ANNUAL REPORT 2016
Infratek Group AS

Infratek

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The Board of Directors' report

Infratek Group's aim for 2016 was to further streamline the business and improve profitability, as well as strengthen its market position through growth. The numbers for 2016 show that Infratek Group has succeeded to improve in several areas. Operating revenue came in at NOK 3,131 million, an increase of 15.4 percent compared to the same period last year. The Group posted an adjusted full year operating profit of NOK 190 million, compared to NOK 163 million for the prior year.

With transaction date 7 January 2016, Infratek acquired Pohjolan Werkonrakennus Oy ("PWR"), a leading service provider on the central grid market in Finland. The acquisition of PWR has strengthened Infratek's position in the Finnish market of building, operating and maintaining critical infrastructure. In addition, with a closing date of 1 March 2017, Infratek has acquired Helen Ltd's technical division consisting of 30 employees, reinforcing Infratek's existing business in Finland within medium voltage relays and transformers.

For 2017 and the years to come, Infratek aims to further strengthen its market position in the Nordic countries – both through increased profitability and growth.

Result for the year and financial matters consolidated financial statements

The consolidated financial statements for Infratek Group AS are presented for 1 January to 31 December 2016 with comparative figures for 1 January to 31 December 2015.

The Group's operating revenues came in at NOK 3,131 million for the financial year 2016 (NOK 2,712 million in 2015). The Group posted an operating profit of NOK 273 million (NOK 161 million). Profit after tax and discontinued operations ended at NOK 166 million compared to NOK 70 million in 2015. This year's profit includes a positive effect of change in pension plans of NOK 97 million caused by the discontinuation of pension earnings within the Norwegian defined benefit plans with effect from 1 January 2017.

To facilitate comparability, Infratek presents an adjusted operating profit in its financial reporting. The adjusted operating profit includes only income and expenses related to recurring, underlying operations. Infratek defines non-recurring items as items of unusual or non-recurring nature which represent gains or losses, including amongst others expenses arising on the restructuring of activities, reversal of provisions related to non-recurring items occurred in previous years and disposals and impairments on non-current assets.

The operating margin calculated as operating profit divided by operating revenues for the year 2016 came in at 8.7 per cent (5.9 per cent). As stated above, the Group's operating profit in 2016 was considerably influenced by a change in pension plans (NOK 97 million). Additionally, non-recurring expenses of NOK 13 million were incurred mainly as result to develop a new strategy for the period 2017–19. Adjusted for non-recurring items totalling a positive effect of NOK 83 million, underlying operations showed a profit of NOK 190 million in 2016 and an adjusted profit margin of 6.1 per cent.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. There were no material changes in accounting policies during the year affecting the Group's consolidated financial statements.

Equity base and long-term debt
The Group has a capital structure with NOK 427 million (NOK 432 million) in equity and NOK 1,286 million (NOK 1,368 million) in total liabilities at year end. In May 2014, the group successfully issued a bond of NOK 650 million with the duration of 5 years. The bond was listed on the Oslo Stock exchange on 17 December 2014. See note 14 in the consolidated financial statements for further information related to the bond.

Cash flow
Net cash holdings and cash equivalents as of 31 December 2016 amounted to NOK 141 million (NOK 357 million). The decrease in cash position compared to 31 December 2015 is mainly a result of a dividend payment of NOK 135 million, repayment of loan amounting to NOK 70.8 million and the acquisition of PWR. The Group has also a NOK 100 million credit facility with Swedbank consisting of a 20 million overdraft facility and 80 million revolving credit facility. At year-end the credit facility was undrawn.

The net cash flow from operating activities amounted to NOK 76 million (NOK 219 million). The difference between operating profit and cash flow from operating activities is mainly due to differences between cost of pensions and cash flow related to pension payments. Additionally, the cash flow from operating activities for 2016 was negatively affected by a building up of working capital in the second half of the year. To counteract that development, the Group therefore implemented at the end of 2016 new follow-up routines on invoicing which resulted in low working capital in the first months of 2017. The Group aims to continue with those routines securing less seasonal fluctuations in working capital percentage throughout the year.

Net cash flow from investing activities in 2016 amounted to NOK -31 million (NOK -2 million). Main part of the cash flow from investing activities relates to the acquisition of PWR with a net negative cash flow of NOK 28 million, with a paid consideration of NOK 49 million reduced by PWR's cash position at acquisition date of NOK 21 million. NOK 9 million (NOK 10 million) was invested in new fixed assets during the year, primarily related to the purchase of machinery and special vehicles. Standard vehicles are leased.

The cash flow from financing activities amounted to NOK -256 million (NOK -43 million). The cash flow from financing activities was in 2016 significantly affected by a dividend payment of NOK 135 million and repayment of loan amounting to NOK 70.8 million. On the contrary, 2015 cash flow from financing activities was entirely attributable to interest payments for NOK 43 million. Interest payments in 2016 were net NOK 42 million.

Result for the year and financial matters statutory accounts Infratek Group AS

Infratek Group AS is a holding company with no employees and was established 28 May 2013. The assets mainly consist of shares in subsidiaries, deferred tax asset and receivable group contribution, while financing is through equity and bond, as well as short term liabilities.

Equity was NOK 434 million (NOK 253 million) relative to NOK 641 million (NOK 703 million) in long-term debt and NOK 48 million (NOK 186 million) in short-term debt at year end.

The result for 2016 was NOK 180 million compared to NOK 196 million in 2015. The company has no revenue and the company's result mainly consists of financial income from group contribution and interest expenses.

The accounts have been prepared in accordance with the Norwegian accounting law and generally accepted accounting principles in Norway (NGAAP).

Going concern

The consolidated financial statements for Infratek Group, as well as the statutory accounts for Infratek Group AS have been prepared in accordance with the going concern principle. The board of directors confirms that the basis for the going concern assumption is present.

Strategy

The market is growing in all business areas that Infratek engages in, i.e. electrical grids in Norway, Sweden and Finland, Railway and Infra Solutions. All the Nordic countries have signalized investments both in regional grids, distributions grids and smart meters in the coming years. These investments are needed to upgrade existing infrastructure but also to enhance existing infrastructure in order to satisfy electricity demand. The market for distribution grid in Norway is expected to open up and Infratek has the opportunity to win additional frame agreements and thereby establish the business in new locations in Norway. The growth in Sweden will mainly be related to the current business, i.e, growth in projects for stations and cables in areas where Infratek already is represented. In Finland, growth can be related to e.g. increased size in cable projects. Additionally, Infratek has a good opportunity to expand to new geographical areas.

The railway business complements Infratek's core business. And the railway market is substantially growing. Since 1 October 2010, the rail market has been fully liberalized, making Sweden the first country in Europe to have a fully liberalized rail market. Over the next ten years, the Swedish government has pledged to spend around NOK 500 billion on road and rail projects, with rail set to benefit from the majority of the funding. Infratek aims to take part in that market growth. Additionally, for Infratek it is strategically important to be in this market as a supplement to its existing business.

The increased use of electricity and more sophisticated energy solutions is a clear trend in society and a prerequisite for the ongoing energy transformation. Through Infra Solutions Infratek is at the forefront and has excellent skills within several of the areas that society, customers and employers consider attractive and highly interesting in building the new energy society.

For Infratek to reach our growth ambitions and thereby defend our market position, growth within projects is needed. This means a stepwise transition towards a higher degree of projects in the contract portfolio. Although Infratek outsources a lot of its sub-supplies, the transition to a more project-based business will require different competencies and focus. In order to be able to take on new and large contracts, additional resources are a prerequisite for being successful within the project area. Additionally, new people are needed to strengthen the competencies within project management, grid planning, construction and engineering. An increased M&A activity and focus on cooperation e.g. through collaborate models with subcontractors within multiple areas will be needed to grow in the project market.

In our growing markets we experience increased competition. Infratek has improved efficiency on service and maintenance, and has set a goal to build critical infrastructure in the most effective way and through that have a competitive advantage in the market.

Updated vision and business concept

Infratek builds, operates and maintains critical infrastructure in line with the vision that recently has been update to “Leading innovative service provider of sustainable critical infrastructure”. Together we shall deliver and become a leading Nordic player, which also is reflected in the updated business philosophy "We build, operate and maintain critical infrastructure for the benefit of the Nordic community".

The updated vision and business philosophy also reflects Infratek’s goal to achieve growth, be a preferred employer and build a solid brand.

The business areas

Infratek Group defines its corporate structure to consist of three business segments; Norway, Sweden and Finland. Per year-end the Group employs 531 (554) in Norway, 517 (533) in Sweden and 269 (99) employees in Finland. In Norway, 22 (26) staff are employed with Infratek AS which constitutes the support functions part of the other/group segment. The Group is headquartered in Oslo.

Norway

Operations in Norway are organized within the areas Electrical Grids, Electrical Safety and Infra Solutions. Electrical Grids is divided into Distribution Grids and Regional Grids, and is aimed at the product area distribution grids, transmission grids, transformer stations and power cables. Electrical Safety provides inspection and monitoring services on behalf of grid companies. Infra Solutions offers services within street and tunnel lighting, project and metering.

The Norway business area achieved the following results in 2016 (2015):

- Operating revenue: NOK 1,000 million (NOK 1,010 million)
- Operating profit: NOK 159 million (NOK 86 million)
- Adjusted operating profit: NOK 66 million (NOK 87 million)
- Operating margin: 15.9 per cent (8.5 per cent)
- Adjusted operating margin: 6.5 per cent (8.7 per cent)

The business in Norway posted an operating revenue in line with previous year. Operating profit came in at NOK 159 million (2015: NOK 86 million). This year’s operating profit was positively impacted by non-recurring items of NOK 93 million, where almost the whole effect relates to a change in public pension benefit plans in Norway. Additionally, operating profit was positively affected by the reversal of a litigation accrual. In comparison, operating profit in 2015 was negatively affected by non-recurring pension-related items of NOK 1 million. Adjusted for these non-recurring items, adjusted operating profit came in at NOK 66 million with an adjusted operating margin of 6.5 per cent against NOK 86 million (8.7 per cent) in 2015. The decrease in adjusted operating profit and margin compared to previous year is mainly due to increased competition within the distribution grid market.

As of the reporting date, the segment had a total order book of NOK 840 million, of which NOK 514 million relates to 2017. Compared to prior year, the order book has improved by NOK 141 million mainly attributable to a new maintenance agreement within lighting. The segment has a satisfactory order book going into 2017.

Sweden

Operations in Sweden are organized within the areas Electrical Grids, Projects and Railway. Electrical Grids is divided into Distribution Grids and Regional Grids, and is aimed at the product areas distribution grids, transmission grids, transformer stations, services within street lighting and metering. Projects operates as an end-to-end supplier of projects within the high voltage electrical infrastructure, while Railway delivers services to constructors and owners of infrastructure for railway.

The Sweden business area achieved the following results in 2016 (2015):

- Operating revenue: NOK 1,480 million (NOK 1,429 million)
- Operating profit: NOK 83 million (NOK 72 million)
- Adjusted operating profit: NOK 85 million (NOK 72 million)
- Operating margin: 5.6 per cent (5.0 per cent)
- Adjusted operating margin: 5.7 per cent (5.0 per cent)

The business in Sweden posted a total operating revenue of NOK 1,480 million, NOK 51 million above previous year. The increase is mainly attributable to higher activity within Projects. The operating profit came in at NOK 83 million (NOK 72 million). The operating margin was up by 0.6 percentage points compared to previous year. This year’s operating profit was negatively impacted by non-recurring items of NOK 2 million related to the adaptation to the new strategy 2017-19. The adjusted operating profit ended at NOK 85 million and the adjusted operating margin was 5.7 per cent.

As of the reporting date, the segment had a total order book of NOK 2,137 million, of which NOK 1,275 million relates to 2017. Main part of Sweden’s order reserves relates to framework agreements with large grid owners. Compared to end of December previous year, orders on hand have decreased by NOK 127 million primarily as result of the already produced volumes related to multi-year framework contracts with major customers.

Finland
Operations in Finland comprise of services and products aimed at the central transmission grid, especially related to transformer stations. Through the acquisition of PWR in January 2016, Infratek is also present in the Finnish distribution grid market.

The Finland business area achieved the following results in 2016 (2015):

- Operating revenue: NOK 642 million (NOK 274 million)
- Operating profit: NOK 44 million (NOK 29 million)
- Adjusted operating profit: NOK 47 million (NOK 29 million)
- Operating margin: 6.8 per cent (10.6 per cent)
- Adjusted operating margin: 7.2 per cent (10.6 per cent)

Revenue in the Finnish market increased by NOK 368 million compared to previous year with NOK 307 million being attributable to the acquired company PWR Oy. In addition, operating revenue was positively affected by increased project volumes in the Finnish market. Operating profit increased by NOK 15 million from NOK 29 million in 2015 to NOK 44 million in 2016. However, operating margin decreased from previous year's 10.6 per cent to 6.8 per cent this year. The decrease in operating margin is mainly due to the acquisition of PWR which operates in the distribution grid market with overall lower margins. Additionally, operating profit was negatively impacted by non-recurring items of NOK 2.9 million, mainly explained by asset impairment expenses. The adjusted operating margin ended at 7.2 percent.

