase in building permits issued for new homes of 8.7% since 2011.

The order statistics compiled by Statistics Norway show a positive order situation for the building and construction sector. In total, order backlogs were 18% higher in Q3 2012 when compared with the same period the year before. The highest rate of growth was within home building and construction, while growth for other types of buildings has been more moderate.

For these buildings, the order backlog was 4% higher than in the same quarter of 2011, while the intake of orders was actually 8% lower. Nonetheless, the sale of new houses and order statistics indicate that the building and construction sector has had a positive start to 2013. This period has been so positive that approximately 70% of the building and construction companies in the regional network for the Bank of Norway replied during a survey in November that they would struggle to meet the increase in demand – mainly due to lack of access to manpower.

The building industry is in growth and experiencing a much more positive period than in previous years. Projected profits are relatively high and many companies report a growth in order backlog. Relatively many companies also expect to recruit more employees in the near future.

High oil prices and low interest rates have boosted domestic demand and to date have more than counterbalanced the decrease in demand from abroad. In the short term, the investments in the petroleum industry and housing will remain the main drivers for growth in the Norwegian economy, but it is uncertain how long Norway can sustain its unique position.

While there is broad agreement among macroeconomic analysts that the prognoses for the mainland economy is for an approximate growth rate of 3% in 2013, there is no consensus when it comes to the more long-term growth estimates. The prognoses for 2014 and 2015 are between 2 to 3.5%. The factors which create uncertainty include the development in oil prices, the strong Norwegian kroner, the high debt ration among households and an imbalance on the housing market.

Despite very low fluctuations on the global scale, the level of activity in the Norwegian economy remains high, strongly supported by the low interest rates and the record-high investments in oil and gas recovery. The rate of investment on the Norwegian continental shelf has given rise to extremely varying conditions for the supplier industries within the oil and gas industry and for other parts of sectors facing harsh competition.

Moreover, the percentage of service suppliers to state that they now face capacity constraints has increased over the past year. An estimated growth in employment of close to 2% in 2013 allows for prognoses whereby demand for new buildings from private industry in total will be approximately the same as in 2012. Demand from the public sector is not expected to differ greatly from the requirement generated by the growth in population, and the fiscal budget for 2013 is expected to have a neutralising impact. However, the lists of projects indicate a relatively low rate of commissioning in 2013 only to recover significantly in 2014 and 2015. The total rate of commissioning for commercial buildings in 2013 is expected to remain at the same level as in 2012; i.e. 3.35 million square metres. This is expected to increase to approximately 3.6 million in 2014 and 3.65 million in 2015. The sales statistics compiled by the Norwegian Home Builders' Association are a good short-term indicator of future home building, i.e. that sales this year provide a good indicator of the registered rate of commissioning this year. Sales in 2012 indicate that commissioning in 2013 will total approximately 33,000 homes.

Other more long-term market information suggests that the rate of growth in home building may continue in 2014 and 2015. We estimate 35,000 new building permits to be issued in 2014 and 36,000 in 2015.

Commissioning of other buildings for families, mainly holiday homes and garages, is also expected to see an increase, primarily as a result of the increase in home building. According to sales statistics, the industry no longer expects to see a strong growth in commissioning for holiday homes.

The financial crisis is still very much evident in Europe, resulting in low building activity on this market. Norway is regarded as "the honey pot" of Europe and competition from foreign companies on the Norwegian market has seen a significant increase in 2012 and this is expected to continue in 2013. This applies in particular to projects involving infrastructure.

REVENUE AND FINANCIAL RESULTS

The financial result achieved in 2012 was higher than in 2011. The Group reported a pre-tax profit figure of NOK 100 million from 2012, up NOK 19 million since 2011. The parent company reported a profit figure of NOK 67 million compared with NOK 55 million in 2011. 2012 is the last year in which the results will still be slightly affected by contracts awarded during the financial crisis and therefore at low margins. The Board of Directors and Group management are satisfied with developments, but are of the opinion that earnings require further reinforcement.

The results from the contracting companies in East Norway have once again had negative impact on the profit figures for 2012. The challenges faced subsequent to the acquisition of Skutle AS remain. A number of disputes still have to be solved. These disputes will most probably be resolved by the court systems and are not expected to reach conclusion in 2013.

In 2012, West Norway (Region Vest) reported a lower rate of development than expected.

Also in 2012, Kruse Smith acquired a shareholding in a company aiming to work with the development of infrastructure for telecommunications. This company experienced an extremely difficult start-up period and reported a substantial loss. The above are the three main reasons why the profit figure was not as expected by the Group. With effect from 1 January 2012, all property development and house sales were merged into one company, Kruse Smith Eiendom AS. This company reported a very positive result, thanks to high sales of homes and other property developing in 2012. South Norway (Region Syd) and the construction segment also reported a good result in 2012.

The total revenues for the Group for 2012 amounted to NOK 4,105 million. This is an increase of NOK 802 million since 2011. The increase has been generated by all the Group's business segments in total.

The consolidated income statement shows profit before tax of NOK 100 million (NOK 81 million in 2011). The Group's liquid assets as of 31 12 2012 totalled NOK 203 million (NOK 181 million in 2011). In addition, the Group has a unutilised overdraft facility of NOK 300 million. At the start of 2012, there was significant pressure on liquidity, and measures were introduced to improve this during the year. The Board of Directors is satisfied with the results of this process, and will continue to focus on liquidity throughout the Group in 2013.

The Board of Directors proposes that the profit for the year in Kruse Smith AS be allocated as follows:

Transferred from other equity	NOK	-12 716 096
Transferred to revaluation reserve	NOK	47 235 121
Dividend	NOK	33 000 000
Total allocations	NOK	67 519 025

Group equity at 31 December 2012 totals NOK 527 million. This is up NOK 52 million when compared with 2011. The parent company had distributable reserves of NOK 2.6 million at 31 December 2012 (NOK 15.3 million in2011). Short-term debt totalled NOK 1,334 million as of 31 12 2012 (NOK 1,001 million in2011). Of the total debt of NOK 2,012 million, a figure of NOK 723 million is interest-bearing debt (NOK 493 million in 2011). Group cash flow from operations was negative at NOK 26.6 million. Net investments totalled NOK 107 million. The main reason for this was investments in property companies. The parent company reported cash flow from operations of NOK 27.4 million. This cash flow is generated from yield from subsidiaries. The Board of Directors expects a slight improvement in margins in 2013. The Group will maintain its focus on making improvements to efficiency. The Group also maintains a strong focus on reinforcing financial control of projects, by strengthening the controller function.

OUTLOOK

At year-end, the Kruse Smith Group's order backlog totalled approximately NOK 4.2 billion, up approximately NOK 500 million from last year. The most important markets for Kruse Smith will continue to be: building, construction, housing and property development. The ROT market (renovation, reconstruction and extensions) and building renovations were also important for Kruse Smith in 2012 and will continue to be an important market in 2013. The ROT market in Norway is substantial and constitutes between 40 and 50% of the total market for building and construction. Although the market is large, it is dominated by a high number of small projects with numerous small companies. This market has a predominantly high number of unprofessional players, which is cause for concern among both the industry and the authorities. Kruse Smith targets larger projects and has a solid position within this market segment thanks to the Group's investments in building renovation.

At the start of 2013, the company had secured a record high share of the projected annual turnover via contracts. This provides a strong starting point for 2013. Moreover, it is now evident that a number of the development trends from 2012 will continue in 2013. The market in the central parts of Rogaland appears to have sustained its positive development in 2013 while growth in the region of Vest-Agder appears to have abated. The growth rate remains lower in the less urban regions. The fourth quarter of 2012 was a slight reduction in the sale of apartments in our area. This trend has continued into the first quarter of 2013. In total for 2013, we expect to see a small increase in sales.

