# Annual Report
# 2011

# Infratek

**Infratek ASA, Oslo**

# Board of Director´s Report

2011 was strongly impacted by changes in both the market for deliveries within critical infrastructure and in our own organisation. Despite a challenging market in Norway during the year under review, trading conditions are improving. Internal adaptations to reduce the cost base and align the organisation with a changed market have provided the company with a good platform for the future.

The Infratek Group generated satisfactory income growth in 2011 on the back of expansion in the Swedish market. While the results vary significantly for the different business areas, the Group as a whole posted satisfactory results.

Operating conditions were good throughout most of the year. Severe cold at the start of the year presented a number of operational challenges, but the organisation was suitably prepared and dealt with the situation satisfactorily.

During the year a number of measures were taken to cut the cost base and to increase operational efficiency. This work is both wide-ranging and demanding, but beginning to pay dividends.

2011 featured major differences in both market models and geographical market demand. With demand significantly trailing expectations and strong competition for assignments, the Norwegian market proved challenging throughout the year. Despite an increase in demand over the course of the year, it was still necessary to make organisational and staffing adjustments in order to align the business with the current market situation. In Sweden expected growth came in on track and demand for Infratek's services remained buoyant throughout the year. The industrial solution adopted in the Swedish market, featuring guaranteed volumes and long-term contracts, is presenting promising growth opportunities for Infratek as an end-to-end supplier. Demand in the Finnish market was good and in line with expectations.

## Result for the year and financial matters

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Group has changed its accounting policy for the presentation of pension liabilities relating to defined-benefit schemes. The new policy has been adopted as it is deemed to provide better information to the users of the financial statements. The change will have a material effect on the income statement and balance sheet.

The balance sheet will be impacted in that liabilities ("corridor") that were previously only disclosed in the notes will be recognised in the balance sheet in their entirety, while in the income statement the classification of net pension expenses has changed. The comparable figures for 2010 have been restated. For a further description of the new accounting policy and the effect on the comparable figures see Note 2.

The Group's operating revenues climbed from NOK 2,737 million in 2010 to NOK 2,890 million in the reporting period, primarily on the back of organic growth. The Group posted an operating profit of NOK 101 million (NOK 142 million) and a post-tax profit of NOK 71 million (NOK 104 million). The result for the year is on a par with the post-tax result for 2010, which was positively impacted in the amount of NOK 41 million by a plan change connected to new rules for public pensions, and the reversal of previous provisions for AFP obligations in private pension schemes.

The operating margin for the year came in at 3.5 per cent (5.2 per cent). Local Infrastructure returned an operating margin of 4.3 per cent (5.0 per cent), while Central Infrastructure returned an operating margin of 2.0 per cent (8.5 per cent). Security achieved an operating margin of 7.6 per cent in 2011 (10.5 per cent).

Solid equity base

The Group has a strong capital structure, and despite recognition of the pension corridor of NOK 434 million in the balance sheet, the equity ratio at the end of the year was 29 per cent (40 per cent), net cash and cash equivalents as of 31 December 2011 amounted to NOK 300 million (NOK 239 million). The Group also has a NOK 100 million overdraft facility with DNB that was unused at the end of the reporting period.

Cash flow boosted

The net cash flow from operations amounted to NOK 177 million (NOK 109 million). The reduction in net working capital boosted the cash flow from operations by NOK 35 million, while the positive results contribution and non-liquid items pushed the cash flow up by a further NOK 41 million.

NOK 45 million (NOK 45 million) was invested in new operating assets during the year, primarily relating to the purchase of machinery and special vehicles. Standard vehicle are leased. A further NOK 6.4 million was invested in the purchase of shares in Mini Entreprenad AB.

The cash flow from financing activities was primarily attributable to the dividend paid in spring 2011 of NOK 64 million, which equates to 60 per cent of the previous year's post-tax profit.

### Infratek's business concept and vision to be continued

Infratek builds, operates and secures critical infrastructure in line with the vision: "Together we shall deliver and become a leading Nordic player". This strategy will be continued in 2012. Through the Group's core values of presence, job satisfaction and adaptability, Infratek shall create a business culture that contributes to the achievement of the Group's targets and ambitions.

The annual financial statements have been prepared in accordance with the going concern principle. For details of events after the end of the reporting period, please refer to Note 29.

### The business areas

Infratek is organised in three business areas: Local Infrastructure, Central Infrastructure and Security based on products and services offered. The Group operates in Norway, Sweden and Finland where it employs 758 (869), 812 (858) and 135 (134) employees respectively. The Group is headquartered in Oslo.

Local Infrastructure

The Local Infrastructure business area comprises the Group's infrastructure operations in Norway and Sweden which are aimed at the product areas distribution grids, street lighting, fibre-optics/telecoms, district heating and railways.

The Local Infrastructure business area achieved the following results in 2011:

- Operating revenues: NOK 1,989 million (NOK 1,858 million)
- Operating profit: NOK 86 million (NOK 93 million)
- Operating margin: 4.3 per cent (5.0 per cent)

The operating profit for 2010 (in brackets) was positively impacted by pension effects in the amount of NOK 33 million. Adjusted for one-off effects of pensions relating to the previous year, underlying operations were up by NOK 26 million. The operating margin on underlying operations rose from 3.2 per cent to 4.3 per cent. The operating profit for the year is regarded as satisfactory.

In the last two years Local Infrastructure has focused on establishing strong local representation and efficient logistics operations in order to cater for the needs of the market, and this will remain an extremely important undertaking in future. In order to be able to realise the business area's full potential, work was performed on a new and overarching strategy for the period 2012–2015 throughout the year under review. This will result in some changes in the internal organisational structure.

Central Infrastructure

The Central Infrastructure business area comprises the Group's infrastructure operations in Norway, Sweden and Finland, which are aimed at the central transmission system for the transmission of power in the Nordic countries; products and services within the areas of transformer stations, power cables and power lines for higher voltage ranges.
The Central Infrastructure business area achieved the following results in 2011:

- Operating revenues: NOK 611 million (NOK 579 million)
- Operating profit: NOK 12 million (NOK 49 million)
- Operating margin: 2.0 per cent (8.5 per cent)

The operating profit for 2010 (in brackets) includes a positive pension effect of NOK 10 million. The result for 2011 for the overall business area was unsatisfactory. The business in Finland returned good results, while results in Sweden and Norway trailed expectations by some distance. In Norway this was largely attributable to a misfiring market and resulting lower activity levels, while in Sweden the main causes were losses on some projects within the regional grid segment. A number of organisational adaptations and measures to raise expertise levels within project management have been implemented.

Market analyses point to a significant increase in intended investment levels among the business area's most important customers. Central Infrastructure's strategy will be to grow in parallel with customers' investment ambitions, and further leverage the expertise and experience already embedded in the organisation.

Security
The Security business area comprises the Group's operations within high-security and services aimed at electrical safety. The business area offers its technical services in Norway, Sweden and Finland.

The Security business area achieved the following results in 2011:

- Operating revenues: NOK 306 million (NOK 316 million)
- Operating profit: NOK 23 million (NOK 33 million)
- Operating margin: 7.6 per cent (10.5 per cent)

The operating profit for 2010 (in brackets) includes NOK 5 million in one-off pension effects. Adjusted for this, underlying operations were down NOK 5 million on the previous year. The high security market proved demanding throughout 2011. The segment posted satisfactory results on ongoing operating contracts, but new project activities were too low. The Electrical Safety product area achieved satisfactory profitability levels throughout the year. In light of the difficult high security market, the result for the business area as a whole was satisfactory.

The strategy moving forward will be to consolidate Infratek's position as a high security company, and to leverage group-wide economies of scale. Within electrical security Infratek will continue to play an active role in the market for statutory control services.

Other
The Other business area comprises Group administration and expenses relating to group-level functions. This business area employs 16 staff, including 11 employees in the accounting service, which delivers services to the Group's Norwegian companies.
Group expenses of NOK 20 million were incurred in 2011 (NOK 33 million). Income from the subletting of the third floor of the Group's head office in Oslo were offset against this item in 2011 in the amount of around NOK 4 million. Group expenses in 2010 include increased pension expenses of NOK 7 million as a result of the agreement entered into with Hafslund concerning historical pension liabilities in KLP and one-off costs of NOK 3 million relating to strategic reviews.

## Personnel, working environment and equality

At the end of 2011 the Group employed 1,705 staff, compared with 1,861 employees at the end of the previous year, a year-on-year decrease of 156. The reasons for the reduction in staff numbers at a time when the Group was experiencing sales growth are complex. Staffing adjustments were made to address the changed market situation in some areas in Norway and the loss of the contingency contract in Sweden. Staff numbers have also been reduced through natural wastage, thus enabling the company to reduce the risk attaching to the industry's natural seasonal fluctuations throughout the year, by using subcontractors in peak periods.

Infratek is a manpower- and competence-intensive organisation and consequently attaches high importance to promoting its employees' professional and personal development. This is important if the company is to retain employees and attract the market's leading specialists. The average age of industry experts and the number of newly trained professionals expected to graduate from colleges and universities over the next five years does not correspond with the number of employees expected to retire during the same period. These topics have been placed at the top of the Group's personnel agenda.

The Group's business has a technical bias and has historically been male-dominated. Infratek aims to achieve a more equal gender balance and seeks to employ staff of varied experience, age and interests. At the end of 2011, 8.4 per cent (7.5 per cent) of the company's employees were women and one of the five members of Group management and two out of five shareholder-elected board members were women.

For the board's statement on executive salaries and other remuneration paid to senior executives, see Note 21, which is deemed an integral part of the Report from the Board of Directors.

## Corporate Social Responsibility

Infratek is responsible for any social consequences caused by the Group's operations in terms of impact on the external environment, human rights, working conditions and other social issues. This responsibility permeates Infratek's entire value chain and business, and also includes the company's procurements and investments.

In 2011 Infratek further developed the Group's social responsibility policies. Among the steps taken was the development of a social responsibility policy.

## External environment

Sound environmental management is an important part of Infratek's social responsibility initiatives. At the heart of the Group's environment policy is the idea that principles of sustainability shall underpin the further development of its business, products and services. The policy also establishes the principle that Infratek shall enable customers to choose more environment friendly solutions where sound alternatives exist. In autumn 2011 Infratek was certified to the ISO 14001 environmental standard.

Infratek's impact on the external environment primarily relates to management of waste and use of transport means. Within waste management the company has agreements with Norsk Gjenvinning AS in Norway and Stena Recycling in Sweden, which ensure that waste from our activities is collected and treated in the best possible way for the environment. During the year the company focused on more efficient use of the Group's vehicle pool. Over the course of the year the number of vehicles was reduced from 1,361 to 1,266. A further priority is minimising the impact on the environment of the company's vehicles.

## Health, safety and the environment

Infratek signed up to the government's inclusive working life (IA) scheme in spring 2005, and continuously strives to offer training and to raise the awareness of managers with respect to HSE, and to develop the Group's health and safety organisation. The focus on HSE was further prioritised and followed up in all parts of the Group in 2011. It is a general requirement that all managers at Infratek integrate HSE work and thinking into their daily work to a level beyond their statutory obligations, and that HSE be a prioritised area on all managers' agendas. Common HSE targets have been drawn up for the entire Group.

The sickness absence rate worsened in 2011, climbing from 4.2 per cent in 2010 to 4.9 per cent in the year under review. The absence rate in the individual businesses, companies and countries varied from 1.9 per cent to 7.4 per cent. Sickness absence was significantly higher in Norway than in Finland and Sweden. The increase is primarily attributable to more long-term absentees than previously due to loading injuries and non-work-related illnesses. The various companies work with both public and private health companies to identify and implement measures to reduce sickness absence.

Two extremely serious accidents occurred in 2011: a helicopter accident early summer and a car accident in the autumn. The employee injured in the helicopter accident is now back in full-time work, while the individual injured in the car accident is yet to return to work. There were also several non-life-threatening accidents. The H indicator rose significantly in 2011 as a result of the increase in the number of accidents.

In 2011 Infratek's H indicator was 10.9, compared with 5.6 at the end of the previous year. In order to reverse the negative trend HSE initiatives have been ramped up. There is a focus on recording, handling on training on all types of injuries and incidents. More frequent safety checks have also been introduced at sites. Clear development targets for HSE have been established and HSE is a fixed item on the agenda for all management meetings in order to secure an ongoing focus on the area.

An employee survey was carried out for all staff in the fourth quarter, the results of which revealed high general levels of satisfaction with day-to-day working life and the working environment in all countries where the Group operates. Regular meetings are held with the employee representatives. Close cooperation with employee organisations plays an important role in the further development of the Group's activities.

## Risk and internal controls

The Group is exposed to risk along the entire value chain. The board is keen to secure systematic and concerted management of risk in the business, and regards this as critical for long-term value creation. Risk management is an integral part of business processes and is monitored within the respective business areas through procedures for assessing and monitoring risk. The board reviews Infratek's risk exposure based on an annual survey of the risks attaching to the Group's activities.

Infratek has implemented a common management system which defines the Group's shared processes and guidelines intended to secure an effective control environment that meets management's objectives and intentions. The company is endeavouring to reinforce and systemise internal controls on financial reporting in the Group. The system shall secure reliable accounting information in monthly, quarterly and annual reports.

Infratek is primarily exposed to risk factors connected to financial and market conditions, operating activities, project implementation and consequences of changes in political and financial framework conditions.

<u>Market and financial risk</u>

Infratek is exposed to significant competition in all its business areas, and all contracts are obtained through tendering. The Group's ability to compete is therefore important for future development and earnings. Infratek's business is labour-intensive. Consequently, developments in areas such as access to human resources, future salary changes and loss of key staff could affect the Group's results.

Major seasonal fluctuations result in poor capacity utilisation and low operating margins in periods of low activity. A major loss of customers, reduced ability to pay or lower investment levels among Infratek's customers, project delays, operation stoppages or reduced access to goods or services could all result in reduced profitability and affect the Group's reputation.

The Hafslund and Fortum groups represent significant customers and owners of Infratek. This gives rise to a series of related-party transactions. Through their shareholdings, Hafslund and Fortum are also able to influence matters that are submitted to the Group's shareholders for adoption at the company's general meeting.

Credit, liquidity and foreign currency risk
Infratek's activities primarily target the business market and the number of customers is controllable. Historically Infratek's bad debt exposure has been insignificant.

Infratek's interest-bearing debt is very limited. Interest rate risk primarily relates to interest income from the Group's cash holdings and customers' willingness to invest. The Group enjoys sound access to liquid capital, and has positive cash holdings and an unused bank overdraft facility of NOK 100 million. Loan covenants attach to the Group's drawdown facility and bank guarantees. Infratek operates in Norway, Sweden and Finland, but the Group's reporting currency is NOK. The company is therefore exposed to currency fluctuations. The Group purchases goods in foreign currency to a limited extent. The Group's liquidity, credit and foreign currency risk is considered to be limited.

Operational risk
All processes in the value chain are exposed to operational risk. This is most notably the case with regard to operating activities and project implementation. This can result in:

- Injuries to employees
- Damage to the environment
- Damage to company or third-party assets

The company has taken out insurance to cover all material types of damage and injuries. The company manages operational risk through detailed procedures for activities in all operational units and various types of contingency plans. We have an extensive system for recording and reporting hazardous conditions, undesired events and injuries/damage. These are analysed on an ongoing basis in order to prevent and restrict any consequences, and to ensure that we can follow up causal relationships and take appropriate measures.

Regulatory risk
The Group's activities are subject to legislation and statutory regulations governing areas such as health, safety and the environment. Some areas of the Group's activities also require a government licence. Changes in regulatory conditions affecting opportunities or requirements to purchase services from third parties could also affect activities. Construction of new infrastructure and maintenance of existing infrastructure is to some extent regulated by public authorities. Changes in prevailing legislation and regulations could impact demand for and profitability of Infratek's services.

### Ownership structure and shareholder issues
At the end of 2011 the Group's share capital totalled NOK 319 million allocated to 63,863,224 shares. At the start of the reporting period the share price was NOK 20.80, compared with NOK 20.60 at the year-end, which equates to a market capitalisation of NOK 1.3 billion.

At the reporting date the largest shareholders in Infratek ASA were Hafslund ASA, with 43.3 per cent of shares and Fortum Nordic AB, with 33.3 per cent. The board is authorised to issue up to 6,386,322 new shares until the date of the annual general meeting in spring 2012.

### The work of the board of directors
The board complies with the requirements outlined in the Norwegian Public Limited Liability Companies Act with regard to gender balance. As the percentage of female employees in the Group is less than 20 per cent, an exemption relating to gender balance among employee representatives has been sought. The board has adopted guidelines governing its own work and evaluates its work on an annual basis. A total of eight board meetings were held along with three mail-based board meetings in 2011. The Audit Committee held four meetings during the year.

The board has adopted principles for corporate governance in line with the Norwegian Code of Practice for Corporate Governance as of 21 October 2010 amended as of 20 October 2011. The report does not cover the requirements of the Norwegian Accounting Act § 3-3 b. These guidelines are deemed to be part of the Report of the Board of Directors.

The Hafslund and Fortum groups are related parties of Infratek ASA and represent owners, customers and suppliers. The board is keenly aware of this situation and bases its work on the principles of sound business management.

The board has adopted social responsibility and code of conduct and notification procedures pursuant to the Norwegian Act on the Working Environment. It has been agreed not to establish a corporate assembly. The board therefore reports directly to the general meeting.

## Dividend and allocation of profit for the year

Infratek aims to maintain a dividend level of at least 50 per cent of the profit after tax adjusted for non-cash items. The board proposes an ordinary dividend for 2011 of NOK 1.5 per share, making a total dividend of NOK 95.9 million. The dividend equates to 134 per cent of the Group's post-tax profit and has been proposed based on the Group's robust capital structure.

The board proposes the following appropriation of Infratek ASA's profit for the year:

| NOK Million | | |
|---|---|---|
| Transferred from other equity | | (14.3) |
| Proposed dividend | | 95.8 |
| **Total allocated** | | **81.5** |

## Outlook for 2012

Following these transactions, Infratek had distributable reserves of NOK 184.7 million as of 31 December 2011.

Infratek is continuing work to structure the Group's business areas and activities in such a way as to raise the profile of its expertise and align the business to market developments.

Increased efficiency in underlying operations has improved the Group's competitiveness and the award of several strategically important and long-term contracts have bolstered the Group's market position.

The market prospects for Infratek's business area are deemed to be good. There are clear signs of rising investment levels among the company's customers and the Group's solid order book for 2011 looks set to continue into 2012.

The overriding target is to consolidate Infratek's position in the market for the building, operation and securing of critical infrastructure on the back of profitability and growth. Infrateks market postion and strong financial standing provides good opportunities for structural growth. The board believes that Infratek is well equipped to develop the Group further, both organically and structurally.

The board plays an active role in development of the Group's business strategy.