As of the reporting date, the segment had a total order book of NOK 695 million, of which NOK 370 million relates to 2017. Total orders on hand have increased by NOK 444 million compared to the end of December previous year, mainly attributable to order reserves related to the acquired company PWR.

Other
The "Other" business area comprises Group administration and expenses relating to group-level functions. Operating loss for the period was NOK 12 million compared to loss of NOK 25 million in 2015. The decrease in operating expenses is explained by organizational changes of support functions where support functions are moved from group to segment level. The 2016 result was positively impacted by pension plan changes amounting to NOK 3 million. However, expenses related to adapt to the new strategy 2017-2019 - amongst others market analysis and digitalization, as well as impairment expenses related to existing IT investments - of NOK 9 million exceeded the positive pension plan change effect.

Personnel, working environment and equality

Infratek accords high importance to promoting its employees' professional and personal development. The Group will continue to retain, develop and attract the market's leading specialists. Continued availability of critical expertise within technical areas when seen in light of future retirements is a challenge. The ability to attract new employees and retain existing core expertise will be essential for Infratek's development over the next strategy period of three years. These issues have been placed at the top of the Group's agenda.

Internally we communicate with Workplace (Facebook@Work) which was implemented in our organization in September 2016. We already see the benefit of being able to communicate with our employees both across and within countries, divisions and departments in a better and smoother way that attracts our employees. Infratek is among the first in our industry to use the solution.

At the end of 2016 the Group employed 1,317 employees, compared to 1,186 employees at the end of the previous year, a year-on-year increase of 131, mainly as result of the acquisition of PWR in Finland.

The Group's business has a technical emphasis and is male-dominated. Infratek aims to achieve a more equal gender balance and seeks to employ staff of varied experience, age and interests. At the end of 2016, 9.1 per cent of the company's employees were women compared to 8.0 per cent at the end of 2015.

The Board of directors of Infratek Group AS consists of three members. Operational matters within the group are processed by the board of Infratek AS which consists of eight members.

The Group is working actively with targeted and systematic efforts to prevent discrimination based on ethnicity, national origin, ancestry, skin colour, language, religion and beliefs. These activities include recruitment, wages and working conditions, promotion, development opportunities and protection against harassment. This is also one of the principles stated in Infratek's Corporate Social Responsibility policy.

The Group strives to be a workplace where there is no discrimination on grounds of disability. The Group is working actively and making targeted efforts to design and facilitate physical conditions such that the company's various functions can be used by as many people as possible. For employees or applicants with disabilities, the workplace and job responsibilities are adapted to suit the individual on a case-by-case basis.

For the board's statement on salaries and other remuneration paid to senior executives, see Note 20, which is deemed an integral part of the Report from the Board of Directors.

Health, safety and the environment

At Infratek, HSE (health, safety and the environment) is part of our DNA. As part of Infratek's focus on health and safety of our employees, we strive towards our vision of zero accidents and zero incidents. We are also committed to minimize the impact of our activities on the environment, and are working continuously to improve our environmental performance. There were no acute spills that affected the environment negatively neither in 2016 nor 2015.

During 2016, we re-organized our HSEQ team and have added both new competence and capacity to better support the business units in this area. Risk assessments and better planning of each tasks in our assignments are important focus areas for improvement. Training and close follow-up and support to improve compliance to our working methods and safety procedures are also prioritized areas.

Infratek has dedicated HSE managers in respectively Norway, Sweden and Finland. It is also established a Safety Committee, which reviews incidents that have either resulted in serious injuries, significant harm to the environment, major economic losses or production downtime, along with near misses that could have resulted in the same given slightly different circumstances. In 2016, the number of severe incidents were 5, compared to 8 in 2015, while the Lost Time Injury Frequency has fluctuated between 9 and 10 for the group during the year. In comparison, the Lost Time Injury Frequency in 2015 fluctuated between 10 and 12.

The sickness absence rate has increased in 2016 with an average sick leave rate of 5.5 per cent compared to 4.9 per cent in 2015. The absence rate in the legal units and countries varied from 3.1 per cent to 7.7 per cent. The various companies work with both public and private health companies to identify and implement measures to reduce sickness absence, and Infratek aims to increase its cooperation with the industrial health service on that matter.

Sound environmental management is an important part of Infratek's social responsibility initiatives. At the heart of the Group's environment policy is the idea that principles of sustainability shall underpin the further development of its business, products and services. Infratek is certified to the ISO 14001 environmental standard. To boost each individual employee's competence and awareness of environmental issues, Infratek has implemented a mandatory environmental e-learning program for all Group employees. All new Infratek employees will also undergo the same training.

Infratek's impact on the external environment primarily relates to management of waste and use of transport means. The Group has waste management agreements which ensure that waste from our activities is collected and treated in the best possible way for the environment. The Group continues to work to make its vehicle fleet more efficient and renew it with more environmentally friendly vehicles. Infratek shall therefore use modern vehicles with low CO2 emissions, and the Group's target is not to use service vehicles older than five years.

Infratek has approximately 1,400 vehicles at its disposal. The 1,100 vehicles and over 300 trailers are vital for Infratek's ability to build, operate and maintain critical infrastructures. The fact that our vehicles are indispensable for our capacity to respond in emergency situations, also determines the type of vehicles we need to have. For example, when there is a power failure, Infratek must be ready to respond, no matter what's the season, time of the day or geographic location. Modern society depends on us being able to do our job quickly and efficiently, so that power is restored within a short timeframe. Not all power cables and substations are located on city streets or paved roads. The majority of the work we do, whether in response to an emergency situation or not, takes place well off the beaten track. That is why most of our vehicles have four-wheel drive, a tow bar and a diesel engine. We always must be able to get where we need to go, with everything necessary on hand. Normally this means, bringing a trailer full of parts and tools, in which case, high torque and four-wheel drive are important. Particular in the winter times.

The safety of those who are out working in all weathers and all driving conditions is crucial. Infratek employees must get to work and return home safely. This requirement is reflected in our fleet. That is also why we lease all our vehicles. They are replaced every three years, or after 150,000 km. In this way, we ensure that we always have the latest available safety equipment, at the same time as the vehicles' engines are more environment-friendly. We have set tangible environmental targets: Every year we will reduce our total emissions of carbon dioxide and NOx, and we will have a high percentage of environment-friendly vehicles.

In the Nordic region, Infratek is the market leader for the construction of charging stations for electric cars. However, our emergency response requirements for vehicles with four-wheel drive and tow bars mean that we currently do not have any electric cars in our fleet. Furthermore, almost all our call-outs are in response to power outages, which makes on-site recharging impossible. Nevertheless, Infratek aims to purchase electric vehicles with the necessary capabilities as soon as they are available in the Nordic market.

Risk and internal controls

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

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

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

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

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

Credit, liquidity and foreign currency risk
Infratek's activities primarily target the business market and the number of customers is limited. Historically Infratek's bad debt exposure has been insignificant. The group has some dependencies on a few large customers.

Interest rate risk primarily relates to the Group's interest expenses on the Group's Bond and other interest-bearing debt net of interest income on cash holdings. The Group enjoys sound access to liquidity, and has positive cash holdings and an unutilized credit facility of NOK 100 million. Loan covenants are attached to the Group's credit facility and bank guarantees, which are to be measured on Infratek AS consolidated accounts.

Infratek operates in Norway, Sweden and Finland, but the Group's presentation currency is NOK. The company is therefore exposed to currency fluctuations from SEK and EUR to NOK. The Group purchases goods in foreign currency to a limited extent.

The Group's liquidity, credit and foreign currency risk is considered to be manageable.

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

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

The Group has taken out insurance to cover all material types of damages and injuries.

Operational risk is managed through detailed procedures for activities in all operational units and various types of contingency plans. Infratek has an extensive system for recording and reporting hazardous conditions, undesired events and injuries/damage. These are analyzed on an ongoing basis in order to prevent and restrict any consequences, and to ensure the Group to be able to follow up causal relationships and take appropriate measures.

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

Corporate Governance

Infratek's corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance (NUES), Infratek's articles of association, code of conduct and strategy, and accords with legislation and rules for Norwegian listed companies. The Group's policies and procedures for corporate governance are approved by the Board of Directors and published on the Group's homepage; see Infratek.no/investor/corporate_governance for more information. Separate guidelines have also been prepared describing the Group's work on anti-corruption, anti-trust and anti-money laundering.

Ownership structure and shareholder issues

Per 31 December 2016, the Infratek Group AS's share capital totalled NOK 34 100 allocated to 31 shares. All shares are owned by Heraldic Midco s.a.r.l.

Dividend and allocation of profit for the year in the parent company

Infratek Group AS' result for 2016 ended at NOK 180 million. The board proposes that no dividend is paid based on the annual report 2016. The result for the period is proposed allocated to other equity.

Subsequent events

With transaction date 1 March 2017, Infratek has acquired a part of Helen Ltd's Technical Services Division – Electrical Maintenance with approximately 30 employees. The business provides basic electrical maintenance services for substations including switchgear and transformer maintenance as well as testing services. Furthermore, the organization provides services to GIS switchgear and tap changers as well as oil testing to transformers in addition to being the only operator with experience of providing 24/7 standby services for Helen's substations. The business has significant experience of providing electrical relay protection and automation services for 400V to 110kV voltages. The purchase is done to strengthens Infratek's position in the Finnish energy market.

Outlook for 2017

The market is growing in all the five areas that Infratek engages in, i.e. electrical grids in Norway, Sweden and Finland, Railway and Infra Solution. The overriding aim is to strengthen Infratek's position in our markets for critical infrastructure - through profitability and growth. The board of directors believes that Infratek is well equipped to develop the Group further in this direction, to deliver and become a leading Nordic player.

An increased efficiency in operations has boosted Infratek's competitiveness, while the award of several strategically important and long-term contracts has reinforced the Group's market position. For the coming years, this work will continue, but more attention will be given to growth. The acquisition of PWR OY and Helen Ltd's Technical Services Division strengthens Infratek's market position in Finland by complementing and enforcing Infratek's existing activities in Finland.

The total order book for 2017 is satisfactory, but seasonal fluctuations during the year can give significant variations in workload from quarter to quarter.

Service providers that manage to build critical infrastructure in the most effective way will have a competitive advantage. Infratek's Nordic market position and strong financial position, makes Infratek well positioned to meet the challenges facing the Group in the future.

The Board of Directors of Infratek Group AS **Oslo, 26 April 2017**

Carl Johan Falkenberg	**Petter Darin**	**Carl Johan Renvall**
Board chairman	Board member	Board member

Consolidated statement of profit and loss and other comprehensive income

1 January - 31 December

Amounts in NOK million	Note	2016	2015
Operating revenues	**5, 8**	3,131	2,712
Materials and subcontractor expenses	**9**	-1,650	-1,276
Salaries and other personnel expenses	**16, 19, 20**	-885	-929
Depreciation and amortization	**6, 7**	-39	-38
Other operating expenses	**6, 18**	-283	-308
Operating profit		**273**	**161**
Financial income	**21**	3	1
Financial expenses	**21**	-48	-57
Net financial income (expenses)		**-45**	**-57**
Profit (loss) before tax and discontinued operations		**228**	**105**
Tax expense	**22**	-62	-34
Profit (loss) for the period		**166**	**70**
Other comprehensive income			
Items that may be recycled subsequently to profit or loss:			
Exchange differences on translating foreign operations		-46	43
Items that will not be recycled subsequently to profit or loss:			
Remeasurement gains and losses pensions	**16**	13	34
Tax expense on other comprehensive income	**15, 16**	-3	-9
Other comprehensive income for the period		**-36**	**68**
Total comprehensive income for the period		**130**	**138**
Profit (loss) for the period attributable to:			
Parent company shareholders		166	70
Profit (loss) for the period		**166**	**70**
Total comprehensive income attributable to:			
Parent company shareholders		130	138
Total comprehensive income for the period		**130**	**138**

Note 1-27 are presented on the page following the financial statements and integral to them.