The Group decision to merge all property development and house building into Kruse Smith Eiendom AS has been successful. Kruse Smith Entreprenør AS is now purely a contracting company for building and construction projects. Kruse Smith Eiendom AS will become an important customer for Kruse Smith Entreprenør AS.

The Group expects to encounter tougher competition from foreign contractors in 2013, in particular within the construction market. In total for 2013, we expect margins for the Group to see a slight increase, despite the increased competition from abroad. The main reason for this is that the contracts signed during the financial crisis are now in the main concluded.

We believe that the market in 2013 will be better than in 2012, albeit with a substantial level of uncertainty regarding the financial solidity of several European countries. This uncertainty has a particular impact on the financial markets. This results in uncertainty among many investors and increased financing costs.

The labour market will remain tight in 2013 – particularly for qualified manpower. The petroleum industry is struggling with a lack of engineers, and this has an impact on our industry in the form of increased pressure on wages for certain groups.

We expect to see an increase in the prices for the majority of our input factors in 2013. The signals provided by the Bank of Norway appear to be that the interest rate will remain stable throughout the year. The Bank of Norway has maintained a key policy rate of 1.5% and has not adjusted this rate since March 2012.

On 1 January 2012, the Group implemented a new three-year strategy period. The main focus areas for this new strategy period are: **Management, Development and Risk Management**. The strategic, economic targets are based on profitability. The target for operating margin is 4.5% and the target for liquidity is to have a liquidity reserve which corresponds to one month's revenues. No targets for growth in sales have been established for the strategy period.

On the background of the existing order backlog, improvements to cost efficiency and our existing knowledge of the market, the Board of Directors is confident of achieving a positive profit performance and growth in sales in 2013.

The Board of Directors considers that the financial statements provide adequate information on the Group's position at the end of 2009. The Board of Directors is not aware of any factors which have occurred after 31 December 2012 which are not presented in the financial statements, and which have a significant impact on the evaluation of the company or the Group.

Kristiansand, 3 May 2013

TOMAS LEIRE
Chairman of the Board

JOHANNES KAMBO
Board member

SISSEL LEIRE
Board member

AAGE P. DANIELSEN
Board member

CATHRINE LEIRE LOSSIUS
Board member

JAN A. HESTÅS
CEO

WE ARE ACTIVELY INVOLVED IN CONTINUOUS MEASURES TO IMPROVE OUR UTILISATION OF ENERGY RESOURCES. WE CARRY OUT DETAILED INVESTIGATIONS, INCLUDING THE USE OF THERMAL CAMERAS, TO CHART ANY HEAT LOSS.

THE CITY HALL AREA IN KRISTIANSAND IS A PRIME EXAMPLE OF HOW OUR SHARED CULTURAL INHERITANCE CAN BE PROTECTED WHILE DEVELOPING THE TOWN CENTRE FOR FUTURE GENERATIONS.

INCOME STATEMENT

		GROUP		PARENT COMPANY	
Amounts in full NOK 000	NOTE	2012	2011	2012	2011
OPERATING INCOME AND OPERATING EXPENSES					
Operating income					
Net sales	11	4,098,569	3,279,269	0	0
Other operating income	11, 14	6,289	24,212	0	0
Total operating income		**4,104,858**	**3,303,481**	**0**	**0**
Operating expenses					
Project expenses	6	3,135,686	2,388,541	0	0
Wages and salaries	9, 12	710,257	641,688	377	308
Depreciation and amortisation	2	35,928	39,479	0	0
Write-downs	2	3,733	3,428	0	0
Other operating expenses	12	127,061	140,805	153	251
Total operating expenses		**4,012,665**	**3,213,941**	**529**	**559**
OPERATING PROFIT		**92,193**	**89,541**	**-529**	**-559**
FINANCIAL INCOME AND EXPENSES					
Financial income					
Income on investment in subsidiary	3	0	0	67,843	55,150
Income from investments in associates	3, 7	21,859	-10,134	0	0
Interest income from Group companies		0	0	0	428
Other interest received		7,730	5,044	462	150
Other financial income	16	4,148	19,515	0	0
Total financial income		**33,737**	**14,426**	**68,306**	**55,729**
Financial expenses					
Write-down of financial assets		0	-78	0	0
Other interest paid		24,742	22,447	383	0
Other financial expenses	16	939	421	0	0
Total financial expenses		**25,681**	**22,789**	**383**	**0**
NET FINANCIAL ITEMS		**8,057**	**-8,364**	**67,922**	**55,729**
ORDINARY PRE-TAX PROFIT		**100,250**	**81,177**	**67,393**	**55,170**
Tax on profit on ordinary activities	10	22,723	20,872	-126	60
PROFIT ON ORDINARY ACTIVITIES		**77,527**	**60,305**	**67,519**	**55,110**
PROFIT FOR THE YEAR BEFORE MINORITY INTERESTS		**77,527**	**60,305**	**67,519**	**55,110**
Minority interests' share of profit	1	10,008	5,195	0	0
PROFIT FOR THE YEAR		**67,519**	**55,110**	**67,519**	**55,110**
TRANSFERS AND ALLOCATIONS					
Transferred to revaluation reserve		0	0	47,235	27,265
Dividend		33,000	27,882	33,000	27,882
Transferred to other equity		0	0	-12,716	-37
Transferred to reserves		34,519	27,228	0	0
TOTAL TRANSFERS AND ALLOCATIONS		**67,519**	**55,110**	**67,519**	**55,110**

BALANCE SHEET

		GROUP		PARENT COMPANY	
Amounts in full NOK 000	NOTE	2012	2011	2012	2011
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Concessions, patents, licences and similar rights	2	6,000	6,000	0	0
Deferred tax asset	10	3,943	3,230	126	0
Goodwill	2	3,855	9,577	0	0
Total intangible assets		**13,797**	**18,807**	**126**	**0**
Property, plant and equipment					
Land, buildings and other real property	2.5	232,162	164,823	0	0
Plant and machinery	2.5	113,670	108,131	0	0
Movables, fixtures, tools, office equipment	2.5	10,562	6,742	0	0
Total plant, property and equipment		**356,394**	**279,695**	**0**	**0**
Financial assets					
Investments in subsidiary	3	0	0	444,267	396,499
Investments in associates	3, 5	163,182	117,822	0	0
Loans to associates	4, 7	159,653	124,451	0	0
Investments in shares and units	3	4,038	2,407	0	0
Bonds and other receivables	4, 9	6,050	20,061	0	0
Total financial assets		**332,922**	**264,741**	**444,267**	**396,499**
TOTAL NON-CURRENT ASSETS		**703,114**	**563,244**	**444,393**	**396,499**
CURRENT ASSETS					
Work in progress/projects on own account	5, 6	338,000	269,691	0	0
Receivables					
Accounts receivable	4, 5, 6, 7	1,226,868	1,019,924	0	0
Other receivables	7	68,123	69,482	0	0
Receivables from Group companies	7	10	0	50,490	37,319
Total receivables		**1,295,001**	**1,089,407**	**50,490**	**37,319**
Cash and bank balances	4.5	203,460	181,148	4,513	5,534
TOTAL CURRENT ASSETS		**1,836,462**	**1,540,246**	**55,003**	**42,853**
TOTAL ASSETS		**2,539,575**	**2,103,490**	**499,396**	**439,352**

