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.

The company is a public limited company, which is listed on the Oslo stock exchange and incorporated and domiciled in Norway. The address of its registred office is Breivollveien 31, Oslo.

2.1 Basis of preparation

The consolidated accounts of Infratek ASA 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 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 2012, with the exception of option value for Infratek Säkerhet Sverige 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 2012 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, with the possibility of early adoption. 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). In 2011, the Group changed the accounting principles regarding pensions and all actuarial gains and losses is 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, but the change is not expected to have a significant effect on the consolidated accounts.

· 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 change is not expected to have a significant effect on the consolidated accounts.

· 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 is not expected to have a significant effect on the consolidated accounts.

· 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 2014. The standard is not expected to have a significant effect on the consolidated accounts.

· IFRS 12 "Disclosures of Interests in 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 in 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. The Group is yet to assess IFRS 13's full impact, but the standard is not expected to have a significant effect on the consolidated accounts.

· IAS 1 "Presentation of Financial Statements" is amended and implies that items in other comprehensive income shall be divided into two groups, those who later are reclassified through profit and loss and those who do not. The change does not affect which items that are included in comprehensive income.

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 of accounting 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 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.

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

In 2011, the Group changed the accounting policy for pensions. The Group 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 changed how the net retirement benefit costs are presented in the consolidated statement of comprehensive income. The Group 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.

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); and

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.

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 life 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) 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 life and is depreciated in a straight line over ten years, based on an expectation of the system's actual useful life.

2.7 Impairment of non-financial assets

Intangible assets with non-definable useful lives 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 high-quality corporate bonds in Norway. 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

Contract costs are recognised as expenses in the periodin 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 reliable and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 reliable measured.

The Group uses the "percantage-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, pre-payments 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).

c) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

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.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

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 2012, the Group had only a minor degree of financial derivates for currency hedging.

Net exchange differences on translating foreign operations to NOK in 2012 was NOK -9 million (-1 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 2012. The amount relates to translation differences which is a part of other comprehensive income and does not affect net profit.

Sensitivity analysis translation differences

		Currency rate change	
Amounts in NOK million	**Currency**	**+10%**	**-10%**
Effect on other comprehensive income and equity	SEK	28	(28)
Effect on other comprehensive income and equity	EUR	8	(8)
Total effect on other comprehensive income and equity		**36**	**(36)**

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 2012, the Group is primarily exposed to interest risk associated with surplus liquidity. At the close of 2012 the Group had net cash holdings of NOK 244 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 2.01 per cent on 2 January 2012 to 1.75 per cent on 31 December 2012. Given the Group's cash holdings at the end of 2012 this would have resulted in an interest income interval of NOK 4.3 to 4.9 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.

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 2012 Infratek had net cash holdings of NOK 244 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 2012 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

2011 **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**

2012 **Amounts in NOK million**	**1-3 years**	**3-5 years**	**5 years or later**	**Due date not determined**	**Total**
Other long-term debt	10	-	-	-	10
Total long-term debt	**10**	**-**	**-**	**-**	**10**

Maturity-analysis short-term debt:

2011

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**

2012

Amounts in NOK million	0-30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
Accounts payable	171	6	2	1	-	180
Other current liabilities	157	-	130	-	78	365
Total current liabilities	**328**	**6**	**132**	**1**	**78**	**545**

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. The Group's maximum credit exposure equals the carrying value of receivables and bank deposits.

Age-analysis long-term receivables

2011

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**

2012

Amounts in NOK million	1-3 years	3-5 years	5 years or later	Due date not determined	Total
Paid core-capital, pension fund	-	-	-	18	18
Subordinated loan, pension fund	-	-	-	2	2
Other non-current receivables	-	-	-	-	-
Total long-term receivables	**-**	**-**	**-**	**20**	**20**

Maturity-analysis short-term receivables

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**

2012

Amounts in NOK million	0-30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
Accounts receivable	437	9	3	4	12	465
Accrued, non invoiced income	209	-	-	-	-	209
Other short term receivables	34	-	-	-	-	34
Total short term receivables	**680**	**9**	**3**	**4**	**12**	**708**

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

Changes in the allowance for doubtful debts

Amounts in NOK million	2012	2011
Balance at beginning of the year	(8)	(4)
Impairment losses recognised on receivables	(1)	(5)
Amounts written off during the year as uncollectible (confirmed loss)	1	1
Closing balance allowance for doubtful debts	**(8)**	**(8)**

e) Categories of financial instruments

The group's financial instruments are categorized as follows:

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**

2012

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)	478	478
Cash and cash equivalents	244	244
Total assets	**742**	**742**

Amounts in NOK million	Other Financial oblications at amortized cost	Total
Liabilities		
Long-term debt	10	10
Account payable and other short-term debt (not including statutory obligations) 2)	336	336
Total liabilities	**346**	**346**

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	2012	2011
Interest-bearing debt	10	14
Cash and cash equivalents	(244)	(300)
Net interest-bearing debt (cash)	**(234)**	**(286)**
Total equity inclusive non-controlling interests	697	484

Total equity and net interest-bearing debt	**463**	**198**
Debt ratio	2.2 %	7.1 %

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 units 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 life 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 Infratek Säkerhet Sverige 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 consisted in 2012 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 2012: 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 2012 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.