Consolidated statement of financial position

31 December

Amounts in NOK million	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	71	89
Intangible assets and goodwill	**7, 23**	631	611
Deferred tax assets	**15**	-	31
Pension assets	**3, 16**	71	-
Total non-current assets		**773**	**731**
Current assets			
Inventory	**9**	5	6
Accounts receivable and other receivables	**10**	793	706
Cash and cash equivalents	**11**	141	357
Total current assets		**940**	**1,069**
TOTAL ASSETS		**1,713**	**1,800**
EQUITY AND LIABILITIES			
Equity attributable to company shareholders			
Share capital and share premium	**12**	253	253
Other equity		173	179
Total equity		**427**	**432**
Non-current liabilities			
Bond	**3, 14**	641	637
Other interest-bearing long-term debt	**3, 14**	1	69
Pension obligations	**16**	-	51
Deferred tax	**15**	12	4
Provisions	**24, 25**	33	10
Total non-current liabilities		**687**	**772**
Current liabilities			
Accounts payable and other current liabilities	**3, 13, 24**	570	570
Taxes payable	**22**	16	9
Provisions, current	**24**	8	13
Short-term interest-bearing debt	**3, 14**	4	5
Total current liabilities		**599**	**597**
Total liabilities		**1,286**	**1,368**
TOTAL EQUITY AND LIABILITIES		**1,713**	**1,800**

Note 1-27 are presented on the page following the financial statements and integral to them.

The Board of Directors of Infratek Group AS **Oslo, 26 April 2017**

Carl Johan Falkenberg
Board chairman

Petter Darin
Board member

Carl Johan Renvall
Board member

Consolidated statement of cash flows

1 January - 31 December

Amounts in NOK million	Note	2016	2015
Profit (loss) before tax and discontinued operations		**228**	**105**
Adjustment for:			
- Depreciation and amortization	**6, 7**	39	38
- Financial income and expenses	**21**	44	54
- Change in pension liabilities and actuarial gains and losses	**16**	-110	-46
- Other non-cash items and changes in accruals		-2	-12
Changes in working capital:			
- Accounts receivable and other receivables		-30	-48
- Accounts payable and other current debt		-54	105
- Other working capital elements		-16	35
Taxes paid		-25	-12
Net cash flow from operating activities		**76**	**219**
Cash flow from investing activities			
Payments on acquisition of subsidiaries (net of cash acquired)	**23**	-28	-
Investments in fixed assets	**6, 7**	-9	-10
Proceeds on sale of fixed assets		6	8
Net cash flow from investing activities		**-31**	**-2**
Cash flow from financing activities			
Repayment of debt		-79	-
Payments of dividends	**12**	-135	-
Net interest payments		-42	-43
Net cash flow from financing activities		**-256**	**-43**
Net change in cash and cash equivalents		**-212**	**174**
Cash and cash equivalents as of 1 January		357	175
Exchange rate differences on cash and cash equivalents		-5	8
Cash and cash equivalents as of 31 December	**11**	**141**	**357**

Note 1-27 are presented on the page following the financial statements and integral to them.

Consolidated statement of changes in equity

Amounts in NOK million	Note	Share capital	Share premium	Retained earnings	Accumu-lated translation differences	Actuarial gains and losses pensions	Total equity
Equity as of 1 January 2015		**0**	**253**	**18**	**32**	**-8**	**295**
Profit (loss) for the period		-	-	70	-	-	70
Other comprehensive income		-	-	-	43	25	68
Total comprehensive income for the period		**-**	**-**	**70**	**43**	**25**	**138**
Equity as of 31 December 2015		**0**	**253**	**87**	**76**	**16**	**432**
Profit (loss) for the period		-	-	166	-	-	166
Reclassification		-	-	-4	4	-	-
Other comprehensive income		-	-	-	-46	10	-36
Total comprehensive income for the period		**-**	**-**	**162**	**-42**	**10**	**130**
Transactions with owners							
Dividend distribution	**12**	-	-	-135	-	-	-135
Total transactions with owners		**-**	**-**	**-135**	**-**	**-**	**-135**
Equity as of 31 December 2016		**0**	**253**	**113**	**35**	**25**	**427**

Note 1-27 are presented on the page following the financial statements and integral to them.

Note 1 General information

Infratek Group AS was established as a private limited liability company incorporated in Norway on 28 May 2013. The Company entered into an agreement to acquire the majority of the ownership interests in the listed company Infratek ASA on 25 June 2013. Infratek Group AS acquired the remaining shares in Infratek ASA in 2014 and delisted the company on 20 March 2014.

Infratek Group AS and its subsidiaries (collectively referred to as the Group) is a leading supplier of technical services for development and operation of critical infrastructure in Norway, Sweden and Finland. The Group's business activities are directed at the corporate market: primarily grid owners, energy companies, and the public sector. See note 5 for more information on the Group's business segments.

The Group operates its business activities through subsidiaries. Infratek Group AS is domiciled in Norway and headquartered at Breivollveien 31 in Oslo.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 April 2017 and are subject to approval by the Annual General Meeting on 26 April 2017.

Note 2 Summary of significant accounting principles

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

2.1 Basis of preparation

The consolidated financial statements of Infratek Group AS have been prepared and presented in accordance with International Financial Reporting Standards and IFRIC interpretations, as adopted by the EU (IFRSs). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and net defined benefit (asset) liability is recognized at fair value of plan assets less the present value of the defined benefit obligation. The preparation of financial statements according to IFRS requires the use of estimates. Furthermore, the application of the company's accounting principles requires management to exercise judgment and apply assumptions. Areas highly subjected to the exercise of such judgment or with a high degree of complexity, and areas where assumptions and estimates are material to the consolidated financial statements, 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

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations adopted by the Group
The following standards affecting the consolidated financial statements have been implemented for the financial year beginning 1 January 2016:

- Annual Improvements to IFRSs 2012–2014 Cycle –various standards
- Disclosure Initiative (Amendments to IAS 1)

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards, amendments and interpretations of existing standards issued but not effective for the financial year beginning 1 January 2016 and not early adopted:
A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

- **IFRS 9 Financial Instruments** addresses the classification, measurement and recognition of financial assets and financial liabilities. In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for financial assets that are managed on a fair value basis.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's will identify data gaps against current processes and plans to implement the system and controls changes that it believes will be necessary to capture the required data.
The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

- **IFRS 15 Revenue from Contracts with Customers** establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

  The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved. The Group has performed an initial assessment on previous contract modifications and does not expect that there will be a significant impact on its consolidated financial statements.

  The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements. The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

- **IFRS 16 Leases** introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

  The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office buildings, warehouse facilities, cars and machinery. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

  As a lessee, the Group can either apply the standard using a:

  - Retrospective approach; or
  - Modified retrospective approach with optional practical expedients.

  The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply. The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption. The Group expects that adoption of IFRS 16 will not impact its ability to comply with the revised maximum leverage threshold loan covenant described in Note 14.

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

2.2 Consolidation principles

2.2.1 Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If the sum of the consideration, capitalized amount of non-controlling shareholders and fair value of previous ownership on the acquisition date surpasses the actual value of identifiable net assets in the acquired company, the difference shall be recognized as goodwill. If the amount is lower than the acquired company's net asset value, the difference should be recognized immediately as profit in profit or loss. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

On an acquisition- by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

If the business combination is achieved in stages, the acquisition 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.

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

2.2.2 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. In the case of additional purchases, the difference between the consideration paid and the relative share of net assets in the subsidiary is booked to the equity attributable to company shareholders. Gains or losses on disposals to non-controlling interests are also recognized in equity.

2.2.3 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 amount booked to 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in the same way as for internal reporting to the company’s chief operating decision maker. The company’s chief operating decision maker, which is responsible for allocating resources and assessing the financial performance of the operating segments, is defined as Group management.

2.4 Foreign currency

2.4.1 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.

2.4.2 Transactions and balance sheet items
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates 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 reporting date, and are recognized in the profit and loss account.

2.4.3 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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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
- All resulting exchange differences are recognized in other comprehensive income and specified separately in equity.

Goodwill and fair value adjustments related to acquisitions of foreign entities are treated as assets and liabilities of the acquired entities and are translated at the exchange rate in effect on the balance sheet date. Exchange differences arising are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant, and equipment are recognized at acquisition cost less depreciation and impairment charges. Acquisition cost includes costs directly associated with the acquisition of a certain item of property, plant and equipment.

Expenses that significantly increase the life of assets and/or increase capacity are added to the balance sheet value of property, plant and equipment, 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 recognized in the profit and loss account for the period in which the expenses are incurred.

Property, plant and equipment 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	- *)
Buildings	30 years
Machinery, furniture, vehicles etc.	3-12 years
IT-equipment (hardware)	3 years

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

The useful life of each item of property, plant and equipment, along with its residual value, is reassessed each balance sheet date and modified if necessary. When the carrying value of an item of property, plant and equipment 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 property, plant and equipment are recorded in the profit and loss account at the difference between the net disposal proceeds and balance sheet value.

2.6 Intangible assets and goodwill

2.6.1 Goodwill
Goodwill is recognized at acquisition cost less accumulated impairment losses, and reviewed annually for impairment. Gains or losses on the sale of an activity include the goodwill in the statement of financial position of the disposed activity.

Goodwill arising from a business combination is allocated to the smallest cash generating unit (CGU) or group of CGUs that are expected to benefit from the synergies of the combination. A CGU is the smallest unit that generates cash inflows from continuing use that are largely independent of the cash inflows of other CGUs. 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.

At each reporting date, the Group reviews the carrying amount of goodwill to determine whether there is any indication of impairment. If any such indication exists, then the goodwill's recoverable amount is estimated. The recoverable amount of goodwill is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows of the CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss in respect of goodwill is not reversed.

2.6.2 Software and licenses

Software and licences comprise investments associated with the Group's ERP system (IFS) which is recognized at acquisition cost less amortization and impairment charges, as well as the establishment of an in-house ICT platform. The ICT investments follow an amortization plan as shown below:

ICT base system investment	10 years
ICT Development of systems and other ICT related investments	3-5 years

2.7 Impairment of non-financial assets

Intangible assets with indefinite useful lives are not depreciated, but are tested annually for impairment. Tangible fixed assets and intangible assets that are depreciated or amortized are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. 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.

When testing for impairment, non-financial assets are grouped at the lowest level at which it is possible to distinguish independent cash inflows (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. Financial assets are recognized at the transaction date using the acquisition price including transaction costs, with a subsequent assessment of the amortized value based on the effective interest method adjusted for any estimated loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.9 Inventory

Inventories are measured at the lower of acquisition cost and net realizable value. Acquisition cost is based on the first-in, first-out (FIFO) principle.

2.10 Accounts receivable

Accounts receivable are amounts due from customers for products sold or services performed as part of the ordinary course of Group business. If collection is expected within one year, they are classified as current assets. Otherwise, they are classified as non-current assets.

Customer receivables are initially measured at fair value and subsequently measured at amortized costs using the effective interest method. An allowance for losses is recognized when there are objective indicators that the Group will not receive settlement according to original terms. Allowance for losses consists 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 include cash in hand, current balances with banks and similar institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in fair value and have a maturity of three months or less from the acquisition date. The revolving credit facilities are presented in the balance sheet under short-term debt.

2.12 Share capital and share premium

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.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.14 Accounts payable

Accounts payable 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 if 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. Subsequently, accounts payable is measured at amortisation cost by use of effective interest method.

2.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity and other comprehensive income. In this case, the tax is also recognized 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 and its 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 recognized 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 recognized. 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 realized or when the deferred tax is settled. Deferred tax assets are recognized in the statement of financial position to the extent it is probable that future 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.

2.16 Pension liabilities and other employee-benefit plans

2.16.1 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. With effect from 1 January 2017, Infratek has discontinued pension earnings within its Norwegian defined benefit plans. All active members of the defined benefit plans have been transferred to defined 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 recognized in the statement of financial position 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. The present value of future benefits accrued at the balance sheet date is calculated by discounting estimated future payments at an 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.

Actuarial gains and losses attributable to changes in actuarial assumptions or base data are recognized 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 recognized directly in the income statement. Changes that are not issued with retrospective effect are recognized in the income statement over the remaining service time.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognized in the statement of financial position at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes 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**

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 recognized 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 recognized in the financial statements of Norwegian, Swedish and Finnish subsidiaries.

2.16.2 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 recognizes 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.

2.17 Provisions

The Group recognizes 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. Provisions for restructuring costs include termination charges on leasing contracts and severance pay to employees. No provisions are made for future operating losses.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Provisions are recognized at the present value of expected payments to meet the obligation. A pre-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 recognized as an interest expense.

2.18 Revenue recognition

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

2.18.1 Sale of services

The Group delivers services in the areas of maintenance and contingency services for critical infrastructure. The Group's services cover distribution grids, central and regional grids, cables, railway systems, street lighting, metering and control services.

Revenues from services are recorded when the service has been performed, and 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 recognized 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.

2.18.2 Construction contracts

Construction contract revenue recognized results from the construction of critical infrastructure, such as construction of distribution grids, central and regional grids and transformer stations.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. If the outcome of a construction contract can be estimated reliably, then contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit and loss.

