

## **NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES**

### **General information**

Ferd AS is a privately owned Norwegian investment company located in Strandveien 50, Lysaker. The Company is involved in long-term and active ownerships of companies with international potential, and financial activities through investments in a wide range of financial assets.

Ferd is owned by Johan H. Andresen and his family. Andresen is the Chair of the Board.

The Company's financial statements for 2013 were approved by the Board of Directors on 8 April 2014.

### **Basis for the preparation of the financial statements**

Ferd AS' financial statements are prepared in accordance with the Norwegian Accounting Act section 3-9 and regulation on simplified application of international accounting standards.

### **Summary of the most significant accounting principles**

The most significant accounting principles applied in the preparation of the financial statements are described below. The accounting principles are consistent for similar transactions in the reporting periods presented, if not otherwise stated.

### **Investments in subsidiaries**

Subsidiaries are companies where the parent company Ferd AS has a controlling influence. Such influence normally exists when Ferd AS has a stake exceeding 50 % of the voting capital.

Subsidiaries are classified as tangible assets in the balance sheet and measured at fair value. Value changes on subsidiaries, current returns like dividend and gain or loss on the realisation of subsidiaries are recognised as net operating income in the income statement.

### **Investments in associated companies and joint ventures**

Associates are entities over which Ferd has significant, but not controlling, influence. Significant influence implies that Ferd is involved in strategic decisions concerning the company's finances and operations without controlling these decisions. Significant influence normally exists for investments where Ferd holds between 20 % and 50 % of the voting capital.

A joint venture is a contractual arrangement requiring unanimous agreement between the owners about strategic, financial and operational decisions.

Investments in associates and joint ventures are classified as non-current assets in the balance sheet and recognised at fair value. Value changes on the investments, current returns like dividend and gain or loss on the realisation of investments are recognised as net operating income in the income statement.

### **Revenue recognition**

Revenue is recognised when earned. The Company's revenue mainly includes rendering services to other group companies and other related parties. Income from the sale of services is recognised according to the service's level of completion, provided the progress of the service and its income and costs can be reliably measured. Revenue is presented as Other income in the income statement.

### **Foreign currency translation**

The financial statements are presented in Norwegian kroner (NOK), which is the functional currency of Ferd AS. Transactions in foreign currency are recognised and measured in NOK at the date of the transaction. Monetary items in foreign currency are translated to NOK on the basis of the exchange rate at the date of the balance sheet. Gain and loss due to currency changes is recognised in the income statement.

### **Classification of financial instruments**

Financial instruments constitute a substantial part of Ferd's balance sheet and are of considerable significance for the Company's financial position and result. Financial assets and liabilities are recognised when the Company becomes a party to the contractual obligations and rights of the instrument. All financial instruments are classified in the following categories, pursuant to IAS 39, at their initial recognition:

1. Financial instruments at fair value and with changes in value recognised through profit and loss
2. Loans and receivables
3. Financial liabilities

Financial instruments are classified as held for trading and included in category 1 if acquired primarily for benefiting from short-term price fluctuations. Derivatives are classified as held for trading and as current assets. The carrying value of interest derivatives is recognised as interest investments in the balance sheet.

Financial instruments at fair value with value changes in the income statement pursuant to IAS 39 can also be classified in accordance with the "fair value option" in IAS 38 and IAS 31. The instrument must initially be recognised at fair value with

value changes through profit and loss and also meet certain criteria. The key assumption for applying the “fair value option” is that a group of financial assets and liabilities are managed on a fair value basis, and that management evaluates the earnings following the same principle.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. Loans and receivables are presented as trade receivables, other receivables and bank deposits in the balance sheet.

Financial liabilities that are not included in the category held for trading and not measured at “fair value through profit and loss”, are classified as other liabilities.

### **Recognition, measurement and presentation of financial instruments in the income statement and balance sheet**

Purchases and sales of financial instruments are recognised on the date of the agreement, which is when the Company has made a commitment to buy or dispose of the financial instrument. Financial instruments are derecognised when the contractual rights to the cash flows from the asset expire or are transferred to another party. Correspondingly, the financial instruments are derecognised when the Company on the whole has transferred the risks and rewards connected with the ownership.

Financial instruments at “fair value through profit and loss” are initially measured at quoted prices at the balance sheet date or estimated on the basis of measurable market information available at the balance sheet date. Transaction costs are recognised in profit or loss. In subsequent periods, the financial instruments are presented at fair value based on market values or generally accepted calculation methods.

Borrowings, receivables and financial liabilities are initially measured at fair value with the addition of direct transaction costs. In subsequent periods, the assets and liabilities are measured at amortised cost by using the effective interest method. Losses on loans and receivables are recognised in profit and loss.

Gain and loss from the realisation of financial instruments, changes in fair values and interest income are recognised in the income statement in the period they arise. Dividend received is recognised as income when the Company has established the right to receive payment. Net income related to financial instruments is presented as operating income in the income statement.

### **Financial derivatives and hedge accounting**

The Company applies financial derivatives to reduce any potential loss from exposures to unfavourable changes in exchange rates or interest rates. The derivatives are recognised as financial instruments at fair value, and the value changes are recognised in the income statement. Ferd AS does not apply hedge accounting in the financial statements.

### **Income taxes**

The income tax expense includes tax payable and changes in deferred tax. Income tax on balances recognised in other income and expenses in total comprehensive income (OCI) is also set off against other income and expenses in total comprehensive income, and tax on balances related to equity transactions are set off against equity.

The tax payable for the period is calculated according to the tax rates and regulations ruling at the end of the reporting period. Deferred tax is calculated on temporary differences between book and tax values of assets and liabilities in the financial statements and any tax effects of losses carried forward at the reporting date.

Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that there will be sufficient taxable profits to utilise the benefits of the tax reducing temporary differences. Deferred tax liabilities and assets are calculated according to the tax rates and regulations ruling at the end of the reporting period and at nominal amounts. Deferred tax liabilities and assets are recognised net when the Company has a legal right to net assets and liabilities, and is able to and intend to settle the tax obligation net.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. The cost includes expenses directly attributable to the acquisition of the asset. Expenses incurred after the acquisition are recognised as assets when future economic benefits are expected to arise from the asset and can be reliably measured, whereas current maintenance is expensed.