Eliminations: This is elimination of Group-internal sales.

Segment information

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	(343)
EBITDA	**112**	**19**	**27**	**(13)**	**-**	**144**
Depreciations	(26)	(7)	(3)	(7)	-	(43)
EBIT	**86**	**12**	**23**	**(20)**	**-**	**100**
Financial expenses	(3)	(1)	5	(2)	-	(1)
Pre-tax profit	**83**	**11**	**29**	**(22)**	**-**	**101**
Tax	(23)	(3)	(6)	6	-	(26)
Profit from discontinued operations	(4)	-	-	-	-	(4)
Profit for the year	**56**	**8**	**22**	**(16)**	**-**	**71**

Amounts in NOK million	**Lokal Infrastructure**	**Central Infrastructure**	**Security**	**Other**	**Eliminations**	**Group**
2012						
Gross segment operating revenue	1 892	591	319	9	-	2 810
Inter-segment sales	2	1	2	13	(17)	-
Operating revenues	**1 894**	**591**	**321**	**22**	**(17)**	**2 810**

Purchased material	(905)	(282)	(97)	(2)	(5)	(1 291)
Gross profit	**990**	**310**	**224**	**19**	**(23)**	**1 520**
Personell expenses	(615)	(235)	(138)	(40)	-	(1 027)
Other operating costs	(247)	(67)	(58)	5	23	(344)
EBITDA	**128**	**8**	**29**	**(16)**	**-**	**149**
Depreciations	(25)	(6)	(3)	(8)		(41)
EBIT	**103**	**2**	**26**	**(24)**	**-**	**108**
Financial expenses	(2)	(2)	-	(3)	-	(7)
Pre-tax profit	**101**	**0**	**26**	**(27)**	**-**	**101**
Tax	(31)	(0)	(7)	8	-	(30)
Profit from discontinued operations	-	-	-	-	-	-
Profit for the year	**70**	**0**	**19**	**(18)**	**-**	**71**

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

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

Amounts in NOK million	**Infrastructure**	**Security**	**Other**	**Group**
2012				
Working capital	177	37	(23)	**192**
Investments	32	1	5	**39**

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

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

Amounts in NOK million	**Infrastructure**	**Security**	**Other**	**Group**
2012				
Operating revenue from Hafslund	452	67	-	**519**
Operating revenue from Fortum	533	10	-	**543**

Geographical segment information

Amounts in NOK million	**Norway**	**Sweden**	**Finland**	**Other**	**Eliminations**	**Group**
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)**	**-**	**70**
					-	
Working Capital	69	101	30	1	-	**200**
Investments	18	18	1	8	-	**45**
2012						
Gross segment operating revenue	1 285	1 392	129	5	-	**2 810**
Operating profit	107	22	6	(27)	-	**108**
Profit for the year	**75**	**13**	**4**	**(21)**	**-**	**71**
Working Capital	90	102	22	(23)	-	**192**
Investments	7	24	3	5	-	**39**

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 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 1 January 2012	**160**	**160**
Acquisition through business combinations	8	8
Acquisitions	32	32
Depreciation of fixed assets at carrying value	(7)	(7)
Depreciation and impairment charges	(35)	(35)
Book value as of 31 December 2012	**158**	**158**
Acquisition costs as of 31 December 2012	294	294
Accumulated depreciation and impairment charges as of 31 December 2012	(136)	(136)
Book value as of 31 December 2012	**158**	**158**
Rate of depreciation (in %)	7-33%	

2011

Annual leasing not recorded in the balance sheet under property, plant and equipment:

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

2012

Annual leasing not recorded in the balance sheet under property, plant and equipment:

	Minimum future payments		
Amounts in NOK million	**Premises rental**	**Machinery/ equipment**	**Total**
Due within 1 year	17	38	54
Due later than 1 year not later than 5 years	46	64	109
Due later than 5 years	12	0	12
Total	**75**	**101**	**176**
Recognized as operating lease-cost during year	26	30	56