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. They are measured at costs incurred plus profits recognized to date less progress billings and recognized losses. In the statement of financial position, construction contracts in progress for which costs incurred plus recognized profits exceed progress billings and recognized losses are presented as trade and other receivables. Contracts for which progress billings and recognized losses exceed costs incurred plus recognized profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income.

2.19 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 assets, and as to which the Group substantially has all the risks and rewards incidental to ownership, are classified as finance leasing. Finance leasing is recognized in the statement of financial position at the beginning of the lease period at the lower of fair value of the leased 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 statement of financial position shows a constant interest expense on outstanding lease commitments. Interest expenses are recognized in profit or loss as financial expenses. Lease liabilities are classified as other short-term liabilities or other long-term liabilities. Fixed assets acquired through financial lease agreements are depreciated over the expected lifetime or the lease period, whichever is shorter.

2.20 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.

2.21 Interest income

Interest income is recognized 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 recognized 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 of Directors Report as well as guidelines for corporate governance.

3.1 Currency risk

Infratek is only to a limited extent operationally influenced by changes in foreign exchange rates, 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 through forward contracts or similar if required. As of 31 December 2015 and 2016, the Group had no financial derivates for currency hedging.

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 in foreign subsidiaries does not have currency hedging, and exchange rate fluctuations do affect the Group's equity.

Net exchange differences on translating foreign operations to NOK in 2016 was NOK -46 million (NOK 43 million). The table below shows the effect of the Group's loss / gain on exchange rates by a plus or minus 10 per cent change in exchange rates from SEK and EUR to NOK for the financial year 2016. 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	39	-39
Effect on other comprehensive income and equity	EUR	15	-15
Total effect on other comprehensive income and equity		**55**	**-55**

3.2 Interest rate risk

The Group's operating revenue 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 revenue and cash flow. The Group is primarily exposed to interest rate risk associated with long-term debt, and to a lesser degree with cash and cash equivalents. The Group's long-term debt mainly consists of a bond of NOK 642 million. A long-term interest-bearing debt of NOK 70 million with fixed interest rate was repaid in April 2016. The bond is a floating interest rate loan, with a duration of 5 years and coupon of 3 months' NIBOR + 5 %. A +/- 1 percentage point change in NIBOR would impact the Group's interest expenses with approximately -/+ NOK 7 million per year.

At year-end 2016, the Group had net cash holdings of NOK 141 million (NOK 357 million) and had earned NOK 0 million (NOK 1 million) in interest income during the year. Variations in NIBOR, STIBOR and EURIBOR will affect interest income on cash reserves as well as the Group's capital costs.

3.3 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. As of 31 December 2016, Infratek had cash and cash equivalents of NOK 141 million (NOK 357 million). Infratek has also an unused NOK 100 million credit facility with Swedbank with a duration of 57 months from May 2014, which means with an expiration date of February 2019. Infratek's borrowing agreement with Swedbank is conditional upon certain Covenants related to Infratek AS Group. The Group's cash flow from operating activities in 2016 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*:

2016 Amounts in NOK million	1 year	2-3 years	3-5 years	5 years or later	Total
Bond	44	711	-	-	755
Total long-term debt	**44**	**711**	**-**	**-**	**755**

2015 Amounts in NOK million	1 year	2-3 years	3-5 years	5 years or later	Total
Bond	45	89	667	-	802
Other interest-bearing long-term debt	-	-	-	404	404
Total long-term debt	**45**	**89**	**667**	**404**	**1,206**

*) Including interest payments

Maturity-analysis financial short-term debt:

2016 Amounts in NOK million	0-30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
Accounts payable	187	1	1	1	2	190
Other current liabilities	80	-	101	-	52	233
Total current financial liabilities	**266**	**1**	**102**	**1**	**54**	**423**

2015 Amounts in NOK million	0-30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
Accounts payable	158	2	1	31	0	192
Other current liabilities	49	-	96	-	55	201
Total current financial liabilities	**207**	**2**	**97**	**31**	**55**	**392**

3.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents and other financial assets. The carrying amounts of financial assets represent the maximum credit exposure.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Credit risk arising from receivables from customers 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.

With regards to concentration of credit risk, three customers primarily in the Norway and Sweden segments each contributed revenues of more than 10 per cent of the total revenues of the Group. Together these three customers contributed to revenue of approximately NOK 1,334 million (2015: NOK 1,315 million) during 2016. Revenues from one customer of the Group's Norway segment represented approximately NOK 467 million (2015: NOK 527 million) of the Group's total revenue. In the Sweden segment, one customer represented NOK 522 million (2015: NOK 513 million), the other customer NOK 345 million (2015: NOK 275 million) of the Group's total revenue. No other single customer contributed 10 per cent or more to the Group's revenues for the year 2016.

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31 December 2016 is as follows:

Maturity-analysis accounts receivable

2016

Amounts in NOK million	Not due	0-30 days	30-60 days	60-90 days	90-120 days	Total
Accounts receivable	562	21	1	1	6	591

2015

Amounts in NOK million	Not due	0-30 days	30-60 days	60-90 days	90-120 days	Total
Accounts receivable	479	29	3	1	9	521

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Changes in the allowance for doubtful debts

Amounts in NOK million	2016	2015
Balance at beginning of the year	-1	-1
Impairment losses recognized on receivables	-1	-2
Amounts written off during the year as uncollectible (confirmed loss)	0	2
Closing balance allowance for doubtful debts	**-2**	**-1**

3.5 Categories of financial instruments

The Group's financial instruments are categorized as follows:

	2016		2015	
Amounts in NOK million	Loans and receivables	Total	Loans and receivables	Total
Assets				
Accounts receivable and other receivables (excluding non-financial receivables) [1)]	770	770	680	680
Cash and cash equivalents	141	141	357	357
Total financial assets	**911**	**911**	**1,037**	**1,037**

Amounts in NOK million	Other financial obligations at amortized cost	Total	Other financial obligations at amortized cost	Total
Liabilities				
Bond	641	641	637	637
Other interest-bearing long-term debt	1	1	69	69
Accounts payable and other current liabilities (excluding non-financial liabilities) [2)]	423	423	392	392
Total financial liabilities	**1,066**	**1,066**	**1,098**	**1,098**

[1)] Prepaid expenses and other receivables are not considered financial assets and are omitted compared to the line item in the statement of financial position. See also note 10.

2) Pre-invoiced income and other current liabilities are not considered financial liabilities and are omitted compared to the line item in the statement of financial position. See also note 13.

The carrying value of current financial asset and liabilities approximates their fair values.

As the interest on the bond is floating rate (NIBOR + 5 percent premium), the group has deemed the fair value to be equal to the carrying amount. No events have occurred that are deemed to materially affect the premium since the bond agreement was signed.

3.6 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 monitors its capital structure by following the developments in net interest bearing debt as well as its leverage ratio, defined as Bond including accrued interest net of cash and cash equivalents divided by EBITDA ("earnings before interest, taxes, depreciation and amortization"). To facilitate comparability, Infratek uses in its calculations an adjusted EBITDA. The adjusted EBITDA includes only income and expenses related to recurring, underlying operations. Infratek defines non-recurring items as items of unusual or non-recurring nature which represent gains or losses, including amongst others expenses arising on the restructuring of activities, reversal of provisions related to non-recurring items occurred in previous years and disposals and impairments on non-current assets.

Net interest-bearing debt

Amounts in NOK million	**2016**	**2015**
Bond incl. accrued interest	647	642
Cash and cash equivalents	-141	-357
Net interest-bearing debt (cash)	**505**	**284**
Leverage ratio	**2.2**	**1.4**

In relation to the issue of the bond in 2014 the group changed its follow up on capital management. The bond requires an incurrence test to be performed and met in order for Infratek Group AS to distribute funds. The incurrence test is to be tested pro forma immediately after a distribution. The test requires that the leverage ratio does not exceed 3.00, and that the interest coverage ratio (defined as Last Twelve Months (LTM) EBITDA divided by net LTM interest cost) exceeds 3.00.

Note 4 Use of judgement and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, based on historical experience and other factors, including expectations to future events deemed probable under the current circumstances. Revisions to estimates are recognized in the financial period when the changes occur and in all subsequent financial periods.

The areas where significant judgments and estimates are made in preparing the financial statements and where a subsequent change in the judgements, estimates and assumptions may cause a material adjustment to the carrying amounts of assets and liabilities are outlined 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 performs tests to assess the extent of impairment of goodwill, see note 2.6. The recoverable amount from cash-generating units is determined by calculating its value in use. These calculations require the use of estimates (see also note 7).

Deferred tax assets
Deferred tax assets are recognized to the extent that it is probable that the tax assets will be realized. Significant judgement is required to determine the amount that can be recognized and depends on the expected timing, level of taxable profits and the existence of taxable temporary differences. The judgements relate primarily to tax losses carried forward in the Group's parent company. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated.

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. Some other relevant assumptions are partly based on regular market terms. For additional information, see note 16.

Note 5 Business segment reporting

The Group reports its business activities in three geographical segments – Norway, Sweden and Finland. Operational segments are based upon Group management reporting guidelines when allocating resources and assessing profitability.

Segment information is presented for the Group’s business areas. The business segments reflect the Group's operations in the geographical areas 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 items when the income or expense are the result of an isolated incident which is not expected to be repeated. The accounting policies of the business segments are the same as those described in the summary of significant accounting principles, see Note 2.

An overview of business segments follows:

- **Norway:** Operations in Norway are organized within the areas Electrical Grids, Electrical Safety and Infra Solutions. Electrical Grids is aimed at the product areas distribution grids, transmission grids, transformer stations and power cables. Electrical Safety provides inspection and monitoring services on behalf of grid companies. Infra Solutions offers services within lighting services, project and metering.

- **Sweden:** Operations in Sweden are organized within the areas Electrical Grids, Projects and Railway. Electrical Grids is aimed at the product areas distribution grids, transmission grids, transformer stations and power cables, and offers services within street lighting and metering. Projects operates as an end-to-end supplier of projects within the high voltage electrical infrastructure. Railway delivers services to constructors and owners of infrastructure for railway.

- **Finland:** Operations in Finland deliver products and services within the central transmission grid, especially related to transformer stations.

- **Other (Group):** This segment comprises mainly of group costs in the form of costs incurred by Infratek Group AS and Infratek AS in connection with the Board, CEO and Group Finance, day-to-day financial reporting, as well as shortfall of subleasing revenues from the company’s headquarters.

- **Eliminations:** This comprises elimination of Group internal sales and profit from discontinued operations.

2016 Amounts in NOK million	Norway	Sweden	Finland	Other	Elimi- nations	Group
Gross segment operating revenue	999	1,479	642	10	-	3,131
Inter-segment sales	1	1	-	47	-49	-
Operating revenues	**1,000**	**1,480**	**642**	**57**	**-49**	**3,131**
Purchased material	-396	-846	-410	-	2	-1,650
Gross profit	**604**	**634**	**233**	**57**	**-47**	**1,480**
Salaries and other personnel expenses	-307	-405	-149	-24	-	-885
Other operating expenses	-128	-137	-31	-35	47	-283
EBITDA	**169**	**93**	**53**	**-2**	**-**	**312**
Depreciation and amortization	-10	-10	-9	-10	-	-39
EBIT	**159**	**83**	**44**	**-12**	**-**	**273**
Net financial income (expenses)	4	-1	-1	-47	-	-45
Profit (loss) before tax	**162**	**82**	**43**	**-59**	**-**	**228**
Tax	-40	-18	-9	4	-	-62
Profit (loss) for the period	**122**	**64**	**34**	**-55**	**-**	**166**
Non-recurring items	93	-2	-3	-6	-	83
Adjusted EBIT	**65**	**85**	**46**	**-7**	**-**	**190**

2015 Amounts in NOK million	Norway	Sweden	Finland	Other	Elimi- nations	Group
Gross segment operating revenue	1,002	1,425	274	12	-	2,712
Inter-segment sales	8	5	-	28	-40	-
Operating revenues	**1,010**	**1,429**	**274**	**40**	**-40**	**2,712**
Purchased material	-371	-767	-150	-	12	-1,276
Gross profit	**638**	**662**	**124**	**40**	**-28**	**1,436**
Salaries and other personnel expenses	-406	-426	-64	-34	-	-929
Other operating expenses	-134	-153	-28	-20	28	-308
EBITDA	**98**	**83**	**32**	**-14**	**-**	**199**
Depreciation and amortization	-12	-12	-3	-11	-	-38
EBIT	**86**	**72**	**29**	**-25**	**-**	**161**
Net financial income (expenses)	5	-3	-0	-59	-	-57
Profit (loss) before tax	**91**	**69**	**29**	**-84**	**-**	**105**
Tax	-26	-15	-6	13	-	-34
Profit (loss) for the period	**65**	**53**	**23**	**-71**	**-**	**70**
Non-recurring items	-2	-	-	-	-	-2
Adjusted EBIT	**87**	**72**	**29**	**-25**	**-**	**163**

In presenting and discussing Infratek's operating results, management uses certain alternative performance measures not defined by IFRS. These alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. EBIT is an alternative term for the IFRS performance measure 'operating profit'. EBITDA is a measure for operating profit according to IFRS corrected for depreciations and amortizations. The adjusted EBIT includes only income and expenses related to recurring, underlying operations. Infratek defines non-recurring items as items of unusual or non-recurring nature which represent gains or losses, including amongst others expenses arising on the restructuring of activities, reversal of provisions related to non-recurring items occurred in previous years and disposals and impairments on non-current assets.