Property, plant and equipment are depreciated over their expected useful lives, normally on a straight-line basis. If indications of impairment exist, the asset is tested for impairment.

### **Impairment**

Property, plant and equipment are considered for impairment when there are indications to the effect that future earnings cannot support the carrying amount.

The difference between the carrying value and recoverable amount is charged to the income statement as a write-down. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount that can be recovered at a sale of an asset in a transaction performed at arm's length between well informed and voluntary parties, less costs to sell. The value in use is the present value of future cash flows expected to be generated by an asset or a cash-generating unit. Impairment losses are subsequently reversed when the impairment indicator no longer exists.

### **Leasing**

Leases are classified either as operating or finance leases based on the actual content of the agreements. Leases under which the lessee assumes a substantial part of risk and return are classified as finance leases. All of the Company's present leases are classified as operating leases.

Leasing costs in operating leases are charged to the income statement when incurred and are classified as other operating expenses.

### **Trade and other receivables**

Current receivables are initially recognised at fair value. In subsequent periods, provisions for actual and possible losses are considered. The Company reviews the receivables on a regular basis and prepares estimates for losses as a basis for the provisions in the balance sheet.

### **Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other short-term and easily realisable investments that will fall due within 3 months, also including restricted funds. Bank overdraft is presented as short-term debt to finance institutions in the balance sheet. In the statement of cash flows, the overdraft facility is included in cash and cash equivalents.

### **Pension costs and pension funds/obligations**

#### *Defined benefit plans*

A defined benefit plan is a pension scheme defining the pension payment an employee will receive at the time of retirement. The pension is normally determined as a part of the employee's salary. The Company's net obligation from defined benefit pension plans is calculated separately for each scheme. The obligation represents an estimate of future retirement benefits that the employees have earned at the balance sheet date as a consequence of their service in the present and former period. The benefits are discounted to present value reduced by the fair value of the pension funds.

The portion of the period's net cost that comprises the current year's pension earnings, curtailment and settlement of pension schemes, plan changes and accrued social security tax is included in payroll costs, whereas the interest expense on the pension obligation less expected return on the pension funds is charged to the income statement as finance costs. Positive and negative estimate deviations are recognised as other income and costs in total comprehensive income.

Changes in defined benefit obligations due to changes in pension schemes are recognised over the estimated average remaining service period when the changes are not immediately recognised. Gain or loss on a curtailment or settlement of a plan is recognised in the income statement when the curtailment or settlement occurs. A curtailment occurs when the Company decides to reduce significantly the number of employees covered by a plan or amends the terms of a defined benefit plan to the effect that a significant part of the current employees' future earnings no longer qualify for benefits or will qualify for reduced benefits only.

#### *Defined contribution plans*

Obligations to make contributions to contribution based pension plans are recognised as costs in the income statement when the employees have rendered services entitling them to the contribution.

### **Provisions**

A provision is recognised when the Company has an obligation as a result of a previous event, it is probable that a financial settlement will take place and the amount can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, discounted at present value if the discount effect is significant.

### **Current liabilities**

Accounts payable and other current liabilities are initially recognised at fair value and subsequently measured at amortised cost. Accounts payable and liabilities are classified as current when they fall due within 12 months after the balance sheet date or are integrated in the Company's ordinary operating activities.

### **Dividend**

Dividend and group contribution proposed by the Board is recognised as current liabilities pursuant to the exemption in the regulation to the Norwegian Accounting Act section 3-9.

### **Business areas**

Ferd reports business areas in line with how the Company's management makes, monitors and evaluates decisions. The operative areas are identified on the basis of the internal steering information that is periodically reviewed by management and utilised to the allocation of capital and resources as well as goal achievement.

## **Statements of cash flows**

The cash flow statement has been prepared using the indirect method, implying that the basis used is the Company's profit before tax to present cash flows generated by operating activities, investing activities and financing activities respectively.

## **Related parties**

Parties are considered to be related when one of the parties has the control, joint control or significant influence over another party. Parties are also related if they are subject to a third party's control, or one party can be subject to significant influence and the other joint control. A person or member of a person's family is related when he or she has control, joint control or significant influence over the business. Companies controlled by or being under joint control by key executives are also considered to be related parties. All related party transactions are completed in accordance with written agreements and established principles.

## **New accounting standards according to IFRS**

The financial statements have been prepared in accordance with standards approved by the International Accounting Standards Board (IASB) and International Financial Reporting Standards - Interpretations Committee (IFRIC) effective for accounting years starting on 1 January 2013 or earlier.

### **New and amended standards applied by Ferd effective from the accounting year 2013:**

#### *Amendments to IAS 19 Employee Benefits*

In the changed IAS 19, the "corridor method" is not allowed for the recognition of estimate deviations. Estimate deviations shall in their entirety be recognised in comprehensive income in the period they arise. Ferd has not applied the corridor method, and, accordingly, this change has had no impact for Ferd. The amended IAS 19 also has a new approach to presenting pensions. The pension earnings shall be presented in the income statement as salary expenses, whereas net interest can be included in the finance items. Ferd presents net interest as an interest expense from 2013. Comparable figures for 2012 have been restated. The effect, only a reclassification in the income statement, is shown in the note on pensions ([note 15](#)).

In addition, in benefit schemes net interest shall be calculated by applying the discount interest rate on the net obligation, i.e., the pension obligation less earned funds. This implies that the return on the pension funds no longer is relevant, as the return now is part of net interest cost.

#### *Amendment to IFRS 7 Financial Instruments - disclosures*

The amendment implies that enterprises must provide extensive quantitative information related to setting-off financial assets against financial liabilities. Ferd has implemented the amended standard from 1 January 2013. As no set-offs have been carried out this year, the changes so far have not had any consequences for Ferd.

#### *IFRS 13 Fair Value Measurement*

The standard specifies principles and guidance for measuring fair value on assets and liabilities. The objective of the standard has been to establish a single source of guidance for measurements and information of fair value, with a view to ensuring a common definition of fair value across all other standards and provide a uniform guidance to measuring fair value. The clarifications in the standards have not implied changed models, assumptions for calculations or principles for Ferd's calculation of fair value.

The standard also lists a number of new disclosure requirements related to the use of fair value in the financial statements. The disclosure requirements have been incorporated in this year's notes to the accounts.