BALANCE SHEET

		GROUP		PARENT COMPANY	
Amounts in full NOK 000	NOTE	2012	2011	2012	2011
EQUITY AND LIABILITIES					
EQUITY					
Paid-up equity					
Share capital	1, 8	167,200	167,200	167,200	167,200
Share premium reserve	1	92	92	92	92
Total paid-up equity		**167,292**	**167,292**	**167,292**	**167,292**
Accumulated equity					
Reserves	1	293,704	244,109	0	0
Revaluation reserve	1	0	0	276,071	228,836
Other equity	1	0	0	2,557	15,273
Total accumulated equity		**293,704**	**244,109**	**278,628**	**244,109**
Total equity attributable to shareholders in parent company		**460,996**	**411,401**	**445,920**	**411,401**
Minority interests	1	65,881	62,992	0	0
TOTAL EQUITY		**526,878**	**474,393**	**445,920**	**411,401**
LIABILITIES					
NON-CURRENT LIABILITIES					
Provisions					
Pension commitments	9	8,980	10,556	0	0
Deferred tax	10	125,739	111,047	0	0
Other provisions	3, 16	32,179	30,161	0	0
Total provisions		**166,898**	**151,763**	**0**	**0**
Other non-current liabilities					
Liabilities to credit institutions	4.5	469,575	454,240	0	0
Long-term debt to Group companies		0	0	20,409	0
Other non-current liabilities	4.5	42,184	22,068	0	0
Total other non-current liabilities		**511,758**	**476,309**	**20,409**	**0**
TOTAL NON-CURRENT LIABILITIES		**678,657**	**628,072**	**20,409**	**0**
CURRENT LIABILITIES					
Liabilities to credit institutions/Building loans	5	236,036	16,194	0	0
Accounts payable		554,425	434,362	67	56
Tax payable	10	722	241	0	12
Public sector charges due		104,392	110,063	0	0
Dividend		36,754	27,882	33,000	27,882
Current liabilities to group companies		61	60	0	0
Other current liabilities	5, 6, 7	401,652	412,223	0	0
TOTAL CURRENT LIABILITIES		**1,334,041**	**1,001,025**	**33,067**	**27,951**
TOTAL LIABILITIES		**2,012,697**	**1,629,097**	**53,476**	**27,951**
TOTAL EQUITY AND LIABILITIES		**2,539,575**	**2,103,490**	**499,396**	**439,352**

Kristiansand, 3 May 2013

TOMAS LEIRE
Chairman of the Board

JOHANNES KAMBO
Board member

SISSEL LEIRE
Board member

AAGE P. DANIELSEN
Board member

CATHRINE LEIRE LOSSIUS
Board member

JAN A. HESTÅS
CEO

STATEMENT OF CASH FLOW

STATEMENT OF CASH FLOW	GROUP		PARENT COMPANY	
Amounts in full NOK 1,000	2012	2011	2012	2011
Cash flow from operations				
Pre-tax profit	100,250	81,177	67,393	55,170
Tax paid during the period	-241	-8,617	-12	0
Loss/(gain) on sale of financial assets (associated companies and financial assets)	-1,929	-16,953	0	0
Ordinary depreciation	35,928	39,479	0	0
Write-down of financial assets	3,733	3,428	0	0
Change in recognised pension commitment	-1,576	-4,525	0	0
Share of profit from subsidiaries and associated companies (minus company distributions)	-19,659	11,634	-39,961	-41,914
Change in inventory and projects run by the Group	-5,741	-972	0	0
Change in accounts receivable and advance payments from customers	-231,450	-165,897	0	0
Change in accounts payable	116,049	31,594	10	47
Change in other accrual items	-21,942	126,415	0	0
Items classified as investment or financing activities	0	0	0	0
Net cash flow from operations	**-26,578**	96,763	**27,430**	13,303
Cash flow from investing activities				
Payments received for sale of financial assets	4,309	69,102	0	0
Payments made for purchase of fixed assets	-51,690	-32,271	0	0
Payments received for sale of intangible assets	0	0		
Payments made for purchase of intangible assets	0	0	0	0
Downpayments on long-term claims	0	-3,546	-20,442	0
Payments received from long-term claims	0	0	0	0
Downpayments on short-term claims	0	0	0	-9,437
Payments received for disposal of shares and units in subsidiaries, associated companies and other enterprises	21,041	22,953	0	3,101
Payments made for purchase of shares and units in subsidiaries, associated companies and other enterprises	-80,938	-40,594	-536	0
Net cash flow from investing activities	**-107,278**	15,644	**-20,978**	-6,336
Cash flow from financing activities				
Payments received from new debts (long-term and short-term)	219,843	140,993	20,409	0
Payments received from debts	0	60	0	0
Downpayments made on debts (long-term and short-term)	-32,638	-193,409	0	-1,596
Change in minority interests	0	1,755	0	0
Dividend payments	-31,037	0	-27,882	0
Net equity payments received	0	0	0	0
Net cash flow from financing activities	**156,168**	-50,601	**-7,473**	-1,596
Net cash flow for the period	**22,312**	61,806	**-1,021**	5,371
Cash and cash equivalents at the start of the period	181,148	119,342	5,534	163
Cash and cash equivalents at the end of the period	**203,460**	181,148	**4,513**	5,534
This comprises:				
Bank deposits	203,460	181,148	4,513	5,534
Interest fund	-	-	-	-
Total cash and cash equivalents	203,460	181,148	4,513	5,534
Unutilised line of credit for operations (cf. note 4)	358,003	200,000	0	0

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, the application of the company's accounting principles requires that the management has to make assessments. Items which mainly comprise such assessments, a high level of complexity or items where assumptions and estimates have a significant impact on the financial statements are described in the notes to the accounts.

CONSOLIDATION

The consolidated accounts comprise the companies where the parent company directly or indirectly has decisive influences. The consolidated accounts are prepared as if the Group was one economic unit. Intragroup transactions and intercompany accounts are eliminated. The same applies to intragroup profit and unrealised gains. The consolidated accounts have been prepared in accordance with uniform principles.

Acquired subsidiaries are recognised on the consolidated accounts on the basis of the parent company's acquisition cost. Acquisition cost is allocated to identifiable assets and liabilities in the subsidiary, which is recognised on the consolidated accounts at fair value at the time of acquisition. The term "identifiable assets" is defined as both tangible assets and intangible assets which are not goodwill. Any added value or shortfall in market value in excess of that which can be related to identifiableassets and liabilities are carried as goodwill or negative goodwill. Goodwill is recognised as a residual value and is carried with the share observed from the acquisition transaction. Goodwill is depreciated on a straight line over its estimated economic lifetime. In the case of successive acquisitions, the added value on existing shareholdings is allocated to assets and liabilities with a contra entry for equity. If a company is to leave the Group, the 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. On the income statement, minority interests are calculated on the basis of the profit figure after tax.

RECOGNITION OF INCOME

Construction contracts

Work in process related to fixed price contracts with long-term production period are valued according to the current settlement method. The degree of completion is calculated as accrued costs as a percentage of estimated total cost. The total cost is reassessed on a continuous basis. For projects estimated to generate a loss, the entire estimated loss is recognised immediately.

Accrued, non-invoiced income is recognised on the balance sheet under accounts receivable. Production invoiced in advance is included under other short-term debt.

Projects run by the Group

For projects run by the Group, where the building process has started and a significant part of the project has been sold, income is recognised on the basis of estimated final result and ratio of sales in the project.

Lease income and sale of services

Income from the sale of services is recognised in line with the accrual period. Lease income is recognised over a straight line throughout the leas period.

OTHER PRINCIPLES

Subsidiaries / Associated companies/ Working partnerships (joint ventures)

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

Subsidiaries and associated companies are valued according to the equity method on the company financial statements. Associated companies are also valued according to the equity method on the consolidated financial statements. According to this method, the investment is valued a the share of equity in the company and the share of the profit is recognised. At the time of acquisition, the investment is valued at cost, i.e. including added value or shortfall in market value. When calculating the share of profit, depreciation of added value or shortfall in market value and intragroup gain are taken into consideration. Distributions from companies are recognised as a reduction of the initial investment on the balance sheet. With successive acquisitions, added value is not allocated to the share-holding acquired until control has been performed (formation of a group).