2016 Amounts in NOK million	Norway	Sweden	Finland	Group/ Eliminations	Group
Property, plant and equipment	26	22	20	3	71
Intangible assets and Goodwill	367	145	90	29	631
Receivables and inventory	248	468	129	25	870
Cash and cash equivalents	246	44	64	-212	141
Total assets	**887**	**679**	**302**	**-155**	**1,713**
Equity	684	390	158	-806	427
Pension	0	-	-	-	0
Other liabilities	16	4	29	-3	45
Bond	-	-	-	642	642
Current liabilities	187	285	115	13	599
Total equity and liabilities	**887**	**679**	**302**	**-155**	**1,713**

2015 Amounts in NOK million	Norway	Sweden	Finland	Group/ Eliminations	Group
Property, plant and equipment	33	32	19	5	89
Intangible assets and Goodwill	378	161	50	54	642
Receivables and inventory	206	444	59	3	712
Cash and cash equivalents	560	12	150	-365	357
Total assets	**1,177**	**648**	**278**	**-303**	**1,800**
Equity	895	362	200	-1,024	432
Pension	63	-	-	-11	51
Other liabilities	-	4	0	9	14
Bond	-	-	-	637	637
Other long-term debt	-	-	-	69	69
Current liabilities	220	282	78	17	597
Total equity and liabilities	**1,177**	**648**	**278**	**-303**	**1,800**

Note 6 Property, plant and equipment

Amounts in NOK million	Machinery furniture, vehicles etc.	Total
Carrying amount as of 1 January 2015	**113**	**113**
Acquisitions	6	6
Disposal of fixed assets at carrying value	-5	-5
Depreciation from continuing operations	-28	-28
Currency translation adjustment and other	4	4
Carrying amount as of 31 December 2015	**89**	**89**
Acquisition costs as of 31 December 2015	166	166
Accumulated depreciation as of 31 December 2015	-77	-77
Carrying amount as of 1 January 2016	**89**	**89**
Acquisitions	6	6
Acquisitions from acquired companies	15	15
Disposal of fixed assets at carrying value	-6	-6
Depreciation from continuing operations	-30	-30
Currency translation adjustment and other	-4	-4
Carrying amount as of 31 December 2016	**71**	**71**
Acquisition costs as of 31 December 2016	181	181
Accumulated depreciation as of 31 December 2016	-110	-110
Carrying amount as of 31 December 2016	**71**	**71**
Rate of depreciation (in %)	7 - 33%	

Minimum future payments for operating lease not recorded in the statement of financial position under property, plant and equipment:

2016 **Amounts in NOK million**	**Premises rental**	**Machinery/ equipment**	**Total**
Due within 1 year	35	32	67
Due later than 1 year not later than 5 years	53	57	110
Due later than 5 years	-	1	1
Total	**88**	**90**	**178**
Recognized as operating lease expenses during year	43	38	81

2015 **Amounts in NOK million**	**Premises rental**	**Machinery/ equipment**	**Total**
Due within 1 year	37	28	65
Due later than 1 year not later than 5 years	67	54	121
Due later than 5 years	-	1	1
Total	**104**	**83**	**187**
Recognized as operating lease expenses during year	42	42	84

Note 7 Intangible assets and goodwill

Amounts in NOK million	Goodwill	Software and licences	Total intangible assets
Carrying amount as of 1 January 2015	**569**	**32**	**601**
Acquisitions of intangible assets	-	4	4
Amortization	-	-9	-9
Currency translation adjustments	17	-1	16
Carrying amount as of 31 December 2015	**586**	**26**	**611**
Acquisition costs as of 31 December 2015	586	43	629
Accumulated depreciation as of 31 December 2015	-	-17	-17
Carrying amount as of 1 January 2016	**586**	**26**	**611**
Acquisitions of intangible assets	46	3	49
Amortization	-	-9	-9
Currency translation adjustments	-20	-1	-21
Carrying amount as of 31 December 2016	**612**	**19**	**631**
Acquisition costs as of 31 December 2016	612	46	658
Accumulated depreciation as of 31 December 2016	-	-27	-27
Carrying amount as of 31 December 2016	**612**	**19**	**631**
Rate of amortization (in %)	na	10 - 33%	

Goodwill impairment testing
Management is reviewing the business performance based on geography. Within each country, legal entities have been defined by management as the lowest level generating independent cash inflows. The groups legal entities therefore constitute the CGUs of the group. Goodwill has been allocated to the CGUs based on management's assessment of which CGUs are expected to produce added value. Goodwill has been allocated to each CGU as shown below:

Amounts in NOK million	Segment	2016	2015
Infratek Norge AS	Infratek Norge AS	380	380
Infratek Sverige AB	Infratek Sverige AB	142	156
Infratek Finland Oy	Infratek Finland OY	47	49
PWR Oy	PWR OY	43	-
Total goodwill		**612**	**586**

Revenue, margins and investments are based on management budgets for 2017, strategy documents for the period 2018 and 2019 as well as projections for the interval 2020 and 2021. On projection period for 2020 to 2021, an annual growth rate of 3 percent has been employed. The average growth rate for the period 2017 to 2021 is 6.9 percent. The terminal value is further based on the cash flow for year 2021, whereas an annual growth rate equivalent to 1.75 percent for all subsidiaries is employed. These considerations are on average in line with the general expected economic growth (inflation) for the 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 before tax of 9.8 percent for Norway, 9.6 percent for Sweden and 9.6 percent for Finland has been employed on cash flows before tax. Within the CGUs, there have been no impairment write-downs in 2016.

Sensitivity analysis for key assumptions
Group management considers net cash flows for the interval 2018 to 2021, discount rate and growth rate in terminal value as key assumptions. The Group has performed a sensitivity analysis for all key assumptions by testing to which extent these must be adjusted to arrive at an impairment situation. The below table shows the assumptions that individually must be employed to arrive at an impairment situation:

		Key assumption	
Cash generating unit	**CF CAGR 2018-2021**	**Growth rate TV**	**Discount rate**
Infratek Norge AS	-1%	-12%	16%
Infratek Sverige AB	-28%	-100%	35%
Infratek Finland Oy	-21%	-100%	25%
PWR Oy	-19%	-100%	27%

Note 8 Construction contracts

Amounts in NOK million	2016	2015
Total operating revenues	3,131	2,712
- of which construction contracts	1,060	1,298
Sales of goods and services	**2,071**	**1,414**

Open construction contracts as of 31 December		
Incurred contract expenses 31 December	1,037	674
Incurred contract profit 31 December	100	53
Progress billings	-1,138	-797
Net value contracts in progress 31 December	**-1**	**-70**

Statement of financial position amounts of:		
Incurred, not invoiced	67	35
Pre-invoiced to customer	-68	-105
Net value contracts in progress 31 December	**-1**	**-70**

Remaining production on contracts with estimated loss*	13	21

*) Estimated production losses on remaining contracts, are recognized to the fullest in profit or loss

Note 9 Inventory

Amounts in NOK million	2016	2015
Purchased goods for resale	5	6
Total inventory	**5**	**6**

Write-down of inventory recognized as expense during period	1	-
Total cost of inventories recognized as expense during period *)	749	517

*) The cost of inventories comprises purchased materials excluding expenses related to subcontractors.

Note 10 Accounts receivable and other receivables

Amounts in NOK million	2016	2015
Accounts receivable	591	521
Bad debt reserve	-2	-1
Net accounts receivable	589	520
Accrued revenues	180	160
Prepaid expenses	12	12
Other receivables	12	14
Total accounts receivable and other receivables	**793**	**706**

Note 11 Cash and cash equivalents

Amounts in NOK million	2016	2015
Bank deposits in Group account system	103	343
Bank deposits outside the Group account	38	14
Total bank deposits	**141**	**357**

Split by currency		
NOK	34	196
SEK	44	12
EUR	64	150
Total bank deposits	**141**	**357**

The Group employs the Group account system in Swedbank as per 31.12.2016. A group account system entails joint and several liability for participating companies. Infratek Group AS and PWR Oy do not participate in the Group account system as per 31.12.2016. Infratek AS's accounts constitute the only accounts connected to the banks whereas deposits and withdrawals concerning the subsidiaries' accounts consist of internal accounts with Infratek AS. Participating companies in the Group account system have a joint guarantor liability for consolidated withdrawals in the Group account system.

The Group has a credit facility of MNOK 80 and an overdraft facility of MNOK 20 with Swedbank, of which NOK 0 is drawn per 31.12.2016.

Restricted cash and cash equivalents

Amounts in NOK million	2016	2015
Down payment deposits	1	1
Other restricted cash and cash equivalents*	18	18
Total restricted cash and cash equivalents	**19**	**19**

*) Other restricted cash and cash equivalents comprises funds for social and educational purposes benefiting the employees of the Infratek Group.

Note 12 Additional equity specifications

Share capital and share premium

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

Amounts in NOK million, except number of shares and par value	Number of shares	Par value	Share capital	Share premium	Total
As of 31 December 2015	**31**	**1,100**	**0**	**253**	**253**
As of 31 December 2016	**31**	**1,100**	**0**	**253**	**253**

All shares in Infratek Group AS are owned by Heraldic Midco s.a.r.l.

A dividend of MNOK 135 was paid in 2016, while none in 2015. The Board has not proposed any dividend based on 2016 results.

Note 13 Accounts payable and other current liabilities

Amounts in NOK million	2016	2015
Accounts payable	190	192
Public duties payable	101	96
Incurred expenses	132	104
Pre-invoiced income	128	157
Other current liabilities	20	21
Total accounts payable and other current liabilities	**570**	**570**

Note 14 Interest-bearing debt

Amounts in million NOK	2016	2015
Bond	**641**	**637**
Other long-term debt	-	69
Other long-term interest-bearing debt	1	1
Total other long-term interest-bearing debt	**1**	**69**
Accrued interest on bond	4	5
Total short-term interest-bearing debt	**4**	**5**

In May 2014, Infratek Group AS issued a bond of NOK 650 million, with the duration of 5 years and coupon of 3 months' NIBOR + 5 percent. Initial transaction fees of NOK 18.4 million related to the bond issue have been recognized as part of the carrying amount in the statement of financial position. The bond is carried at amortized cost. Fair value of the debt is assessed to be equal to the recognized amount. The bond was listed on the Oslo Stock Exchange on 17 December 2014.

Bondholders have a share pledge in Infratek Group AS' investment in Infratek AS.

The bond agreement has restrictions related to distribution of funds from the Group. The bond agreement requires an incurrence test to be performed pro forma immediately after a distribution of funds. The incurrence test requires that the leverage ratio (net interest bearing debt excluding debt to Triton Funds to EBITDA < 3.0x) and interest coverage ratio (EBITDA to interest costs > 3.0x). EBITDA means EBIT after adding back any amount attributable to the amortization, depreciation or impairment of assets of any Group company and taking no account of the reversal of any previous impairment charges made. EBIT means the consolidated operating profit of the Group before taxation and including the results from discontinued operations:

a) before deducting any interest, commission, fees, discount, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by any Group company,
b) not including any accrued interest cost to any Group company,
c) before taking into account any non-recurring items,
d) adding or subtracting the Group's share of the profits or losses after finance costs and taxes of entities not being a Group company, and
e) before taking into account any gains or losses on any financial instruments not related to operating cash flows.

Other long-term debt was repaid in full in 2016. The debt had maturity date in 2034 and interest rate of 10 percent to be paid on repayment date or at maturity of the loan.