## The Board of Directors of Infratek ASA

Oslo, 11 April 2012

| | | |
|---|---|---|
| **Mimi K. Berdal**<br>Board chair | **Hans Kristian Rød**<br>Deputy Chairman | **Tove Elisabeth Pettersen**<br>Board member |
| **Dag Andresen**<br>Board member | **Roger André Hansen**<br>Board member | **Kalle Strandberg**<br>Board member |
| **Otto Rune Stokke**<br>Board member | **Bjørn Frogner**<br>CEO | |

# Income Statement Group

1 JANUARY - 31 DECEMBER

| **Amounts in NOK million** | **Note** | **2011** | **2010 restated** |
|---|---|---|---|
| Operating revenues | 5,8 | 2890 | 2737 |
| Purchased materials and services | 9 | (1342) | (1214) |
| Salaries and other personnel expenses | 17,20,21 | (1060) | (990) |
| Depreciation | 6,7 | (43) | (42) |
| Other operating expenses | 19 | (344) | (348) |
| **Operating profit** | | **101** | **142** |
| Net finance | 22 | (1) | 1 |
| **Pre-tax profit** | | **100** | **143** |
| Tax expense | 23 | (26) | (39) |
| **Profit for the year from continuing operations** | | **74** | **104** |
| Profit for the year from discontinued operations | 26 | (4) | - |
| **Profit for the year** | | **71** | **104** |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | (1) | 12 |
| Change in estimate pensions | | (197) | (100) |
| **Other comprehensive income before tax** | | **(198)** | **(88)** |
| Tax expense on other comprehensive income | 16,17 | **55** | **28** |
| **Other comprehensive income for the year** | | **(143)** | **(60)** |
| **Total comprehensive income for the year** | | **(72)** | **44** |
| | | | |
| **Profit for the year attributable to:** | | | |
| Parent company shareholders | | 71 | 104 |
| Non-controlling interests | | - | - |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Parent company shareholders | | (72) | 44 |
| Non-controlling interests | | - | - |
| | | | |
| **Earnings per share of profit for the year attributable to shareholders of the parent company (EPS in NOK per share)** | | | |
| Basic and diluted earnings per share, continued operations | 13 | **1,1** | **1,6** |
| Basic and diluted earnings per share, discontinued operations | 13 | **1,1** | **1,6** |

Note 1-30 are presented on the page following the financial statement and integral to them.

# Balance Sheet Group

| 31. DECEMBER | | | | |
|---|---|---|---|---|
| **Amounts in NOK million** | **Note** | **31.12.2011** | **31.12.2010 restated** | **01.01.2010 restated** |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | 6 | 160 | 166 | 170 |
| Intangible assets | 7 | 271 | 269 | 245 |
| Deferred tax assets | 16 | 152 | 88 | 77 |
| Other non-current receivables | 3,10 | 20 | 24 | 21 |
| Total non-current assets | | 602 | 547 | 513 |
| **Current assets** | | | | |
| Inventory | 9 | 36 | 40 | 35 |
| Accounts receivable and other receivables | 8,11 | 710 | 742 | 681 |
| Cash and cash equivalents | 12 | 300 | 239 | 317 |
| **Total current assets** | | **1 046** | **1 021** | **1 033** |
| **Total assets** | | **1 648** | **1 568** | **1 546** |
| **Equity** | | | | |
| **Equity attributable to company shareholders** | | | | |
| Share capital and share premium fund | 13 | 365 | 565 | 565 |
| Other paid-in equity | | 349 | 149 | 149 |
| Retained earnings | | (230) | (95) | 4 |
| **Total equity allocated to company shareholders** | | **484** | **619** | **718** |
| Non-controlling interest | | - | 2 | 7 |
| **Total equity** | | **484** | **621** | **725** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Long-term debt | 3,15 | 15 | 18 | 1 |
| Pensions and similar liabilities | 17 | 581 | 384 | 330 |
| Other allocations and liabilities | 27,28 | 1 | 3 | 3 |
| **Total non-current liabilities** | | **597** | **405** | **334** |
| **Current liabilities** | | | | |
| Accounts payable and other current liabilities | 3,14 | 548 | 518 | 463 |
| Taxes payable | 23 | 19 | 24 | 20 |
| Short-term interest-bearing debt | | - | - | 4 |
| **Total current liabilities** | | **567** | **542** | **487** |
| **Total liabilities** | | **1 164** | **947** | **821** |
| **Total equity and liabilities** | | **1 648** | **1 568** | **1 546** |

Note 1-30 are presented on the page following the financial statement and integral to them.

**BOARD OF DIRECTORS, INFRATEK ASA - OSLO, 11. APRIL 2012**

**Mimi K. Berdal**
Chairman

**Hans Kristian Rød**
Deputy Chairman

**Tove Elisabeth Pettersen**

**Dag Andresen**

**Roger André Hansen**

**Kalle Strandberg**

**Otto Rune Stokke**

**Bjørn Frogner**
**CEO**

# Cash Flow Group

1 JANUARY - 31 DECEMBER

| **Amounts in NOK million** | **Note** | **2011** | **2010 restated** |
|---|---|---|---|
| **Cash flow from operating activities** | 24 | **212** | **133** |
| Interest received/paid | | 2 | 1 |
| Taxes paid | | (37) | (25) |
| **Net cash flow from operating activities** | | **177** | **109** |
| | | | |
| **Cash flow from investing activities** | | | |
| Corporate acquisitions (net of cash acquired) | 25 | (6) | (14) |
| Proceeds on sale of subsidiaries (net of cash sold) | 26 | (2) | - |
| Investments in fixed assets | 6,7 | (45) | (45) |
| Proceeds on sale of fixed assets | | 4 | 3 |
| **Net cash flow from investing activities** | | **(49)** | **(56)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Repayment of interest-bearing liabilities | | (2) | (2) |
| Equity issues and other equity changes | | - | - |
| Dividend paid | | (64) | (131) |
| **Net cash flow from financing activities** | | **(66)** | **(133)** |
| | | | |
| Cash flow from discontinued operations | | (1) | - |
| | | | |
| **Change in cash and cash equivalents** | | **61** | **(79)** |
| | | | |
| Cash and cash equivalents as of 1 January | | 239 | 317 |
| Effects on exchange rate changes on the balance of cash held in foreign operations | | - | 1 |
| | | | |
| **Cash and cash equivalents as of 31 December** | 12 | **300** | **239** |

Note 1-30 are presented on the page following the financial statement and integral to them.

# Changes in Equity Group

| Amounts in NOK million | Note | Share capital | Share premium fund | Other paid-in equity | Retained equity restated | Accumulated translation differences | Non-controlling interest | Total equity restated |
|---|---|---|---|---|---|---|---|---|
| **Equity, 31 December 2009** | | **319** | **246** | **149** | **130** | **(21)** | **7** | **830** |
| Restated equity from changed accounting policy pensions | | - | - | - | (105) | - | - | (105) |
| **Equity, 1 January 2010 restated** | | **319** | **246** | **149** | **25** | **(21)** | **7** | **725** |
| Profit for the year | | - | - | - | 104 | - | - | 104 |
| Other comprehensive income | | - | - | - | (72) | 12 | - | (60) |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **33** | **12** | **-** | **44** |
| Transactions with owners | | | | | | | | |
| Dividend paid for 2009 | | - | - | - | (128) | - | (3) | (131) |
| Change in non-controlling interests | | - | - | - | (15) | - | (2) | (17) |
| **Total transactions with owners** | | **-** | **-** | **-** | **(143)** | **-** | **(5)** | **(148)** |
| **Equity, 31 December 2010** | | **319** | **246** | **149** | **(85)** | **(9)** | **2** | **621** |
| Profit for the year | | - | - | - | 71 | - | - | 71 |
| Other comprehensive income | | - | - | - | (142) | (1) | - | (143) |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **(71)** | **(1)** | **-** | **(72)** |
| Transactions with owners | | | | | | | | |
| Reduction of share premium fund | | - | (200) | 200 | - | - | - | - |
| Dividend paid for 2010 | | - | - | - | (64) | - | - | (64) |
| Change in non - controlling interests | 26 | - | - | - | - | - | (2) | (2) |
| **Total transactions with owners** | | **-** | **-** | **-** | **(64)** | **-** | **(2)** | **(66)** |
| **Equity, 31 December 2011** | | **319** | **46** | **349** | **(220)** | **(10)** | **-** | **484** |

Note 1-30 are presented on the page following the financial statement and integral to them.

See Note 13 regarding Infratek ASA`s share capital and share premium fund.

**NOTE 1 GENERAL INFORMATION**

Infratek ASA and its subsidiaries (collectively referred to as the Group) is a leading supplier of technical services for development, operation and securing of critical infrastructure in Norway, Sweden and Finland. The Group's business activities are directed at the corporate market: primarily grid owners and energy companies, telecom owners, the public sector, the oil and gas sector, real estate owners and retail chains.

The Local Infrastructure business area comprises the Group’s infrastructure related activities in Norway and Sweden which is geared towards the product areas of distribution network, highway and street lighting, fibre/telecom, district heating and railways.

The Central Infrastructure business area comprises the Group’s infrastructure related activities in Norway, Sweden and Finland geared towards the central transmission network for power transmission in Scandinavia; products and services related to transformer stations, cables and power lines for higher voltages.

The Security business area delivers technical security solutions, such as alarm systems, CCTV, access control facilities, integrated security solutions and electronic anti-theft solutions. In addition, the Security business area’s Electrical Safety unit delivers monitoring and inspection services to grid companies, allowing them to fulfil legally mandated responsibilities (so-called DLE services).

The Group operates its business activities through subsidiaries. Infratek is headquartered in Oslo, Norway. Infratek ASA was listed on the Oslo Stock Exchange on 5 December 2007 after the Technical Services business area was spun off from the Hafslund Group.

**NOTE 2 SUMMERY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The most important accounting principles used in preparing the consolidated accounts are described below. These principles have been applied consistently to all presented reporting periods, unless otherwise stated in the description

**2.1 Basis of preparation**

The consolidated accounts have been prepared and presented in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations, as adopted by the EU. There is no differences between IFRS as adopted by the EU and by the IASB for the consolidated accounts.

The consolidated accounts are based on a modified historic cost principle. The differences relate primarily to adjustments in the value of real property, financial assets available for sale and financial assets and liabilities (including derivatives) to fair value in the statement of comprehensive income. These differences have no impact on the Infratek Group's consolidated financial statements for 2011, with the exception of option value for Unisec Varularm AB, Mini Entreprenad AB and Eiendomssikring AS, see note 15 and 25. The preparation of accounts according to IFRS requires the use of estimates. Further, application of the company's accounting principles requires management to exercise judgment and apply assumptions. Areas highly subject to the exercise of such judgment or with a high degree of complexity, and areas where assumptions and estimates are material to the consolidated accounts, are discussed in Note 4.

The Group's annual financial statements have been prepared in accordance with the going concern principle.

**2.1.1 Changes in accounting principles and information**

a) New and amended accounting standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1st of January 2011 that would be expected to have material impact in the group.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st of January 2011 and not early adopted

· IAS 19 "Employee Benefits" was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has in 2011 changed the accounting principles regarding pensions and all actuarial gains and losses are booked in OCI as they occur, see 2.2, Changes in accounting policy. The Group is yet to assess the full impact of the amendments concerning calculations of a net interest amount .

· IFRS 9 "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for finanacial liabilities, the part of a fair value change due to an entity's own credit risk is recognised in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1st of January 2013.

· IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact, but the standard will not have any significant effect on the consolidated accounts for the Group.

· IFRS 11 will replace IAS 31. The gross method ends with the introduction of IFRS 11, but this does not mean that joint control always should be recognised using the equity method. IFRS 11 has two categories of joint control; Joint Ventures and Joint Operations. Using Joint Ventures, joint control must be recognised using the equity method, but using Joint Operations the parties must recognise their part of assets and liabilities. For Joint Operations the accounting method is to some degree the same as the gross method in IAS 31, but not always. The Group has not evaluated all impact of the amendment and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1st January 2013.

· IFRS 12 "Disclosures of Interest of Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1st of January 2013.

· IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned beween IFRSs and US GAAP, do not extent the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1st of January 2012.

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

**2.2 Consolidation principles**

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies accompanying a shareholding and more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the aquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contigent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contigent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

If the sum of the consideration, capitalised amount of non-controlling shareholders and actual value of previous ownership on the acquisition date surpasses the actual value of identifiable net assets in the acquired company, the difference shall be capitalised immediately.

Intra-Group transactions, inter-company balances, and unrealised profit between Group companies have been eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting principles of subsidiaries are modified when necessary to achieve conformity with Group accounting principles.

b) Changes in ownership interests in subsidiaries without change of control

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

c) Disposals of subsidiaries

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

**Changes in accounting policy**

The Group has in 2011 changed the accounting policy for pensions. The Group has changed from recognizing estimate deviations that arise from changes in actuarial assumptions or base data over and above the greater 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 to recognising actuarial gains and losses attributable to changes in actuarial assumptions or base data through other comprehensive income on an ongoing basis after provisions for deferred tax.

In addition the Group has changed how the net retirement benefit costs are presented in the consolidated statement of comprehensive income. The Group 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 is 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 Group believes that the changed policy provides more relevant information for the users of the financial statements.

According to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparatives have been restated accordingly.The tables below show the impact of the changed accounting policy:

**Profit and loss:**

| **Amounts in NOK million** | **2010 restated** | **2010 Before restatement** |
|---|---|---|
| Operating revenues | 2737 | 2737 |
| Purchased materials | (1214) | (1214) |
| Salaries and other personnel expenses | (990) | (992) |
| Depreciation | (42) | (42) |
| Other operating expenses | (348) | (348) |
| **Operating profit** | **142** | **140** |
| Net finance | 1 | 7 |
| **Pre-tax profit** | **143** | **147** |
| Tax expense | (39) | (40) |
| **Profit for the year from continuing operations** | **104** | **107** |
| Profit for the year from discontinued operations | - | - |
| **Profit for the year** | **104** | **107** |
| **Other comprehensive income** | | |
| Exchange differences on translating foreign operations | 12 | 12 |
| Change in estimate pensions | (100) | - |
| **Other comprehensive income before tax** | **(88)** | **12** |
| Tax expense on other comprehensive income | **28** | **-** |
| **Other comprehensive income for the year** | **(60)** | **12** |
| **Total comprehensive income for the year** | **44** | **119** |

**Balance sheet:**

| Amounts in NOK million | 2010 restated | 2010 Before restatement |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets | 166 | 166 |
| Intangible assets | 269 | 269 |
| Deferred tax assets | 88 | 18 |
| Other long-term receivables | 24 | 24 |
| **Total non-current assets** | **547** | **477** |
| **Current assets** | | |
| Inventory | 40 | 40 |
| Accounts receivable and other receivables | 742 | 742 |
| Cash and cash equivalents | 239 | 239 |
| **Total current assets** | **1021** | **1021** |
| **Total assets** | **1568** | **1498** |
| **Equity** | | |
| **Equity attributable to company shareholders** | | |
| Share capital and share premium fund | 565 | 565 |
| Other paid-in equity | 149 | 149 |
| Retained earnings | (95) | 86 |
| **Total equity allocated to company shareholders** | **619** | **800** |
| Non-controlling interest | 2 | 2 |
| **Total equity** | **621** | **802** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Long-term debt | 18 | 18 |
| Pensions and similar liabilities | 384 | 133 |
| Other allocations and liabilities | 3 | 3 |
| **Total non-current liabilities** | **405** | **154** |
| **Current liabilities** | | |
| Accounts payable and other current liabilities | 518 | 518 |
| Taxes payable | 24 | 24 |
| Short-term interest-bearing debt | - | - |
| **Total current liabilities** | **542** | **542** |
| **Total liabilities** | **947** | **696** |
| **Total equity and liabilities** | **1568** | **1498** |

**Equity, restated:**

| Amounts in NOK million | Share capital | Share premium fund | Other paid-in equity | Retained equity restated | Accumulated translation differences | Non-controlling interest | Total equity restated |
|---|---|---|---|---|---|---|---|
| **Equity, 31 December 2009** | **319** | **246** | **149** | **130** | **(21)** | **7** | **830** |
| Restated equity from changed accounting policy pensions | - | - | - | (105) | - | - | (105) |
| **Equity, 1 January 2010 restated** | **319** | **246** | **149** | **25** | **(21)** | **7** | **725** |
| Profit for the year | - | - | - | 104 | - | - | 104 |
| Other comprehensive income | - | - | - | (72) | 12 | - | (60) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **33** | **12** | **-** | **44** |
| Transactions with owners | | | | | | | |
| Dividend paid for 2009 | - | - | - | (128) | - | (3) | (131) |
| Change in non-controlling interests | - | - | - | (15) | - | (2) | (17) |
| **Total transactions with owners** | **-** | **-** | **-** | **(143)** | **-** | **(5)** | **(148)** |
| **Equity, 31 December 2010** | **319** | **246** | **149** | **(85)** | **(9)** | **2** | **621** |

**Equity before restatement**

| Amounts in NOK million | Share capital | Share premium fund | Other paid-in equity | Retained equity | Accumulated translation differences | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity, 31 December 2009** | **319** | **246** | **149** | **130** | **(21)** | **7** | **830** |
| Profit for the year | - | - | - | 107 | - | - | 107 |
| Other comprehensive income | - | - | - | - | 12 | - | 12 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **107** | **12** | **-** | **119** |
| Transactions with owners | | | | | | | |
| Dividend paid for 2009 | - | - | - | (128) | - | (3) | (131) |
| Change in non-controlling interests | - | - | - | (15) | - | (2) | (17) |
| **Total transactions with owners** | **-** | **-** | **-** | **(142)** | **-** | **(5)** | **(147)** |
| **Equity, 31 December 2010** | **319** | **246** | **149** | **95** | **(9)** | **2** | **802** |

**2.3 Segment reporting**

Operating segments are reported in the same way as for internal reporting to the company's highest decision-making body. The company's highest decision-making body, which is responsible for allocating resources and assessing the financial performance of the operating segments, is defined as group management.

**2.4 Foreign currency translation**

a) Functional currency and presentation currency

Items included in the financial statements of each subsidiary in the Group are recorded in the currency mainly used in the economic area in which the subsidiary operates (its functional currency). Infratek's consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency and the presentation currency of the parent company.

b) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary items (assets and liabilities) denominated in foreign currencies at year-end, are translated at the exchange rate on the balance sheet date, and are recognised in the profit and loss account.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
iii) All resulting exchange differences are recognised in the expanded statement of comprehensive income and specified separately in equity.

Goodwill and excess values relating to acquisitions of foreign entities are treated as assets and liabilities in the acquired entities and are translated at the exchange rate in effect on the balance sheet date. Exchange differences arising are recognised in equity.

**2.5 Profit, plant and equipment**

Property, plant, and equipment are recognised at acquisition cost less depreciation. Acquisition cost includes costs directly associated with the acquisition of the operating asset.