The share of profit and capital in a working partnership is recognised according to the proportionate consolidation principle. This method implies that a share of the working partnership's result and balance sheet is reflected in the individual items in the income statement and balance sheet. The acquisition method is applied to acquisition of working partnerships. Intragroup transactions and gains from the joint venture and Kruse Smith AS are eliminated. Added value and shortfall on market value are allocated to the respective items on the income statement and balance sheet.

Classification and valuation of balance sheet items

Current assets and short-term liabilities comprise items which fall due for payment within one year after the date of acquisition, and items related to the circulation of goods. Other items are classified as financial assets/ long-term liabilities.

Current assets are valued at the lowest of acquisition cost and fair value. Short-term liabilities are carried at nominal value at the time they are established.

Financial assets are valued at acquisition cost but written down to fail value if the impairment is not expected to be temporary. Long-term liabilities are carried at nominal value at the time they are established.

Other long-term shareholdings and units

Long-term shareholdings and investments in general partnerships and limited partnerships, where Kruse Smith doest not have a significant influence, are carried 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 that the distribution does not represent repayment of capital.

Receivables
Accounts receivable and other receivables are carried on the balance sheet at nominal value after deduction of provisions for bad debts. Provisions for loss are made on the basis of individual valuations of the different receivables. Moreover, an unspecified provision is made to cover potential losses on other accounts receivable.

Inventory
The inventory of purchased goods is valued at the lowest of average purchase cost and fair value. In-house manufactured finished good and goods in process are valued at full production cost including interest on building loans where relevant. Write-downs are carried out to cover foreseeable impairment.

Currency
Monetary items, receivables and liabilities in foreign currency are valued according the exchange rate at the end of the financial year.

Short-term investments
Short-term investments (shares and units valued as current assets) are valued at the lowest of acquisition cost and fair value on balance sheet date. This does not apply to investments in financial instruments where the underlying instrument (share/bond loan) 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 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 fixed assets 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 deprecation schedule, the impact is distributed over the remaining depreciation time ("breakpoint method"). Maintenance costs for assets are recognised on a continuous basis as operating costs. Expenditure and improvements are added to the cost price of the asset and depreciated in line with the asset. The difference between maintenance and expenditure/improvements is calculated in relation to the condition of the asset on 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 the premises for discount rate, future regulation of payroll, pensions and social security benefits, future yield on pension funds and actuarial premises regarding mortality, voluntary resignation etc. Pension funds are valued at fair value minus net pension commitment on the balance sheet.

Accounting of pensions is based on 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 for the period.

Tax
The tax cost in the income statement covers both tax payable for the period and change in deferred tax. Deferred tax is calculated as 28% on the basis of provisional differences existing between accounting and fiscal values, and tax-related deficits to be carried forward at the end of the financial year. Tax-increasing and tax-reducing provisional differences which reverse or can be reversed in the same period are offset. Deferred tax asset is carried to the extent that it is probable that the asset can be exploited by the company or Group.

Leasing
Financial leasing is differentiated from operational leasing. Assets financed by financial leasing are classified on the accounts under fixed assets. The contra entry is reported under long-term liabilities. The leas amount is distributed between interest cost and downpayments.

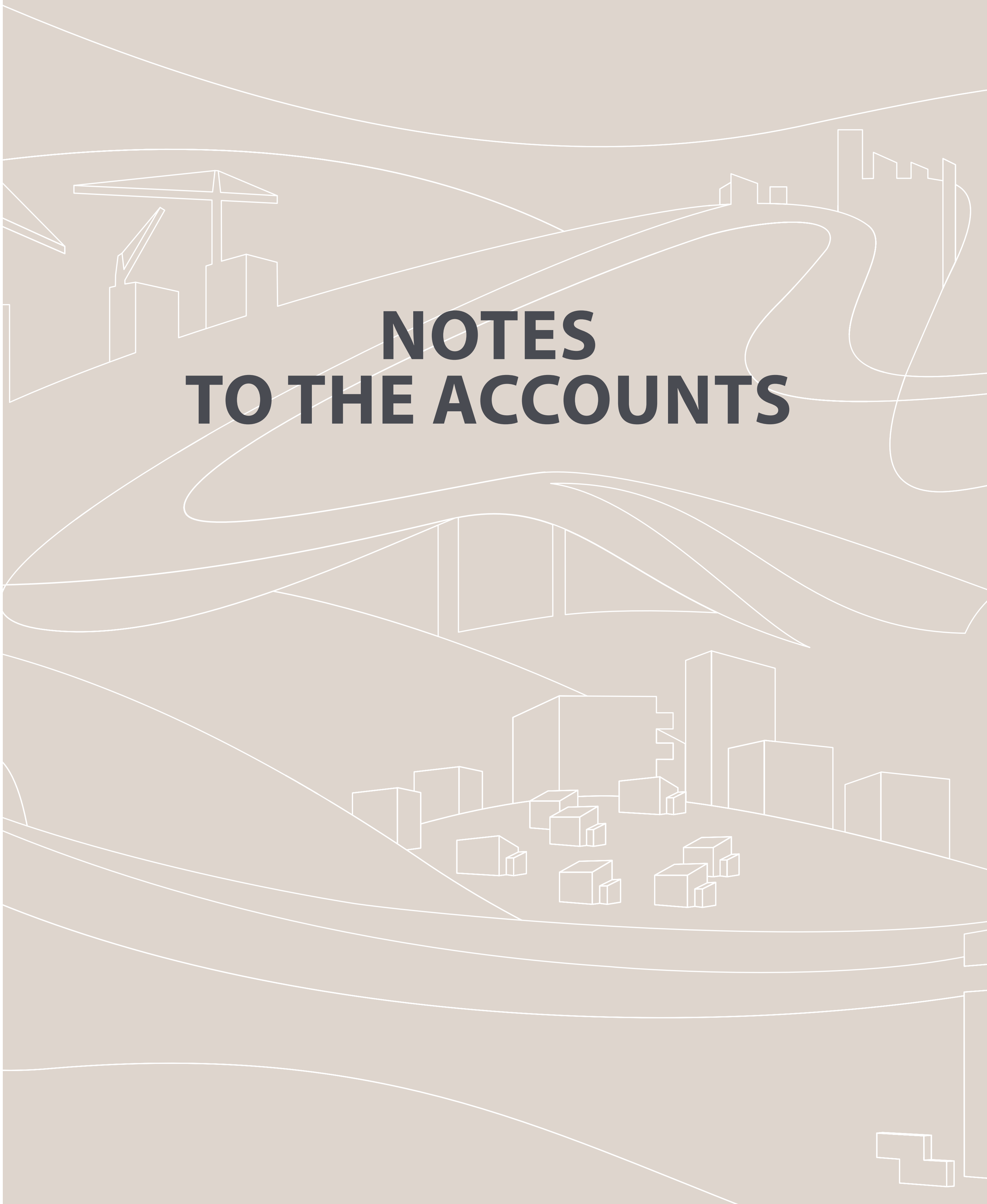
Operational leasing is recognised as an operating cost, based on the invoiced lease.

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

Hedging
The Group enters into hedging agreements for interest rates. In the event that interest rate hedging covers underlying loans with a floating rate of interest, the value of the hedging agreement is recognised as an off-balance item. If the hedging instrument is not covered by the underlying loan, the value is recognised according the lowest value principle, i.e., that the shortfall on the agreement is recognised, while a gain is not recognised.