Note 15 Deferred tax

Amounts in million NOK	2016	2015
Deferred tax assets that is expected realized in more than 12 months	-	31
Deferred tax assets that is expected realized within 12 months	-	-
Deferred tax assets recognized in the statement of financial position as of 31 December	**-**	**31**
Deferred tax that is expected realized in more than 12 months	-12	-4
Deferred tax that is expected realized within 12 months	-	-
Deferred tax liabilities recognized in the statement of financial position as of 31 December	**-12**	**-4**

Amounts in million NOK	2016	2015
Net deferred tax assets (liabilities) at the beginning of the period	27	49
Recognized in the income statement during the period	-35	-13
Tax effect of actuarial gains and losses through Other Comprehensive Income (OCI)	-3	-9
Currency translation adjustments and other changes	-	-
Net deferred tax assets (liabilities) as of 31 December	**-12**	**27**

Specification deferred tax

Below is presented a specification of deferred tax. In the balance sheet, deferred tax is presented net within each tax regime when the Group has a legal right to offset deferred tax benefits. A deferred tax asset for temporary differences is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Amounts in million NOK	**1 Jan 2016**	**Recogn. in P&L**	**Effects through OCI**	**31 Dec 2016**
Property, plant and equipment	-2	-0	-	-2
Pensions	18	-31	-3	-16
Construction contracts	-6	-2	-	-8
Other current assets/liabilities	4	-1	-	3
Loss carry forward	12	-1	-	11
Net deferred tax asset (liability)	**27**	**-35**	**-3**	**-12**
Of this presented as tax asset	31			-
Of this presented as tax liability	4			12

Amounts in million NOK	**1 Jan 2015**	**Recogn. in P&L**	**Effects through OCI**	**31 Dec 2015**
Property, plant and equipment	-1	-1	-	-2
Pensions	35	-8	-9	18
Construction contracts	-5	-0	-	-6
Other current assets/liabilities	7	-2	-	4
Loss carry forward	13	-1	-	12
Net deferred tax asset (liability)	**49**	**-13**	**-9**	**27**
Of this presented as tax asset	53			31
Of this presented as tax liability	4			4

The Group has a total of NOK 149 million in carry forward losses and NOK 17 million in carry forward interest deduction to related parties. Both are related to the operations in Norway and may only be utilized against taxable profits in Norway. No deferred tax asset has been recognized related to carry forward interest deduction to related parties, while deferred tax asset related to carry forward losses has been recognized to the extent the realisation of the tax benefit is probable. In total, a tax asset of NOK 29 million was not recognized. Tax losses in Norway related to carry forward interest deductions expire after 10 years, while tax losses related to carry forward losses in Norway have no expiration date.

Note 16 Pension expenses, assets and liabilities

Group companies have different pension plans organized 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. With effect from 1 January 2017, Infratek has discontinued pension earnings within its Norwegian defined benefit plans and all active members of the defined benefit plans have been transferred to defined contribution plans.

Pension liabilities and assumptions

Amounts in million NOK	**2016**	**2015**
Present value of accrued pension liabilities for defined benefit plans in fund-based plans	672	700
Fair value of pension assets	752	729
Actual net pension liabilities for defined benefit plans in fund-based plans	**-80**	**-29**
Present value of liabilities non-fund-based plans	1	68
Social security contribution	8	13
Net pension liabilities (assets) in the statement of financial position	**-71**	**51**

Changes in defined benefit pension liabilities during the year:		
Pension liabilities as of 1 January (excl. social security contribution)	768	788
Present value of pension earnings	13	14
Interest expenses	22	19
Actuarial gains and losses	-8	-23
Pension payments	-24	-23
Liabilities due to plan changes	-97	-
Settlement	-	-7
Pension liabilities as of 31 December (exclusive of social security contribution)	**673**	**768**

Change in fair value of pension assets:		
Fair value of pension assets as of 1 January	729	675
Expected yield on pension funds	21	17
Actuarial gains and losses	1	8
Total contribution	25	40
Total payments from funds	-25	-25
Settlement	-	-8
Inclusion of loan and equity as part of pension assets	1	21
Fair value of pension assets as of 31 December	**752**	**729**

Paid-in core capital and loan to pension fund are incorporated as part of the groups pension assets.
Actual financial income in capitalized pension funds for 2016 was NOK 22 million (NOK 25 million).

Movement in actuarial gains and losses recognized in other comprehensive income:		
Amount recognized in comprehensive income 1 January	-22	12
Recognized in other comprehensive income in the period	-13	-34
Amount recognized in other comprehensive income 31 December	**-35**	**-22**
Deferred tax recognized in comprehensive income 1 January	5	-4
Deferred tax related to actuarial losses recognized in other comprehensive income	3	9
Deferred tax recognized in other comprehensive income 31 December	**9**	**5**
Net amount recognized in other comprehensive income after tax 31 December	**-26**	**-17**

In accordance with IAS 19 the interest rate that is used to discount the pension liability may be established using high-quality corporate bonds in Norway, if an active market for such high-quality bonds exists. The Group has chosen to use the discount rate derived from such high-quality bonds instead of the interest rate for government bonds.

Calculations are based on the following assumptions:	2016	2015
Discount rate	2.80%	2.80%
Expected yield on pension funds	2.80%	2.80%
Salary growth	3.10%	3.10%
Social security base amount (G)	3.10%	3.10%
Annual social security pension growth - Private Funds	0.10%	0.10%
Annual social security pension growth - Public Funds	2.35%	2.35%

Average turnover for employees is assumed at 2.8 % in 2016 (2.9 %).

Pension effect on the statement of profit and loss and other comprehensive income

Amounts in million NOK	2016	2015
Defined benefit plans:		
Cost of present period's pension earnings	13	14
Interest expenses	22	20
Expected yield on pension funds	-21	-17
Social security contribution	2	2
Administrative expenses	1	2
Members' contributions	-1	-1
Change in pension plans	-97	-
Employer's contribution to non-capitalized defined benefit schemes in foreign subsidiaries	48	32
Pension costs, defined benefit plans	**-34**	**51**
Defined contribution plans:		
Employer's contribution to defined contribution plans	29	30
Total pension expenses	**-5**	**81**

Total pension costs are classified as:		
Salaries and other personnel costs	-6	78
Net finance	1	2
Total pension costs	**-5**	**81**

Expected contributions to the post-employment benefit plans for the year ending 31 December 2017 are NOK 109 million excluding public duties.

Specification pension fund assets

Amounts in million NOK	2016		2015	
Equity instruments	319	42%	331	45%
Interest-bearing instruments	417	55%	358	49%
Bank	16	2%	40	6%
Fair value of pension assets	**752**	**100%**	**729**	**100%**

Specification pension fund assets 2016

	Quoted prices in active markets for identical instruments Level 1	Significant other observable input Level 2	Significant unobservable input Level 3	Total
Equity instruments	0%	31%	11%	42%
Interest-bearing instruments	18%	37%	0%	55%
Bank	0%	2%	0%	2%
Total	**11%**	**78%**	**11%**	**100%**

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 the social security base amount (G) on the net pension liability and pension-related costs, given the original assumptions as described in the table above.

Sensitivity analysis for the defined benefit obligation

Amounts in million NOK	Discount rate		Salary growth		Change in G	
Percentage point change	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	- 1 %
Net pension liabilities	-114	155	6	-6	137	-103
Deferred tax - / tax asset	27	-37	-2	1	-33	25
Effect on equity	-87	118	5	-4	104	-78

Sensitivity analysis for estimated pension-related costs

Amounts in million NOK	Discount rate		Salary growth		Change in G	
Percentage point change	+ 1 %	- 1 %	+ 1 %	- 1 %	+ 1 %	- 1 %
Pension cost	-	-	-	-	-	-
Financial expenses	-5	3	-	-	4	-3

In addition to the above sensitivities, the Group has estimated that a change from the mortality table GAP2007 to K2013BE would increase the pension liability by NOK 44 million, with a net after-tax effect on equity of NOK 33 million as per 31.12.2016. Infratek has consistently applied GAP2007 mortality estimates produced by Gabler and considers this to be the best estimate for mortality assumptions.

The estimates are based on facts and conditions as of 31 December 2016. 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.

With effect from 1 January 2017, Infratek has discontinued pension earnings within its Norwegian defined benefit plans. All active members of the defined benefit plans have been transferred to defined contribution plans. Infratek has also discontinued its Norwegian public early-retirement plans (offentlig AFP). All previous members of the public early-retirement plans have entered into the private-sector contractual/early-retirement plan (Fellesordningen for privat AFP – "Privat AFP"). The change in pension plans has been fully implemented in Infratek's actuarial calculations as per 31 December 2016 with a net positive effect on the profit for the year of NOK 97 million.

As of 31 December 2016, 14 employees were covered by defined benefit plans, all administered by Hafslund Infratek Pensjonskasse. As of 31 December 2016, 179 people were receiving pensions under these schemes. In addition, the Group has a defined contribution plan with DnB which covers all fully active employees. The defined benefit plans within Infratek, were closed to new members with effect from 1 January 2007. Since January 2007, defined contribution plans were introduced for all new employees and for employees who were not previously included in a pension scheme in the Group's Norwegian businesses. As pension earnings within the defined benefit scheme were fully discontinued as of 31 December 2016, only employees not fully active are still covered by the plan as per 1 January 2017.

Pension assets are valued at fair value as of the year-end. Pension liabilities (net present value of pension payments earned per the balance sheet date, adjusted for expected future salary growth and expected pension growth) are valued using best estimates based on assumptions as of the balance sheet date. The actuarial gain in 2016 is mainly due to a slightly increased discount rate in 2016 compared to 2015. The actuarial estimates of pension liabilities have been prepared by independent actuaries. The assumptions regarding salary growth, increase in pension payments, and change in G are based on historic observations, established tariff agreements, and the relationship between certain assumptions.

The Norwegian private-sector contractual/early-retirement plan (Privat AFP), of which the Norwegian employees are members, is considered a defined contribution plan. As part of the agreement to enter into Privat AFP for all employees from 1 January 2017, the group has agreed to pay contribution in-full for all employees born between 1950 and 1961. These members were 55 years or above when entering into the Privat AFP plan and cannot earn the full rights by ordinary membership. For these members, the group has a defined (non-fund-based) pension obligation towards Fellesordningen for privat AFP, which is booked as a liability in the balance sheet.

As per 31 December 2016, the obligation related to Privat AFP was NOK 57 million related to 83 employees. An employee is entitled to apply for pension from Privat AFP when certain criteria are met, but at earliest at the age of 62 years. When the pension application is approved and payments are started from Privat AFP, Infratek is charged in full for the contribution. After the payment of contribution in-full, Infratek has no further obligation for the employees private-sector contractual/early-retirement plan. Privat AFP pensions must be associated with earned rights in public pension plans. This effect of association is incorporated into the present value of the non-fund-based liabilities for the group.

Upon start of payment from the public pension plans, the effect of the association will be incorporated as part of the fund-based liability related to the public defined benefit plan.

Employees who terminate employment before reaching retirement age receive paid-up policies. Paid-up policies were also issued to all active employees as per 31 December 2016 as part of the discontinuation of the defined benefit plans. Hafslund Infratek Pensjonskasse manages these paid-up policies, which are associated with earned rights in public defined benefit plans. Infratek has a financial commitment to annually adjust these public 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, Infratek is released 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.

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. The expected yield on pension assets is based on the interest for high-quality corporate bonds taking into consideration the remaining term, which is the same discount rate used for pension liabilities. The value-adjusted yield on pension assets was 3.0 percent in 2016 and 3.6 percent in 2015.

Pension assets are per 31 December 2016 invested in equity instruments and bonds, in addition to cash holdings. Bonds 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.

Pensions in Sweden

As of 31 December 2016 a total of 255 "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 593 000 can select an alternative ITP in the chosen insurance company. 4 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, there is a special charge in accordance with the collective agreement for the additional pension EFA-Sif, "Sveriges Ingenjörer och Ledarna", corresponding to 1.5 percent of salary.

254 "Kollektivanställda" 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, corresponding to 1.0 percent of salary. The defined contribution plan for "kollektivanställda" is administered by Fora.

The defined benefits scheme for Infratek's employees in Sweden, is accounted for as a defined contribution scheme for the Group, with annual premiums being charged as expenses as they accrue. The Group has no pension liability in the statement of financial position related to the pension scheme in Sweden. 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, 29 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.

Note 17 Transactions with related parties

The Infratek Group is 100 % owned by Heraldic Midco s.a.r.l. There have been no related party transactions with Heraldic Midco s.a.r.l. or with parties related to Heraldic Midco s.a.r.l. during 2015 and 2016.

The Company has agreements with Triton Advisers Limited and Triton Managers III Limited for counselling and success fee related to acquisition of businesses, respectively. There were no expenses from these parties during 2016 (NOK 0.2 million during 2015).

For remuneration to the CEO and the Board of Directors, see Note 20 Remuneration to Board and Group.