Expenses that significantly increase the life of assets and/or increase capacity are added to the balance sheet value of operating assets or recorded separately in the balance sheet, when it is probable that future economic benefits associated with the expense will flow to the Group, and the expense can be reliably estimated. Other repair and maintenance costs are recognised in the profit and loss account for the period in which the expenses are incurred.

Land is not depreciated, but other operating assets that are in use are depreciated according to a straight-line plan, so that the acquisition costs of property, plant, and equipment are depreciated to their residual value at the annual depreciation rates as shown below:

| | |
|---|---|
| Improvement to leased premises* | 7-10% |
| Machinery, furniture and vehicles, etc. | 20-33 % |
| IT-equipment (Hardware) | 33% |

*) Improvements to leased premises are depreciated over the length of the particular premises' leasing contract.

The useful lifetime of each operating asset, along with its residual value, is reassessed each balance sheet date and modified if necessary. When the carrying value of an operating asset exceeds the estimated recoverable amount, the value is written down to that recoverable amount (see Note 2.7).

Gains and losses on the disposal of operating assets are recorded in the profit and loss account at the difference between the sales price and balance sheet value.

**2.6 Intangible assets**

a) Goodwill

Goodwill is the difference between acquisition cost and the Group's share of net fair value of the identifiable assets at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as an intangible asset. Goodwill is reviewed annually for impairment, and entered in the balance sheet at acquisition cost less impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the sale of an activity include the goodwill in the balance sheet of the disposed activity.

Following an initial identification of the need to write down goodwill, goodwill at the acquisition date is allocated to the cash-generating units in question. Allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not reversed in subsequent periods.

b) Customer portfolio

Customer portfolios which have been created as a result of business mergers are capitalised at fair value at the merger date less amortisation. Customer portfolios have limited useful lives, and are amortised in a straight line over the term of the customer contract.

c) Software and licences

Software and licences comprise investments associated with the Group's ERP system (IFS) which is capitalised at acquisition cost less depreciation, as well as the establishment of an in-house ICT platform. The ERP system has a limited useful lifetime and is depreciated in a straight line over ten years, based on an expectation of the system's actual useful lifetime.

**2.7 Impairment of non-financial assets**

Intangible assets with non-definable useful livetimes are not depreciated, but are reviewed annually for impairment. Tangible fixed assets and intangible assets that are depreciated or amortised are reviewed for impairment when indications are that future earnings can no longer support the balance sheet value. Impairment charges are recorded in the profit and loss account as the difference between the balance sheet value and the recoverable amount. The recoverable amount is the higher of fair value less sales costs and value-in-use.

At impairment reviews, fixed assets are grouped at the lowest level at which it is possible to distinguish independent cash flows (cash generating units). At each reporting date, evaluations are done as to reversal of previous impairment charges of non-financial assets (with the exception of goodwill).

**2.8 Financial assets**

The Group only has financial assets in the categories loans and receivables. Loans and receivables are non-derivative financial assets with fixed payments that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the balance sheet date. If the latter is the case, they are classified as non-current assets. Loans and receivables are classified as Accounts receivable and other receivables, in addition to cash and cash equivalents in the balance sheet.

Regular purchases and sales of investments are recognised at the transaction date, which is the day that the Group commits to buying or selling the asset. All financial assets are initially recorded in the balance sheet at fair value plus transaction costs.

**2.9 Inventory**

Inventories are stated at the lower of acquisition cost or net realizable value. Acquisition cost is determined by the first-in, first-out (FIFO) method.

**2.10 Customer receivables**

Customer receivables are amounts due from customers for merchandise sold or services performed in the ordinary courses of business. If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

Customer receivables are initially measured at fair value and subsequently measured at amortised costs using the effective interest method. Allocations for losses are recognised when there are objective indicators that the Group will not receive settlement according to the original terms. Allocations are in the amount of the difference between nominal value and recoverable value, which is the present value of expected cash flows, discounted at the original effective interest rate.

**2.11 Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank deposits, and other short-term readily tradable investments with up to three-month initial terms to maturity, and revolving credit facilities. The revolving credit facilities are presented in the balance sheet under short-term debt.

**2.12 Accounts payable**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities of payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are initially measured at fair value. Subsequent are accounts payable measured at amortisation cost by use of effective interest method.

**2.13 Share capital and share preminum fund**

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a reduction in proceeds received in equity.

**2.14 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity and other comprehensive income. In this case, the tax is also recognised in equity and other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is calculated, using the liability method, on all temporary differences between the tax values and consolidated accounting values of assets and liabilities. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. If the Group purchases an asset or liability in a transaction that is not part of a business combination, deferred tax at the transaction date is not recognised. Deferred tax is determined under taxation rates and tax laws that have been enacted or substantively enacted (expected to be signed into law) at the balance sheet date and that are expected to apply when the deferred tax benefit is realised or when the deferred tax is settled. Deferred tax benefits are entered in the balance sheet to the extent it is probable that future deferred taxable income will be present, and that the temporary differences can be offset from this income.

Deferred tax is calculated on the temporary differences arising from investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary differences, and it is probable that they will not be reversed in the foreseeable future.

**2.15 Pension liabilities, bonus programs, and other employee-benefit plans**

a) Pension liabilities

Group companies have various retirement schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and contribution plans.

**Defined benefit plan**

A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that have accrued at the balance sheet date, reduced by the fair value of the plan assets and including non-recognised expenses connected with previous periods' accrued retirement benefits. The present value of future benefits accrued at the balance sheet date is calculated by discounting estimated future payments at a risk-free interest rate stipulated on the basis of the interest rate for ten-year Norwegian government bonds. The retirement benefit liability is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses attributable to changes in actuarial assumptions or base data are recognised through other comprehensive income on an ongoing basis after provisions for deferred tax. Changes in defined benefit pension liabilities attributable to changes in retirement benefit plans that have retrospective effect, where these rights are not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retrospective effect are recognised in the income statement over the remaining service time.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities. The net retirement benefit cost are divided between salaries and other personnel expenses and net finance, where the retirement benefits accrued during the period is classified as salaries and other personnel expenses and the net of interest on the estimated liability and the projected yield on pension fund assets are classified as net finance

**Defined benefit plan**

A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that have accrued at the balance sheet date, reduced by the fair value of the plan assets and including non-recognised expenses connected with previous periods' accrued retirement benefits. The present value of future benefits accrued at the balance sheet date is calculated by discounting estimated future payments at a risk-free interest rate stipulated on the basis of the interest rate for ten-year Norwegian government bonds. The retirement benefit liability is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses attributable to changes in actuarial assumptions or base data are recognised through other comprehensive income on an ongoing basis after provisions for deferred tax. Changes in defined benefit pension liabilities attributable to changes in retirement benefit plans that have retrospective effect, where these rights are not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retrospective effect are recognised in the income statement over the remaining service time.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities. The net retirement benefit cost are divided between salaries and other personnel expenses and net finance, where the retirement benefits accrued during the period is classified as salaries and other personnel expenses and the net of interest on the estimated liability and the projected yield on pension fund assets are classified as net finance

**Defined contribution plans**

A defined contribution plan is a retirement plan in which the Group pays fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay additional contributions if the unit does not have sufficient assets to pay all employees benefits associated with earnings in present and previous periods. For defined contribution plans, the Group contributes to a publicly or privately managed insurance plan for retirement payments, on a compulsory, agreed-upon, or voluntary basis. The Group has no further payment obligations once these contributions have been paid. Contributions are recognised as salary expenses when they fall due. Pre-paid contributions are recorded in the accounts as an asset to the extent the contribution may be refunded or reduced by future contributions.

Defined contribution pension schemes are recognised in the accounts of Norwegian, Swedish and Finnish subsidiaries.

b) Severance pay

Severance pay is paid when the Group terminates an employee's employment before the normal retirement age, or when employees voluntarily terminate employment conditioned on receipt of such compensation. The Group recognises severance pay during the period when it can be proven to have an obligation either to terminate one or more employees pursuant to a formal, detailed, non-rescindable plan, or to provide severance pay as part of an offer to encourage voluntary resignations. Severance pay that falls due more than 12 months after the balance sheet date is discounted to present value.

**2.16 Provisions**

The Group recognises provisions for restructuring, and legal claims, when: a) the Group has a present obligation, whether legal or constructive, as a result of past events; b) it is more likely than not that the obligation will be settled via a transfer of financial resources; and c) the size of the obligation may be estimated with a sufficient degree of reliability. Allocations for restructuring costs include termination charges on leasing contracts and severance pay to employees. No provisions are made for future operating losses.

In instances where there are multiple commitments of a similar nature, the probability of the liability being settled is determined by assessing the group as a whole. Allocations for the group are recognised even if the probability may be low as to individual settlement outlays associated with individual group elements.

Provisions are recognized at the present value of expected payments to meet the obligation. A before-tax discount rate is used, reflecting current market conditions and risk specific to the obligation. Any increase in the obligation amount arising from changes in the time frame used in calculating the obligation's present value is recognised as an interest expense.

**2.17 Revenue recognition**

Revenues are recognised in the profit and loss account as shown below:

a) Sale of goods and services

Revenues from sales of goods and services are valued at the fair value of payments received, less deductions for value-added tax, returns, rebates, and discounts. Intra-Group sales are eliminated. Sales are recognised in the profit and loss account when revenues can be measured reliably and it is likely that the financial benefits associated with the transaction will flow to the Group.

b) Construction contracts

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract costs are recognised as expenses in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

**2.18 Leasing agreements**

Leasing agreements, in which a significant proportion of the risk and return associated with ownership remains with the lessor, are classified as operational leases. Leasing payments arising from operational leases (less any financial incentives granted by the lessor) are expensed on a straight-line basis over the leasing period.

Leasing contracts that are associated with fixed operating assets, and as to which the Group largely has all risk and control, are classified as financial leasing. Financial leasing is recognised in the balance sheet at the beginning of the lease period at the lower of fair value of the leased operating asset or the present value of the total minimum lease amounts. Each lease payment is allocated between a repayment element and an interest element, in such a way that the balance sheet shows a constant interest expense on outstanding lease commitments. Interest expenses are recognised in the profit and loss account as financial expenses. Lease liabilities are classified as other short-term liabilities or other long-term liabilities. Fixed operating assets acquired through financial lease agreements are depreciated over the expected lifetime or the lease period, whichever is shorter.

**2.19 Dividends**

Dividend payments to shareholders are classified as current liability as of the time the dividend disbursement has been approved by the general shareholder’s meeting.

**NOTE 3 FINANCIAL RISK MANAGEMENT**

The Group's business activities primarily entail exposure to interest rate risk, liquidity risk, and credit risk. The Group is not exposed to financial price risk of any particular significance.

The Group's risk management procedures support the Group's value creation and ensure a continued solid financial platform by identifying and carefully managing financial and operational risk factors. As a rule, risk management is the responsibility of each business unit's operational management. For a description of other areas of risk to which the Group is exposed, please see the Board Report as well as guidelines for corporate governance.

**a) Currency risk**

Infratek is only to a limited extent operationally influenced by changes in foreign exchange, as the operations are only marginally applying purchase in foreign exchange or trade across countries. When significant foreign exchange risk is present it is evaluated on a case by case basis and secured in found required through forward contracts or similar.

The Group has operations in Norway, Sweden and Finland and is thus exposed economically to exchange rate risk from SEK and EUR to NOK. Equity capital in foreign subsidiaries does not have currency hedging and exchange rate fluctuations do affect the Group's equity capital. As of 31 December 2011, the Group had only a minor degree of financial derivates for currency hedging.

Net exchange differences on translating foreign operations to NOK in 2011 was NOK -1 million (12 million). The below table shows the effect of the Group's loss / gain on exchange rates by plus or minus 10 per cent change in SEK and EUR currency vs. used currency for the financial year 2011.

**SENSITIVITY ANALYSIS TRANSLATION DIFFERENCES**

| | | Currency rate change | |
|---|---|---|---|
| **Amounts in NOK million** | **Currency** | **+10%** | **-10%** |
| Effect on other comprehensive income and equity | SEK | 25 | (25) |
| Effect on other comprehensive income and equity | EUR | 7 | (7) |
| **Total effect on other comprehensive income and equity** | | **33** | **(33)** |

**b) Interest rate risk**

The Group's operating revenues and cash flow from operations are largely unaffected by changes in interest rates. Variations in the interest rate may, however, affect customers' willingness to invest, indirectly affecting the Group's operating revenues and cash flow. As of 31 December 2011, the Group is primarily exposed to interest risk associated with surplus liquidity. At the close of 2011 the Group had net cash holdings of NOK 300 million and had earned NOK 3 million in interest income. Variations in NIBOR, STIBOR and EURIBOR will affect interest on cash reserve as well as the Group's capital costs. NIBOR, for example, changed from 2.27 per cent on 3 January 2011 to 2.0 per cent on 31 December 2011. Given the Group's cash holdings at the end of 2011 this would have resulted in an interest income interval of NOK 6,0 to 6,8 million. The Group's interest income and expenses track general developments in the Norwegian, Swedish and Finnish money markets respectively. The Group has not made use of interest hedging instruments, and only to a very limited degree of currency hedging instruments. Surplus liquidity derives from additional liquidity which was part of Infratek's flotation in December 2007, the takeover of Fortum's contracting business in January 2009, as well as a positive cash flow from operating activities.

**c) Liquidity risk**

Liquidity risk arises from a lack of coherence between cash flow from operations and financial commitments. Infratek's business activities are subject to seasonal variations that may affect cash flow. Historically, Infratek has satisfactorily managed its working capital. As of 31 December 2011 Infratek had net cash holdings of NOK 300 million. Infratek also has an unused NOK 100 million overdraft facility with DNB Bank ASA which runs until terminated by either party at one month's notice. Infratek's borrowing agreement with DNB Bank ASA is conditional upon certain key financial indicators. DNB has an AA rating. The Group's overdraft assumes a 20 per cent equity ratio. The agreement also contains certain restrictions on changes in the company's legal status, eg merger/demerger, material acquisition/disposal of assets, changes in capital, as well as limitations relating to sale or pledging of group assets as security for liabilities. The lender undertakes to allow such transactions unless there are reasonable grounds for not doing so. The Group also has a group account system and accounts with short-term credit limits at subsidiary level which draw on the Group's overall cash holdings. The Group's cash flow from operating activities in 2011 was positive as a result of a positive pre-tax profit. Infratek is in compliance with all the requirements stipulated in its borrowing agreement. Overall these resources are deemed to provide solid liquidity for the Group.

**Maturity-analysis long-term debt**

| 2010<br>Amounts in NOK million | 1-3 years | 3-5 years | 5 years or later | Due date not determined | Total |
|---|---|---|---|---|---|
| Other long-term debt | 18 | - | - | - | 18 |
| **Total long-term debt** | **18** | **-** | **-** | **-** | **18** |

| 2011<br>Amounts in NOK million | 1-3 years | 3-5 years | 5 years or later | Due date not determined | Total |
|---|---|---|---|---|---|
| Other long-term debt | 15 | - | - | - | 15 |
| **Total long-term debt** | **15** | **-** | **-** | **-** | **15** |

**Maturity-analysis short-term debt:**

| 2010<br>Amounts in NOK million | 0-30 days | 30-60 days | 60-90 days | 90-120 days | >120 days | Total |
|---|---|---|---|---|---|---|
| Accounts payable | 150 | 3 | 1 | 4 | - | 158 |
| Other current liabilities | 152 | - | 127 | - | 81 | 360 |
| **Total current liabilities** | **302** | **3** | **128** | **4** | **81** | **518** |

| 2011<br>Amounts in NOK million | 0-30 days | 30-60 days | 60-90 days | 90-120 days | >120 days | Total |
|---|---|---|---|---|---|---|
| Accounts payable | 196 | 6 | 1 | - | 1 | 204 |
| Other current liabilities | 142 | - | 118 | - | 84 | 344 |
| **Total current liabilities** | **338** | **6** | **119** | **-** | **85** | **548** |

d) **Credit risk**

Credit risk is the risk that customers will not settle their accounts. Credit risk is deemed to be part of the Group’s overall commercial risk and is followed up as part of its day-to-day operations. Infratek has established procedures for credit assessment of larger customers and suppliers. Historically, losses due to bad debts have been insignificant and today’s level of credit risk is considered acceptable.

**Maturity-analysis long-term receivables**

| 2010<br>Amounts in NOK million | 1-3 years | 3-5 years | 5 years or later | Due date not determined | Total |
|---|---|---|---|---|---|
| Paid core-capital, pension fund | - | - | - | 17 | 17 |
| Subordinated loan, pension fund | - | - | - | 2 | 2 |
| Other non-current receivables | 4 | - | 1 | - | 5 |
| **Total long-term receivables** | **4** | **-** | **1** | **19** | **24** |

| 2011<br>Amounts in NOK million | 1-3 years | 3-5 years | 5 years or later | Due date not determined | Total |
|---|---|---|---|---|---|
| Paid core-capital, pension fund | - | - | - | 17 | 17 |
| Subordinated loan, pension fund | - | - | - | 2 | 2 |
| Other non-current receivables | 1 | - | - | - | 1 |
| **Total long-term receivables** | **1** | **-** | **-** | **19** | **20** |

**Maturity-analysis short-term receivables**

**2010**

| **Amounts in NOK million** | **0-30 days** | **30-60 days** | **60-90 days** | **90-120 days** | **>120 days** | **Total** |
|---|---|---|---|---|---|---|
| Accounts receivable | 453 | 16 | 5 | 4 | - | 478 |
| Accrued, non invoiced income | 203 | - | - | - | - | 203 |
| Other short term receivables | 61 | - | - | - | - | 61 |
| **Total short term receivables** | **717** | **16** | **5** | **4** | **-** | **742** |

**2011**

| **Amounts in NOK million** | **0-30 days** | **30-60 days** | **60-90 days** | **90-120 days** | **>120 days** | **Total** |
|---|---|---|---|---|---|---|
| Accounts receivable | 440 | 5 | 1 | 9 | 4 | 459 |
| Accrued, non invoiced income | 232 | - | - | - | - | 232 |
| Other short term receivables | 15 | - | - | - | - | 15 |
| **Total short term receivables** | **687** | **5** | **1** | **9** | **4** | **706** |

All customer receivables in excess of 30 days have fallen due for payment.