NOTE 7 **INTANGIBLE ASSETS**

Amounts in NOK million	**Customer portfolios**	**Goodwill**	**Software og lisenser**	**Total intangible assets**
Acquisition cost as of 1 January 2011	10	246	54	310
Accumulated amortization and impairment charges as of 1 January 2011	(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)
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 1 January 2012	**-**	**222**	**49**	**271**
Acquisition through business combinations	-	11	-	11
Disposals of operations at carrying value	-	-	-	-
Acquisitions	-	-	6	6
Depreciation and impairment charges	-	-	(6)	(6)
Book value as of 31 December 2012	**-**	**232**	**49**	**281**
Acquisition cost as of 31 December 2012	10	261	66	337
Accumulated amortization and impairment charges as of 31 December 2012	(10)	(28)	(17)	(55)
Book value as of 31 December 2012	**-**	**232**	**49**	**281**
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 tes. In addition, new goodwill has been established in connection with the acquisitions of WKTS AB and Infratek Mätkontroll AB (see note 25).

Intangible assets with non-definable useful lives

Amounts in NOK million

Kontantgenererende enhet	**Segment**	**Goodwill**
Infratek Norge AS	Local / Central	42
WKTS AB	Local	7
Infratek Mätkontroll AB	Local	4
Infratek Sverige AB	Local / Central	60
Infratek Finland AB	Central	6
Infratek Sikkerhet AS	Security	98
Infratek Elsikkerhet AS	Security	-
Infratek Säkerhet Sverige AB	Security	14
Total		**232**

Turnover, margins and investments are based on management budgets for 2013 as well as on projections for the interval 2014 to 2017. The terminal value is further based on the cash flow for year 2017, whereas an annual growth rate equivalent to 2.5 percent for the Swedish subsidiaries, 2.3 percent for the Finnish subsidiaries and 2.1 percent for Norwegian subsidiaries are employed. These considerations are in line with the general expected economic growth (inflation) 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 8.3 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 2012. 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	**2012**	**2011**
Total operating revenues	2 810	2 890
- of which contract revenues	1 299	1 380
Sales of goods and services	**1 511**	**1 510**
Current contracts as of 31 December		
Incurred contract expences 31.12	1 054	1 065
Incurred contract profit 31.12	83	58
Progress billings	(1 098)	(1 071)
Net value contracts in progress 31.12	**40**	**52**
Balance sheet amounts of:		
Incurred, not invoiced	104	110
Pre-invoiced to customer	(64)	(58)
Net value contracts in progress 31.12	**40**	**52**
Remaining production on contracts with estimated loss 1)	6	16

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

NOTE 9 INVENTORY

Amounts in NOK million	2012	2011
Raw materials	-	-
Work in Progress	-	-
Purchased good for resale	35	36
Total inventory	**35**	**36**
Write-down of inventory recognized as expense during period:	1	-
Total cost of inventories recognized as expense during period:	738	1 152

NOTE 10 OTHER NON-CURRENT RECEIVABLES

Amounts in NOK million	2012	2011
Paid core-capital, pension fund	18	17
Subordinated loan, pension fund	2	2
Other non-current receivables	-	1
Total other non-current receivables	**20**	**20**

NOTE 11 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Amounts in NOK million	**2012**	**2011**
Accounts receivable	465	459
Bad debt reserve	(8)	(8)
Net accounts receivable	458	451
Accrued revenues	209	232
Prepaid expenses	21	4
Other receivables	13	23
Total accounts receivable and other receivables	**700**	**710**

NOTE 12 CASH AND CASH EQUIVALENTS

Amounts in NOK million	**2012**	**2011**
Bank deposits in Group account system	228	295
Bank deposits outside the Group account	16	5
Total bank deposits	**244**	**300**

Split by currency		
NOK	178	170
SEK	21	94
EUR	44	36
Total bank deposits	**244**	**300**

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 2012.

As of 31 December 2012 the Group had the following restricted bank deposits.

Restricted cash and cash equivalents

Amounts in NOK million	**2012**	**2011**
Employees tax deduction	5	14
Down payment deposits	-	-
Other restricted cash and cash equivalents 1)	17	16
Total restricted cash and cash equivalents	**22**	**30**

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
Per 31. December 2011		**63 863 224**	**5.00**	**319**	**46**	**365**
Per 31. December 2012		**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 2012 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 2012 the company had a total of 63,863,224 shares outstanding.