Statement of cash flow
The indirect model is utilised to prepare the statement of cash flow. Cash and cash equivalents include petty cash and bank deposits in addition to liquid assets which can immediately be converted into cash without any significant exchange risk. Dividends from subsidiaries are included in the cash flow from operating activities.

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



NOTES TO THE ACCOUNTS

NOTE 1 EQUITY

(All figures are in NOK 1,000)

PARENT COMPANY	Share capital	Share premium account	Fund for valuation differences	Other equity	Total equity
Equity as of 31.12.2011	**167,200**	**92**	**228,837**	**15,272**	**411,401**
Profit for the year			**47,235**	**20,284**	67,519
Dividend				**-33,000**	-33,000
Equity as of 31.12.2012	**167,200**	**92**	**276,072**	**2,556**	**445,920**

GROUP	Share capital	Share premium account	Reserves	Minority interests	Total equity
Accounting equity as of 31.12.2011	**167,200**	**92**	**244,109**	**62,992**	**474,393**
Changes form acquisition/sale					
Distributions to minority interests				**-3,431**	-3,431
Increase in equity due to successive acquisitions			**15,076**		15,076
Profit for the year			**67,519**	**10,008**	77,527
Provision for dividend payment			**-33,000**	**-3,687**	-36,687
Equity as of 31.12.2012	**167,200**	**92**	**293,704**	**65,882**	**526,878**

NOTE 2 FIXED ASSETS

(All figures are in NOK 1,000)

GROUP

Property, plant and equipment	Land	Buildings in process	Buildings	Machines/ plants etc.	Movables, inventory, office equip-ment etc.	Rights	Goodwill	Total plant, property and equip-ment
Acquisition cost as of 01.01	59,650		187,069	235,691	24,956	6,000	30,223	543,589
Addition of operating assets	25,909	7,272	32,116	33,288	7,469		2,980	109,034
Disposal of operating assets	-208		-42,390	-609	-21		-4,250	-47,478
Acquisition cost 31.12	**85,351**	**7,272**	**176,795**	**268,370**	**32,404**	**6,000**	**28,953**	**605,145**
Accumulated depreciation 31.12			-36,304	-151,272	-21,842		-8,835	-218,253
Accumulated write-downs 31.12			-952	-3,428			-16,264	-20,644
Reversed write-downs 31.12								
Carried value at 31.12	**85,351**	**7,272**	**139,539**	**113,670**	**10,562**	**6,000**	**3,854**	**366,248**
Depreciation for the year			4,047	27,056	3,055		1,770	35,928
Write-downs for the year			1,051				2,682	3,733
Estimated economic lifetime:			20 -50 years	3 -15 years	3 -15 years		5 -10 years	

Both the parent company and the Group utilise straight line depreciation for all fixed assets.

Capitalised interest included in acquisition cost			**1,810**					**1,810**

Estimated goodwill for the acquisition of enterprises can be specified as follows:		Residual value 31.12
G. Sørlie AS	1.0 million	0.5
Einar Tangjerd AS	1.5 million	
Resource Telecom AS	3.0 million	
Budeng & Vik Holding AS	4.1 million	1.8
Skutle AS	19.3 million	1.6

Goodwill related to the acquisition of Skutle AS is depreciated over a period of five years, while other goodwill is depreciated over 10 years. The depreciation period is determined by the estimated period during which the goodwill 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.

Of the total acquired goodwill of NOK 23.5 million regarding the acquisition of Skutle AS, a write-down of NOK 13.5 million was made in 2010. Goodwill acquired with the acquisition of Resource Telecom AS has been written down in 2012.

Financial leasing:		
Of which carried lease agreements (financial leasing) included in acquisition cost	23,007	23,007
Boolk value as of 31.12.2012	18,417	18,417
Depreciation for the year	2,498	2,498
Leasing commitment recognised as of 31.12.2012	17,781	17,781

Remaining leasing period is 53 and 80 months.

Operational leasing/lease agreements:
Estimated leasing cost in 2013 is NOK 3,705.

NOTE 3 SUBSIDIARIES, ASSOCIATED COMPANIES ETC.

(All figures are in NOK 1,000)

PARENT COMPANY

Shares and units reported as financial assets	Registered business address	Acquisition cost	Voting right and shareholding as %	Carried equity on acquisition	Opening balance 01.01	Recognised result	Addition/ Disposal	Other changes	Share of equity 31.12.	Closing balance as of 31.12	Of which added value/ shortfall
Subsidiaries											
Kruse Smith Entreprenør AS	Kristiansand	90.03%	123,254	123,254	262,638	39,726	-2,861	-32,555	266,948	266,948	
Kruse Smith Egne Bygg AS	Kristiansand	90.03%	20,751	20,751	25,503	3,978	445	-3,214	26,712	26,712	
Kruse Smith EiendomAS	Kristiansand	90.03%	24,212	24,212	108,358	37,342	2,452	2,455	178,788	150,607	-28,181
Kruse Smith Spesialprodukter AS *	Kristiansand	100.00%	500	500		-13,202	500				
Total					**396,499**	**67,844**	**536**	**-33,314**	**472,448**	**444,267**	**-28,181**

* The deficit in Kruse Smith Spesialprodukter As is financed by Kruse Smith AS. The deficit is included in the parent company with the accounting write-down of the receivable by the company of a figure of NOK 12,702. This is included as a reduced value of the receivable for the parent company, cf. note 7.

GROUP	**Shareholding/ Voting right**	**Registered business address**
Kruse Smith Entreprenør AS	90.03%	Kristiansand
Kruse Smith Egne Bygg AS	90.03%	Kristiansand
Kruse Smith Eiendom AS	90.03%	Kristiansand
Biejordene AS	100.00%	Kristiansand
Budeng & Vik Hasseløy AS	100.00%	Førresfjorden
Develop 1 Hjemmel AS	100.00%	Oslo
Develop 2 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 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
Nygårds Jorde AS	100.00%	Kristiansand
Resource Telecom AS	100.00%	Oslo
Skaaarlia Amfi AS	100.00%	Sandnes
Skutle AS	100.00%	Oslo
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
Guldmand Brygge 2 AS	67.00%	Kristiansand
Kragerø Utvikling AS with subsidiaries	51.00%	Kristiansand