**Changes in the allowance for doubtful debts**

| **Amounts in NOK million** | **2011** | **2010** |
|---|---|---|
| Balance at beginning of the year | (4) | (5) |
| Impairment losses recognised on receivables | (5) | (1) |
| Amounts written off during the year as uncollectible (confirmed loss) | 1 | 2 |
| **Closing balance allowance for doubtful debts** | **(8)** | **(4)** |

**e) Categories of financial instruments**

The group’s financial instruments are categorized as follows:

**2010**

| **Amounts in NOK million** | **Loans and receivables** | **Total** |
|---|---|---|
| **Assets** | | |
| Other long-term receivables | 24 | 24 |
| Accounts receivables and other receivables (not including prepaid costs and incurred, not invoiced revenues) 1) | 528 | 528 |
| Cash and cash equivalents | 239 | 239 |
| **Total assets** | **791** | **791** |

| **Amounts in NOK million** | **Other Financial oblications at amortized cost** | **Total** |
|---|---|---|
| **Liabilities** | | |
| Long-term debt | 18 | 18 |
| Account payable and other short-term debt (not including statutory obligations) 2) | 295 | 295 |
| **Total liabilities** | **313** | **313** |

**2011**

| Amounts in NOK million | Loans and receivables | Total |
|---|---|---|
| **Assets** | | |
| Other long-term receivables | 20 | 20 |
| Accounts receivables and other receivables (not including prepaid costs and incurred, not invoiced revenues) 1) | 474 | 474 |
| Cash and cash equivalents | 300 | 300 |
| **Total assets** | **794** | **794** |

| Amounts in NOK million | Other Financial oblications at amortized cost | Total |
|---|---|---|
| **Liabilities** | | |
| Long-term debt | 15 | 15 |
| Account payable and other short-term debt (not including statutory obligations) 2) | 430 | 430 |
| **Total liabilities** | **445** | **445** |

1) Prepayments and incurred, non-invoiced revenue is omitted from the receivable balance in the statement of financial position, since this is an analysis that is only required for financial instruments.

2) Statutory obligations and pre-paid amounts are omitted from accounts payable and other liabilities in the statement of financial position, since the analysis only is required for financial instruments.

Nominal value less write-downs on sustained losses on accounts receivable and payable is deemed to equal the fair value of an item. Fair value of financial liabilities (calculated for note disclosure) is estimated by discounting future cash flows using the Groups alternative market interest rate for similar financial instruments.

**f) Capital management**

The Group's capital is managed with the goal of continued going concern, safeguarding and further developing the Group's value and to ensure good credit rating and hence borrowing terms reflecting the operations of the Group. The Group has a solid capital structure and will over time seek a capital structure adapted to the Group's activities to reduce capital costs, for example, through increased dividends, share buybacks, new share-issues or draw up interests-bearing loans to finance purchase of business.

The Group monitors its capital structure by following the developments in its cash and debt ratio, defined as net interest-bearing debt divided by total shareholders' equity and net-interest-bearing debt. The Group's debt ratio should not exceed the group's ability to service a loan which will depend on the group's future earnings and investment levels, as well as the interest rate level the Group can achieve.

**Debt ratio**

| Amounts in NOK million | 2011 | 2010 restated |
|---|---|---|
| Interest-bearing debt | 14 | 17 |
| Cash and cash equivalents | (300) | (239) |
| **Net interest-bearing debt (cash)** | **(286)** | **(222)** |
| Total equity inclusive non-contolling interests | 484 | 621 |
| **Total equity and net interest-bearing debt** | **198** | **399** |
| Debt ratio | 7.1% | 4.3% |

## NOTE 4 IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continuously evaluated, based on historical experience and other factors, including expectations as to future events deemed probable under the current circumstances. The Group prepares estimates and makes assumptions for projection purposes in preparing its accounts. Accounting estimates only rarely accord fully with the final outcome. The differences that arise between estimates and fair value are recognised in the period they become known if they pertain to this period. If the difference pertains to both current and future periods, recognition is distributed over the periods in question.

Estimates and assumptions that can result in a significant risk of material change in the balance sheet value of assets or liabilities in the upcoming accounting year are discussed below.

### Revenue recognition

Recognition of income from fixed-price contracts uses the percentage-of-completion method. Current income recognition of projects entails uncertainty, as it is based on estimates and assessments. For projects in progress, there is uncertainty associated with progress on remaining work, disputes, work under guarantees, final projections, and other issues. Thus, the final outcome may deviate from the projected result. For completed projects, there is uncertainty associated with any hidden shortcomings, and possible customer disputes.

### Estimated impairment of goodwill

Each year the Group perform tests to assess the extent of impairment of goodwill, cf. Note 2.6. The recoverable amount from cash-generating entities is determined by calculating its usable value. These calculations require the use of estimates (see also Note 7).

### Tax

The Group's earnings are taxed in several countries. Calculating a consolidated tax liability based on the sum of tax payable in each country requires extensive use of estimates and assumptions. For many transactions and calculations a great deal of uncertainty will attach to the final tax liability. The Group recognises tax liabilities relating to future decisions in tax/other disputes, based on estimates of whether further tax on earnings will accrue. If the final decision in a case deviates from the original provision, the deviation will affect the recognised tax liability and the provision for deferred tax in the period in which the deviation occurs.

### Pension benefits

The present value of the pension obligations associated with defined benefit plans depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

### Other items

Other items that are affected by estimates are estimated useful lifetime for operating assets, goodwill, pensions, and any utilisation of deferred tax benefit and calculation of the value of options related to a buyout responsibility concerning Unisec Varularm AB, Mini Entreprenad AB and Eiendomssikring AS (see also note 25).

**NOTE 5 BUSINESS SEGMENT REPORTING**

Group management constitutes the Groups leading authority. Operational segments are based upon Group management reporting guidelines when allocating resources and assessing profitability.

The Group's corporate structure consists in 2011 of three business areas; Local Infrastructure, Central Infrastructure and Security, based on the entity's delivery of products and services. In financial terms, Infratek has reported within the following segments based on products supplied in 2011: Local Infrastructure, Central Infrastructure and Security, in addition to geography.

Segment information is presented for the Group's business areas. The Group's business segments reflect the division into product groups and is based on the Group's in-house reporting structure. Group management assesses the segments' performance on the basis of an adjusted operating profit (EBIT). This method of measurement excludes the effect of non-recurring costs when the costs are the result of an isolated incident which is not expected to be repeated. In the segment table such costs are reported as part of the segment "Other" (Group). Expenses related to a lack of subleasing of the Group's main office have been expensed to Other in 2010 and 2011.

**An overview of business segments follows:**

**Local Infrastructure:** Comprises the Group's infrastructure operations in Norway and Sweden geared towards the product areas distribution network, highway and street lighting, fibre/telecom, district heating and railways. The services within this business area are organised among three regions in Sweden and one region in Norway.

**Central Infrastructure:** Comprises the Group's infrastructure operations in Norway, Sweden and Finland geared towards the central transmission network for power transmission in Scandinavia; products and services related to transformer stations, cables and power lines for higher voltages.

**Security:** Delivers security technology solutions such as alarm systems, CCTV surveillance, access control facilities, integrated security solutions, and electronic anti-theft solutions. The business area also delivers monitoring and inspection services to grid companies, which allow them to fulfil legally mandated responsibilities (so-called DLE services). The Security business area is established in Norway, Sweden and Finland.

**Other (Group):** This segment comprises mainly group costs in the form of costs incurred by the parent company Infratek ASA in connection with the Board, CEO and Group Finance, day-to-day financial reporting, costs linked with the company's stock market listing as well as shortfall of subleasing revenues from the company's headquarters. Infratek ASA is located in Norway.

**Eliminations:** This is elimination of Group-internal sales.

**Segment information**

| Amounts in NOK million | Local Infrastructure restated | Central Infrastructure restated | Security | Other | Eliminations | Group restated |
|---|---|---|---|---|---|---|
| **2010 restated** | | | | | | |
| Gross segment operating revenue | 1 853 | 570 | 314 | - | - | 2 737 |
| Inter-segment sales | 5 | 9 | 2 | 31 | (46) | - |
| **Operating revenues** | **1 858** | **579** | **316** | **31** | **(46)** | **2 737** |
| Purchased material | (862) | (253) | (95) | - | (4) | (1 214) |
| **Gross profit** | **996** | **326** | **221** | **31** | **(51)** | **1 522** |
| Personell expenses | (633) | (204) | (129) | (24) | - | (990) |
| Other operating costs | (244) | (66) | (55) | (34) | 51 | (348) |
| **EBITDA** | **118** | **56** | **37** | **(28)** | **-** | **184** |
| Depreciations | (26) | (7) | (4) | (6) | - | (42) |
| **EBIT** | **93** | **49** | **33** | **(33)** | **-** | **142** |
| Financial expenses | (3) | (1) | 6 | (1) | - | 1 |
| **Pre-tax profit** | **90** | **48** | **39** | **(34)** | **-** | **143** |
| Tax | (26) | (14) | (9) | 10 | - | (39) |
| **Profit for the year** | **64** | **35** | **30** | **(25)** | **-** | **104** |

| Amounts in NOK million | Local Infrastructure | Central Infrastructure | Security | Other | Eliminations | Group |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Gross segment operating revenue | 1 981 | 602 | 305 | 3 | - | 2 890 |
| Inter-segment sales | 8 | 9 | 1 | 10 | (29) | - |
| **Operating revenues** | **1 989** | **611** | **306** | **13** | **(29)** | **2 890** |
| Purchased material | (959) | (281) | (93) | - | (10) | (1 342) |
| **Gross profit** | **1 030** | **330** | **214** | **13** | **(39)** | **1 548** |
| Personell expenses | (679) | (229) | (132) | (20) | - | (1 060) |
| Other operating costs | (239) | (82) | (56) | (6) | 39 | (344) |
| **EBITDA** | **112** | **19** | **27** | **(13)** | **-** | **144** |
| Depreciations | (26) | (7) | (3) | (7) | - | (43) |
| **EBIT** | **86** | **12** | **23** | **(20)** | **-** | **101** |
| Financial expenses | (3) | (1) | 5 | (2) | - | (1) |
| **Pre-tax profit** | **83** | **11** | **29** | **(22)** | **-** | **100** |
| Tax | (23) | (3) | (6) | 6 | - | (26) |
| Profit from discontinued operations | (4) | - | - | - | - | (4) |
| **Profit for the year** | **56** | **8** | **22** | **(16)** | **-** | **71** |

**Working capital as of 31 December and investments during the year:**

| Amounts in NOK million | Infrastructure | Security | Other | Group |
|---|---|---|---|---|
| **2010** | | | | |
| Working capital | 231 | 32 | 2 | **265** |
| Investments in operations | 32 | 1 | 12 | **45** |

| Amounts in NOK million | Infrastructure | Security | Other | Group |
|---|---|---|---|---|
| **2011** | | | | |
| Working capital | 163 | 36 | 1 | **200** |
| Investments in operations | 36 | 1 | 8 | **45** |

**Operating revenues from related parties – constitutes more than 10% of the revenue (see also note 18)**

| Amounts in NOK million | Infrastructure | Security | Other | Group |
|---|---|---|---|---|
| **2010** | | | | |
| Operating revenue from Hafslund | 595 | 74 | - | **669** |
| Operating revenue from Fortum | 616 | 1 | - | **617** |

| Amounts in NOK million | Infrastructure | Security | Other | Group |
|---|---|---|---|---|
| **2011** | | | | |
| Operating revenue from Hafslund | 480 | 73 | - | **553** |
| Operating revenue from Fortum | 706 | 1 | - | **707** |

**Geographical segment information**

| Amounts in NOK million | Norway restated | Sweden | Finland | Other | Eliminations | Group restated |
|---|---|---|---|---|---|---|
| **2010 restated** | | | | | | |
| Gross segment operating revenue | 1 285 | 1 267 | 184 | - | - | **2 737** |
| Operating profit | 107 | 63 | 6 | (33) | - | **142** |
| **Profit for the year** | **80** | **45** | **4** | **(25)** | **-** | **104** |
| | | | | | - | |
| Working Capital | 96 | 128 | 39 | 2 | - | **265** |
| Investments | 22 | 9 | 2 | 12 | - | **45** |
| **2011** | | | | | | |
| Gross segment operating revenue | 1 250 | 1 451 | 186 | 3 | - | **2 890** |
| Operating profit | 71 | 39 | 11 | (20) | - | **101** |
| **Profit for the year** | **46** | **32** | **8** | **(16)** | **-** | **71** |
| Working Capital | 69 | 101 | 30 | 1 | - | **200** |
| Investments | 18 | 18 | 1 | 8 | - | **45** |

Other consists of the parent company Infratek ASA

**NOTE 6** **PROPERTY, PLANT AND EQUIPMENT**

| Amounts in NOK million | Machinery, furniture, vehicles etc. | Total |
|---|---|---|
| **As of 1 January 2010** | **170** | **170** |
| Acquisitions | 32 | 32 |
| Depreciation of fixed assets at carrying value | (2) | (2) |
| Depreciation and impairment charges | (35) | (35) |
| Exchange differences | 1 | 1 |
| **Book value as of 31 December 2010** | **166** | **166** |
| Acquisition costs as of 31 December 2010 | 297 | 297 |
| Accumulated depreciation and impairment charges as of 31 December 2010 | (131) | (131) |
| **Book value as of 1 January 2011** | **166** | **166** |
| Acquisition through business combinations | 4 | 4 |
| Acquisitions | 39 | 39 |
| Depreciation of fixed assets at carrying value | (14) | (14) |
| Depreciation and impairment charges | (35) | (35) |
| **Book value as of 31 December 2011** | **160** | **160** |
| Acquisition costs as of 31 December 2011 | 289 | 289 |
| Accumulated depreciation and impairment charges as of 31 December 2011 | (129) | (129) |
| **Book value as of 31 December 2011** | **160** | **160** |
| | | |
| Rate of depreciation (in %) | 7-33% | |

**2010**

**Annual leasing not recorded in the balance sheet:**

| | Minimum future payments | | |
|---|---|---|---|
| **Amounts in NOK million** | **Premises rental** | **Machinery/ equipment** | **Total** |
| Due within 1 year | 29 | 38 | 66 |
| Due later than one year not later than five years | 86 | 63 | 149 |
| Due later than five years | 48 | - | 48 |
| **Total** | **163** | **101** | **263** |
| | | | |
| Recognized as operating lease-cost during year | 48 | 42 | 90 |

**2011**

**Annual leasing not recorded in the balance sheet:**

| | Minimum future payments | | |
|---|---|---|---|
| **Amounts in NOK million** | **Premises rental** | **Machinery/ equipment** | **Total** |
| Due within 1 year | 22 | 42 | 64 |
| Due later than 1 year not later than 5 years | 67 | 77 | 144 |
| Due later than 5 years | 24 | - | 24 |
| **Total** | **113** | **119** | **232** |
| | | | |
| Recognized as operating lease-cost during year | 32 | 32 | 64 |

**NOTE 7 INTAGIBLE ASSETS**

| Amounts in NOK million | Customer portfolios | Goodwill | Software and licenses | Total intangible assets |
|---|---|---|---|---|
| Acquisition cost as of 1 January 2010 | 10 | 237 | 41 | 287 |
| Accumulated amortization and impairment charges as of 1 January 2010 | (5) | (36) | (1) | (42) |
| **Book value as of 1 January 2010** | **5** | **201** | **39** | **245** |
| Acquisition through business combinations | - | 13 | - | 13 |
| Acquisitions | - | - | 13 | 13 |
| Depreciation and impairment charges | (3) | - | (4) | (7) |
| Exchange differences | - | 4 | 1 | 5 |
| **Book value as of 31 December 2010** | **2** | **218** | **49** | **269** |
| Acquisition cost as of 31 December 2010 | 10 | 246 | 54 | 310 |
| Accumulated amortization and impairment charges as of 31 December 2010 | (8) | (28) | (5) | (41) |
| **Book value as of 1 January 2011** | **2** | **218** | **49** | **269** |
| Acquisition through business combinations | - | 7 | - | 7 |
| Disposals of operations at carrying value | - | (3) | - | (3) |
| Acquisitions | - | - | 6 | 6 |
| Depreciation and impairment charges | (2) | - | (6) | (8) |
| Exchange differences | - | - | - | - |
| **Book value as of 31 December 2011** | **-** | **222** | **49** | **271** |
| Acquisition cost as of 31 December 2011 | 10 | 250 | 60 | 320 |
| Accumulated amortization and impairment charges as of 31 December 2011 | (10) | (28) | (11) | (49) |
| **Book value as of 31 December 2011** | **-** | **222** | **49** | **271** |
| | | | | |
| Rate of depreciation (in %) | 20-50% | - | 10% | |

**Goodwill impairment testing**

The recoverable amount is measured by discounting future cash flows, which are based on plans for the business activities (budgets and forecasts) that have been approved by the Board. The following table shows the Group's intangible assets that cannot be written down by profit centre (cash-generating unit). The Group's cash-generating units are unchanged from the previous year's impairment test. In addition, a new goodwill has been established in connection with the acquisition of Mini Entrepenad AB (see note 25).

**Intangible assets with non-definable useful lives**

**Amounts in NOK million**

| **Cash generating units** | **Segment** | **Goodwill** |
|---|---|---|
| Infratek Entreprenør AS | Infrastructure | 42 |
| Mini Entreprenad AB | Infrastructure | 7 |
| Veka Entreprenad AB | Infrastructure | 7 |
| Infratek Sverige AB | Infrastructure | 29 |
| Infratek Öst AB | Infrastructure | 18 |
| Infratek Finland AB | Infrastructure | 6 |
| Infratek Sikkerhet AS | Security | 98 |
| Infratek Elsikkerhet AS | Security | - |
| Unisec Varularm AB | Security | 13 |
| **Total** | | **222** |

Turnover, margins and investments are based on management budgets for 2012 as well as on projections for the interval 2013 to 2016. The terminal value is further based on the cash flow for year 2016, whereas an annual growth rate equivalent to 2.5 percent for Swedish and Finish subsidiaries and 1.9 percent for Norwegian subsidiaries are employed. These considerations are in line with the general expected economic growth (KPI) of countries where Infratek is operating. As for the terminal value, the reinvestment corresponds to expected depreciation of the unit`s fixed assets. In order to capture assumed risk, a discount rate of 8.4 percent before taxes is utilized. This rate also reflects the Groups capital cost based on a capital structure considered as representative for the industry in which Infratek is operating. Based on implemented impairment tests, no devaluation have been conducted in 2011. A downward cash flow adjustment of 20 percent in addition to a discount rate based on the Group`s capital structure would not imply an impairment.