Earnings per share and average numbers of shares

Amounts in NOK million	2012	2011
Profit for the year from continuing operations attributable to parent company shareholders	71	74
Profit for the year from discontinuing operations attributable to parent company shareholders	-	**(4)**
Profit for the year attributable to parent company shareholders	**71**	**71**
Weighted average number of shares	63 863 224	63 863 224

Overview shareholders

As of 31 December 2012, Infratek ASA's largest shareholders were:

	Antall aksjer	Eierandel
Hafslund ASA	27 652 360	43.3 %
Fortum Nordic AB	21 074 864	33.0 %
Odin Nordin	3 275 600	5.1 %
Orkla ASA	2 351 044	3.7 %
Nordstjernan AB	1 952 067	3.1 %
The Northern Tust C Treaty Account	1 595 600	2.5 %
Skandinaviska Enskil A/C clients account	947 100	1.5 %
MP Pensjon PK	830 000	1.3 %
Verdipapirfondet DNB	555 106	0.9 %
VPF Nordea Avkastning C/O JPMorgan Europe	312 000	0.5 %
VJ Invest AS	303 456	0.5 %
VPF Nordea Kapital C/O JPMorgan Europe	249 850	0.4 %
Terra Total VPF	220 895	0.3 %
Frogner Bjørn	206 000	0.3 %
Ivar S Løge AS	200 000	0.3 %
Verdipapirfondet Nor	154 000	0.2 %
VPF Nordea SMB C/O JPMorgan Europe	147 340	0.2 %
Polleninvest AS Nil	115 900	0.2 %
Bangen Lars	102 000	0.2 %
JPMorgan Chase Bank Nordea Treaty Account	98 500	0.2 %
Total 20 largest shareholders	**62 343 682**	**97.6 %**
Other shareholders	1 519 542	2.4 %
Total	**63 863 224**	**100.0 %**
Board and management	405 000	0.6 %

NOTE 14 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Amounts in million NOK	**2012**	**2011**
Accounts payable	180	203
Public duties payable	130	118
Incurred expenses	132	129
Pre-invoiced income	79	80
Other liabilities	24	18
Total accounts payable and other current liabilities	**545**	**548**

NOTE 15 LONG-TERM DEBT

Amounts in million NOK	2012	2011
Other long-term interest-bearing debt	10	15
Total long-term debt	**10**	**15**

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 Infratek Säkerhet Sverige AB and Eiendomssikring AS. See also note 25. The options are assessed based on fair value per 31 December 2012 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 2012:

Amounts in million NOK	2012	2011
Other long-term debt	7	11
Total liabilities	**7**	**11**

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	**2012**	**2011**
Deferred tax assets that is expected realised in more than 12 months	64	172
Deferred tax assets that is expected realised within 12 months	-	-
Total deferred tax assets	**64**	**172**
Deferred tax that is expected realised in more than 12 months	(23)	(20)
Deferred tax that is expected realised within 12 months	-	-
Total deferred tax	**(23)**	**(20)**
Total deferred tax assets net	**41**	**152**

Amounts in NOK million	**2012**	**2011**
Balance sheet value as of 1 January	**152**	**88**
Change in estimate pensions recognized in OCI	(96)	55
Recognized in the period	(15)	9
Balance sheet value as of 31 December	**41**	**152**

Specification deferred tax

Amounts in NOK million	**Pensions**	**Loss carry-forward**	**Other**	**Total**
Deferred tax assets				
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**
Change in estimate pensions	(96)	-	-	(96)
Recognized in the period	(4)	(6)	(2)	(12)
Deferred tax assets as of 31 december 2012	**63**	**-**	**1**	**64**

Amounts in NOK million	**Operating assets**	**Profit and loss account**	**Construction contracts**	**Total**
Deferred tax liability:				
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)**
Deferred tax from acquired operations	-	-	-	-
Deferred tax from sold operations	-	-	-	-
Recognized in the period	(1)	1	(3)	(3)
Deferred tax liability as of 31 december 2012	**(8)**	**(4)**	**(11)**	**(23)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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 million NOK	**2012**	**2011**
Present value of accrued pension liabilities for defined benefit plans in fund-based plans	638	843
Fair value of pension assets	(521)	(445)
Actual net pension liabilities for defined benefit plans in fund-based plans	**117**	**398**
Present value of liabilities not in fund-based plans	80	111
Social security contribution	29	72
Net pension liabilities in the balance sheet (after social security contribution)	**226**	**581**

Changes in defined-benefit pension liabilities during the year:

Pension liabilities as of 1 January (excl. social security contribution)	954	718
Present value of pension earnings	33	28
Interest expenses	25	29
Estimate changes	(279)	189
Pension payments	(13)	(11)
Liabilities due to plan changes and acquisitions	-	1
Pension liabilities as of 31 December (exclusive of social security contribution)	**718**	**954**

Change in fair value of pension assets:

Fair value of pension assets as of 1 January	445	383
Expected yield on pension funds	19	21
Estimate changes	22	16
Total contribution	47	35
Total payments from funds	(11)	(10)
Fair value of pension assets as of 31 December	**521**	**445**