Shares and units recognised under financial assets	Registered business address	Voting right and shareholding as %	Acquisition cost	Carried equity on acquisition	Opening balance 01.01	Recognised result	Addition/Disposal	Other changes	Share of equity 31.12.	Closing balance as of 31.12	Of which added value
Shares and units in associated companies (20-50% shareholding)											
Akost GmbH	Germany	40.00%	2,000	669		-119	2,000		661	1,881	1,220
Arendal Utvikling AS	Arendal	50.00%	505	505	460	-185			275	275	
AQ Hotelleiendom AS	Kristiansand	50.00%	60	60	-25	-113			-138	-138	
AQ Næring AS	Kristiansand	50.00%	60	60	-29	-188			-217	-217	
AQ Parkering AS	Kristiansand	50.00%	60	60		-52			-52	-52	
Aqua Technology AS	Stord	50.00%	135	135	965	8	-973				
Aquarama Kristiansand AS	Kristiansand	50.00%	53	53	-1,762	-11,309	3,335		1,460	-9,736	-11,196
Ausviga Eiendom AS	Kristiansand	50.00%	503	503	362	-216			146	146	
Bergesletta Utvikling AS	Kristiansand	33.33%	102	102	28	-36			-8	-8	
BRKS Holding AS	Kristiansand	50.00%	50	50	58	-182			-22	-124	-102
Bryggen Senter Hommersåk AS	Sandnes	50.00%	3,405	3,405	2,203	-20			3,183	2,183	-1,000
Bryggerestauranten AS	Sandnes	50.00%	200	44	-7	-9	25		9	9	
Buggeland AS	Stavanger	33.33%	508	508	1,079	863		-1,400	542	542	
Bytoppen AS	Kristiansand	50.00%	2,703	2,703	3,166	936		-1,400	2,702	2,702	
Bærumsveien Butikkeiendom AS	Oslo	50.00%	255	255		1	255		256	256	
Greverud Kjøpesenter AS	Oslo	50.00%	27,697	4,301		818	27,697		5,119	28,515	23,396
Greverud Utvikling AS	Oslo	50.00%	12,666	1,010		-30	12,666		980	12,636	11,656
Eidet AS	Kristiansand	50.00%	2,747	747	273	-57			216	216	
Gauselbakken Nord AS	Stavanger	33.33%	300	300	45	14			59	59	
Hagltårnet Holding AS	Sandnes	50.00%	6,763	6,763	4,558	-796			5,215	3,762	-1,453
Hamrevann AS	Bærum	20.00%	20,000	-124	24,870	-343			5,617	24,527	18,910
Hanapiren AS	Kristiansand	50.00%	2,250	1,250	232	-2			230	230	
Harald Hårfagresgt 124 AS	Sandnes	50.00%	2,505	2,505	-18	-167	1,170		985	985	
Hinna Brygge AS	Stavanger	50.00%	1,013	1,013	107	-3			104	104	
Jernbaneveien Flekkefjord AS	Kristiansand	50.00%	610	600	2,029	467			2,496	2,496	
Jørpeland Tomter AS	Sandnes	50.00%	506	506	478	-9			469	469	
Jørpeland Utviklingsselskap AS	Sandnes	35.00%	1,781	1,781	1,385	-206			1,179	1,179	
Kanalsletta Utvikling AS	Stavanger	33.33%	50	50	8,769	-4,207			8,889	4,562	-4,327
Karmsundgaten Mediehus AS	Haugesund	50.00%	9,050	9,013	4,036	-5,079			7,696	-1,043	-8,739
Karpos AS	Grimstad	50.00%	429	1	429	-4			-3	425	428
Lauvåsen Helsebygg AS	Kristiansand	23.60%	238	238	237	-82			155	155	
Madla Byutvikling	Sandnes	33.33%	304	304	-5,840	-1,355			-7,195	-7,195	
Malmø Utvikling AS	Kristiansand	40.00%	42	42	-161	174			13	13	
Nybyen Utvikling AS	Kristiansand	50.00%	503	503	-2,517	-264			-2,781	-2,781	
Nådlandskvartalet	Sandnes	33.33%	700	700	427	20			447	447	
Odden Næringsbygg AS	Kristiansand	50.00%	3,150	3,150	7,787	426			8,213	8,213	
Prestebekken Eiendom AS	Kristiansand	50.00%	6,554	6,554	1,176	-777			399	399	
Prinsesseparken AS	Oslo	50.00%	50	50							
Pynteneset AS	Stavanger	21.50%	28	28			28		28	28	
Pynteneset Eiendom AS	Stavanger	25.00%	225	225	-2,719	25			-2,694	-2,694	
Randesund Tomteutvikling AS	Kristiansand	23.60%	6,037	568	6,439	-219			751	6,220	5,469
Randesund Tomteutvikling Næringspark AS	Kristiansand	23.60%	1,566	148	1,560	253			395	1,813	1,418
Randesund Tomteutvikling Prosjekt N3 AS	Kristiansand	23.60%	237	24	231	-3			15	228	213
Rauland Fritidsbolig AS	Kristiansand	50.00%	1,000	497	735	-65			167	670	503
Rundeskogen AS	Sandnes	50.00%	53	53	-2,366	21,524		-8,950	12,056	10,208	-1,848
Rona Senter AS	Lillesand	25.00%	7,500	1,468	7,500	-206			1,262	7,294	6,032
Siriskjær Utbygging AS	Sandnes	50.00%	5,710	4,229	4,811	2,835			6,165	7,646	1,481
Sporafjell Utviklingsselskap AS	Stavanger	50.00%	1,005	1,005			1,005		1,005	1,005	
Tangen Kristiansand AS	Kristiansand	40.00%	20,002	20,002	19,803	-1,624			18,260	18,179	-81
Tangen Pluss AS	Kristiansand	50.00%	507	507	6,676	15,511		-11,885	10,746	10,302	-444
Tastarustå Byutvikling AS	Sandnes	33.33%	300	300	282	489			771	771	
Trymsvei Eiendom AS	Kristiansand	50.00%	153	153	1,866	5,767	-7,633				
Vaagsbyen AS	Kristiansand	50.00%	5,356	5,350	2,425	-456	-1,969				
Vaagsbyen Bolig AS	Kristiansand	50.00%	55	55							
Åsedalen Boligpark AS	Stavanger	25.00%	236	236	335	114	3,069		561	3,518	2,957
Total					**102,378**	**21,862**	**40,675**	**-23,635**	**96,787**	**141,280**	**44,493**
Companies with negative equity presented as other provisions for commitments (long-term)					15,444					21,902	
Balance sheet value in the financial statements					**117,822**					**163,182**	

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

OTHER LONG-TERM SHAREHOLDINGS:	Shareholding as %	Number	Cost price	Book value
Jåsund Utviklingsselskap AS	17.80%	178	890	890
Sørbø Hove AS	15.00%	320	1,105	1,105
Nord-Jæren Utvikling AS	12.60%	882	1,820	1,820
Urban Sjøfront AS	9.09%	100	100	100
Vennesla Vekst AS	1.88%	10	10	10
Lokal Veiutvikling AS	5.88%	10	10	10
Other shares			103	103
Total			**4,038**	**4,038**

NOTE 4 TIED-UP BANK DEPOSITS, RECEIVABLES AND DEBT

(All figures are in NOK 1,000)

Tied-up bank deposits

Tied-up bank deposits for advance tax deductions totalling NOK 33,646 are included under the item for Bank deposits in the balance sheet. The overdraft facility limit is NOK 394,400 as of 31.12.2012. In addition, the Group has NOK 211 on a suspense account. Unutilised overdraft facility is NOK 358, 003

Outstanding receivables

Net, non-invoiced production is included in the accounts receivable at an amount of NOK 259,415, cf. additional information in note 6. Outstanding receivables have been written down together by an amount of NOK 7,996 for foreseeable losses.

Confirmed losses have been charged to the accounts.

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

Other financial instruments

This applies to units trusts/interest funds which can be realised within a short period of time. The item was realised as of 31.12.2012.

	GROUP	
Receivables with maturity later than one year	**2012**	**2011**
Other long-term receivables	157,241	131,563
Total	**157,241**	**131,563**

Long-term liabilities with maturity later than five years	**2012**	**2011**
Liabilities to credit institutions	91,019	166,970
Other non-current liabilities		
Total	**91,019**	**166,970**

	GROUP	
	2012	**2011**
Specification of other long-term debt		
Leasing commitment	17,781	16,239
Other non-current liabilities	19,428	854
Interest-free municipal debt	4,975	4,975
Total	**42,184**	**22,068**

NOTE 5 GUARANTEES AND SECURITIES

(All figures are in NOK 1,000)

	PARENT COMPANY		GROUP	
Guarantee/surety liability	**2012**	**2011**	**2012**	**2011**
Contractor guarantees and guarantees pursuant to Act relating to home building			613,160	393,294
Parent company guarantee	1,975,295	1,548,650		
Surety liability	22,600	10,007	887,347	854,765
Total guarantees	**1,997,895**	**1,558,657**	**1,500,507**	**1,248,059**
Debt secured by mortgage			**728,366**	**574,625**
The book value of assets provided as security for loans and guarantees is:				
Outstanding accounts receivable			1,216,285	874,933
Shares			81,604	165,050
Inventory			221,032	209,690
Motor vehicles			121,983	113,729
Real estate including land and projects run by Group			255,525	144,318
Total:			**1,896,429**	**1,507,720**

	GROUP	
	2012	**2011**
The company's book guarantee commitment comprises:		
– Provision for commitments (long-term)		
– Guarantee commitment included in short-term debt	41,854	27,160
Total	**41,854**	**27,160**

In addition, the company has guaranteed continued operations for the following companies: Bergesletta Utvikling AS, Guldmand Brygge 1 AS, Aquarama Kristiansand, AQ Parkering, AQ Næring AS and AQ Hotelleiendom AS.