### **New and amended standards not yet implemented by Ferd:**

#### *IFRS 9 Financial instruments*

IFRS 9 will replace the current IAS 39. The project is divided in several phases. The first phase concerns classification and measurement and has been finalised by IASB. The classification and measurement requirements for financial liabilities in IAS 39 are on the whole continued, with the exception of financial liabilities recognised at fair value with changes in value through profit and loss (the fair value option), where changes in value connected with the company's own credit risk is separated and recognised in other income and expenses in total comprehensive income. Phase 2 concerns impairment of financial instruments and phase 3 hedge accounting, but neither has so far been completed by IASB. It is still not clear when IFRS 9 becomes mandatory, but the rules will come into for the accounting year stating 1 January 2017 at the earliest. The standard has not yet been approved by the EU. Ferd will implement IFRS 9 when it becomes mandatory. Those parts of IFRS 9 that so far are completed have relatively limited consequences for Ferd.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 applies for enterprises with interests in companies that are consolidated, and companies not consolidated, but in which the enterprise nevertheless is engaged. IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated entities into one standard. IFRS 12 becomes effective for annual periods beginning on or after 1 January 2014 (earlier adoption is allowed), and the standard has been approved by the EU. Ferd expects to implement IFRS 12 starting on 1 January 2014, and the implementation will have an impact on Ferd's notes to the financial statements as a consequence of increased information requirements.

#### *Amendments to IAS 27 Separate Financial Statements (revised)*

As a consequence of the introduction of IFRS 10 and IFRS 12, amendments were made to IAS 27 coordinating this standard with the new accounting standards. IFRS 10 replaced those parts of IAS 27 that concerned consolidated financial statements. IAS 27 is now limited to accounting for the financial statements of the parent company. The changes become effective for annual periods beginning on or after 1 January 2014, and the standard has been approved by the EU. Ferd expects to implement the amended standard starting on 1 January 2014.

## **NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTAL CONSIDERATIONS**

Management has used estimates and assumptions in the preparation of the financial statements. This applies for assets, liabilities, expenses and disclosures. The underlying estimates and assumptions for valuations are based on historical experience and other factors considered to be relevant for the estimate on the balance sheet date. Estimates can differ from actual results. Changes in accounting estimates are recognised in the period they arise. The main balances where estimates have a significant impact on disclosed values are mentioned below. The methods for estimating fair value on financial assets are also described below.

In Ferd's opinion, the estimates of fair value reflect reasonable estimates and assumptions for all significant factors expected to be emphasised by the parties in an independent transactions, including those factors that have an impact on the expected cash flows, and by the degree of risk associated with them.

### **Determination of the fair value of financial assets**

A large part of Ferd's balance sheet comprises financial assets at fair value. The fair value assessment of financial assets will at varying degrees be influenced by estimates and assumptions related to factors like future cash flows, the required rate of return and interest rate level. The most significant uncertainty concerns the determination of fair value of the unlisted financial assets.

#### Listed shares and bonds

The fair value of financial assets traded in active and liquid markets is determined at noted market prices on the balance sheet date (the official closing price of the market). Accordingly, the determination of the value implies limited estimation uncertainty.

#### Unlisted shares and bonds

The class "Unlisted shares and bonds" comprises private shares and investments in private equity funds. The fair value is determined by applying well-known valuation models. The use of these models requires input of data that partly constitutes listed market prices (like interest) and partly estimates on the future development, as well as assessments of a number of factors existing on the balance sheet date.

#### Hedge funds

The hedge funds are managed by external parties providing Ferd with monthly, quarterly or half-yearly estimates of the fair value. The estimates are verified by independent administrators. In addition, the total return from the funds is assessed for reasonableness against benchmark indices. In addition, the reported value of the hedge funds managed in the SI (Special Investments) portfolio must normally be adjusted for an estimate on liquidity discount.

#### Interest investments

The fair value of interest investments is determined on the basis of quoted prices. If such prices are not available, the investment is valued in accordance with price models based on the current yield curve and external credit ratings.

#### Derivatives

The fair value of derivatives is based on quoted market prices. If such prices are not available, the investment is valued in accordance with price models based on the current yield curve and other relevant factors.

### **Determination of the fair value of subsidiaries with properties**

Ferd has subsidiaries with significant properties recognised at fair value. The fair value is based on the discounted value of future cash flows, and the estimate will be impacted by estimated future cash flows and the required rate of return. The main principles for deciding the cash flows and required rates of return are described below.

Future cash flows are based on the following factors:

- Existing contracts
- Expected future rentals
- Expected vacancies

The required rate of return is based on a risk-free interest with the addition of a risk premium for the property.

The risk premium is based on:

- Location
- Standard
- Expected market development
- Rent level compared to the rest of the market
- The tenant's financial strength
- Property specific knowledge

In the event that transactions concerning comparable properties close to the balance sheet date have taken place, these values are applied as a cross-reference for the valuation.

### **Determination of the fair value of subsidiaries with financial and industrial investments**

Ferd AS owns financial and industrial investments indirectly through subsidiaries acting as holding companies for these investments. The fair value of these subsidiaries is set to the carrying value of equity, adjusted for non-recognised changes in value of the underlying investments. The underlying investments are valued according to the same principles and methods as Ferd AS' direct investments.

### **Pension funds and obligations**

The calculation of pension obligations implies the use of judgements and estimates on a number of financial and demographical assumptions. Note 15 has details on the assumptions used. Changes in assumptions can result in significant changes in pension obligations and funds in the balance sheet.

**NOTE 3****BUSINESS AREAS**

Ferd's segment reporting complies with IFRS 8. Ferd is an investment company, and the Company's management makes decisions and monitors and evaluates these decisions based on the fair value of the Company's investments and their changes in value. The operating segments are identified on the basis of capital and resource allocation. Ferd is operating the following five business areas:

**Ferd Capital** is an active and long-term investor in privately owned and listed companies. Ferd Capital has an overall approach to investments in the area going from an expansion phase to mature companies. Ferd Capital prioritises investments in companies where we have the relevant expertise. The team comprises highly qualified staff with operational experience from finance, strategic consultancy and manufacturing. Ferd Capital manages the Group's long-term active equity investments, the largest investments being:

- Elopak (100 percent stake) is one of the world's leading manufacturers of packing systems for fluid food articles. With an organisation and cooperating partners in more than 40 countries, the company's products are sold and marketed in more than 100 countries on all continents.