Movement in actuarial gains and losses recognized in other comprehensive income:

Cumulative amount recognized in comprehensive income 01.01	297	100
Recognized in other comprehensive income in the period	(343)	197
Cumulative amount recognized inother comprehensive income 31.12	**(46)**	**297**
Deferred tax related to actuarial losses recognized inother comprehensive income	(13)	83
Cumulative amount recognized in other comprehensive income after tax 31.12	**(34)**	**214**

In accordance with IAS 19 the interest rate that is used to discount the pension liability shall be established using high-quality corporate bonds in Norway, if a deep market for such high-quality bonds exists. The Group has previously applied the interest rate for government bonds as a discount rate, but now believes there to be a deep market for high-quality corporate bonds in Norway. Norway has experienced a change in the underlying economic conditions relating to high-qulaity bonds, which has resulted in the Group choosing to apply the discount rate derived from high-quality bonds.

Calculations are based on the following assumptions:	**2012**	**2011**
Discount rate	4.00%	2.80%
Expected yield on pension funds	4.00%	4.10%
Salary growth	4.00%	3.25%
Social security base amount (G)	4.00%	3.25%
Annual social security pension growth - Private Fund	0.50%	0.10%
Annual social security pension growth - Public Fund	2.25%	2.50%

Pension effect on profit and loss statement

Total pension expenses recorded in profit and loss account:

Amounts in million NOK	**2012**	**2011**
Defined benefit plans:		
Cost of present period's pension earnings	33	28
Interest expenses	25	29
Expected yield on pension funds	(19)	(21)
Amortization of plan amendments	-	-
Social security contribution	7	5
Members' contributions	(2)	(1)
Employer's contribution to non-capitalized defined benefit schemes in foreign subsidiaries	24	28
Pension costs, defined benefit plans	**68**	**68**

Defined contribution plans:		
Employer's contribution to defind constribution plans	26	22
Total pension expenses	**94**	**90**

Total pension costs are classified as:		
Salaries and other personnel costs	88	82
Net finance	6	8
Total pension costs	**94**	**90**

Specification pension fund assets

Amounts in million NOK	**2012**		**2011**	
Equity instruments	177	34%	142	32%
Interest-bearing instruments	323	62%	285	64%
Property	16	3%	4	1%
Other	5	1%	13	3%
Fair value of pension assets	**521**	**100%**	**445**	**100%**

Expected contributions to the post-employment benefit plans for the year ending 31 December 2013 are NOK 53 million.

At 31 December 2012	**2012**	**2011**	**2010**
Present value of defined benefit obligation	747	1026	766
Fair value of plan assets	521	445	383
Deficit in the plan	**226**	**581**	**383**
Experienced adjustments on plan liabilities	**(322)**	**213**	**71**
Experienced adjustments on plan assets	**22**	**16**	**(29)**

Sensitivity analysis

Infratek has carried out a sensitivity analysis for the net pension liabilities and estimated pension-related costs. The tables below illustrate the effect of a one percentage point change in the discount rate, salary increases and change in G on the net pension liability and pension-related costs given the original assumptions as described in the table above.

Sensitivity analysis for the net pension liability

NOK million	**Discount rate**		**Salary growth**		**Change in G**	
Percentage point change	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	- 1 %
Net pension liabilities	(173)	234	52	(53)	107	(93)
Deferred tax asset/liability	(48)	66	15	(15)	30	(26)
Effect on equity	124	(169)	(38)	38	(77)	67

Sensitivity analysis for estimated pension-related costs

NOK million	**Discount rate**		**Salary growth**		**Change in G**	
Percentage point change	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	- 1 %
Pension cost	(5)	7	3	(2)	2	(1)
Financial expenses	(7)	9	2	(2)	4	(4)
Total pension cost	(12)	17	5	(5)	6	(5)

The estimates are based on facts and conditions as of 31 December 2012. Actual results could therefore deviate from these estimates to a material extent.

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 2012, 378 employees were covered by defined benefit plans, divided between Hafslund Private Pensjonskasse (77), Hafslund Offentlige Pensjonskasse (236), Storebrand (7) and KLP (58). As of 31 December 2012, 115 people were receiving pensions under these schemes, divided between Hafslund Private Pensjonskasse (8), Hafslund Offentlige Pensjonskasse (45) and KLP (62). 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.

In 2011, the Group changed the accounting policy for pensions. The Group 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 increased discount rate in 2012 compared with 2011. 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 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.

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.

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 2012 a total of 419 “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. 9 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. In addition, a special tax in accordance with the collective agreement for the additional pension EFA-Sif, "Sveriges Ingenjörer och Ledarna", corresponding to 0.8% of salary.

