NOTE 1 **ACCOUNTING PRINCIPLES**

Infratek ASA's accounts have been prepared in accordance with Norwegian accounting law and generally accepted accounting principles in Norway (NGAAP).

Accrual, classification, and valuation principles

Classification

Classification of balance sheet items is defined as follows: All assets related to the business cycle, receivables payable within one year, and assets not intended for permanent ownership or use by the business, are classified as current assets. Other assets are classified as fixed assets. Liabilities with time to maturity exceeding one year after expiration of the accounting year are entered as long-term liabilities. Other liabilities are classified as current liabilities.

Valuation principles

Revenues

Revenue is recognized when it is earned, that is, when demand for compensation arises. This occurs when services are provided, along with the work performed. Revenues are accounted for by the value of the transaction date.

Assets and liabilities denominated in foreign currencies

Monetary items denominated in foreign currencies are translated at balance sheet date.

Leases

Assets which are leased on terms that are transferring financial risk and control of the leased asset to the company (financial leasing) are recognized under fixed assets, and related lease obligations are included as a liability under the interest bearing long term debt to net present value of lease payments. Assets are depreciated according to plan, and liabilities are reduced by lease payments less the effective interest cost. Lease for assets that are leased on terms where the financial risk and control lies with the lessor are expensed continuously on the basis of invoices received from the lessor.

Cash and cash equivalents

Cash and cash equivalents for the company consists of cash holdings, deposits in company specific bank accounts and net holdings on the Group's consolidated Group account system. The difference between the net deposit or draft on the company specific account in the Group's consolidated account system and the net deposit or draft on the consolidated account system for the Group, is presented as Group-internal receivables or debt.

Other receivables

Other receivables are entered at their nominal value less provisions for expected losses. Such loss provisions are made following individual assessment of the receivables in question.

Investments in subsidiaries

Investments in subsidiaries are valued according to the cost method. Dividends received and other profit disbursements from companies are recognized as financial income if the profit disbursement is retained after Infratek ASA bought the shares, if not, then profit disbursement is recognized in deduction of costs of subsidiary shares.

Tax expense, deferred tax, and deferred tax benefit

Tax charges are based on ordinary pre-tax profit. Tax expenses in the profit and loss account consist of taxes payable for the period and any change in deferred taxes/deferred tax benefits. Taxes payable are based on taxable profit for the year. Deferred tax recognized in the balance sheet is calculated using the offset method, with full provision for net tax-increasing temporary differences based on the tax rate on the balance sheet date and nominal sizes. Deferred tax benefits recorded in the balance sheet relating to net tax-reducing temporary differences and carry-forward losses are based on the likelihood of sufficient future earnings or ability to benefit from tax positions that can be offset through Group contributions.

Pensions and pension liabilities

See Note 2.15 to the Group accounts. Infratek ASA has exercised the option of switching to NRS 6A, which refers to IAS 19 regarding the accounting treatment of pension expenses.

Change in accounting policy

The company has in 2011 changed the accounting policy for pensions. The change implies leaving the so- called 'corridor approach' for the principle of recognizing the net pension obligation, including accumulated actuarial losses previously not recognized, as a liability at the balance sheet day. Estimated actuarial deviations arise from changes in actuarial assumptions or base data. The former accounting principle implied recognition of accumulated actuarial losses over and above the greatest of 10 percent of pension asset value or 10 percent of pension liabilities, in the profit and loss account over a period that corresponds to employees' expected average remaining terms of employment. The current principle implies recognition of actuarial gains and losses attributable to changes in actuarial assumptions or base data in to the equity on an ongoing basis after provisions for deferred tax.

The company believes that the changed policy provides more relevant information for the users of the financial statements.

According to The Norwegian Accounting act § 7-3, ref § 6-6 the change has been made retrospectively and the comparatives have been restated accordingly. This implies that the company is presenting its net benefit obligation, included accumulated actuarial losses previously not recognized, in the balance sheet for both year 2010 and 2011. The change in accounting principle will imply that all future actuarial gains or losses will be recognized through equity on each reporting date.

In addition the company has, according to NRS 6 paragraph 67, ref IAS 19.119 changed how the net retirement benefit costs are presented in the statement of profit and loss. The company has changed its presentation of net retirement benefit cost as salaries and other personnel expenses to dividing net retirement benefit cost between salaries and other personnel expenses and net finance. The retirement benefits accrued during the period are classified as salaries and other personnel expenses and the net interest on the estimated liability and the projected yield on pension fund assets are classified as net finance.

The impact of the change in accounting policy is presented in note 3 Salaries and other personell expenses, note 4 Pensions, note 7 Tax and note 17 Statement of equity.

Cash flow statement principles

The cash flow statement has been prepared using the indirect method of accounting. The method entails analysis being based on the unit's profit for the year to be able to present cash flows added from ordinary operations, investment activities, and financing activities.