Multiple account system:

A multiple account system has been set up where Kruse Smith Entreprenør AS is the holder of the main account with the bank.
Certain other subsidiaries take part in the system. The system implies joint and several liability for the participants.

NOTE 6 GOODS/PROJECTS IN PROCESS
(All figures are in NOK 1,000)

	PARENT COMPANY		GROUP	
	2012	2011	2012	2010
Raw materials in stock			7,840	19,979
Project plots of land/projects run by Group			330,160	249,712
Total			**338,000**	**269,691**

	PARENT COMPANY		GROUP	
Projects in process	**2012**	**2011**	**2012**	**2011**
Completed production			3,170,242	2,190,877
Accrued costs			-2,858,401	-1,956,239
Net value			**311,841**	**234,638**
Valued as owing, included in accounts receivable:			**322,486**	**259,415**
Advance payments from customers included in other short-term debt:			**216,820**	**227,056**

NOTE 7 INTRAGROUP ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATED COMPANIES
(All figures are in NOK 1,000)

PARENT COMPANY:

Receivables and debt with Group companies and associated companies

	2012		2011	
	Associated companies	Other companies in the Group	Associated companies	Other companies in the Group
Long-term receivables (maturing after one year)				
Short-term receivables		50,490		37,319
CURRENT LIABILITIES				

GROUP:

Receivables and debt with Group companies and associated companies

	2012		2011	
	Associated companies	Other companies in the Group	Associated companies	Other companies in the Group
Long-term receivables (maturing after one year)	154,193		124,451	
Short-term receivables	6,315	10		
Accounts receivable	62,978			13,236
CURRENT LIABILITIES		61		60
NON-CURRENT LIABILITIES	17,691			

Interest is not normally charged on intragroup receivables and debt.

NOTE 8 SHARE CAPITAL AND SHAREHOLDERS
(Amounts in whole NOK)

PARENT COMPANY AND GROUP

	Number	Nominal value	Book value
Share capital comprises:	**16,720,000**	**10**	**167,200,000**
All shares carrying equal voting rights.			

The company had the following shareholders as of 31.12.2012:	**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%
TOTAL	**16,720,000**	**100.00%**

Shares owned by board members and CEO	**Role**	**Shareholding**
Tomas Leire *	Member of the Board	73.68%
Johannes Kambo *	Member of the Board	13.05%
Jan A. Hestås	Group Chief Executive	2.00%

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

NOTE 9 PENSIONS
(All figures are in NOK 1,000)

GROUP

The Group has a pension scheme which covers a total of 4 persons in Kruse Smith Entreprenør AS. The scheme provides entitlement to defined future benefits. These mainly rely upon the number of contribution years, the salary level when retirement age is reached and the size of the benefits from Social Security. The collective pension agreement has been financed by building up funds organised by an insurance company.

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

The company also has contractual early retirement scheme. The new contractual early retirement scheme, which applies from and including 1 January 2011, is to be regarded as a defined-benefit multiple company scheme, but accounted for as a defined-contribution scheme until reliable and sufficient information exists so that the Group can recognise its proportionate share of the pension cost, pension commitment and pension funds in the scheme. The company's commitments are therefore not carried as debts.

The early retirement pension commitment, according to the old scheme, was carried as a debt and was recognised in 2010, with the exception of the commitment related to previous employees who have now retired under this scheme.

The pension commitment reported on the balance sheet includes a provision to cover the deficit from the old early retirement scheme.

The CEO has a separate pension scheme. In addition, 4 persons have separate agreements for early retirement.

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

Defined-benefit scheme (All figures in NOK 1,000)	**2012**	**2011**
Current value of pensions accrued for the period	109	95
Capital costs of pension cost	338	294
Gross pension cost for the year	**447**	**389**
Projected yield from pension funds	-334	-285
Recognised changes in estimates and differences	1,530	57
Provision for deficit in former early retirement scheme	2,642	4,592
Change in recognised commitment related to former early retirement scheme	-	-4
Net pension cost for the year	**4,285**	**4,750**
Accrued employer's contribution		-92
Net pension cost for the year (including employer's contribution)	**4,285**	**4,658**
Cost of defined-benefit scheme (including employer's contribution)	**21,049**	**17,827**
Other pension costs	**673**	**623**
Total pension costs including employer's contribution	**26,007**	**23,108**
Pension payments for the year, defined-contribution scheme.	2,317	3,083
Investments in pension funds		
Accrued gross pension commitment	8,052	9,674
Other pension commitments	4,380	4,592
Estimated gross pension commitment	**12,432**	**14,266**
Pension funds (at market value)	-7,110	-7,040
Unrecognised changes in estimates and differences	-1,043	-3,017
Estimated net pension commitment (including employer's contribution) as of 31.12	**4,279**	**4,209**
Employer's contribution included at	678	934
Provision for deficit included in pension commitment	2,807	4,865
Estimated pension commitment ((including employer's contribution) as of 31.12, early retirement scheme	-5,855	-10,556
Estimated pension funds (including employer's contribution) as of 31.12, collective pension scheme	1,576	1,683
Premises utilised when calculating pension commitments:		
Discount rate	3.90%	3.90%
Projected yield from pension funds	4.00%	4.80%
Payroll regulation	3.50%	4.00%
Pension regulation	2.50%	3.00%
Regulation of base amount from social security	3.25%	3.75%
Turnover	4.00%	4.00%
Employer's contribution	10.6 – 14.1%	10.6 – 14.1%
Trend for withdrawal from early retirement scheme from 62 to 67 years of age	35%	35%
Number of active / rightful claimants in early retirement scheme		
Average age	65	64
Number of retired persons	15	22

The actuarial premises are based on normal conditions related to insurance in terms of demographic factors and resignation/retirement.
The company is obliged to maintain an occupational pension scheme pursuant to the Act relating to obligatory occupational pension schemes.
The company and the Group are in compliance with the provisions of the Act relating to occupational pensions.