- Aibel (49 percent stake) is a leading supplier to the international upstream and gas industry concentrating on the Norwegian shelf. The company is engaged in operating, maintaining and modifying offshore and land based plants, and is also supplying complete production and processing installations.

- TeleComputing (96 percent stake) is a leading supplier of IT services to small and medium-sized enterprises in Norway and Sweden. The company supplies a broad range of netbased applications and customised operating and outsourcing services in addition to system development, customer assistance and other consultancy services.

- Interwell (34 percent stake) is a preeminent Norwegian supplier of high-tech well tools to the international oil and gas industry. The company's most important market is the Norwegian shelf, but it has in recent years also gained access to several significant markets internationally, both in Europe, the USA and the Middle-East.

- Swix Sport (100 percent stake) is developing, manufacturing and marketing ski wax, ski sticks, accessories and textiles for sporting and active leisure time use under the brands Swix, Ulvang, Original and Lundhags. The company has extensive operations in Norway as well as abroad through subsidiaries in, i.a., Sweden, USA, Japan and Germany.

- Mestergruppen (92 percent stake) is a prominent actor in the Norwegian building materials market concentrating on the professional part of the market. The company's operations include the sale of building materials and developing land and projects, housing and cottage chains.

- Servi (100 percent stake). Servi develops and manufactures customer specific hydraulics systems, cylinders and vents to the offshore, maritime and land based industries. The company offers a broad range of components within hydraulics, pneumatics and slide bearings in addition to service and maintenance of hydraulics systems.

**Ferd Invest** is an active investor managing a considerable portfolio of Nordic listed shares. The business area primarily invests in individual shares assumed to have a large potential. The portfolio is measured against a total Nordic index.

**Ferd Special Investments** (SI) has a wide mandate to make investments, but so far only hedge fund shares in the second-hand market have been purchased. SI makes investments where Ferd assumes there are opportunities within this niche.

**Ferd Hedgefond** invests in various types of hedge funds managed by hedge fund environments abroad. The business area shall give a satisfactory risk-adjusted return and ensure a diversification of risk for Ferd.

**Ferd Eiendom** is an active property investor responsible for the Group's efforts concerning property. Operations focus on developing, leasing and managing office, warehouse and logistic properties and developing housing property for sale, mainly in the Oslo area. The projects are partly carried out in-house, partly together with selected external cooperating partners. Ferd Eiendom also invests in foreign property funds.

**Other areas** mainly comprises investments in externally managed private equity funds that do not require much daily follow-up and are monitored by management rather than allocated to a separate business area. Hence, these securities are part of Other areas. The "Small Caps" mandate, comprising individual stakes in listed companies, where the time perspective has a potential for being somewhat longer than for Invest, is also included in Other areas. In addition, Other areas comprises some financial instruments acquired by management to adjust the total risk exposure. Costs to the company's management, staff and internal bank are also included.

NOK 1 000	<b>Ferd AS</b>	<b>Ferd Capital</b>	<b>Ferd Invest</b>	<b>Ferd Special Investments</b>	<b>Ferd Hedgefond</b>	<b>Ferd Eiendom</b>	<b>Other areas</b>
<b>Result 2013</b>	<b>5 410</b>	2 418 707	1 489	573 620	106 366	101 812	510 488



Operating income	<b>746</b>	2 440 134	658	373 023	190 300	191 012	310 400
Operating expenses	<b>- 177 658</b>	- 62 682	- 18 455	- 21 153	- 4 894	- 9 278	- 61 196
<b>Operating profit</b>	<b>5 233 089</b>	<b>2 386 111</b>	<b>1 471 203</b>	<b>552 476</b>	<b>191 472</b>	<b>182 534</b>	<b>449 292</b>

#### Balance sheet at 31 December 2013

Investments in subsidiaries	<b>11 403 639</b>	9 468 879		44 547		1 304 661	585 551
Investments classified as current assets	<b>12 539 232</b>	158 290	4 985 020	1 992 851	2 227 204	130	3 175 738
Bank deposits/drawings on group account	<b>274 870</b>	1 190 694	53 737	184 636	30 896	238 910	-1 424 003
Other assets	<b>275 473</b>	29 211	1 235	144 604	25 300	47 889	27 234
<b>Total assets</b>	<b>24 493 214</b>	<b>10 847 074</b>	<b>5 039 992</b>	<b>2 366 638</b>	<b>2 283 400</b>	<b>1 591 591</b>	<b>2 364 520</b>

NOK 1 000	Ferd AS	Ferd Capital	Ferd Invest	Ferd Special Investments	Ferd Hedgefond	Ferd Eiendom	Other areas
<b>Result 2012</b>							
Operating income	3 936 778	1 731 345	654 655	174 584	137 678	72 390	1 166 127
Operating expenses	- 196 627	- 91 091	- 24 005	- 12 411	- 8 292	- 13 409	- 47 418
<b>Operating profit</b>	<b>3 740 151</b>	<b>1 640 254</b>	<b>630 650</b>	<b>162 173</b>	<b>129 385</b>	<b>58 981</b>	<b>1 118 709</b>

#### Balance sheet at 31 December 2012

Investments in subsidiaries	8 610 741	6 781 355		35 438		1 168 849	625 100
Investments classified as current assets	12 320 087	1 241 127	3 473 772	1 464 558	1 607 396	130	4 533 104
Bank deposits/drawings on group account	911 028	117 936	31 048	202 900	82 788	222 206	254 150
Other assets	969 273	772 645	21 623	71 360		41 828	61 816
<b>Total assets</b>	<b>22 811 130</b>	<b>8 913 063</b>	<b>3 526 443</b>	<b>1 774 256</b>	<b>1 690 185</b>	<b>1 433 013</b>	<b>5 474 171</b>