**NOTE 8** **CONSTRUCTION CONTRACTS**

| **Amounts in NOK million** | **2011** | **2010** |
|---|---|---|
| Total operating revenues | 2890 | 2737 |
| - of which contract revenues | 1380 | 1401 |
| **Sales of goods and services** | **1510** | **1336** |
| | | |
| **Current contracts as of 31 December** | | |
| Incurred contract expences 31.12 | 1065 | 764 |
| Incurred contract profit 31.12 | 58 | 55 |
| Progress billings | (1071) | (783) |
| **Net value contracts in progress 31.12** | **52** | **36** |
| | | |
| **Balance sheet amounts of:** | | |
| Incurred, not invoiced | 110 | 108 |
| Pre-invoiced to customer | (58) | (72) |
| **Net value contracts in progress 31.12** | **52** | **36** |
| | | |
| Remaining production on contracts with estimated loss 1) | 16 | 11 |

1) Estimated production losses on remaining contracts, are recognized in the profit and loss account.

| NOTE 9 | INVENTORY | |
|---|---|---|
| **Amounts in NOK million** | **2011** | **2010** |
| Raw materials | - | 1 |
| Work in Progress | - | - |
| Purchased good for resale | 36 | 39 |
| **Total inventory** | **36** | **40** |
| | | |
| Write-down of inventory recognized as expense during period: | - | 3 |
| Total cost of inventories recognized as expense during period: | 1152 | 812 |

| **NOTE 10** | **OTHER NON-CURRENT RECEIVABLES** | |
|---|---|---|
| **Amounts in NOK million** | **2011** | **2010** |
| Paid core-capital, pension fund | 17 | 17 |
| Subordinated loan, pension fund | 2 | 2 |
| Other non-current receivables | 1 | 5 |
| **Total other non-current receivables** | **20** | **24** |

| **NOTE 11** | **ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES** | |
|---|---|---|
| **Amounts in NOK million** | **2011** | **2010** |
| Accounts receivable | 459 | 478 |
| Bad debt reserve | (8) | (4) |
| Net accounts receivable | 451 | 474 |
| Accrued revenues | 232 | 203 |
| Prepaid expenses | 4 | 12 |
| Other receivables | 23 | 53 |
| **Total accounts receivable and other receivables** | **710** | **742** |

**NOTE 12** **CASH AND CASH EQUIVALENTS**

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Bank deposits in Group account system | 295 | 224 |
| Bank deposits outside the Group account | 5 | 15 |
| **Total bank deposits** | **300** | **239** |

| Split by currency | | |
|---|---|---|
| NOK | 170 | 159 |
| SEK | 94 | 64 |
| EUR | 36 | 16 |
| **Total bank deposits** | **300** | **239** |

The Group employs the Group account system in DNB Bank ASA. A group account system entails joint and several liability for participating companies. Infratek ASA's accounts constitute the only accounts connected to the banks whereas deposits and withdrawals concerning the subsidiaries' accounts consist of internal accounts with Infratek ASA. Participating companies in the Group account system have a joint guarantor liability for consolidated withdrawals in the Group account system.

The Group has an overdraft limit with DNB Bank of NOK 100 million. The facility may be terminated at one month's notice by either party, and was unused as of 31 December 2011.

As of 31 December 2011 the Group had the following restricted bank deposits.

**RESTRICTED CASH AND CASH EQUIVALENTS**

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Employees tax deduction | 14 | 1 |
| Down payment deposits | - | 2 |
| Other restricted cash and cash equivalents 1) | 16 | 16 |
| **Total restricted cash and cash equivalents** | **30** | **19** |

1) Explanation to the other restricted cash and cash equivalents is given in note 8 to Infratek ASA

**NOTE 13 SHARE CAPITAL, SHARE PREMIUM FUND AND EARNINGS PER SHARE**

As of 31 December Infratek's share capital was as follows:

| Amounts in NOK million | Type of change | No. of shares | Par value | Share capital | Share premium fund | Total |
|---|---|---|---|---|---|---|
| **As of 31 December 2010** | | **63 863 224** | **5.00** | **319** | **246** | **565** |
| | Reduction of Share premium fund | | | | (200) | (200) |
| **As of 31 December 2011** | | **63 863 224** | **5.00** | **319** | **46** | **365** |

The Board has proposed that a total dividend disbursement of NOK 95.8 million be paid for the 2011 financial year; the dividend disbursement corresponds to a per-share dividend payment of NOK 1.5. Earnings per share is arrived at by dividing the proportion of profit for the year distributed to the company's shareholders by the weighted average of the number of outstanding ordinary shares through the year. As of 31 December 2011 the company had a total of 63,863,224 shares outstanding.

**Earnings per share and average numbers of shares**

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Profit for the year from continuing operations attributable to parent company shareholders | 74 | 104 |
| Profit for the year from discontinuing operations attributable to parent company shareholders | (4) | - |
| **Profit for the year attributable to parent company shareholders** | **71** | **104** |
| Weighted average number of shares | 63 863 224 | 63 863 224 |

**Overview shareholders**

As of 31 December 2011

| | No of shares | Ownership |
|---|---|---|
| Hafslund ASA | 27 652 360 | 43.3% |
| Fortum Nordic AB | 21 074 864 | 33.0% |
| Odin Norden | 3 180 700 | 5.0% |
| Orkla ASA | 2 351 044 | 3.7% |
| Nordstjernan AB | 1 952 067 | 3.1% |
| The Northern Trust | 1 595 600 | 2.5% |
| Skandinaviske Enskilda Banken | 947 100 | 1.5% |
| MP Pensjon | 830 000 | 1.3% |
| DnB NOR SMB | 682 049 | 1.1% |
| VPF Nordea Avkastning | 312 000 | 0.5% |
| VPF Nordea Kapital | 229 850 | 0.4% |
| Terra Total | 201 000 | 0.3% |
| Ivar S Løge AS | 200 000 | 0.3% |
| VJ Invests AS | 185 000 | 0.3% |
| VJ Invests AS | 183 000 | 0.3% |
| **Total 15 largest shareholders** | **61 576 634** | **96.4%** |
| Other shareholders | 2 286 590 | 3.6% |
| **Total** | **63 863 224** | **100.0%** |
| Board and management | 373 500 | 0.6% |

**NOTE 14 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Accounts payable | 203 | 158 |
| Public duties payable | 118 | 127 |
| Incurred expenses | 129 | 111 |
| Pre-invoiced income | 80 | 96 |
| Other liabilities | 18 | 26 |
| **Total accounts payable and other current liabilities** | **548** | **518** |

**NOTE 15** **LONG-TERM DEBT**

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Other long-term interest-bearing debt | 15 | 18 |
| **Total long-term debt** | **15** | **18** |

Long-term debt consists of a small bank facility in one of the Group's subsidiaries which is historically contigent and an option related to the buyout responsibility concerning Unisec Varularm AB, Eiendomssikring AS and Mini Entreprenad AB. See also note 25. The options are assessed based on fair value per 31 December 2011 and the change in value is recognised in the result as a change in financial items. See also note 22, net financial items.

The below table represents the Group's liabilities based on fair value per 31 December 2011:

| Amounts in NOK million | 2011 | 2010 |
|---|---|---|
| Other long-term debt | 11 | 16 |
| **Total liabilities** | **11** | **16** |

**NOTE 16** **DEFERRED TAX ASSET**

Deferred tax is to be presented net when the Group has a legal right to offset deferred tax benefits in the balance sheet.

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Deferred tax assets that is expected realised in more than 12 months | 172 | 111 |
| Deferred tax assets that is expected realised within 12 months | - | - |
| **Total deferred tax assets** | **172** | **111** |
| | | |
| Deferred tax that is expected realised in more than 12 months | (20) | (23) |
| Deferred tax that is expected realised within 12 months | - | - |
| **Total deferred tax** | **(20)** | **(23)** |
| **Total deferred tax assets net** | **152** | **88** |

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| **Balance sheet value as of 31 December 2009** | **-** | **36** |
| Effect of change in accounting policy for pensions | - | 41 |
| **Balance sheet value as of 1 Januar, restated** | **88** | **77** |
| Deferred tax asset from acquired operations | - | (2) |
| Change in estimate pensions | 55 | 28 |
| Recognized in the period | 9 | (15) |
| **Balance sheet value as of 31 December** | **152** | **88** |

**Spesification deferred tax**

| **Amounts in NOK million** | **Pensions** | **Loss carry-forward** | **Other** | **Total** |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| **Deferred tax assets as of 31 December 2009** | **52** | **7** | **2** | **61** |
| Effect of change in accounting policy for pensions | 41 | - | - | 41 |
| **Deferred tax assets as of 1 January 2010 restated** | **93** | **7** | **2** | **102** |
| Change in estimate pensions | 28 | - | - | 28 |
| Recognized in the period | (14) | (7) | 2 | (19) |
| **Deferred tax assets as of 31 December 2010** | **107** | **-** | **4** | **111** |
| Change in estimate pensions | 55 | - | - | 55 |
| Recognized in the period | 1 | 6 | (1) | 6 |
| **Deferred tax assets as of 31 December 2011** | **163** | **6** | **3** | **172** |

| **Amounts in NOK million** | **Operating assets** | **Profit and loss account** | **Construction contracts** | **Total** |
|---|---|---|---|---|
| **Deferred tax liability:** | | | | |
| **Deferred tax liability as of 31 December 2009** | **(7)** | **(7)** | **(11)** | **(25)** |
| Deferred tax from acquired operations | - | - | **-** | - |
| Deferred tax from sold operations | (2) | - | **-** | (2) |
| Recognized in the period | (3) | 1 | 6 | 4 |
| **Deferred tax liability as of 31 December 2010** | **(12)** | **(6)** | **(5)** | **(23)** |
| Deferred tax from acquired operations | - | - | **-** | - |
| Deferred tax from sold operations | - | - | **-** | - |
| Recognized in the period | 5 | 1 | (3) | 3 |
| **Deferred tax liability as of 31 December 2011** | **(7)** | **(5)** | **(8)** | **(20)** |

**NOTE 17 PENSION EXPENSES, ASSETS AND LIABILITIES**

Group companies have different pension plans organised in pension funds and insurance companies. Pension schemes are generally funded through payments made by the companies, determined on the basis of actuarial calculations or as a fixed percentage of the individual employee's salary. The Group has both defined contribution and defined benefit plans.

**Pension liabilities and assumptions**

| Amounts in NOK million | 2011 | 2010 restated |
|---|---|---|
| Present value of accrued pension liabilities for defined benefit plans in fund-based plans | 843 | 662 |
| Fair value of pension assets | (445) | (383) |
| **Actual net pension liabilities for defined benefit plans in fund-based plans** | **398** | **280** |
| Present value of liabilities not in fund-based plans | 111 | 57 |
| Social security contribution | 72 | 47 |
| **Net pension liabilities in the balance sheet (after social security contribution)** | **581** | **384** |
| | | |
| **Changes in defined-benefit pension liabilities during the year:** | | |
| Pension liabilities as of 1 January (excl. social security contribution) | 718 | 646 |
| Present value of pension earnings | 28 | 29 |
| Interest expenses | 29 | 27 |
| Estimate changes | 189 | 59 |
| Pension payments | (11) | (6) |
| Liabilities due to plan changes and acquisitions | 1 | (37) |
| **Pension liabilities as of 31 December (exclusive of social security contribution)** | **954** | **718** |
| | | |
| **Change in fair value of pension assets:** | | |
| Fair value of pension assets as of 1 January | 383 | 357 |
| Expected yield on pension funds | 21 | 21 |
| Estimate changes | 16 | (29) |
| Total contribution | 35 | 40 |
| Total payments from funds | (10) | (6) |
| **Fair value of pension assets as of 31 December** | **445** | **383** |
| | | |
| **Movement in actuarial gains and losses recognized in other comprehensive income:** | | |
| Cumulative amount recognized in comprehensive income 01.01 | 100 | - |
| Recognized in other comprehensive income in the period | 197 | 100 |
| **Cumulative amount recognized inother comprehensive income 31.12** | **297** | **100** |
| Deferred tax related to actuarial losses recognized in other comprehensive income | 83 | 28 |
| **Cumulative amount recognized in other comprehensive income after tax 31.12** | **214** | **72** |

| **Calculations are based on the following assumptions:** | **2011** | **2010** |
|---|---|---|
| Discount rate | 2.80% | 4.00% |
| Expected yield on pension funds | 4.10% | 5.40% |
| Salary growth | 3.25% | 3.75% |
| Social security base amount (G) | 3.25% | 3.75% |
| Annual social security pension growth - Private Fund | 0.10% | 1.30% |
| Annual social security pension growth - Public Fund | 2.50% | 2.97% |

**Pension effect on profit and loss statement**

Total pension expenses recorded in profit and loss account:

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| **Defined benefit plans:** | | |
| Cost of present period's pension earnings | 28 | 29 |
| Interest expenses | 29 | 27 |
| Expected yield on pension funds | (21) | (21) |
| Amortization of plan amendments | - | (38) |
| Social security contribution | 5 | 2 |
| Members' contributions | (1) | (1) |
| Employer's contribution to non-capitalized defined benefit schemes in foreign subsidiaries | 28 | 28 |
| **Pension costs, defined benefit plans** | **68** | **26** |
| Defined contribution plans: | | |
| Employer's contribution to defind constribution plans | 22 | 29 |
| **Total pension expenses** | **90** | **55** |
| | | |
| **Total pension costs are classified as:** | | |
| Salaries and other personnel costs | 82 | 49 |
| Net finance | 8 | 6 |
| **Total pension costs** | **90** | **55** |

**Specification pension fund assets**

| **Amounts in million NOK** | | **2011** | | **2010** |
|---|---|---|---|---|
| Equity instruments | 142 | 32% | 88 | 23% |
| Interest-bearing instruments | 285 | 64% | 249 | 65% |
| Property | 4 | 1% | 34 | 9% |
| Other | 13 | 3% | 11 | 3% |
| **Fair value of pension assets** | **445** | **100%** | **383** | **100%** |

**Pensions in Norway**

Pursuant to Norway's law on mandatory service pensions, defined contribution plans have been established in all Norwegian companies.The Group's mandatory service pension schemes (OTP) for employees in Norway are administered by DNB and Storebrand.

As of 31 December 2011, 484 employees were covered by defined benefit plans, divided between Hafslund Private Pensjonskasse (86), Hafslund Offentlige Pensjonskasse (307), Storebrand (8) and KLP (83). As of 31 December 2011 100 people were receiving pensions under these schemes, divided between Hafslund Private Pensjonskasse (6), Hafslund Offentlige Pensjonskasse (34) and KLP (60). There are few pensioners receiving benefits under Hafslund's defined benefits schemes, since all pensioners were transferred to Hafslund ASA prior to the company's flotation in December 2007. In addition the Group has defined contribution plans with various insurance companies. The defined benefit plans belonging to the Hafslund Group's two pension schemes, of which Infratek is a member, were closed with effect from 1 January 2007. This means they were closed to new members. Since January 2007, defined contribution plans were introduced for all new employees and employees who were not previously included in a pension scheme in the Group's Norwegian businesses.

The Group has in 2011 changed the accounting policy for pensions. The Group has changed from recognizing estimate deviations that arise from changes in actuarial assumptions or base data over and above the greater 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 to recognising actuarial gains and losses attributable to changes in actuarial assumptions or base data through other comprehensive income on an ongoing basis after provisions for deferred tax.

Pension assets are valued at fair value as of year-end. Pension liabilities (net present value of pension payments earned on the balance sheet date, adjusted for future salary growth) are valued using best estimates based on assumptions as of the balance sheet date. Substantial estimate deviations are largely due to reduced discount rate in 2011 compared with 2010. The actuarial estimates of pension liabilities have been prepared by independent actuaries. The assumptions regarding salary growth, increase in pension payments, and social security base amount adjustments are based on historic observations, established tariff agreements, and the relationship between certain assumptions. The demographic assumptions are based on recommendation from the Norwegian Accounting Standards Board.

The Group has also changed how the net retirement benefit costs are presented in the consolidated statement of comprehensive income. The Group 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 is 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 Group believes that the changed policy provides more relevant information for the users of the financial statements. See the impact of the changed accounting policy in Note 2.2

Employees who terminate employment before reaching retirement age receive paid-up policies. Hafslund's pension funds, in which Infratek participates, manage these paid-up policies, which are associated with earned rights in municipal contribution plans. Hafslund has a financial commitment to upwardly adjust these paid-up policies in line with increases in the social security base amount. At such time as paid up policies that have been earned in other contribution plans are issued, Hafslund becomes exempt from further obligations to the employees to which the policies pertain. Assets and liabilities are valued at the time of issuance of the paid-up policy and are separated from pension assets and liabilities.

As a consequence of Infratek's acquisition of Fortum's contracting operations, Hafslund ASA's shareholding in Infratek ASA was reduced from 64.6% to 43.3%. This led Infratek to apply to leave the defined benefit plans in the Hafslund Group's pension funds in 2009. A mutual pension fund following the principles of independent enterprises in Section 7-2 of the Act relating to Insurance Companies, Pension Enterprises etc. (the Insurance Act) no. 44 of 10 June 2005 has been established.

Other demographic assumptions that have been used in the calculation of Norwegian defined benefit pension liabilities are as follows: for mortality and disability, Norwegian life insurance companies' table GAP2007. Projected long-term return on pension assets is based on an estimated government bond interest rate as of 31 December, adjusted for differences in yield for the various categories in which pension assets are invested. The expected long-term yield is based on long-term historic yield. Actual yield on pension assets was -0.7 percent in 2011, compared with 7.4 percent in 2010.

Pension assets are invested in equity instruments, real estate, bonds and money market placements. Bonds and money market placements are issued by the Norwegian government, Norwegian municipalities, finance institutions, and corporations. Bonds in foreign currencies are currency hedged. Investments are in Norwegian and foreign shares. Any estimate deviation is distributed proportionately among asset categories.

**Pensions in Sweden**

As of 31 December 2011 a total of 431 "tjänstemän" employed by Infratek's Swedish subsidiary were members of the ITP (Industrins og handelns tilläggspension) defined benefit plan. All "tjänstemän" also have an ITPK defined contribution plan. "Tjänstemän" with a salary in excess of SEK 521,000 can select an alternative ITP in the chosen insurance company. 10 employees have, for historic reasons, an alternative ITP with higher benefits relating to retirement, family and incapacity pension. For "tjänstemän" in the Swedish company, Infratek has purchased insurance cover from Alecta which manages and administers the ITP pension insurance scheme.

343 "Kollektivänstallda" are covered by the Avtalepension SAF-LO, a defined contribution plan. In addition there is a special charge relating to the collective agreement on supplementary pensions EIO-SEF and EIO-SEF corresponding to 1 percent of salary. The defined contribution plan for "kollektivänstallda" is administered by Fora.

The defined benefits scheme for Infratek's employees in Sweden, acts as a defined contribution scheme for the Group, with annual premiums being charged as expenses as they accrue. The Group has no pension liabilities apart from payment of annual pension premiums. Employees who leave the company before retirement age receive a paid-up policy. The paid-up policies are managed by the company in which the employee has accrued pension rights. Infratek has no obligations after the employee has received a paid-up policy.

**Pensions in Finland**

All companies in Finland are obliged to establish a mandatory service pension for their employees. All employees in Finland are covered by the mandatory service pension scheme, which is based on defined contributions. This scheme is insured through Varma Pension Insurance Company.