Note 18 Other operating expenses

Amounts in NOK million	2016	2015
Maintenance	-14	-40
Consulting services	-39	-41
Rent, electricity, etc.	-60	-47
Sales and marketing expenses	-3	-4
Office expenses	-11	-11
Transportation expenses	-84	-98
Other operating expenses	-73	-68
Total other operating expenses	**-283**	**-308**

Specification of fee to auditor

Amounts in NOK thousand	2016	2015
Fee statutory audit	1,689	1,340
Fee assurance services	27	17
Fee tax advisory services	29	10
Fee other non-audit services	106	-
Total auditor fee	**1,851**	**1,367**

Note 19 Salaries and other personnel expenses

Amounts in NOK million	2016	2015
Salaries and other personnel expenses	-713	-673
Social security contribution	-140	-146
Pension expenses - defined benefit plans	35	-49
Pension expenses - contribution plans	-29	-30
Other benefits	-37	-31
Total salaries and other personnel expenses	**-885**	**-929**

Average number of man-years*

Amounts in NOK million	2016	2015
Norway	521	574
Sweden	516	572
Finland	269	105
Total	**1,306**	**1,251**

*) The parent company Infratek Group AS does not have any employees. The average number of man-years is based on average monthly amounts for the Group for the period 1 January to 31 December 2016 and 2015, respectively.

Note 20 Remuneration to board and group management

The overview below shows remuneration for the period 1 January to 31 December 2016 and 2015 for top employees in the Infratek Group, defined as Board members in Infratek Group AS and Group management.

Infratek Group AS has not paid any remuneration to the Board during 2016 and 2015. The Group does not have any share option schemes for employees.

Remuneration to Group management 2016

Amounts in NOK thousand Name	Position	Salary and remuneration	Bonus	Contribution to pension plans	Change in earned pension rights	Loan
Senior executives						
Lars Bangen	Group Chief Executive Officer	2,750	808	-	187	277
Vibecke Skjolde	Chief Financial Officer	1,894	481	110	-	143

Remuneration to Group management 2015

Amounts in NOK thousand Name	Position	Salary and remuneration	Bonus	Contribution to pension plans	Change in earned pension rights	Loan
Senior executives						
Lars Bangen	Group Chief Executive Officer	2,577	855	-	181	317
Vibecke Skjolde	Chief Financial Officer	1,799	556	98	-	183

All amounts are excluding social security contribution.
Salary and remuneration include fixed salary, non-monetary payments, benefit of interest-free loans, electronic communication, etc.
Bonus relates to booked bonus expenses for the financial year, which are paid the following year.

Additional terms and conditions of group management
Bonus for Group CEO is determined annually based on the Group's development with regard to the Group's operating profit in the range of 3.5 percent to 10.5 percent. Bonus of 1 percent is earned per percentage point within this interval.

The CEO and CFO have a six-month notice period. In the event that their employment is terminated, they are entitled – upon certain conditions being met – to receive their salary for a period of six 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 Lars Bangen has been member of Hafslund Public Pension Fund and has had a defined benefit scheme during 2015 and 2016. As per 1 January 2017, with the discontinuation of the defined benefit plans for the Norwegian entities, CEO has been transferred to the defined contribution scheme. CFO Vibecke Skjolde is member of the defined contribution scheme.

Members of Group management have group life insurance coverage, disability pension 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 internet (home office), mobile phone and newspapers are offered.

Note 21 Financial income and expenses

Amounts in NOK million	2016	2015
Interest income	0	1
Other financial income	3	0
Financial income	**3**	**1**
Interest expenses related to bond	-44	-46
Other interest expenses	-2	-7
Other financial expenses	-2	-5
Financial expenses	**-48**	**-57**
Net financial income (expenses)	**-45**	**-57**

Note 22 Tax expense

Amounts in NOK million	2016	2015
Tax payable	-28	-21
Change in deferred tax	-35	-13
Total tax expense	**-62**	**-34**

Tax payable in the statement of financial position as of 31 December

Amounts in NOK million	2016	2015
Tax payable	-28	-21
Prepaid tax	12	13
Tax (payable) / receivable in the statement of financial position	**-16**	**-9**

Reconciliation effective tax rate

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

Amounts in NOK million	2016	2015
Profit (loss) before tax and discontinued operations	228	105
Expected tax expense, 25% (27 %) nominal tax rate	-57	-28
Non-deductible income and expenses	-0	-0
Variance from different tax rates in subsidiaries	5	5
Effect due to change in nominal tax rates*	0	-2
Tax effect relating to prior year	-0	-
Valuation allowance deferred tax losses	-10	-9
Total tax expense	**-62**	**-34**
Effective tax rate	27%	33%

*) The statutory tax rate in Norway was reduced from 27 % to 25 % with effect from 1 January 2016, and from 25 % to 24 % with effect from 1 January 2017.

Note 23 Business combinations

With acquisition date 7 January 2016, Infratek Finland Oy acquired 100 per cent of the shares in the Finnish distribution grids company Pohjolan Werkonrakennus Oy ("PWR"). The acquired company had approximately 150 employees at acquisition and operating revenue of EUR 18 million during its last financial year (April 2014 – March 2015).

The sale and purchase agreement includes an earn-out consideration based on the aggregated EBIT of the company for the financial period of 1 January through 31 December 2016 and the financial period of 1 January 2017 through 31 December 2017. The earn-out consideration is determined as a linear function on the aggregated EBIT of the entire Earn-Out Period. Minimum earn-out consideration is EUR 1.0 million in case of aggregated EBIT exceeding EUR 2.5 million. The earn-out consideration will in no event exceed EUR 3.0 million.

On the basis of available information as historical information and the budget, the earn-out consideration is reflected as part of the purchase price of the shares of PWR and as a contingent consideration liability. At the time of the acquisition, the earn-out consideration was estimated at EUR 3.0 million payable in 2018. The earn-out consideration is re-measured at fair value at every balance sheet date, with any changes recognized in the income statement. As per 31 December 2016, it is considered that the fair value of the earn-out consideration is EUR 3.0 million. The measurement of the contingent consideration as per period-end is based on expectations on PWR's profitability based on historical data, order reserves and budget numbers.

The purchase price allocation (PPA) related to the acquisition of PWR Oy is as follows:

Amounts in NOK million	2016
Purchase Price	49
Estimated Earn-out consideration	29
Total consideration	**78**

Fair values of identified assets and liabilities related to the acquisition as of 7 January 2016:

Amounts in NOK million	2016
Property, plant and equipment	**16**
Inventory	2
Accounts receivables and other current receivables	58
Cash and cash equivalents	21
Accounts payable and other current liabilities	-55
Long-term loans	-10
Fair values of acquired net assets	**31**
Goodwill	46
Total	**78**

Goodwill related to the acquisition

After the fair value of all identifiable assets and liabilities have been evaluated, the Group is left with a net amount which is recognized as goodwill. Calculated goodwill is recognized in the Group's balance sheet based on expectations of increased future revenue growth. See note 7 for additional information. Goodwill from the acquisition is not tax deductible.

Profit or loss impact of the acquired company

The acquisition of PWR Oy was carried out with effect from 7 January 2016. For practical purpose the acquired company PWR Oy is consolidated from 1 January 2016. The amounts of revenue and profit or loss of the acquired company since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are:

Amounts in NOK million	2016
Operating revenues	307
Operating profit	11
Profit (loss) before tax	11
Profit for the period	9
Total comprehensive income for the period	9

Note 24 Provisions

Amounts in NOK million	2016	2015
Accruals for building rent obligations	5	9
Provision for earn-out agreement	27	-
Other provisions	1	1
Total provisions, non-current	**33**	**10**

Amounts in NOK million	2016	2015
Building rent obligation	5	5
Warranty obligation	4	9
Total provisions, current	**8**	**13**

Accrual for building rent obligations

In 2009, the Group entered into a ten-year lease for Breivollveien 31 (Oslo). As a result of sale of entities and other organisational changes, parts of these premises are neither in use nor sublet as per 31 December 2016. Other parts of the premises are sublet at prices lower than the Group's overall leasing contract. The vacant office space and sublet contracts are assessed to fulfil the criteria of a loss making contracts.

The best estimate of the loss accrual related to the lease contract for Breivollveien 31 (Oslo) is NOK 9 million at the end of 2016 (NOK 14 million at the end of 2015), of which NOK 5 million (NOK 5 million) are classified as short-term, and the remaining NOK 5 million (NOK 9 million) are classified as a long-term liability.

Provision for earn-out agreement
The sale and purchase agreement of PWR includes an earn-out consideration based on the aggregated operating profit of the company for the financial period of 1 January through 31 December 2016 and the financial period of 1 January 2017 through 31 December 2017. Minimum earn-out consideration is EUR 1 million in case of aggregated EBIT exceeding EUR 2.5 million. The earn-out consideration will in no event exceed EUR 3 million. At the time of the acquisition, the earn-out consideration is estimated at EUR 3 million payable in 2018. The group has assessed the provision as per 31 December 2016 and based on 2016 performance and forecast for 2017 upheld a fair value of EUR 3 million (NOK 27 million). The earn-out consideration will be re-measured at fair value at every balance sheet date, with any changes recognized in the income statement. For more information, see note 23.

Warranty obligation
The Group has recorded a warrant obligation of NOK 4 million (NOK 9 million) related to the Group's operations in Sweden. The accrual is calculated based on experiences and best estimate, and classified as current liability.

Note 25 Contingent liabilities

Bank and group guarantees
The Group purchases bank guarantees as security for project liabilities and tax deduction. Per 31 December 2016, these bank guarantees amounted to NOK 161 million (NOK 178 million) including NOK 26 million (NOK 26 million) in tax deduction guarantees and NOK 135 million (NOK 152 million) in project guarantees. Additionally, Parent company guarantees adding up to a total of NOK 73 million (NOK 94 million) were given. See Note 11 for information regarding guarantees related to the Group account system.

Note 26 Subsequent events

Infratek Finland Oy entered into an agreement on 1 March 2017 to acquire the substation maintenance and commissioning business of the technical division of Helen Ltd. The acquired business has approximately 30 employees and an annual turnover of approximately EUR 3 million. The business is fully incorporated as part of Infratek Finland OY with effect 1 March 2017.

At the time the financial statements are authorized for issue, the initial accounting for the business combination is incomplete. The purchase analysis for the acquisition is started but due to insufficient information not finished.

Subsequent to the balance sheet date, no further events of special importance occurred that could have a material impact on the financial position and results of operations of the Group.

Note 27 Companies included in the consolidation of the group

Company	Registered business address	Ownership/voting rights 2016	Ownership/voting rights 2015
Infratek Group AS (parent company)	Oslo, Norway	na	na
Infratek AS	Oslo, Norway	100%	100%
Infratek Norge AS	Oslo, Norway	100%	100%
Infratek Elsikkerhet AS	Oslo, Norway	100%	100%
Infratek Sverige AB	Stockholm, Sweden	100%	100%
Infratek Finland OY	Helsinki, Finland	100%	100%
Pohjolan Werkonrakennus Oy	Oulu, Finland	100%	0%

Annual accounts Infratek Group AS

Income Statement Infratek Group AS

1 January - 31 December

Amounts in thousand NOK	Note	2016	2015
Other operating expenses	2	-4,918	-1,207
Operating profit (loss)		**-4,918**	**-1,207**
Financial income	3	231,036	249,525
Financial expenses	3	-46,036	-52,301
Net financial income (expenses)		**185,000**	**197,224**
Profit (loss) before tax		**180,082**	**196,017**
Tax expense	4	-	-
Profit (loss) for the period		**180,082**	**196,017**
Allocation of profit (loss)			
Proposed dividends	8	-	-135,000
Transferred to Other equity	8	-180,082	-61,017
Total allocation		**-180,082**	**-196,017**

Balance Sheet Infratek Group AS

31 December

Amounts in thousand NOK	Note	2016	2015
ASSETS			
Non-current assets			
Deferred tax assets	**4**	8,340	8,340
Investments in subsidiaries	**5**	882,930	882,930
Total non-current assets		**891,269**	**891,270**
Current assets			
Receivable group contribution	**6**	231,025	249,502
Cash and cash equivalents		214	1,130
Total current assets		**231,239**	**250,632**
TOTAL ASSETS		**1,122,508**	**1,141,902**
EQUITY AND LIABILITIES			
Share capital	**8**	34	34
Share premium	**8**	253,300	253,300
Total equity		**253,334**	**253,334**
Other equity	**8**	180,176	94
Total retained earnings		**180,176**	**94**
Total equity		**433,510**	**253,428**
Non-current liablities			
Bond	**7**	640,887	637,116
Other long-term liabilities	**6**	-	65,763
Total non-current liabilities		**640,887**	**702,879**
Current liabilities			
Short-term debt to Group companies	**6, 7**	43,389	42,576
Dividend	**7**	-	135,000
Other current liabilities	**7**	4,722	8,019
Total current liabilities		**48,111**	**185,595**
Total liabilities		**688,998**	**888,474**
TOTAL EQUITY AND LIABILITIES		**1,122,508**	**1,141,902**

The Board of Directors of Infratek Group AS **Oslo, 26 April 2017**

Carl Johan Falkenberg
Board chairman

Petter Darin
Board member

Carl Johan Renvall
Board member

Cash Flow Statement Infratek Group AS

1 January - 31 December

Amounts in thousand NOK	Note	2016	2015
Cash flow from operating activities			
Profit (loss) before tax		180,082	196,017
Group contribution recognized as financial income	3	-231,025	-249,501
Changes in inter-group receivables/payables		813	19,591
Changes in other accruals		-3,296	1,890
Net cash flow from operating activities		**-53,426**	**-32,003**
Cash flow from investing activities			
Net cash flow from investing activities		**-**	**-**
Cash flow from financing activities			
Changes in long-term debt		-61,992	7,171
Dividend paid		-135,000	-
Group contribution received/paid	4	249,502	22,985
Net cash flow from financing activities		**52,510**	**30,156**
Net change in cash and cash equivalents		**-916**	**-1,847**
Cash and cash equivalents as of 1 January		1,130	2,977
Cash and cash equivalents as of 31 December		**214**	**1,130**

Note 1 Accounting principles

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

Classification

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

Valuation principles

General

Fixed assets are recognized at cost and written down to fair value when an impairment exists and is not expected to be temporary. Fixed assets with limited useful life are depreciated according to a reasonable depreciation plan. Current assets are valued at the lower of cost and fair value. Long-term and short-term liabilities are recorded initially at fair value, net of transaction costs. Subsequently, long-term debt is carried at amortized cost.