**NOTE 4****INCOME FROM FINANCIAL INVESTMENTS**

NOK 1 000	<b>Dividend and group contributions from financial investments *)</b>	<b>Unrealised value change on financial investments</b>	<b>Net gain on sales of financial investments</b>	<b>Total</b>
Investments in subsidiaries	152 627	2 473 235		<b>2 625 863</b>
Listed shares and stakes	110 698	1 091 666	352 266	<b>1 554 631</b>
Unlisted shares and bonds	1 491	408 887	42 158	<b>452 536</b>
Hedge funds	6 764	486 542	253 512	<b>746 819</b>
Interest investments	- 3 160	- 19 540	32 746	<b>10 047</b>
<b>Total 2013</b>	<b>268 421</b>	<b>4 440 791</b>	<b>680 683</b>	<b>5 389 895</b>

NOK 1 000	<b>Dividend and group contributions from financial investments *)</b>	<b>Unrealised value change on financial investments</b>	<b>Net gain on sales of financial investments</b>	<b>Total</b>
Investments in subsidiaries	101 786	1 662 327		1 764 113
Listed shares and stakes	72 442	355 399	149 066	576 907
Unlisted shares and bonds	21 322	1 377 081	- 137 596	1 260 808
Hedge funds	9 749	125 287	161 937	296 973
Interest investments	- 1 570	19 849		18 279
<b>Total 2012</b>	<b>203 730</b>	<b>3 539 942</b>	<b>173 407</b>	<b>3 917 079</b>

\*)Distributions from funds investments are mainly recorded against cost on the investments and not recognised in the income statement.

**NOTE 5****SALARIES AND REMUNERATIONS**

NOK 1 000	<b>2013</b>	<b>2012</b>
Salaries	107 099	123 145
Social security tax	17 464	16 770
Pension costs ( <a href="#">note 15</a> )	- 25 478	4 397
Other benefits	2 227	3 359
<b>Total</b>	<b>101 312</b>	<b>147 671</b>
Average number of man-labour years	39	43

**Salary and remuneration to Group CEO**

NOK 1 000	Salary	Bonus	Benefits in kind	Pension
John Giverholt	3 287	2 297	234	1 218

The Group CEO's bonus agreement is limited to an annual salary. Bonus is based on achieved results in the Group.

The Group CEO participates in Ferd's collective pension schemes for salaries below 12 G and is thereby entitled to a defined benefit pension. From 2014, this scheme is replaced by a contribution scheme (cf. [note 15](#)). The Group CEO also has a benefit scheme for a pension basis higher than 12 G, but with an upper limit of appr. MNOK 2,2, together with an early retirement pension scheme giving him the opportunity to retire at 65 years.

The Group CEO is entitled to 9 months pay after termination of employment if he has to resign from his position.

Ferd AS has a receivable on the CEO of NOK 600 000, which is subject to interest on market based terms. Ferd AS has adequate security for this loan. The loan has no defined instalment plan.

**Fees to the Board**

No specific fees have been paid for board positions in Ferd AS.

**NOTE 6****OTHER OPERATING  
EXPENSES**

NOK 1 000	<b>2013</b>	<b>2012</b>
Lease of buildings etc.	5 850	6 006
Fees to lawyers, consultants and auditors	29 374	20 815
Travel expenses	1 635	2 243
Loss and change in write-downs of receivables	13 444	1 888
Other expenses	24 151	15 798
<b>Total</b>	<b>74 455</b>	<b>46 750</b>

**NOTE 7****AUDIT FEES CHARGED TO THE INCOME STATEMENT**

Specification of fees to the Company's auditors, Ernst & Young AS:

NOK 1 000	<b>2013</b>	<b>2012</b>
Audit fees	1 111	1 330
Other attestation services	18	12
Tax assistance		12
Other non-audit services	1 520	940
<b>Total</b>	<b>2 649</b>	<b>2 295</b>

Other non-audit services mainly comprise due diligence services and assistance in translating the financial statements. All amounts are exclusive of VAT.

## NOTE 8

INCOME  
TAXES

NOK 1 000	2013	2012
<b>The tax expense comprises:</b>		
Income tax payable		1 931
Change in deferred tax	146 737	- 38 366
Tax concerning prior periods	31 736	3 122
Tax effect of net rendered group contribution		69 113
<b>Tax expense</b>	<b>178 473</b>	<b>35 800</b>

**Tax payable in balance sheet**

NOK 1 000	2013	2012
Tax payable of the year		1 931
Tax paid in advance		- 1 440
Tax payable from prior years	32 228	
<b>Tax payable in balance sheet</b>	<b>32 228</b>	<b>492</b>

**Reconciliation of nominal to effective tax rate**

NOK 1 000	2013	2012
Profit before tax	5 164 811	3 664 764
Expected tax expense according to nominal tax rate (28%)	1 446 147	1 026 134
Non-taxable gain/loss and return on securities	- 187 854	- 34 861
Unrealised changes in value of securities	-1 112 420	- 959 693
Adjustment of tax from prior periods	31 736	3 122
Effect of change in tax rate	- 4 743	
Tax effect of other permanent differences	5 607	1 098
<b>Tax expense</b>	<b>178 473</b>	<b>35 800</b>
Effective tax rate	3,5 %	1,0 %

**Deferred tax asset and deferred tax**

NOK 1 000	2013	2012
Receivables	- 6 791	- 3 310
Shares and bonds	200 624	1 285
Tangible assets	5 196	6 874
Provisions		- 5 662
Net pensions	- 5 556	- 19 508
Tax loss to carry forward	- 65 419	
<b>Balance sheet value at 31 Dec, deferred tax benefit (-)/liability</b>	<b>128 054</b>	<b>- 20 320</b>

**Change in net deferred tax recognised in balance sheet**

NOK 1 000	2013	2012
Balance sheet value at 1 January	- 20 320	16 903
Charged in period	146 737	- 38 366
Merged (cf. <a href="#">note 19</a> )	- 1 048	
Tax set-off against total comprehensive income (estimate deviation, pensions)	2 685	1 143
<b>Balance sheet value at 31 December</b>	<b>128 054</b>	<b>- 20 320</b>

## NOTE 9

## TANGIBLE ASSETS

**2013**

NOK 1 000	<b>Buildings and land</b>	<b>Fixtures and equipment</b>	<b>Total</b>
Cost at 1 January	3 080	22 066	<b>25 146</b>
Additions	38	1 646	<b>1 684</b>
Disposals		- 3 810	<b>- 3 810</b>
Cost at 31 December	<b>3 118</b>	<b>19 902</b>	<b>23 020</b>