Before its acquisition by Infratek, 59 employees of the Finnish subsidiary previously had supplementary defined benefits pension plans with Fortum Pension Foundation. This defined benefits scheme provided a defined pension for these employees if the mandatory scheme did not cover this amount. When Infratek Finland Oy was acquired by Infratek this defined benefit agreement was replaced by a supplementary pension agreement with the insurance company Mandatum Life in Finland. This supplementary pension agreement will be funded through annual pension premiums to cover the employees' accrued pension entitlements. The premiums will be paid by Infratek Finland Oy. The annual premium covers the expected costs associated with the supplementary pension scheme and no further obligations devolve to the company.

For these 59 employees there is also a contingent liability in the event that the employee's employment contract is terminated by the employer. For more information regarding this contingent liability, see Note 28.

**NOTE 18** **RELATED PARTY TRANSACTIONS**

As of 31 December 2011 Hafslund ASA owned 43.3 per cent of the shares of Infratek ASA, while Fortum Nordic AB owned 33.0 per cent. Both Hafslund ASA and Fortum Nordic AB are deemed to be related parties. The Infratek Group sells goods and services to the Hafslund Group and the Fortum Group, and, to a lesser extent, purchases goods and services from the Hafslund and Fortum groups. Receivables from related parties largely arise from sales of goods and services. Accounts payable to related parties largely arise from purchases of goods and services.

**Statement of comprehensive income:**

| | | Hafslund | | Fortum |
|---|---|---|---|---|
| **Amounts in NOK million** | **2011** | **2010** | **2011** | **2010** |
| Sale of goods and services | 553 | 669 | 707 | 617 |
| Purchases of goods and services | 45 | 58 | 9 | 9 |

**Statement of financial position:**

| | | Hafslund | | Fortum |
|---|---|---|---|---|
| **Amounts in NOK million** | **2011** | **2010** | **2011** | **2010** |
| Accounts receivable | 83 | 76 | 112 | 120 |
| Accounts payable | 2 | 3 | - | 1 |
| Short-term debt | - | 7 | - | - |

**NOTE 19** **OTHER OPERATING EXPENSES**

**Specification of other operating expenses**

| **Amounts in NOK million** | **2011** | **2010** |
|---|---|---|
| Maintenance | (59) | (51) |
| Consulting services | (47) | (49) |
| Rent, electricity, etc. | (64) | (63) |
| Sales and marketing expenses | (8) | (9) |
| Office expenses | (19) | (20) |
| Transportation expenses | (121) | (119) |
| Other operating expenses | (26) | (37) |
| **Total other operating expenses** | **(344)** | **(348)** |

**Specification of fee to auditor**

| **Amounts in NOK million** | **2011** | **2010** |
|---|---|---|
| Fee statutory audit | (3) | (2) |
| Fee assurance services | - | - |
| Fee tax advisory services | - | - |
| Fee other non-audit services | - | - |
| **Total auditor fee** | **(3)** | **(2)** |

**NOTE 20** **SALARIES AND OTHER PERSONELL EXPENSES**

**Specification of personell expenses**

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Salaries and other personnel expenses | (785) | (756) |
| Social security contribution | (162) | (151) |
| Pension expenses - defined benefit plans | (60) | (20) |
| Pension expenses - contribution plans | (22) | (29) |
| Other benefits | (31) | (34) |
| **Total salaries and other personnel expenses** | **(1060)** | **(990)** |

**NOTE 21 REMUNERATION PAYABLE TO SENIOR COMPANY OFFICERS**

The below overview shows remuneration for the period 1 January to 31 December 2011 for top employees in the Infratek Group, defined as board members and Group management.

**Remuneration to board members and group management 2011**

**Amounts in thousand NOK**

| Name | Position | Salary and remuneration 1), 6) | Bonus 2), 6) | Construction to pension plans 7) | Change in earned pension rights 7) | Loan | Numbers of shares held 3) |
|---|---|---|---|---|---|---|---|
| **Board Members** | | | | | | | |
| Mimi K. Berdal | Chairman | 323 | - | - | - | - | 12000 |
| Hans Kristian Rød, 4) | Board Deputy Chairman | 205 | - | - | - | - | - |
| Tove Elisabeth Pettersen | Board member | 145 | - | - | - | - | - |
| Dag Andresen | Board member | 175 | - | - | - | - | 2000 |
| Dagne Hordvei, 5) | Board member | 70 | - | - | - | - | - |
| Roger Andrè Hansen | Board member (employee representative) | 717 | - | - | 88 | 96 | 1500 |
| Otto Rune Stokke | Board member (employee representative) | 709 | 32 | - | 111 | - | - |
| Kalle Strandberg | Board member (employee representative) | SEK 366 | - | SEK 19 | - | - | - |
| **Senior executives** | | | | | | | |
| Bjørn Frogner | CEO | 2678 | 438 | 26 | 185 | 308 | 183000 |
| Vibecke Skjolde | Group Executive Vice President / CFO | 1491 | 252 | 18 | - | 343 | 10000 |
| Lars Bangen | Group Executive Vice President Local Infrastructure | 1787 | 150 | - | 209 | 149 | 100000 |
| Alf Engqvist | Group Executive Vice President Central Infrastructure | SEK 1 699 | 146 | SEK 32 | SEK 461 | - | 5000 |
| Lars Erik Finne | Group Executive Vice President Security | 1379 | 137 | 26 | 162 | 237 | 60000 |

Note:

1) Salary etc. Includes fixed salary, non-monetary payments, benefits of interest of free loans, electronic communication, etc in 2011 deducted by earned bonus in 2010 but paid in 2011

2) Earned bonus in 2011 as paid out in 2012 excluding holiday allowance

3) Including shares owned by related parties. Shares mainly acquired at market prices. As part of the listing at the Oslo Stock Exchange in December 2007, all employees were offered to purchase up to 1 500 shares at a 20 percent discount.

4) Hans Kristian Rød is employed in the Fortum group, which further holds 21.074.864 shares in Infratek ASA.

5) Dagne Hordvei resigned May 10th subsequent to the general meeting

6) Specified amounts also function as a basis for social security contribution, amounting to 14,1 percent in Norway and 31,4 percent in Sweden, respectively.

7) Specified amounts also function as a basis for social security contribution in Norway as well as for payroll taxes in Sweden, amounting to 14,1 percent and 24,26 percent respectively.

**Remuneration to board members and group management 2010**

**Amounts in thousand NOK**

| Name | Position | Salary and remuneration 1), 8) | Bonus 2), 8) | Construction to pension plans 9) | Change in earned pension rights 9) | Loan | Numbers of shares held 3) |
|---|---|---|---|---|---|---|---|
| **Board Members** | | | | | | | |
| Mimi K. Berdal | Chairman (from 11 november, 2010) | 193 | - | - | - | - | 12000 |
| Gunnar Gjørtz4) | Chairman (until 11 november, 2010) | 213 | - | - | - | - | 20000 |
| Hans Kristian Rød 5) | Board Deputy Chairman | 183 | | | | | |
| Tove Pettersen4), 5) | Board member | - | - | - | - | - | - |
| Dag Andresen | Board member | 183 | - | - | - | - | 2000 |
| Dagne Hordvei | Board member | 138 | - | - | - | - | - |
| Roger Andrè Hansen | Board member (employee representative) | 692 | - | - | 94 | 121 | 1500 |
| Otto Rune Stokke | Board member (employee representative) | 658 | 31 | - | 119 | - | - |
| Kalle Strandberg | Board member (employee representative) | SEK 498 | - | SEK 20 | - | - | - |
| **Senior executives** | | | | | | | |
| Bjørn Frogner | CEO | 2737 | 903 | 26 | 144 | 358 | 183000 |
| Vibecke Skjolde6) | Group Executive Vice President / CFO | 719 | 313 | 6 | - | 383 | 10000 |
| Heidi Ulmo6) | Group Executive Vice President / CFO | 1742 | 135 | 12 | - | - | - |
| Lars Bangen7) | Group Executive Vice President Local Infrastructure | 1726 | 500 | - | 176 | 184 | 100000 |
| Alf Engqvist7) | Group Executive Vice President Central Infrastructure | SEK 624 | SEK 208 | SEK 13 | 211 | - | 5000 |
| Lars Erik Finne | Group Executive Vice President Security | 1326 | 354 | 26 | 114 | 277 | 60000 |

Note:

1) Salary etc. Includes fixed salary, non-monetary payments, benefits of interest of free loans, electronic communication, etc in 2010 deducted by earned bonus in 2009 but paid in 2010

2) Earned bonus represents earned bonus in 2010 excluding holiday allowance

3) Including shares owned by related parties. Shares mainly acquired at market prices. As part of the listing at the Oslo Stock Exchange in December 2007, all employees were offered to purchase up to 1 500 shares at a 20 percent discount.

4) Gunnar Gjørtz resigned on 11. november 2010 following an extraordinary general meeting and was replaced by Tove Pettersen.

5) Tove Pettersen and Hans Kristian Rød are employed in the Hafslund Group and the Fortum Group respectively, which own 27.652.360 and 21.074.864 shares recpectively in Infratek ASA.

6) Vibecke Skjolde assumed her position on 1 June 2010 and replaced Heidi Ulmo.

7) Alf Engqvist assumed his position on 16. August 2010 and replaced Lars Bangen who was the acting Group Managing Director for Central Infrastructure.

8) Specified amounts also function as a basis for social security contribution, amounting to 14,1 percent in Norway and 31,4 percent in Sweden, respectively.

9) Specified amounts also function as a basis for social security contribution in Norway as well as for payroll taxes in Sweden, amounting to 14,1 percent and 24,26 percent respectively.

**Terms and conditions of the CEO and other members of group management**

The CEO is entitled to a fixed annual salary of NOK 2.5 million, as well as a bonus amounting to no more than 50 per cent of his fixed annual salary. The bonus is determined annually based on the Group's performance with respect to share price development and group targets, and an individual appraisal based on predefined goals. The CEO has a six-month notice period. In the event that his employment is terminated, he is entitled – upon certain conditions being met – to receive his salary for a period of 18 months in addition to the period of notice. Other members of group management are entitled to a fixed annual salary of between NOK 1.3 million and NOK 1.7 million. Annual bonuses are limited to no more than 35 per cent of fixed annual salary. Bonuses are determined annually. Half of the bonus paid to both the CEO and other members of group management shall be used to buy shares in Infratek ASA, with a lock-in period of two years given that the company is not in an insider position. Other members of group management have a six-month notice period and, in the event of termination of their employment, are entitled – upon certain conditions being met – to receive their salary for a period of 12 months in addition to the period of notice.

Group management's pension rights vary based on the duration and type of position within the former Hafslund Group. CEO Bjørn Frogner and EVP Lars Erik Finne are members of Hafslund Private Pension Fund, while EVP, Lars Bangen, is a member of Hafslund Public Pension Fund.

The pension funds represent performance based pension schemes of between 60 and 70 per cent, with an upper limit set at 12 G (1 G = NOK 79.216). In addition to membership in Hafslund Private Pension Fund, Frogner and Finne have an annual deposit based pension plan equivalent to 3 per cent; up to 12 G. Vibecke Skjolde has a deposit based pension plan of 2 per cent of annual income up to 12 G. Norwegian members of the Group management have a right to early retirement pursuant to the prevailing AFP agreement. Pension age is 67.

Alf Engqvist is covered by the performance based pension plan which applies to civil servants in Sweden (the IPT plan). The payment is equivalent to 10 per cent of salaries between SEK 0 and SEK 390,750, 65 per cent of salaries between SEK 390 750 and SEK 1,042,000 and 32.5 per cent of salaries between SEK 1,042,000 and SEK 1,563,000 in 2011. Engquist also has a deposit based pension equivalent to 2 per cent of annual gross income. Pension age is 65.

Members of group management have group life insurance coverage, health insurance and an interest-free car loan of between NOK 400,000 and NOK 500,000, which is written down by a tenth of the original amount of the loan each year. In addition an annual car subsidy is paid. These benefits are included in the column for fixed salary, etc, and the interest benefit is declared for tax purposes. In addition benefits-in-kind such as ADSL (home office), mobile phone and newspapers are offered.

**Share-based payment**

No agreements have been entered into with respect to share-based payment schemes for employees of the Infratek Group.

**Remuneration paid to Infratek ASA's Board of Directors**

The amount of directors' fees is proposed by the company's Selection Committee and is voted by the annual general meeting.

The remuneration paid to the Board of Directors breakes down as follows: chairman of the Board NOK 230,000; deputy chairman of the board, NOK 170,000; and other board members, NOK 150,000.

**Declaration by the Board of Directors with respect to the salaries and other benefits payable to senior executives**

At a meeting held on 6 February 2008 the Board of Directors of Infratek ASA issued this declaration with respect to the salaries and other benefits payable to senior executives, defined as the CEO and members of group management.

In accordance with Section 6-16a of the Public Limited Companies Act the Board will lay the following guidelines before the annual general meeting for its approval.

**Fixed salary:** To be based on the contents of the position, its level of responsibility, the competence of the incumbent and their length of tenure in the position. The salary shall be competitive with respect to the degree of responsibility and industrial level.

**Benefits-in-kind:** For the purpose of car ownership or where other satisfactory security is pledged, an interest-free loan to be written down over 10 years within accepted guidelines, may be granted. Furthermore, a subsidy for car running costs may also be granted. Benefits-in-kind shall otherwise largely be linked to expenses deriving from ADSL (home office), mobile phone and newspapers.

**Annual bonus:** Any bonus shall be predetermined and paid on the basis of the position's level and the added value the employee or group of employees has generated. Annual bonuses for the CEO and members of group management shall be capped at 50 per cent of their fixed salaries. This stipulation may be waived by the Board of Directors, with the reasons for the decision being minuted. Bonuses are to be set annually. Group performance goals are determined by the Board.

**Share ownership schemes:** The CEO and members of group management may be included in share ownership schemes for all employees. In connection with share ownership schemes over and above those extended to all employees, a lock-in period shall be set for all or part of those schemes.

To strengthen the ties between the workforce and the Group, as well as to provide Infratek employees the opportunity to share in the Group's future value creation, consideration shall be given to whether all employees should be given or have the chance to buy shares in Infratek ASA. Such a share scheme shall be evaluated in light of other forms of remuneration and of competitive remuneration within those markets in which the Group operates. Shares shall be granted on the basis of predefined key figures for the Group, as well as the type of position, number of hours worked (if part-time) and length of service. Any offer of shares shall be seen in light of the Group's overall compensation costs.

**Option schemes:** The Group does not use option schemes.

**Pension:** Over and above legacy schemes, the CEO and members of group management may have a defined contribution scheme of up to five per cent of 12G, unless otherwise agreed with the Board. The retirement age for these individual shall, as a rule, be 67. The CEO and members of group management are entitled to retire early in accordance with the regulations governing the AFP early retirement scheme in effect at any given time.

**Notice and severance pay:** The CEO and members of group management may terminate their employment at six-months' notice. In certain circumstances, and depending on the position concerned, severance pay of between 12 and 18 months may be paid in addition.

All members of Infratek's group management receive a remuneration that falls within the terms of the Board's declaration with respect to the salaries and other benefits payable to senior executives.

The guidelines for determining salaries and other benefits were first adopted at a meeting of the Board of Directors on 26 October 2007. The Group will seek to implement these guidelines in the Group, but respect any agreements previously entered into.

**NOTE 22** **FINANCIAL INCOME/EXPENSE**

**Net financial income**

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Interest income | 3 | 5 |
| Other financial income | 7 | 7 |
| Interest expenses | (1) | (2) |
| Other financial expenses | (9) | (8) |
| **Total financial income/-expenses** | **(1)** | **1** |

Net financial items were positively affected by changes in options related to buyout obligations for Unisec Varularm AB, Eiendomssikring AS and Mini Entreprenad AB by NOK 5.9 million. Furthermore, net financial items were also negatively affected by net interest costs related to pension obligations as well as calculated yield on pension fund assets, adding up to a total of NOK 7.5 million. See also note 17.

**NOTE 23** **TAX EXPENSE**

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Tax payable | (35) | (24) |
| Change in deferred tax | 9 | (15) |
| **Total tax expense** | **(26)** | **(39)** |

Tax payable in balance

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Tax payable | (35) | (24) |
| Prepaid tax | 16 | - |
| **Tax payable in balance** | **(19)** | **(24)** |

**Reconciliation effective tax rate**

Tax on the Group's pre-tax profit differs from the amount that would have resulted from application of the nominal taxation rate. Reconciliation of the nominal tax rate and the effective tax rate is shown below:

| **Amounts in NOK million** | **2011** | **2010 restated** |
|---|---|---|
| Pre-tax profit, incl. discontinued operations | 100 | 143 |
| Expected tax expense, 28% nominal tax rate | (28) | (40) |
| Non-deductible expenses | - | (2) |
| Value change in shares | 2 | 2 |
| Variance from different tax rates in subsidiaries | 1 | 1 |
| **Total tax expense** | **(26)** | **(39)** |
| | | |
| Effective tax rate | 26% | 27% |

The effective tax rate for 2011 was negatively affected by permanent variances as well as changes in variances which do not provide a basis for the calculation of deferred tax. Furthermore, the effective tax rate is positively affected by changes in options related to buyout obligations for Unisec Varularm AB, Mini Entreprenad AB and Eiendomssikring AS, something that entails a change in the value of shares recognized as a permanent variance.

**NOTE 24** **CASH FLOW FROM OPERATIONS**

**Spesification of cash flow from operations**

| **Amounts in NOK million** | **Note** | **2011** | **2010 restated** |
|---|---|---|---|
| **Pre-tax profit** | | **100** | **143** |
| Adjustments for: | | | |
| - Depreciation | 6, 7 | 43 | 42 |
| - Other non-liquidity items | | (1) | - |
| - Profit/loss disposal of fixed assets | | 6 | (2) |
| - Change in pension liabilities | 17 | 1 | (46) |
| - Financial income/-expenses | 22 | (7) | (7) |
| Change in working capital: | | | |
| - Inventory | | 3 | 3 |
| - Accounts receivable and other receivables | | 36 | (58) |
| - Accounts payable and other current debt | | 32 | 51 |
| **Cash flow from operating activities** | | **212** | **126** |
| Translation exchange related to working capital | | - | 7 |
| **Cash flow from operations before tax and interest** | | **212** | **133** |

**NOTE 25** **BUSINESS MERGER**

**Acquisition of shares in Mini Entreprenad AB:**

Infratek Sverige AB entered into an agreement on 1 July 2011 concerning the acquisition of 70 per cent of the shares in the Swedish company Mini Entreprenad AB. As part of the acquisition, there exists both a sales option and a purchase option related to the remaining 30 per cent of shares in the company, which fall due in 2015. On the basis of existing options and because Infratek does not have full control over the extent to which non-controlling interest shall be maintained in the future, the purchase is pursuant to IFRS considered as a purchase of 100 per cent of the shares, however with an obligation to pay for the remaining 30 per cent of shares when the option falls due in 2015.