Assets and liabilities denominated in foreign currencies

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

Cash and cash equivalents

Cash and cash equivalents for the company consists of cash deposits.

Investments in subsidiaries

Except for short-term investments in listed shares, the cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend and group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Tax expense, deferred tax and deferred tax asset

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

Cash flow statement principles

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

Note 2 Personnel and other operating expenses

The company had no employees in 2016 and is therefore not liable to have a pension scheme.

Infratek Group AS has not paid any remuneration to the Board during 2016 and 2015.

Specification of auditor's fees

Amounts in thousand NOK	**2016**	**2015**
Fee statutory audit	207	213
Fee assurance services	-	-
Fee tax advisory services	-	-
Fee other non-audit services	-	-
Total auditor fee	**207**	**213**

Stated amounts do not include VAT.

Note 3 Financial income and expenses

Financial income

Amounts in thousand NOK	**2016**	**2015**
Interest income	11	23
Group contribution from Infratek AS	231,025	245,501
Total financial income	**231,036**	**245,524**

Financial expenses

Amounts in thousand NOK	**2016**	**2015**
Interest expenses bond	-43,820	-45,940
Other interest expenses	-2,151	-6,323
Other financial expenses	-65	-38
Total financial expenses	**-46,036**	**-52,301**

Note 4 Tax expense

Amounts in thousand NOK	2016	2015
Profit (loss) before tax	180,082	196,017
Permanent differences	-231,025	-249,501
Effect of taxable group contribution	9,725	19,501
Change in temporary differences	3,771	3,771
Tax basis before application of loss carryforward	**-37,447**	**-30,212**
Applied tax loss carryforward	-	-
Basis for tax payable	**-37,447**	**-30,212**

Specification of tax expense for the year:		
Tax payable	-	-
Change in deferred tax asset (recognized)	-	-
Ordinary tax expense	**-**	**-**
Taxation rate, 31 December	25%	27%

Amounts in thousand NOK	2016	2015
Deferred tax/deferred tax benefit:		
Amortization bond	9,113	12,884
Temporary differences that affect tax payable:		
Tax loss carryforward	-149,404	-111,958
Interest deduction carryforward	-16,576	-16,576
Valuation allowance	122,117	82,290
Basis, deferred tax/(deferred tax benefit)	**-34,750**	**-33,360**
Deferred tax/(deferred tax benefit)	**-8,340**	**-8,340**

Reconciliation of effective tax rate:

Amounts in thousand NOK	2016	2015
Profit (loss) before tax	180,082	196,017
Permanent differences	-231,025	-249,501
Basis for tax expense	**-50,943**	**-53,484**
Expected tax expense, 25% nominal taxation rate	12,736	14,441
Effect of taxable group contribution	-2,431	-5,265
Effect of valuation allowance	-9,957	-8,508
Effect of change in tax rate	-348	-667
Tax expense	**-**	**-**
Effective tax rate	0%	0%

Note 5 Investments in subsidiaries

Amounts in thousand NOK	Business adress	Book value	Balance sheet equity	Profit for the year	Ownership voting rights
Infratek AS	Oslo	882,930	497,336	264,946	100%
Total		**882,930**	**497,336**	**264,946**	

Note 6 Related parties

Amounts in thousand NOK	2016	2015
Receivables		
Receivable group contribution Infratek AS	231,025	249,501
Total receivables related parties	**231,025**	**249,501**
Liabilities		
Long-term liabilities to parent company	-	-
Short-term labilities towards Infratek AS	43,389	42,576
Total liabilities related parties	**43,389**	**42,576**

Transactions with related parties
Infratek Group AS is 100% owned by Heraldic Midco s.a.r.l. There have been no related party transactions with Heraldic Midco s.a.r.l. or with parties related to Heraldic Midco s.a.r.l. in 2016.

Note 7 Liabilities

Amounts in thousand NOK	2016	2015
Long-term liabilities		
Bond	640,887	637,116
Other long-term debt	-	65,763
Total long-term liabilities	**640,887**	**702,879**

In May 2014, Infratek Group AS issued a bond of NOK 650 million, with the duration of 5 years and coupon of 3 months' NIBOR + 5 percent. Initial transaction fees of NOK 18.4 million related to the bond issue have been recognized as part of the carrying amount in the balance sheet. The bond is carried at amortized cost in the balance sheet. The bond was listed on the Oslo Stock Exchange on 17 December 2014.

Investors have a share pledge in the company's investment in Infratek AS.

The bond agreement has restriction related to distribution of funds from the group. The agreement requires an incurrence test to be performed pro forma immediately after a distribution of funds. The incurrence test requires that the leverage ratio (net interest bearing debt excluding debt to Triton Funds* to EBITDA < 3.0x) and interest coverage ratio (EBITDA to interest costs > 3.0x). No covenants apply to the bond agreement.

Other long-term debt which had a maturity date in 2034 and interest rate of 10 percent, has been repaid in April 2016.

Amounts in thousand NOK	2016	2015
Short-term liabilities		
Short-term liabilities towards Infratek AS	43,389	42,576
Proposed Dividends	-	135,000
Accrued interest bond	4,413	4,553
Other short-term liabilities	309	3,466
Total short-term liabilities	**48,111**	**185,595**

Note 8 Equity

Specification of equity **Amounts in thousand NOK**	**Share capital**	**Share premium account**	**Other paid-in equity**	**Uncovered loss**	**Total equity**
Equity as of 1 January 2016	**34**	**253,300**	**-**	**94**	**253,428**
Conversion of debt to equity	-	-	-	-	-
Profit for the year	-	-	-	180,082	180,082
Proposed Dividends	-	-	-	-	-
Equity as of 31 December 2016	**34**	**253,300**	**-**	**180,176**	**433,510**

Shareholders' equity per 31. December 2016 is NOK 1.100 per share for 31 shares, in total NOK 34.100. The company only has one class of shares. All shares are owned by Heraldic Midco s.a.r.l.

DECLARATION

The Board of Directors hereby declares that to the best of their knowledge, the accounts covering the period 1 January through 31 December 2016, including notes to the accounts, have been prepared and presented in accordance with current accounting standards. It further declares that the information in the annual report for 2016 provides a true and fair view of the Group's assets, liabilities, financial position, and profit as a whole. The Board also declares that to the best of their knowledge, the Board of Directors' report provides a true and fair overview of profit, key events in the accounting period and their influence on the annual accounts, the company's position, and the most important risks and uncertainties facing the company and the Group.

The Board of Directors of Infratek Group AS — **Oslo, 26 April 2017**

Carl Johan Falkenberg
Board chairman

Petter Darin
Board member

Carl Johan Renvall
Board member

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To the General Meeting of Infratek Group AS

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infratek Group AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and statement of profit and loss and other comprehensive income, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Contract revenues

Reference is made to note 2 Summary of significant accounting principles (2.18.2 Construction contracts) and Note 8 Construction contracts.

The Key Audit Matter	*How the matter was addressed in our audit*
A large portion of the Group's revenues and profits are derived from long-term construction contracts. Recognition of revenue from long-term contracts requires a high degree of management judgement when determining the stage of completion and forecasting the cost and revenue profile of the contracts. The percentage of completion is calculated based on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract. As these contracts may extend over a number of reporting periods, the nature of these estimates may have a significant impact on the revenues and profits each financial year. For loss making contracts, the entire estimated loss is recognized at the time of identification of the loss making contract. Management's failure to identify loss making contracts in a timely manner could therefore result in material costs being recorded in the incorrect period. Due to the significant impact on the consolidated financial statements, and the high degree of management judgement when determining the percentage of completion, revenue recognition for long-term contracts were considered to be a key audit matter.	Our audit procedures included, among others, testing of the Group's key controls over the technical and financial aspects of the long-term contracts. We performed detailed audit procedures on a selection of long-term contracts based on the financial impact of the contracts on the consolidated financial statements and those contracts considered to be of higher risk. We applied our auditor judgement and selected contracts based on risk factors such as significant reductions in margins or significantly delayed projects for further testing. For the selected contracts: • We assessed management's estimates related to the contract progress and the percentage of completion through discussions with key personnel. • We assessed the Group's ability to deliver contracts within budgeted margins by analyzing the historical accuracy of forecasted margins. We tested the mathematical accuracy of the calculation of the percentage of completion. • In cases of identified loss making contracts we inquired key personnel regarding calculation of total costs. • We evaluated the adequacy of the financial statement disclosures in the Group's consolidated financial statements.

2. Goodwill impairment

Reference is made to note 2 Summary of significant accounting principles (2.6 Intangible assets and goodwill and 2.7 Impairment of non-financial assets) and note 7 Intangible assets and goodwill

The Key Audit Matter	*How the matter was addressed in our audit*
As at 31 December 2016 the Group has goodwill of NOK 612 million, which is allocated to cash generating units based on geographical areas, as detailed in note 7 to the financial statements. Irrespective of whether there is any indication of impairment, goodwill is required to be tested for impairment annually. The value in use assessment to support the continued carrying value for goodwill involves management's application of subjective judgements about future business performance. Certain assumptions made by management in the impairment review, are considered by the	For each cash generating unit, we applied professional skepticism and critically assessed management's judgement. Our work included, but was not limited to, the following procedures: • Assessments of management's future cash flow forecasts and agreeing the forecasts with the latest Board approved budgets; • Challenging management's assumptions for growth rates in the forecasts by comparison to historical results;;

engagement team to be key areas of judgement, notably the forecast cash flows, the overall growth rates and discount rates applied by management in making the forecast. Due to the impact on the consolidated financial statement in the event of an impairment charge, as well as the significant auditor judgement required when evaluating whether management's assumptions are reasonable and supportable, goodwill impairment was considered to be a key audit matter.	• Assessing the discount rate applied, with support from KPMG valuation specialists; • Testing the mathematical accuracy of the underlying calculations; and • Obtaining management's sensitivity analysis and considering whether the disclosures adequately reflect the sensitivities in the underlying assumptions.

3. *Discontinuation of the defined benefit plans in Norway*

Reference is made to note 2 Summary of significant accounting principles (2.16.1 Pension liabilities) and note 16 Pension expenses, assets and liabilities.

The Key Audit Matter	*How the matter was addressed in our audit*
Effective 1 January 2017 the Group has discontinued pension earnings within its Norwegian defined benefit plans. The changes have been fully implemented in the actuarial calculations as of 31 December 2016, resulting in a positive effect in the profit for the year of NOK 97 million. Furthermore, the Group has booked pension assets of NOK 71 million as at 31 December 2016. The valuation of the pension assets and the calculation of the effect from the discontinuation of the pension plans require judgement and technical expertise in choosing appropriate assumptions, including salary increases, inflation and mortality rates as well as determining the applied discount rate. Due to the significant judgements made by management in calculating the pension assets and the significant impact of the discontinuation on the Group's financial statements, pensions and the effect of the discontinuation of the defined benefit plans was considered a key audit matter.	We obtained the actuarial calculations prepared by the external actuary engaged by the Group and: • Assessed the key assumptions applied in the actuarial calculations including among others salary increases, inflation, discount rate and mortality, by comparing these to external national recommended assumptions and our knowledge of the business; • Agreed other key input such as number of employees, salary increase and insurance premiums paid to the funded pension plans; • Assessed the impact of the change in pension plan by comparing this to our own knowledge and expectations and conferring with our internal experts; and • Evaluated the adequacy of the financial statements disclosures in the Group's consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report including statements on Corporate Governance and the Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

  obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report, including the statement on Corporate Governance and the Corporate Social Responsibility Report, concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 26 April 2017
KPMG AS

Svein Wiig
State Authorised Public Accountant