Accumulated depreciation and impairment at 1 January		15 198	<b>15 198</b>
Depreciation of the year		1 891	<b>1 891</b>
Disposal of depreciation		- 2 151	<b>- 2 151</b>
Accumulated depreciation and impairment at 31 December		<b>14 938</b>	<b>14 938</b>

<b>Carrying amount at 31 December</b>	<b>3 118</b>	<b>4 964</b>	<b>8 082</b>
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Estimated economic life of depreciable assets - 4-10 years  
 Depreciation method Straight-line

**2012**

NOK 1 000	<b>Buildings and land</b>	<b>Fixtures and equipment</b>	<b>Total</b>
Cost at 1 January	2 709	19 906	<b>22 615</b>
Additions	371	2 925	<b>3 296</b>
Disposals		- 765	<b>- 765</b>
Cost at 31 December	<b>3 080</b>	<b>22 066</b>	<b>25 146</b>

Accumulated depreciation and impairment at 1 January		13 262	<b>13 262</b>
Depreciation of the year		1 936	<b>1 936</b>
Disposal of depreciation			
Accumulated depreciation and impairment at 31 December		<b>15 198</b>	<b>15 198</b>

<b>Carrying amount at 31 December</b>	<b>3 080</b>	<b>6 868</b>	<b>9 948</b>
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Estimated economic life of depreciable assets - 4-10 years  
 Depreciation method Straight-line

**NOTE 10****SHARES AND STAKES EXCEEDING 10 % OWNERSHIP IN OTHER COMPANIES**

	<b>Business office</b>	<b>Stake</b>
<b>Subsidiary</b>		
Elopak AS	Røyken	100,0 %
FC Well Invest AS	Bærum	100,0 %
FC-Invest AS	Bærum	100,0 %
Ferd Aibel Holding AS	Bærum	100,0 %
1912 Top Holding AS	Bærum	100,0 %
Ferd Eiendom AS	Bærum	100,0 %
Ferd Malta Holdings Ltd	Malta	100,0 %
Ferd MG Holding AS	Bærum	96,6 %
Ferd Sosiale Entreprenører AS	Bærum	100,0 %
Norse Crown Company Ltd. AS	Bærum	100,0 %
Swix Sport AS	Oslo	100,0 %
<b>Non-current shares with ownership &gt; 10 %</b>		
Herkules Capital I AS		40,0 %
<b>Current shares with ownership &gt; 10 %</b>		
ARKeX Ltd		18,2 %
CF Engine AS		37,9 %
Energy Ventures AS		31,8 %
Energy Ventures IS		19,1 %
Energy Ventures II AS		26,0 %
Energy Ventures II KS		22,1 %
Energy Ventures III AS		25,0 %
Energy Ventures III GP LP		25,0 %
Energy Ventures III LP		18,7 %
Eniram Ltd		27,6 %
Herkules Private Equity Fund I (LP-I) Limited		76,1 %
Herkules Private Equity Fund II (LP-I) Limited		74,5 %
Herkules Private Equity Fund III (LP-I) Limited		25,1 %
Intera Fund I		12,0 %
Marical Inc		22,4 %
Napatech AS		22,3 %
NMI AS		12,5 %
NMI Fund III		31,3 %
NMI Global		12,5 %
NMI Frontier		12,5 %
NRP Fleetfinance IV D.I.S		20,0 %
SPV Herkules II LP		81,5 %
Streaming Media AS		17,2 %
Vensafe ASA		23,1 %



## NOTE 11 FINANCIAL INSTRUMENTS AND THE USE OF FAIR VALUE

Ferd applies the following principles in the measurement of fair value in the financial statements:

Ferd applies the valuation method that is considered to be the most representative estimate of an assumed sales value. Such a sale is assumed to be carried out in an orderly transaction at the balance sheet date. As a consequence, all assets for which there is observable market information, or where a transaction recently has been carried out, these prices are applied (the market method). When a price for an identical asset is not observable, the fair value is calculated by another valuation method. In the valuations, Ferd applies relevant and observable data at the largest possible extent.

For all investments where the value is determined by another method than the market method, analyses of changes in value from period to period are carried out. Thorough analyses on several levels are made, both by business area management, by Ferd's group management and finally by Ferd's Board. Sensitivity analyses for the most central and critical input data in the valuation model are prepared, and in some instances recalculations of the valuation are made by using alternative valuation methods in order to confirm the calculated value.

Ferd is consistent in the application of valuation method and normally does not change the valuation principles. A change of principles will deteriorate the reliability of the reporting and weaken the comparability between periods. The principle for the valuation and use of method is determined for the investment before it is carried out, and is changed only exceptionally and if the change results in a measurement that under the circumstances is more representative for the fair value.

### Valuation methods

Investments in listed shares are valued through the application of the market method. The quoted price of the last transaction carried out at the stock exchange, is used.

Investments in unlisted shares managed in-house are normally valued on the basis of an earnings multiple. In calculating the value (Enterprise Value - EV), EV/EBITDA, EV/EBITA and EV/EBIT can be applied, adjusted by a liquidity discount reduction and the addition of a control premium. In companies where Ferd has significant influence on the decisions made, the liquidity discount and control premium normally counterbalance. The corrections are made directly on the multiple. The company's income figure applied in the valuation is normalised for non-recurring effects. Finally, the equity value is calculated by deducting net interest-bearing debt. In the event that an independent transaction has taken place in the security, this is often used as a basis for our valuation.

Several of the venture investments constitute companies with no positive cash flows. This implies a greater degree of uncertainty in the valuations of the companies. The assessments are based on international valuation principles (EVCA guidelines). The investment is measured at cost, but the pricing is adjusted for progress in accordance with a business plan or if a transaction has taken place.

The valuation of investments in externally managed private equity and hedge funds is based on value reports received from the funds (NAV). Ferd makes a critical assessment of whether the reported NAV can be used as fair value, based on the characteristics of the fund. In many instances, the reported NAV must be adjusted, at a liquidity discount, as an example. Special Investments purchase hedge funds in the secondary market, often with a considerable discount compared to the reported value from the funds (NAV). In measuring these hedge funds, estimates from external brokers are obtained in order to assess the discount used at the trading of these hedge funds, compared to the most recently reported NAV.