405 “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 2012 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 million NOK	**2012**	**2011**	**2012**	**2011**
Sale of goods and services	519	553	543	707
Purchases of goods and services	25	45	7	9

Statement of financial position:

		Hafslund		Fortum
Amounts in million NOK	**2012**	**2011**	**2012**	**2011**
Accounts receivable	74	83	75	112
Accounts payable	-	2	-	-
Short-term debt	-	-	-	-

NOTE 19 **OTHER OPERATING EXPENSES**

Specification of other operating expenses

Amounts in million NOK	**2012**	**2011**
Maintenance	(54)	(59)
Consulting services	(50)	(47)
Rent, electricity, etc.	(59)	(64)
Sales and marketing expenses	(9)	(8)
Office expenses	(19)	(19)
Transportation expenses	(117)	(121)
Other operating expenses	(36)	(26)
Total other operating expenses	**(344)**	**(344)**

Specification of fee to auditor

Amounts in million NOK	**2012**	**2011**
Fee statutory audit	(2)	(3)
Fee assurance services	-	-
Fee tax advisory services	-	-
Fee other non-audit services	(1)	-
Total auditor fee	**(3)**	**(3)**

NOTE 20 **SALARIES AND OTHER PERSONELL EXPENSES**

Specification of personell expenses

Amounts in million NOK	**2012**	**2011**
Salaries and other personnel expenses	(745)	(785)
Social security contribution	(161)	(162)
Pension expenses - defined benefit plans	(68)	(60)
Pension expenses - contribution plans	(26)	(22)
Other benefits	(27)	(31)
Total salaries and other personnel expenses	**(1 027)**	**(1 060)**

Average number of employees

	2012	**2011**
Norway	730	821
Sweden	814	843
Finland	133	139
Total	**1 677**	**1 803**

NOTE 21 REMUNERATION PAYABLE TO SENIOR COMPANY OFFICERS

The below overview shows remuneration for the period 1 January to 31 December 2012 for top employees in the Infratek Group, defined as board members and Group management.

Remuneration to board members and group management 2012

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	235	-	-	-	-	12 000
Hans Kristian Rød, 4)	Board Deputy Chairman	204	-	-	-	-	-
Tove Elisabeth Pettersen, 5)	Board member	145	-	-	-	-	-
Dag Andresen	Board member	184	-	-	-	-	2 000
Kari Ekelund Thørud, 5)	Board member	78	-	-	-	-	-
Roger Andrè Hansen	Board member (employee representative)	801	21	-	46	71	1 500
Otto Rune Stokke	Board member (employee representative)	657	-	-	84	-	-
Kalle Strandberg	Board member (employee representative)	SEK 477	-	SEK 15	-	-	-
Senior executives							
Bjørn Frogner	CEO	2 786	313	30	162	258	206 000
Vibecke Skjolde	Group Executive Vice President / CFO	1 652	231	18	-	303	13 500
Lars Bangen	Group Executive Vice President Local Infrastructure	1 847	150	-	156	114	102 000
Alf Engqvist	Group Executive Vice President Central Infrastructure	SEK 1 674	SEK 114	SEK 41	SEK 530	-	8 000
Lars Erik Finne	Group Executive Vice President Security	1 439	119	28	83	397	61 500

Note:

1) Salary etc.includes fixed salary, non-monetary payments, benefits of interest of free loans, electronic communication, etc in 2012 deducted by earned bonus in 2011 but paid in 2012

2) Earned bonus in 2012 as paid out in 2013 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) Tove Elisabeth Pettersen resigned subsequent to the general meeting and was replaced by Kari Ekelund Thørud. Thørud is employed in the Hafslund Group, which further holds 27,652,360 shares in Infratek ASA.

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 2011

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	323	-	-	-	-	12 000
Hans Kristian	Board Deputy Chairman	205					

Rød 4)	Board Deputy Chairman	205	-	-	-	-	-
Tove Elisabeth Pettersen 4), 5)	Board member	145	-	-	-	-	-
Dag Andresen	Board member	175	-	-	-	-	2 000
Dagne Hordvei 5)	Board member	70	-	-	-	-	-
Roger Andrè Hansen	Board member (employee representative)	717	-	-	88	96	1 500
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	2 678	438	26	185	308	183 000
Vibecke Skjolde	Group Executive Vice President / CFO	1 491	252	18	-	343	10 000
Lars Bangen	Group Executive Vice President Local Infrastructure	1 787	150	-	209	149	100 000
Alf Engqvist	Group Executive Vice President Central Infrastructure	SEK 1 699	SEK 146	SEK 32	461	-	5 000
Lars Erik Finne	Group Executive Vice President Security	1 379	137	26	162	237	60 000

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) 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.