In accounting terms, the acquisition of Mini Entreprenad AB has accordingly been treated as a 100 per cent owned subsidiary without non- controlling interest. At the same time, the Group has estimated a future purchase amount concerning the remaining 30 per cent of the shares. At the time of the acquisition, this obligation was estimated at approximately SEK 2,8 million in 2015, which is equivalent to approximately SEK 2,4 million when discounted. This obligation is estimated on the basis of pricing mechanisms set forth in the option agreements and the estimate will be followed up quarterly. Any changes in the estimated purchase obligation will be recognised in the profit and loss account for the Group under financial items.

**Analysis related to the acquisition of Mini Entreprenad AB:**

| **Amounts in NOK million** | **2011** |
|---|---|
| Purchase 70% of the shares | 6 |
| Estimated value option remaining 30% | 2 |
| **Total consideration** | **8** |
| Fair value acquired net assets | 1 |
| **Goodwill** | **7** |

**Observable assets and liabilities related to the acquisition as of 1 July 2011:**

| **Amounts in NOK million** | **Fair value** |
|---|---|
| Property, plant and equipment | 3 |
| Accounts receivable and other receivables | 5 |
| Accounts payable and other current liabilities | (3) |
| Long-term loan | (5) |
| **Acquired net assets** | **1** |

**Goodwill related to the acquisition**

After assessing actual value related to all identifiable assets and liabilities, the Group is left with a net item which was activated as goodwill. The estimated goodwill was activated in the Group's balance sheet based on expectations that synergy effects involving the Group's current operations will provide the Group with opportunities for increased growth in revenues in the future. See also note 7. The goodwill is not tax deductible.

**Net cash outlay related to the cost price**

| **Amounts in NOK million** | **2011** |
|---|---|
| The fair value of acquired cash and cash equivalents on acquisition | - |
| Cash payment 70 % | (6) |
| **Net cash consideration** | **(6)** |

**Effect of acquired companies on the annual results**

The acquisition of Mini Entreprenad AB became effective on 1 July 2011. Of this reason, the company`s results as included in the Groups overall results of 2011, was earned in the interval between 1 July 2011 and 31 December 2011.

The acquired companies have contributed based on the following figures for operating revenue and operating profit as reported in the Group's annual results for 2011:

| **Amounts in NOK million** | **2011** |
|---|---|
| Revenues | 8 |
| Operating profit | - |

**Acquisition of shares in Unisec Varularm AB:**

Infratek Sikkerhet AS entered into an agreement on 5 February 2010 concerning the acquisition of 51 per cent of the shares in the Swedish company, Unisec Varularm AB. As part of the acquisition, there exists both a sales option and a purchase option related to the remaining 49 per cent of shares in the company, which fall due in 2013. On the basis of existing options and because Infratek does not have full control over the extent to which non-controlling interest shall be maintained in the future, the purchase is pursuant to IFRS considered as a purchase of 100 per cent of the shares, however with an obligation to pay for the remaining 49 per cent of shares when the option falls due in 2013.

In accounting terms, the acquisition of Unisec Varularm AB has accordingly been treated as a 100 per cent owned subsidiary without non- controlling interest. At the same time, the Group has estimated a future purchase amount concerning the remaining 49 per cent of the shares. At the time of the acquisition, this obligation was estimated at approximately SEK 16.6 million in 2013, which is equivalent to approximately SEK 15.1 million when discounted. This obligation is estimated on the basis of pricing mechanisms set forth in the option agreements and the estimate will be followed up quarterly. Any changes in the estimated purchase obligation will be recognised in the profit and loss account for the Group under financial items.

**Analysis related to the acquisition of Unisec Varularm AB:**

| **Amounts in NOK million** | **2010** |
|---|---|
| Purchase of 51 % of the shares | 9 |
| Estimated value option remaining 49 % | 13 |
| **Total consideration** | **21** |
| Fair value acquired net assets | 8 |
| **Goodwill** | **13** |

**Oberservable assets and liabilities related to the acquisition as of 5 February 2010:**

| **Amounts in NOK million** | **Fair value** |
|---|---|
| Cash and cash equivalents | 3 |
| Property, plant and equipment | - |
| Intangible assets | - |
| Amounts receivable and other reveivables | 5 |
| Inventories | 7 |
| Accounts payable and other current liabilities | (5) |
| Other allocations and liabilities | - |
| Deferred tax liability | (2) |
| Payroll taxes payable | (1) |
| **Acquired net assets** | **8** |

**Goodwill related to the acquisition**

After assessing actual value related to all identifiable assets and liabilities, the Group is left with a net item which was activated as goodwill. The estimated goodwill was activated in the Group's balance sheet based on expectations that synergy effects involving the Group's current operations will provide the Group with opportunities for increased growth in revenues in the future. See also note 2.6a and note 7. The goodwill is not tax deductible.

**Net cash outlay related to the cost price**

The settlement for the cost price was split into two parts and consisted on the one hand of a cash outlay of NOK 8.7 million and on the other of the value of a buyout responsibility of NOK 12.6 million. In addition, cash reserves of NOK 3.2 million were assumed upon the acquisition.

| **Amounts in NOK million** | **2010** |
|---|---|
| Fair value of acquired cash and cash equivalents on acquisition | 3 |
| Cash payment 51 % | (9) |
| **Net cash consideration** | **(6)** |

**Effect of acquired companies on the annual results**

The acquisition of Unisec Varularm AB became effective on 5 February 2010. The companies' overall results for 2010 therefore correspond, for all practical purposes, with that which is included in the Group's annual results for 2010.

The acquired companies have contributed based on the following figures for operating revenue and operating profit as reported in the Group's annual results for 2010:

| **Amounts in NOK million** | **2010** |
|---|---|
| Revenues | 37 |
| Operating profit | 5 |

**Acquisition of additional shares in Eiendomssikring AS:**

On 6 September 2010 Infratek entered an agreement concerning the acquisition of an additional 34 per cent of the shares in Eiendomssikring AS. Infratek previously had a 51 per cent ownership interest in the company. As part of the purchase, there exist both a sales option and a purchase option related to the remaining 15 per cent of the shares in the company, which falls due in 2013. On the basis of the same argument which pertained for Unisec Varularm AB, in accounting terms, the acquisition has accordingly been treated as a 100 per cent owned subsidiary without non-controlling interest; however, with an obligation to pay for the remaining 15 per cent of shares when the option falls due in 2013. At the time of the acquisition, this obligation was estimated at approximately NOK 9.6 million in 2013, which is equivalent to approximately NOK 8.6 million when discounted. This obligation is estimated on the basis of pricing mechanisms set forth in the option agreements and the estimate will be followed up quarterly. Any changes in the estimated purchase obligation will be recognised in the profit and loss account for the Group under financial items.

Buyout of the non-controlling has been has been treated as an equity capital transaction pursuant to the revised IAS 27, see also note 2.1.1 for a more detailed description.

**Analysis related to the acquisition of Eiendomssikring AS:**

| **Amounts in NOK million** | **2010** |
|---|---|
| Purchase 34 % of the shares | 8 |
| Estimated value option remaining 15 % | 9 |
| **Total consideration** | **17** |
| Book value of non-controlling interest | (2) |
| **Equity effect** | **15** |

**Net cash outlay related to the cost price**

The settlement for the cost price was split into two parts and consisted on the one hand of a cash outlay of NOK 8.0 million and on the other of the value of a buyout responsibility of NOK 8.6 million.

| **Amounts in NOK million** | **2010** |
|---|---|
| Cash payment 34 % | (8) |
| **Net cash consideration** | **(8)** |

**NOTE 26** **SALE OF SUBSIDIARY**

With effect from 30. November 2011 the subsidiary Østlandske Elektro AS was sold for a consideration of NOK 1.8 million.

The following shows a breakdown on the consolidated balance sheet associated with Østlandske Elektro AS at the time of sale:

**Book value of assets and liabilities as of 30 November 2011 :**

| **Amounts in NOK million** | **2011** |
|---|---|
| Goodwill | 3 |
| Inventories | 2 |
| Accounts receivable and other receivables | 4 |
| Cash and cash equivalents | 4 |
| Accounts payable and other liabilities | (5) |
| Book value of minority interest | (2) |
| **Book value of disposed assets and liabilities** | **6** |
| Selling price inclusive sales cost | 2 |
| **Loss on disposal of Østlandske Elektro AS** | **(4)** |

**Net cash inflow on disposal of subsidiary Østlandske Elektro AS**

| **Amounts in NOK million** | **2011** |
|---|---|
| Selling price | 2 |
| Cash and cash equvalents in Østlandske Elektro AS | **(4)** |
| **Net cash inflow on disposal of Østlandske Elektro AS** | **(2)** |

**NOTE 27** **GUARANTEE COMMITMENTS**

**Spesification of other allocations and liabilities**

| **Amounts in NOK million** | **2011** | **2010** |
|---|---|---|
| Guarantee commitments | 1 | 3 |
| **Total other allocations and liabilities** | **1** | **3** |

As of 31 December 2011 guarantee liabilities totalled NOK 1 million. While historic guarantee costs indicate small guarantee claims, the Group has nevertheless chosen to set aside a certain amount in guarantee provisions. Recognised future guarantee liabilities are estimated, but on the basis of previous actual experience.

**NOTE 28** **CONTIGENT LIABILITIES**

**Contingent liability regarding Norwegian and Finnish employees**

There is a contingent liability with respect to 59 employees of Infratek's Finnish subsidiary Infratek Finland Oy, who were previously members of Fortum Pension Foundation, should they be made redundant by the company. In the event that they are made redundant, Infratek Finland Oy is obligated to compensate for any difference between estimated defined pension benefits according to the defined benefits based supplementary pension agreement and accrued pension entitlement under the mandatory service pension scheme. The size of the amount depends on whether or not the employee continues to accrue pension rights in the mandatory service pension scheme after their redundancy. This contingent liability is estimated at between EUR 6,000 and EUR 7,000 per employee per year. The amount cannot be calculated exactly until the ordinary pension period begins. As of 31 December 2011 the average age of these 59 employees was approximately 56.

Infratek Service AS, which was merged with Infratek Entreprenør AS in 2009, acquired 25 employees from Halden E-verk in 1992. These employees were transferred to KLP in 1992, but have earned pension rights in the Halden Kommunale Pensjonskasse. Since the acquisition, no demands concerning adjustment premiums or similar have been received from Halden Kommunale Pensjonskasse. On this basis, Infratek Entreprenør AS does not consider itself to have any liabilities linked to Halden Kommunale Pensjonskasse.

**Bank and group guarantees**

The Group purchases bank guarantees as security for certain liabilities. Per 31 December 2011, these bank guarantees amounted to NOK 117.0 million including NOK 30.2 million in tax deduction guarantees and NOK 86.8 million in project guarantees. Corresponding guarantees in 2010 were NOK 30.2 million and NOK 97.7 million, respectively.

Additionally, group guarantees adding up to a total of NOK 12.4 were made whereas the corresponding amount made last year was NOK 6.3 million.

**NOTE 29** **EVENTS AFTER THE BALANCE SHEET DATE**

**Infratek acquires 100 percent of the shares in WKTS AB (Wigh Kellokumpu Track Service AB)**

As of the 2 February 2012, Infratek Sverige AB entered into an agreement concerning acquisition of all shares in the Swedish railway company WKTS AB. The company's revenue amounted to SEK 56 million in 2010. As the railway industry is a strategic area of operational growth for Infratek, the company will further realize its ambition of becoming a central participant in the Swedish railway segment.

**Analysis related to the acquisition of WKTS AB:**

| **Amounts in NOK million** | **2012** |
|---|---|
| Purchase 100% of the shares | 13 |
| **Total consideration** | **13** |
| Fair value acquired net assets | 7 |
| **Goodwill** | **6** |

**Observable assets and liabilities related to the acquisition as of 2 February 2012:**

| **Amounts in NOK million** | **Fair value** |
|---|---|
| Property, plant and equipment | 5 |
| Inventories | 1 |
| Accounts receivable and other receivables | 7 |
| Cash and cash equivalents | 3 |
| Accounts payable and other current liabilities | (7) |
| Long-term loan | (2) |
| **Acquired net assets** | **7** |

The Board and management in Infratek do not know of any other events after the balance sheet date that could effect the profit and loss, balance sheet, cash flow or equity.

**NOTE 30** **CONSOLIDATED COMPANIES**

| Company | Registered business address | Ownership in per cent |
|---|---|---|
| Infratek ASA (parent company) | Oslo, Norway | 100 |
| Infratek Entreprenør AS | Oslo, Norway | 100 |
| Veka Entreprenad AB | Skåne, Sweden | 100 |
| Mini Entreprenad AB 1) | Lövestad, Sweden | 70 |
| Infratek Sverige AB | Stockholm, Sweden | 100 |
| Infratek Öst AB | Stockholm, Sweden | 100 |
| Infratek Finland OY | Helsinki, Finland | 100 |
| Infratek Elsikkerhet AS | Oslo, Norway | 100 |
| Infratek Sikkerhet AS | Oslo, Norway | 100 |
| Eiendomssikring AS 2) | Oslo, Norway | 85 |
| Unisec Varularm AB 3) | Stockholm, Sweden | 51 |
| Infratek Security Finland Oy | Helsinki, Finland | 100 |

1) On 1 July 2011 Infratek acquired 70 per cent of the shares in Mini Entreprenad AB. As part of the acquisition, there exists a sale and a purchase option on the remaining 30 per cent which means that the company is considered to be owned 100 per cent in the Group accounts. However, the actual ownership interest is reported as 70 per cent in the company-specific financial statement of Infratek Sverige AB .

2) On 6 September 2010, Infratek purchased an additional 34 per cent of the shares in Eiendomssikring AS . As part of the purchase, there exist both a sales option and a purchase option related to the remaining 15 per cent of the shares in the company, which entails that the company is considered as 100 per cent owned in the Group accounts. However, the actual ownership interest is reported as 85 per cent in the company-specific financial statement of Infratek Sikkerhet AS .

3) On 5 February 2011 Infratek acquired 51 per cent of the shares in Unisec Varularm AB. As part of the acquisition, there exists a sale and a purchase option on the remaining 49 per cent which means that the company is considered to be owned 100 per cent in the Group accounts. However, the actual ownership interest is reported as 51 per cent in the company-specific financial statement of Infratek Sikkerhet AS .

# Income Statement Infratek ASA

1 JANUARY - 31 DECEMBER

| Amounts in thousand NOK | Note | 2011 | 2010 restated |
|---|---|---|---|
| Operating revenues | 2 | 12 730 | 30 568 |
| **Total operating revenues** | | **12 730** | **30 568** |
| Salaries and other personnel expenses | 3 | (19 605) | (25 133) |
| Other operating expenses | 5 | (6 365) | (34 225) |
| Depreciation | 13,14 | (6 619) | (5 629) |
| **Total operating expenses** | | **(32 589)** | **(64 987)** |
| **Operating profit** | | **(19 859)** | **(34 419)** |
| Gains on sale of subsidiaries | | - | - |
| Interest income from Group companies | 8 | 6 343 | 2 990 |
| Other interest income | | 55 | 3 188 |
| Other financial income | 6 | 97 771 | 90 144 |
| Interest paid to Group companies | | (7 582) | (5 998) |
| Other interest costs | | (17) | (648) |
| Other financial costs | | (1 100) | (431) |
| **Total financial items** | | **95 470** | **89 245** |
| **Pre-tax profit** | | **75 611** | **54 826** |
| Tax on pre-tax profit | 7 | 5 852 | (10 093) |
| **Profit for the year** | | **81 463** | **44 733** |

| **Transfers** | | | |
|---|---|---|---|
| Dividend allocation | 17 | 95 795 | 63 863 |
| Transferred from other paid-in equity | 17 | (14 332) | (19 130) |
| Transferred from other equity | 17 | - | - |
| **Total transfers** | | **81 463** | **44 733** |

# Balance Sheet Infratek ASA

31 DECEMBER

| Amounts in thousand NOK | Note | 2011 | 2010 restated |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax assets | 7 | 7 206 | 1 589 |
| Fixed assets | 13 | 13 781 | 12 881 |
| Intangible assets | 14 | 44 775 | 44 770 |
| Investments in subsidiaries | 9 | 823 614 | 566 614 |
| Other long-term receivables | 11 | 17 487 | 17 693 |
| **Total non-current assets** | | **906 863** | **643 547** |
| Receivables from Group companies | 10 | 100 267 | 91 478 |
| Other short-term receivables | 12 | 4 097 | 9 394 |
| Cash and cash equivalents | 8 | 284 738 | 225 158 |
| **Total current assets** | | **389 102** | **326 030** |
| **Total assets** | | **1 295 965** | **969 577** |
| **Equity and liabilities** | | | |
| Paid-in equity | 17 | 401 774 | 601 774 |
| Earned equity | 17 | 191 974 | 4 846 |
| **Total equity** | | **593 748** | **606 620** |
| Pension liabilities | 4 | 3 971 | 5 675 |
| **Total allocations for liabilities** | | **3 971** | **5 675** |
| Accounts payable | | 2 524 | 6 173 |
| Public duties payable | | 1 210 | 1 237 |
| Dividend | 17 | 95 795 | 63 863 |
| Short-term debt to Group companies | 10 | 594 954 | 271 757 |
| Tax payable | 7 | - | 10 683 |
| Other current liabilities | 15 | 3 763 | 3 569 |
| **Total current liabilities** | | **698 246** | **357 282** |
| **Total equity and liabilities** | | **1 295 965** | **969 577** |

**Board of Directors, Infratek ASA**

Oslo, 11 April 2011

**Mimi K. Berdal**
Chairman

**Hans Kristian Rød**
Deputy Chairman

**Dag Andresen**

**Tove Elisabeth Pettersen**

**Kalle Strandberg**

**Roger André Hansen**

**Otto Rune Stokke**

**Bjørn Frogner**
CEO

# Cash Flow Statement Infratek ASA

1 JANUARY - 31 DECEMBER

| **Amounts in thousand NOK** | **Note** | **2011** | **2010 restated** |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Pre-tax profit | | **75 611** | 54 826 |
| Tax payable | | (11 016) | (21 519) |
| Depreciation | 13,14 | 6 619 | 5 629 |
| Dividend recognized as financial income | 6 | (97 452) | - |
| Group contribution recognized as financial income | 6 | - | (90 010) |
| Changes in accounts payable | | (3 650) | 3 853 |
| Changes in inter Group accounts receivable/payable | | (937) | (1 800) |
| Changes in pension allocations | 4 | 324 | 2 111 |
| Changes in other accruals | | 5 464 | (6 345) |
| **Net cash flow from operating activities** | | **(25 037)** | **(53 255)** |
| | | | |
| **Cash flow from investing activities** | | | |
| Investment in subsidiaries | | - | - |
| Disposal of subsidiaries | | - | - |
| Investment in fixed assets | 13,14 | (7 524) | (12 304) |
| Change other long-term receivables | 11 | 206 | (430) |
| **Net cash flow from investing activities** | | **(7 318)** | **(12 734)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Equity payments received | 17 | - | - |
| Dividend paid | 17 | (63 863) | (127 726) |
| Change, drawing on Group account | 10 | 65 787 | (3 104) |
| Group contribution received/paid | 10 | 90 010 | 124 814 |
| **Net cash flow from financing activities** | | **91 934** | **(6 016)** |
| | | | |
| **Net change in cash and cash equivalents** | | **59 579** | **(72 005)** |
| Cash and cash equivalents as of 1 January | | 225 158 | 297 164 |
| **Cash and cash equivalents as of 31 December** | 8 | **284 738** | **225 158** |

## 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.

**NOTE 2** **OPERATING REVENUES**

The operating revenues are specified as follows:

**Spesification other operating revenues**

| **Amounts in thousand NOK** | | **2011** | **2010** |
|---|---|---|---|
| External revenues | 2 542 | | 16 |
| Internal revenues | 10 188 | | 30 552 |
| **Total operating revenues** | **12 730** | | **30 568** |

**NOTE 3** **SALARIES AND OTHER PERSONELL EXPENSES**

**Spesification of personell expenses**

| **Amounts in thousand NOK** | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|
| Salaries and holiday pay | (13 565) | (12 439) | (12 439) |
| Social security contribution | (2 307) | (2 226) | (2 226) |
| Net pension expenses | (1 040) | (7 455) | (6 315) |
| Other personnel expenses | (2 693) | (3 013) | (3 013) |
| **Total personnel expenses** | **(19 605)** | **(25 133)** | **(23 993)** |

As of 31 December 2011, Infratek ASA had 17 employees.