NOTE 10 TAX

(All figures are in NOK 1,000)

	PARENT COMPANY		GROUP	
The tax cost for the year is distributed as follows:	**2012**	**2011**	**2012**	**2011**
Tax payable		12	13,145	1,550
Tax payable, previous years				
Other changes				
Tax effect of intragroup contributions received				
Change in deferred tax	-126	48	9,578	19,323
Total tax cost	**-126**	**60**	**22,723**	**20,873**

	PARENT COMPANY			
Calculation of tax basis for the year:	**2012**	**2011**		
Pre-tax profit	67,393	55,170		
Permanent differences		74		
Share of profit from subsidiaries and associated companies	-67,843	-55,150		
Change in provisional differences				
Deficit to be carried forward, utilised		-50		
Intragroup contributions received				
Tax basis for the year	**-450**	**44**		
28% tax		12		
Tax payable according to balance sheet		**12**	**722**	**241**

	PARENT COMPANY		GROUP	
Overview of provisional differences:	**2012**	**2011**	**2012**	**2011**
Receivables			1,006	-26,353
Goods			39,310	44,963
NON-CURRENT ASSETS			48,513	27,468
Provisions according to generally accepted accounting practice			-44,704	-28,110
Lease agreements carried				
Pension provision			-8,661	-10,556
Pension funds			1,576	1,683
Monetary fund, securities				
Profit and loss account			6,752	15,046
Other differences			-299	-931
Production contracts			448,944	364,805
Total which has an impact on changes in provisional differences			**492,437**	**388,015**
Securities				
Unutilised remuneration				
Deficit to be carried forward	-450		-104,226	-22,552
Other differences			46,748	19,382
Total provisional differences	**-450**		**434,959**	**384,845**
Cannot be set off			33	211
Basis deferred tax / (deferred tax asset)	**-450**		**434,992**	**385,056**
28% deferred tax / (deferred tax asset)	**-126**		**121,798**	**107,816**
Deferred tax as of 01.01.		-48	107,819	89,881
Recognised change in deferred tax for the year	-126	48	9,577	19,323
Adjustment in deferred tax on addition/disposal of subsidiaries etc.			4,402	-1,385
Deferred tax/tax asset as of 31.12.	**-126**		**121,798**	**107,819**
Deferred tax asset carried but which cannot be offset			**3,943**	**3,230**
Carried deferred tax / (deferred tax asset)			**125,739**	**111,047**

NOTE 11 BUSINESS SEGMENTS
(All figures are in NOK 1,000)

Specification of revenues	PARENT COMPANY		GROUP	
	2012	2011	2012	2011
Per segment:				
Building			3,033,193	2,559,869
Construction			616,763	519,391
Property			776,716	319,565
Internal eliminations			-321,814	-95,344
Total			**4,104,858**	**3,303,481**
Turnover contracting activities per region (excluding property and eliminations):				
South Norway			1,212,456	1,126,816
West Norway			1,481,890	1,239,318
East Norway			338,847	193,735
Plants, entire country			616,763	519,391
Total			**3,649,956**	**3,079,260**

The regional offices have also carried out individual assignments in addition to the geographical regions mentioned above. These revenues are included as revenues generated by the regional offices, which have been in charge of the assignments.

NOTE 12 PAYROLL COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES ETC.
(All figures are in NOK 1,000)

	PARENT COMPANY		GROUP	
Payroll costs	**2012**	**2011**	**2012**	**2011**
Salary	330	270	576,137	519,536
Employer's contribution	47	38	81,235	73,255
Pension costs			23,210	21,288
Other remuneration			29,675	27,609
Total	**377**	**308**	**710,257**	**641,688**

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

The number of employees as of 31.12.2012 for the parent company was 0 and 973 for the Group.

Remuneration of senior executives.	2012		2011	
	Group Chief Executive	Board of Directors	Group Chief Executive	Board of Directors
Salary/Board fees	2,005	330	1,908	270
Pension expenses	714	0	662	0
Other remuneration	47	0	60	0
Loans as of 31.12	265		84	

An early retirement pension agreement has been signed with 4 senior executives, including the Group Chief Executive.

The Group Chief Executive has entered into a bonus scheme, based on profits, for 2012 with a maximum bonus limit of NOK 600,000 including holiday money. The Group Chief Executive is not included in the bonus scheme which applies for other employees or the corporate management.

The Group has a scheme whereby employees can take out loans, via Nordea Finans, and where the total balance of the loan as of 31.12.2012 is NOK 30,313. Interest gains are recognised. There are no individual loans/securities which comprise more than 5% of the company's equity. The downpayment schedule is normally 100 months or 8.3 years. The Group acts as guarantor liable immediately on default by principal debtor for loans, limited up to 20% of the total loan or maximum NOK 10 million. No other loans have been awarded to the Chairman of the Board or other related parties with exception of loans to Group companies.

The company has a bonus agreement for employees which also covers the company management. There are no option agreements.

Auditor

Parent company	2012	2011
Remuneration paid to auditor is distributed as follows:		
Statutory auditing (including technical assistance with financial statements)	114	124
Other certification services		
Tax consultation (including technical assistance with tax assessment)	0	0
Other assistance	19	20
Total remuneration of auditor	**133**	**144**
Remuneration of cooperating legal firms	0	0

The figure is exclusive of VAT

Group	2012	2011
Remuneration paid to auditor is distributed as follows:		
Statutory auditing (including technical assistance with financial statements)	1,937	1,832
Extended auditing and control actions	0	1,133
Other certification services	23	0
Tax consultation (including technical assistance with tax assessment)	44	98
Other assistance	842	529
Total remuneration of auditor	**2,846**	**3,592**
Remuneration of cooperating legal firms	**791**	**611**

The consolidated figures partly include 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 though to have a significant impact on the Group's financial position, neither individually nor in total.

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

NOTE 14 RELATED PARTIES

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

Companies in the Group have carried out minor tasks for shareholders in 2012, all at market-related prices. Work between the companies has been carried out at market-related terms. The sale of financial assets between companies in the Group takes place at fair value.

	PARENT COMPANY		GROUP	
The company's transactions with related parties:	**2012**	**2011**	**2012**	**2011**
A) SALE OF GOODS AND SERVICES				
Sale of goods:				
– Associated companies	0	0	442,726	328,672
Sale of services:				
– Parent company	0	0	21	59
– Associated companies	0	0	9,545	5,528
B) PURCHASE OF GOODS AND SERVICES				
Purchase of goods:				
– Associated companies	0	0	0	0
Purchase of services:				
– Subsidiaries	21	59	0	0

NOTE 15 FINANCIAL MARKET RISK

(All figures are in NOK 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 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 follows a policy 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 avoid fluctuations in result caused by changes in interest rates. Loan agreements have originally been entered into with a floating rate of interest, with subsequent interest rate hedging agreements entered into to secure a fixed rate.

The interest rate swap agreements entered into have the following structure:

Currency	NOK million	Interest rate (fixed)	Maturity	Value
NOK	50	3.23	2016	-1,982
NOK	50	3.74	2017	-3,402

The interest gain on deposits is also affected by interest rates. The funds are invested at floating rates.

Credit risk

The company is exposed to credit risk related to receivables from Group companies, associated companies and other accounts receivable. The risk of counter parties being unable to discharge their commitments is considered to be low. Historically, bad debts have been low and contracts are largely secured by 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 in these companies.

Liquidity risk

The company's financing is based on bank financing combined with project financing. Ref. the statement of cash flow for information regarding unutilised overdraft facilities.

NOTE 16 OTHER FINANCIAL INCOME, OTHER FINANCIAL COSTS AND OTHER PROVISIONS FOR COMMITMENTS

The item for Other financial income includes gain on the sale of shares totalling NOK 4,055 for the Group.

The item for Other provisions for commitments includes deferred recognition of unrealised intragroup gains on the sale of shares of NOK 10.3 million for the Group.

The Group has insignificant 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 77 526 846, and the financial statements of the group, showing a profit of NOK 67 519 025. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2012, 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 present fairly, in all material respects, the financial position of the parent company and the group Kruse Smith AS as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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 and 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, 3. May 2013
PricewaterhouseCoopers AS

Svein G Olsen
State Authorised Public Accountant (Norway)

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

AQUARAMA IN KRISTIANSAND
IS NORWAY'S LARGEST PUBLIC PRIVATE
PARTNERSHIP PROJECT WITH THE
EXCEPTION OF ROAD BUILDING.

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From idea to reality KRUSE SMITH

MELVÆR & LIEN Photo: Elisabeth Tønnessen, Lise Bjelland, Anne Lise Norheim and Anders Martinsen, Aquarama