Rental properties are valued by discounting future expected cash flows. The value of properties that are part of building projects is valued at an assumed sales value on a continuous basis. There is often a shift in value at achieved milestones. In the calculation, it is assumed that the property is utilised in the best possible way. Other properties are valued on the basis of independent appraisals.

The table below is an overview of carrying and fair value of the Company's financial instruments and how they are valued in the financial statements. It is the starting point for additional information on the Company's financial risk and refers to notes to follow.

NOK 1 000	Financial instruments measured at amortised cost			TOTAL	Fair value
	Financial instruments measured at fair value over profit and loss	Lending and receivables	Financial obligation		
<b>Non-current assets</b>					
Investments in subsidiaries	11 403 639			11 403 639	11 403 639
Loans to group					

companies				
Other non-current receivables		42 663	42 663	42 663
<b>Total 2013</b>	<b>11 403 639</b>	<b>42 663</b>	<b>11 446 302</b>	<b>11 446 302</b>
<b>Total 2012</b>	<b>8 610 741</b>	<b>743 007</b>	<b>9 353 748</b>	<b>9 353 748</b>

#### Current assets

Short-term receivables on group companies		66 907	66 907	66 907
Other short-term receivables		157 821	157 821	157 821
Listed shares and bonds	5 241 213		5 241 213	5 241 213
Unlisted shares and bonds	2 922 904		2 922 904	2 922 904
Hedge funds	4 361 911		4 361 911	4 361 911
Interest-bearing investments	13 205		13 205	13 205
Bank deposits		274 870	274 870	274 870
<b>Total 2013</b>	<b>12 539 232</b>	<b>499 598</b>	<b>13 038 830</b>	<b>13 038 830</b>
<b>Total 2012</b>	<b>12 320 087</b>	<b>1 107 027</b>	<b>13 427 114</b>	<b>13 427 114</b>

#### Long-term debt

Long-term interest-bearing debt

<b>Total 2013</b>				
<b>Total 2012</b>		<b>2 493 514</b>	<b>2 493 514</b>	<b>2 493 514</b>

#### Short-term debt

Trade accounts payable		1 891	1 891	1 891
Public duties etc.		8 757	8 757	8 757
Debt to group companies		83 064	83 064	83 064
Other short-term debt		20 648	20 648	20 648
<b>Total 2013</b>		<b>114 360</b>	<b>114 360</b>	<b>114 360</b>
<b>Total 2012</b>		<b>299 136</b>	<b>299 136</b>	<b>299 136</b>

#### Fair value hierarchy - financial assets and liabilities

Ferd classifies assets and liabilities measured at fair value by a hierarchy based on the underlying basis for the valuation. The hierarchy has the following levels:

**Level 1:** Valuation based on quoted prices in active markets for identical assets without adjustments. An active market is characterised by the fact that the security is traded with adequate frequency and volume in the market. The price information shall be continuously updated and represent expected sales proceeds. Only listed shares owned by Ferd Invest and allocated to the Small Caps mandate are considered to be level 1 investments.

**Level 2:** Level 2 comprises investments where there are quoted prices, but the markets do not meet the requirements for being characterised as active. Also included are investments where the valuation can be fully derived from the value of other quoted prices, including the value of underlying securities, interest rate level, exchange rate etc. In addition, financial derivatives like interest rate swaps and currency futures are considered to be level 2 investments. Some funds in Ferd's hedge fund portfolio are considered to meet the requirements of level 2. These funds comprise composite portfolios of shares, unit trust funds, interest securities, commodities and other negotiable derivatives. For such funds the value (NAV) is reported on a continuous basis, and the reported NAV is applied on transactions in the fund.

**Level 3:** All Ferd's other securities are valued on level 3. The valuation is based on valuation models where parts of the utilised information cannot be observed in the market. Securities valued on the basis of quoted prices or reported value (NAV), but where significant adjustments are required, are assessed on level 3. Shares with little or no trading, where an internal valuation is required to determine the fair value, are assessed on level 3. For Ferd this concerns all venture investments, private equity investments and funds investments where reported NAV has to be adjusted. A reconciliation of the movements of assets on level 3 is shown in a separate table.

Ferd allocates each investment to its respective hierarchy at the acquisition. Transfers from one level to another are made only exceptionally and only if there have been changes of significance for the level classification concerning the financial asset. This can be the case when an unlisted share has been listed or correspondingly. A transfer between levels will then take place when Ferd has become aware of the change.

The table shows at what level in the valuation hierarchy the different measurement methods for the Group's financial instruments at fair value is considered to be:

NOK 1 000	Level 1	Level 2	Level 3	Total 2013
Investments in subsidiaries			11 403 639	11 403 639
Listed shares and bonds	5 241 213			5 241 213
Unlisted shares and bonds			2 922 904	2 922 904
Hedge funds		2 360 531	2 001 381	4 361 911
Interest-bearing investments		13 205		13 205
<b>Total 2013</b>	<b>5 241 213</b>	<b>2 373 736</b>	<b>16 327 923</b>	<b>23 942 871</b>

NOK 1 000	Level 1	Level 2	Level 3	Total 2012
Investments in subsidiaries			8 610 741	8 610 741
Listed shares and bonds	3 476 584			3 476 584
Unlisted shares and bonds		6 448	5 619 273	5 625 721
Hedge funds		1 600 948	1 461 746	3 062 694
Interest-bearing investments		155 088		155 088
<b>Total 2012</b>	<b>3 476 584</b>	<b>1 762 484</b>	<b>15 691 760</b>	<b>20 930 828</b>

#### Reconciliation of movements in assets on level 3

NOK 1 000	Op.bal.1 Jan. 2013	Purchases/share issues	Sales and proceeds from investments	Transfers to and from level 3	Unrealised gain and loss, recognised in the result	Gain and loss recognised in the result	Closing bal. on 31 Dec. 2013
Investments in subsidiaries	8 610 741	450 360	- 130 697		2 473 235		11 403 639
Unlisted shares and bonds	5 619 273	221 876	-3 364 254		409 528	36 481	2 922 904
Hedge funds	1 461 746	503 209	- 631 164		386 655	280 935	2 001 381
<b>Total</b>	<b>15 691 760</b>	<b>1 175 445</b>	<b>-4 126 115</b>		<b>3 269 418</b>	<b>317 416</b>	<b>16 327 924</b>