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.

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 2012. 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 and Audit Committee members

The amount of directors' fees and audit committee members 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 240,000; deputy chairman of the board, NOK 175,000; and other board members, NOK 155,000. Audit Committee members receives an annual fee of NOK 32,500.

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 million NOK	**2012**	**2011**
Interest income	2	3
Other financial income	1	7
Interest expenses	(1)	(1)
Other financial expenses	(9)	(9)
Total financial income/-expenses	**(7)**	**(1)**

Net financial items were positively affected by changes in options related to buyout obligations for Infratek Säkerhet Sverige AB and Eiendomssikring AS by NOK 1.4 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 6.1 million. Also, see note number 17.

NOTE 23 TAX EXPENSE

Amounts in million NOK	2012	2011
Tax payable	(15)	(35)
Change in deferred tax	(15)	9
Total tax expense	**(30)**	**(26)**

Tax payable in balance

Amounts in million NOK	2012	2011
Tax payable	(15)	(35)
Prepaid tax	14	16
Tax payable in balance	**(1)**	**(19)**

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 million NOK	2012	2011
Pre-tax profit, incl. discontinued operations	101	100
Expected tax expense, 28% nominal tax rate	(28)	(28)
Non-deductible expenses	(2)	-
Value change in shares	-	2
Variance from different tax rates in subsidiaries	-	1
Total tax expense	**(30)**	**(26)**
Effective tax rate	30%	26%

The effective tax rate for 2012 was negatively affected by permanent variances as well as changes in variances which do not provide a basis for the calculation of deferred tax.

NOTE 24 **CASH FLOW FROM OPERATIONS**

Spesification of cash flow from operations

Amounts in million NOK	**Note**	**2012**	**2011**
Pre-tax profit		**101**	**100**
Adjustments for:			
- Depreciation	6, 7	41	43
- Other non-liquid items		1	(1)
- Profit/loss disposal of fixed assets		0	6
- Change in pension liabilities	17	(12)	1
- Financial income/-expenses	22	1	(7)
Change in working capital:			
- Inventory		2	3
- Accounts receivable and other receivables		17	36
- Accounts payable and other current debt		(9)	32
- Other working capital elements		(4)	0
Cash flow from operating activities		**138**	**212**
Translation exchange related to working capital		(3)	0
Cash flow from operations before tax and interest		**134**	**212**

Acquisition of shares in WKTS AB (Wigh Kellokumpu Track Service AB):

On 2 February 2012, Infratek Sverige AB aquired 100 per cent of the shares in the Swedish railway company WKTS AB.

Fair value acquired assets

Amounts in NOK million	2012
Purchase price 100 %	13
Total consideration	**13**
Fair value net assets	5
Goodwill	**7**

Observable assets and liabilities related to the acquisition per 2 February 2012:

Amounts in NOK million	Fair value
Property, plant and equipment	5
Inventory	1
Accounts receivable and other receivables	7
Cash and cash equivalents	3
Accounts payable and other current liabilities	(8)
Long-term loan	(2)
Acquired net assets	**5**

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	2012
The fair value of acquired cash and cash equivalents on acquisition	3
Cash Payment 100 %	(13)
Net cash consideration	**(10)**

Effect of acquired companies on the annual results

The acquisition of WKTS AB became effective from 2 February 2012. Of this reason, the company`s results as included in the Groups overall results of 2012, was earned in the interval between 2 February 2012 and 31 December 2012.

The acquired company has contributed based on the following figures for operating revenue and operating profit as reported in the Group's annual results for 2012:

Amounts in NOK million	2012
Revenues	28
Operating profit	1

Acquisition of shares in Emsab AB (Infratek Mätkontroll AB):

On 6 March 2012, Infratek Sverige AB aquired 100 per cent of the shares in the company Emsab AB, an accredited laboratory that calibrates electrical instruments, meters and metering systems.

Fair value acquired assets

Amounts in NOK million	2012
Purchase price 100 %	4
Total consideration	**4**
Fair value net assets	-
Goodwill	**4**

Observable assets and liabilities related to the acquisition per 6 March 2012:

Amounts in NOK million	Fair value
Accounts receivable and other receivables	1
Accounts payable and other current liabilities	(1)
Acquired net assets	**0**

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	**2012**
The fair value of acquired cash and cash equivalents on acquisition	-
Cash Payment 100 %	(4)
Net cash consideration	**(4)**

Effect of acquired companies on the annual results

The acquisition of Emsab AB became effective from 6 March 2012. Of this reason, the company`s results as included in the Groups overall results of 2012, was earned in the interval between 6 March 2012 and 31 December 2012.