**Specification of remuneration**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| Salary and other remuneration to general manager | 3 506 | 3 179 |
| Pension costs | 185 | 144 |
| Other remunerations | 50 | 47 |
| Board remuneration | 1 383 | 1 320 |
| **Total remuneration to senior executives** | **5 124** | **4 690** |

Infratek ASA's general manager has a performance-based bonus agreement, for further specification about this, see note 21 to the Group accounts under information about CEO.

**Loan to general manager**

Infratek has extended an interest-free loan to the general manager as part of a car expenses reimbursement program. The loan is written down over a period of 10 years; security is posted for the loan. As of 31 December 2011, the balance on the loan amounted to NOK 308.333. The annual amount written down and the interest-free loan component are reported to the tax authorities as a salary benefit. In case of resignation, any outstanding loans must be paid before the date of resignation.

**Specification of auditor's fees**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| Fee statutory audit | (454) | (433) |
| Fee assurance services | - | - |
| Fee tax advisory services | - | - |
| Fee other non-audit services | (63) | (125) |
| **Total auditor fee** | **(517)** | **(558)** |

**NOTE 4** **PENSION EXPENSES, ASSETS AND LIABILITIES**

Per 31 December 2011 the company had pension plans that covered a total of 4 people in the private plan and 5 people in a public plan. The plans provided rights to defined future benefits. These benefits depend chiefly on the number of years of service and pay level upon reaching retirement age. Pursuant to the law governing mandatory occupational pension, agreements have been established concerning defined contribution schemes for everyone who is not covered by the Group's group pension plans.

**Pension liabilities and costs**

| **Amounts in thousand NOK** | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|
| **Liabilities in the balance sheet are arrived at as follows:** | | | |
| Present value of accrued pension liabilities in fund-based plans | 11 677 | 7 897 | 7 897 |
| Fair value of pension assets | (10 291) | (4 003) | (4 003) |
| **Actual net pension liabilities for defined benefit plans in fund-based plans** | **1 386** | **3 894** | **3 894** |
| Present value of liabilities not in fund-based plans | 1 891 | 1 071 | 1 071 |
| Estimate deviations not recognized in profit and loss | - | - | (2 580) |
| Social security contribution | 693 | 709 | 709 |
| **Net pension liabilities in the balance sheet as of 31 December** | **3 971** | **5 675** | **3 095** |
| | | | |
| **Net pension expenses are arrived at as follows:** | | | |
| Present value of the year's pension earnings | (765) | (473) | (473) |
| Interest expenses of liability | (360) | (104) | (104) |
| Expected yield on pension funds | 233 | 261 | 261 |
| Liabilities upon change in plan | 24 | 382 | 382 |
| Recognized estimate changes and estimate deviations | - | - | 984 |
| Social security contribution | (122) | (109) | (109) |
| Member contributions | 9 | 9 | 9 |
| One-time payment | - | (7 000) | (7 000) |
| **Total pension expenses, defined benefit plans** | **(854)** | **(7 191)** | **(6 050)** |
| Net financial cost from performance plans | **(127)** | **157** | **-** |
| **Sum recognized performance-based pension costs** | **(981)** | **(7 034)** | **(6 050)** |
| | | | |
| Total pension expenses, contribution plans | (186) | (188) | (188) |
| Adjustment pension premiums | - | (77) | (77) |
| **Total pension expenses (incl. in personnel expenses)** | **(1 167)** | **(7 299)** | **(6 315)** |
| | | | |
| **Change in liabilities in the balance sheet:** | | | |
| Balance sheet value as of 1 January | 5 675 | 1 967 | 1 967 |
| Change in employee base due to business transfers | - | 2 818 | 2 818 |
| Change in accounting principle | - | (879) | - |
| Expenses recognized this year | 981 | 34 | (950) |
| Pensions paid and payment of pension premium | (718) | (740) | (740) |
| Deviation of periods estimate recognized in equity | (2 027) | 2 474 | - |
| **Balance sheet value as of 31 December** | **3 971** | **5 675** | **3 095** |

**The following economic assumptions are used in calculating pension liabilities:**

| | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|

**The following economic assumptions are used in calculating pension liabilities:**

| | 2011 | 2010 after restatement | 2010 before restatement |
|---|---|---|---|
| Discount rate | 2.60 % | 4.00 % | 4.00 % |
| Expected yield on pension funds | 4.10 % | 5.40 % | 5.40 % |
| Salary growth | 3.25 % | 3.75 % | 3.75 % |
| G regulation | 3.25 % | 3.75 % | 3.75 % |
| Annual social security pensiond growth1) | 0.10% / 2.5% | 1.30% / 2.97% | 1.30% / 2.97% |

1) Private pensions schemes 0.1 % and public pension schemes 2.5%.

**NOTE 5** **OTHER OPERATING EXPENSES**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| Real estate expenses | (4 058) | (4 461) |
| In-sourced services, etc. | 10 741 | (14 207) |
| Office expenses | (10 194) | (8 352) |
| Other operating expenses | (2 854) | (7 205) |
| **Total other operating expenses** | **(6 365)** | **(34 225)** |

**NOTE 6 OTHER FINANCIAL INCOME / GROUP CONTRIBUTIONS**

Other financial income comprises dividend from subsidiaries, recognized as financial income of NOK 97.5 million in 2011 in addition to Group contribution from subisdiaries, recognized as financial income of NOK 90.0 million in 2010.

**NOTE 7** **TAX EXPENSE**

| **Amounts in thousand NOK** | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|
| Pre-tax profit | 75 611 | 54 826 | 55 809 |
| Permanent differences | (95 671) | 218 | 218 |
| Non-taxed gain on sales of shares | - | - | - |
| Non-taxed Group contribution recognized as financial income | | (19 000) | (19 000) |
| Taxable Group contribution recognized against acquisition cost | - | - | - |
| Change in temporary differences | (1 704) | 2 111 | 1128 |
| **Tax basis before application of loss carryforward** | **(21 764)** | **38 155** | **38 155** |
| Applied tax loss carryforward | | - | - |
| **Taxable income** | **(21 764)** | **38 155** | **38 155** |
| | | | |
| **Specification of tax expense for the year:** | | | |
| Tax payable | - | (10 683) | (10 683) |
| Tax on share issue expenses recognized in equity | (332) | - | - |
| Tax on Group contribution recognized in acquisition cost | - | - | - |
| Change in deferred tax asset (recognized) | 6 184 | 591 | 316 |
| **Ordinary tax expense** | **5 852** | **(10 093)** | **(10 368)** |
| Taxation rate, 31 December | **28%** | **28%** | **28%** |

| **Amounts in thousands NOK** | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|
| **Deferred tax/deferred tax benefit:** | | | |
| Pension liabilities | 3 971 | 5 675 | 3 095 |
| **Temporary differences that affect tax payable:** | **3 971** | **5 675** | **3 095** |
| Tax loss carryforward | 21 764 | - | - |
| **Basis, deferred tax/(deferred tax benefit)** | **25 735** | **5 675** | **3 095** |
| **Deferred tax/(deferred tax benefit)** | **(7 206)** | **(1 589)** | **(867)** |

**Reconciliation of effektive tax rate:**

| **Amounts in thousand NOK** | **2011** | **2010 after restatement** | **2010 before restatement** |
|---|---|---|---|
| Pre-tax profit | 75 611 | 54 826 | 55 809 |
| Expected tax expense, 28% nominal taxation rate | (21 171) | (15 351) | (15 628) |
| Incorrect tax cost 2010 | (332) | - | - |
| Effect of non-taxed Group contribution | 27 286 | 5 320 | 5 320 |
| Impact of reversed pension effect recognized in OCI | 568 | - | - |
| Effect of permanent differences | (499) | (62) | (62) |
| **Tax expense** | **5 852** | **(10 093)** | **(10 368)** |
| | | | |
| Effective tax rate | 7.7 % | 18.4 % | 18.6 % |

**NOTE 8** **BANK AND OTHER GUARANTEES**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| Bank deposits, Group accounts | 283 997 | 224 242 |
| Bank deposits outside the Group account system | 741 | 916 |
| **Total cash and cash equivalents** | **284 738** | **225 158** |

See Note 12 to the Group accounts for a presentation of the Group account system.

**Restricted bank deposits**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| Employees tax deduction | - | - |
| Down payment deposits | - | - |
| Total restricted cash and cash equivalents 1) | 16 247 | 16 165 |
| **Total restricted cash and cash equivalents** | **16 247** | **16 165** |

1) At the date of establishing Infratek Group, the employees received a consideration from Hafslund ASA of NOK 15 million as settlement for loss of rights concerning use of the Hafslund Group's company cabins. These funds are deposited in an account in the name of Infratek ASA. The funds belong to the employees and the yield is earmarked for social purposes benefiting the employees of the Infratek Group. Per 31 December 2011 the deposited amount increased to NOK 16.2 million.

**NOTE 9 INVESTMENTS IN SUBSIDIARIES**

| Amounts in thousand NOK | Registered business adress | Book value | Balance sheet equity | Profit for the year | Ownership voting rights |
|---|---|---|---|---|---|
| Infratek Entreprenør AS | Oslo | 470 497 | 187 661 | 26 461 | 100% |
| Infratek Sverige AB | Stockholm | 229 068 | 204 486 | 10 051 | 100% |
| Infratek Öst AB | Stockholm | - | - | 23 952 | 100% |
| Infratek Finland OY | Helsinki | 41 942 | 75 857 | 9 126 | 100% |
| Infratek Elsikkerhet AS | Oslo | 27 568 | 18 776 | 19 021 | 100% |
| Infratek Sikkerhet AS | Oslo | 54 540 | 42 748 | (3 541) | 100% |
| **Total** | | **823 614** | **529 528** | **85 070** | |

Infratek Öst AB merged with Infratek Sverige AB in 2011

**NOTE 10** **GROUP INTERNAL ACCOUNTS RECEIVABLE AND PAYABLE**

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| **Receivables** | | |
| Group internal receivables | 2 815 | 1 468 |
| Receivables, Group contribution | - | 90 010 |
| Earned income, Group | 97 452 | - |
| **Total accounts receivable** | **100 267** | **91 478** |

| **Amounts in thousand NOK** | **2011** | **2010** |
|---|---|---|
| **Payables** | | |
| Group Internal payable | 954 | 544 |
| Bank accounts in Group account system | 337 000 | 271 213 |
| Incurred costs, Group companies | 257 000 | - |
| **Total accounts payable** | **594 954** | **271 757** |

| **NOTE 11** | **OTHER LONG TERM RECEIVABLES** | |
|---|---|---|
| **Amounts in thousand NOK** | **2011** | **2010** |
| Loans to employees | 1 469 | 1 675 |
| Paid core-capital, pension fund | 14 079 | 14 079 |
| Subordinated loan, pension fund | 1 939 | 1 939 |
| **Total other long-term receivables** | **17 487** | **17 693** |

| NOTE 12 | OTHER SHORT TERM RECEIVABLES | |
|---|---|---|
| **Amounts in thousand NOK** | **2011** | **2010** |
| Pre-paid expenses | 85 | 84 |
| VAT receivable | 708 | 667 |
| Other short term receivables | 3 304 | 8 643 |
| **Total other short-term receivables** | **4 097** | **9 394** |

**NOTE 13** **PROPERTY, PLANT & EQUIPMENT**

| **Amounts in thousand NOK** | **Fixtures and fittings** |
|---|---|
| Aquisition costs 1 January | 15 565 |
| Operating investments | 2 689 |
| **Acuisition costs as of 31 December** | **18 254** |
| | |
| Accumulated depreciation and impairment charges 1 January 2011 | (2 684) |
| Depriciation and impairment charges | (1 789) |
| **Accumulated depreciation and impairment charges as of 31 December** | **(4 473)** |
| | |
| **Book value as of 31 December 2011** | **13 781** |

| | |
|---|---|
| Expected economic life | 10 years |
| Depreciation | Linear |

**Operating leasing obligations**

| | Future lease payments | | |
|---|---|---|---|
| **Amounts in thousand NOK** | **Rent** | **Machinery and equipment** | **Total** |
| Due within 1 year | 3 382 | 300 | 3 682 |
| Due later than 1 year not later than five years | 13 380 | 606 | 13 986 |
| Due later than 5 years | 6 666 | - | 6 666 |
| **Total** | **23 428** | **906** | **24 334** |
| | | | |
| Recognized costs regarding operating leases for the period | 4 631 | 135 | 4 766 |

| NOTE 14 | INTANGIBLE ASSETS |
|---|---|
| **Amounts in thousand NOK** | **Software & licenses** |
| Aquisition costs 1 January | 49 914 |
| Operating investments | 4 834 |
| **Aquisition costs as of 31 December** | **54 748** |
| | |
| Accumulated depreciation and impairment charges 1 January | (5 144) |
| Depriciation and impairment charges | (4 829) |
| **Accumulated depreciation and impairment charges as of 31 December** | **(9 973)** |
| | |
| **Book value as of 31 December 2011** | **44 775** |
| | |
| Expected economic life | 10 years |
| Depreciation | Linear |

| NOTE 15 | OTHER CURRENT LIABILITIES | |
|---|---|---|
| **Amounts in thousand NOK** | **2011** | **2010** |
| Incurred salaries, holiday pay, employee-related liabilities | 2 676 | 2 301 |
| Personal fund | 766 | 583 |
| Other incurred costs | 321 | 685 |
| **Total other current liabilities** | **3 763** | **3 569** |

**NOTE 16** **GUARANTEE LIBILITIES**

The Group purchases bank guarantees as security for certain liabilities. As of the 31 December 2011, these amounted to a total of NOK 1.8 million, solely applicable as tax deduction guarantees. In 2010, corresponding guarantees amounted to NOK 1.9 million while other guarantees added up to a total of NOK 24.8 million.

In addition to direct bank guarantees, Infratek ASA had to guarantee an amount of NOK 100 million related to our cash credit in DnB and another NOK 200 million in surety associated with Infrateks subsidiaries, also to DnB.

Further, Infratek ASA was subject to securitizing several of the project guarantees issued by DNB located in Sweden amounting to SEK 10.9 million in addition to another NOK 0.6 million, adding up to a total of NOK 10.1 million. This followed as the extent of these guarantees have exceeded the standard framework in association with DnB.

For other contingencies, see note 28 for the Group.

**NOTE 17** **EQUITY**

| Amounts in thousand NOK | Share capital | Share premium fund | Other paid-in equity | Other equity/ uncovered loss restated | Total equity restated |
|---|---|---|---|---|---|
| **Equity as of 1 January 2010** | **319 316** | **282 458** | **32 787** | **-** | **634 561** |
| Effect of changes in accounting principles | - | - | - | 632 | 632 |
| **Equity as of 1 January 2010 restated** | **319 316** | **282 458** | **32 787** | **632** | **635 193** |
| Change in Group contribution 2008 | - | - | - | (7 661) | (7 661) |
| Allocation dividend 2010 | - | - | (32 787) | (31 076) | (63 863) |
| Change in estimate pensions | - | - | - | (1 782) | (1 782) |
| Profit for the year 2010 | - | - | - | 44 733 | 44 733 |
| **Equity as of 31 December 2010** | **319 316** | **282 458** | **-** | **4 846** | **606 620** |
| Depreciation of share premium account | - | (200 000) | 200 000 | - | - |
| Accrued dividend 2011 | - | - | (95 795) | - | (95 795) |
| Change in estimate pensions | - | - | - | 1 460 | 1 460 |
| Profit for the year 2011 | - | - | - | 81 463 | 81 463 |
| **Equity as of 31 December 2011** | **319 316** | **82 458** | **104 205** | **87 769** | **593 748** |

**NOTE 18 SHARE CAPITAL AND SHAREHOLDER MATTERS**

See Note 13 to the Group accounts.

**Declaration**

The Board of Directors and CEO hereby declare that to the best of their knowledge, the accounts covering the period 1 January through 31 December 2011, including notes to the accounts, have been prepared and presented in accordance with current accounting standards . They further declare that the information in the annual report for 2011 provides a true and fair view of the Group's assets, liabilities, financial position, and profit as a whole. The Board and CEO also declare that to the best of their knowledge, the annual report provides a true and fair overview of profit, key events in the accounting period and their influence on the annual accounts, the company's position, and the most important risks and uncertainties facing the company and the Group.

**Board of Directors, Infratek ASA**

Oslo, 11 April 2012

| | | |
|---|---|---|
| **Mimi K. Berdal**<br>Chairman | **Hans Kristian Rød**<br>Deputy Chairman | **Dag Andresen** |
| **Tove Elisabeth Pettersen** | **Kalle Strandberg** | **Roger André Hansen** |
| **Otto Rune Stokke** | **Bjørn Frogner**<br>CEO | |

To the Annual Shareholders' Meeting of Infratek ASA

# Independent auditor's report

## Report on the Financial Statements

We have audited the accompanying financial statements of Infratek ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, and the income statement, cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2011, income statement, changes in equity and cash flow 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 the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU 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.

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*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Infratek ASA as at 31 December 2011, 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.

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Infratek ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report and statement of corporate governance principles and practices*

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 and statement of corporate governance principles and practices 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.

Oslo, 11 April 2012
**PricewaterhouseCoopers AS**

Thomas Fraurud
State Authorised Public Accountant (Norway)

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