The acquired company has contributed based on the following figures for operating revenue and operating profit as reported in the Group's annual results for 2012:

Amounts in NOK million	**2012**
Revenues	25
Operating profit	1

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.

In February 2012, Infratek Sverige AB exercised the purchase option and in this regard paid NOK 3.2 million for the remaining 30 per cent of the shares. No further goodwill arose as a result of the purchase of the remaining shareholding.

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 per 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 company has 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	-

NOTE 26 SALE OF SUBSIDIARY

There have not been any sale of subsidiaries in 2012.

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 30.11.11 :

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	**2012**	**2011**
Guarantee commitments	1	1
Total other allocations and liabilities	**1**	**1**

As of 31 December 2012 guarantee liabilities totalled NOK 1 million. While historic guarantee costs indicate small guarantee claims, the Group has nevertheless choosen 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 CONTINGENT 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 2012 the average age of these 59 employees was approximately 57.

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 2012, these bank guarantees amounted to NOK 101.7 million including NOK 30.2 million in tax deduction guarantees and NOK 71.5 million in project guarantees. Corresponding guarantees in 2011 were NOK 30.2 million and NOK 86.8 million, respectively.

Additionally, group guarantees adding up to a total of NOK 44.2 were made whereas the corresponding amount made last year was NOK 12.4 million.

Aquisition of shares in Plahn Systems A/S:

Infratek Sikkerhet AS entered into an agreement on 10 January 2013 concerning the aquisition of 51 percent of the shares in the Danish security company, Plahn Systems A/S. Total revenue for 2012 ended at DKK 29 millions. The aquisition is strategically important as it establishes Infratek in Denmark. The agreement is in line with the company's Nordic strategy and will also provide growth opportunities for Infratek within other service segments. As a part of the aquisition, there exists both a sales option and a purchase option related to the remaining 49 percent of shares in the company, which fall due in 2018. 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 percent of the shares, however with an obligation to pay for the remaining 49 percent of shares when the option falls due in 2013.

In accounting terms, the aquisition of Plahn Systems A/S has accordingly been treated as a 100 percent owned subsidiary without non-controlling interest. At the same time, the Group has estimated a future purchase amount concerning the remaining 49 percent of the shares. At the time of the aquisition, this obligation was estimated at approximately DKK 5.8 million in 2018, which is equivalent to approximately DKK 4.7 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 recognized in the profit and loss account for the Group under financial items.

Analysis related to the acquisition of Plahn Systems A/S:

Amounts in NOK million	**2012**
Purchase 51 % of the shares	6
Estimated value option remaining 49 %	5
Total consideration	**10**
Fair value aquired net assets	2
Goodwill	**8**

Observable assets and liabilities related to the acquisition per 10 January 2013:

Amounts in NOK million	**Fair value**
Property, plant and equipment	2
Inventories	2
Accounts receivable and other receivables	12
Cash and cash equivalents	2
Accounts payable and other current liabilities	(15)
Long-term loan	(1)
Acquired net assets	**2**

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 **COMPANIES INCLUDED IN THE CONSOLIDATION OF THE GROUP**

Company	Registered business address	Ownership in percent
Infratek ASA (parent company)	Oslo, Norway	100
Infratek Norge AS	Oslo, Norway	100
Infratek Sverige AB 1)	Stockholm, Sweden	100
Infratek Finland OY	Helsinki, Finland	100
Wigh Kellokumpu Track Service AB 3)	Ödeshög, Sweden	100
Infratek Mätkontroll Sverige AB 3)	Storvik, Sweden	100
Infratek Elsikkerhet AS	Oslo, Norway	100
Infratek Sikkerhet AS	Oslo, Norway	100
Eiendomssikring AS 2)	Oslo, Norway	85
Infratek Säkerhet Sverige AB 4)	Stockholm, Sweden	51
Infratek Security Finland Oy	Helsinki, Finland	100

1) In 2012, Veka Entreprenad AB and Mini Entreprenad AB, merged into Infratek Sverige AB.

2) On 6 September 2010, Infratek purchased an additional 34 percent 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 percent of the shares in the company, which entails that the company is considered as 100 percent owned in the Group accounts. However, the actual ownership interest is reported as 85 percent in the company-specific financial statement for Infratek Sikkerhet AS.

3) The company was aquired in 2012, please see note 25 for further details.

4) On 5 February 2011 Infratek acquired 51 percent of the shares in Infratek Säkerhet Sverige AB. As part of the acquisition, there exists a sale and a purchase option on the remaining 49 percent which means that the company is considered to be owned 100 percent in the Group accounts. Real interest is, however, 51 percent in the company accounts to Infratek Sikkerhet AS.