NOK 1 000	Op.bal.1 Jan. 2012	Purchases/share issues	Sales and proceeds from investments	Transfers to and from level 3	Unrealised gain and loss, recognised in the result	Gain and loss recognised in the result	Closing bal. on 31 Dec. 2012
Investments in subsidiaries	6 483 565	469 949	- 5 100		1 662 327		8 610 741
Unlisted shares and bonds	4 603 667	186 454	- 390 765	- 6 448	1 363 961	- 137 596	5 619 273
Hedge funds	1 477 781	690 982	- 490 577	- 375 735	61 247	98 048	1 461 746
<b>Total</b>	<b>12 565 013</b>	<b>1 347 385</b>	<b>- 886 442</b>	<b>- 382 183</b>	<b>3 087 535</b>	<b>- 39 548</b>	<b>15 691 760</b>

## Specification of applied indata and sensitivity analysis

The table below gives an overview over the most central assumptions used when measuring the fair value of Ferd's investments, allocated to level 3 in the hierarchy. We also show how sensitive the value of the investments is for changes in the assumptions.

NOK 1 000	Balance sheet value at 31 Dec 2013	Applied and implicit EBITDA multiples	Value, if the multiple is reduced by 10 %	Applied discount rate	Value, if the interest is increased by 1 percentage point	Estimated discounts according to broker (interval)	Value if the discount is increased by 10 percentage points
Investment in Ferd Eiendom AS 1)	1 304 661			7,5% - 9,0%	1 142 661		
Other investments in subsidiaries	10 098 978	7,3 - 10	8 702 978				
Unlisted shares and bonds 2)	2 922 904	7,6 - 9,5	2 641 504				
Hedge funds 3)	2 001 381					12 % - 76 %	1 767 679

1) Appr. 35% of Ferd Eiendom AS' portfolio constitutes rental property sensitive for changes in the discount interest rate.

2) Appr. 63 % of the investments are sensitive for a change in multiple. The other investments are valued by other methods.

3) Appr. 92 % of the hedge funds are sensitive for a change in discount. The other investments are valued by other methods.

**IMPAIRMENT RISK AND CAPITAL ALLOCATION**

Ferd's allocation of capital shall be in line with the owner's risk tolerance. One measure of this risk tolerance is the size of the decline in value in kroner or percent that the owner accepts if any of the markets Ferd is exposed to should experience very heavy and quick downfalls. Ferd's total portfolio shall have maximum 35 per cent impairment risk, given certain assumptions. The impairment risk regulates how large part of equity that can be invested in assets with high risk for impairment. This is measured and followed up by stress tests. The loss risk is assessed as a possible total impairment expressed in kroner og as a percentage of equity. Due to Ferd's long-term approach, the owner can accept significant fluctuations in value-adjusted equity.

**CATEGORIES OF FINANCIAL RISK****Liquidity risk**

Ferd strongly emphasises liquidity and assumes that the return from financial investments shall contribute to cover current interest costs. Hence, it is important that Ferd's balance sheet is liquid, and that the possibility to realise assets corresponds well with the term of the debt. Ferd has determined that under normal market conditions, at least 4 billion kroner of the financial investments shall comprise assets that can be realised within a quarter of a year. This is primarily managed by investments in listed shares and hedge funds. [Note 16](#) has more information about Ferd's loan facilities, including an overview of due dates of the debt.

**Foreign currency risk**

Ferd has defined intervals for exposure in Norwegian kroner, euro, USD and Swedish kroner. As long as the exposure is within these intervals, Ferd is not making any currency adjustments. If Ferd's exposure exceeds these intervals, steps are taken to adjust the exposure to the established currency curve.

**SENSITIVITY ANALYSE, IMPAIRMENT RISK IN INVESTMENT ACTIVITIES**

The stress test is based on a classification of Ferd's equity in different asset classes, exposed for impairment as follows:

- The Norwegian stock market declines by 30 percent
- International stock markets decline by 20 percent
- Property declines by 10 percent
- The Norwegian krone appreciates by 10 percent

In order to refine the calculations, it is considered whether Ferd's investments will decline more or less than the market. As an example, it is assumed that private investments in a stress test scenario have an impairment loss of 1.5 - 2 times the market (30-60 percent in Norway and 20-40 percent abroad).

NOK 1 000	<b>2013</b>	<b>2012</b>
Price risk: Norwegian shares decline by 30 percent	-4 500 000	-4 400 000
Price risk: International shares decline by 20 percent	-1 600 000	-1 100 000
Price risk: Property declines by 10 percent	- 200 000	- 200 000
Currency risk: The Norwegian krone appreciates 10 percent	- 1 100	- 600 000
<b>Total impairment in value-adjusted equity</b>	<b>-7 400 000</b>	<b>-6 300 000</b>

Impairment as a percentage of value-adjusted equity	31%	32%
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Included in the basis for the value impairment risk for 2013 is Ferd Capital's acquisition of 24 percent of Interwell in January 2014.

**NOTE 13****BANK DEPOSITS**

The following restricted funds are included in the bank deposits in the balance sheet:

NOK 1 000	<b>2013</b>	<b>2012</b>
Employees' withheld tax	5 669	5 518

**NOTE 14****SHARE CAPITAL AND SHAREHOLDER INFORMATION**

The share capital of the Company consists of 183.267.630 shares at a nominal value of NOK 1.-.

**Owner structure**

The shareholder as at 31 December 2013 was:

	<b>Number of shares</b>	<b>Stake</b>
Ferd Holding AS	183 267 630	100,00%

Ferd AS is a subsidiary of Ferd Holding AS, being a subsidiary of Ferd JHA AS. Ferd shares offices with its parent companies in Lysaker, Bærum. Please contact Ferd for the consolidated financial statements of Ferd JHA AS.

**Shares owned indirectly by the CEO and board members of Ferd AS:**

	<b>Position</b>	<b>Stake</b>
Johan H. Andresen	Chair of the Board	15,20%

The children of Johan H. Andresen own appr. 85 % of Ferd AS indirectly by ownership of shares in Ferd Holding AS.

**NOTE 15****PENSION COSTS AND LIABILITIES****FERD'S PENSION PLANS**

Ferd has established pension schemes in accordance with Norwegian legislation. The employees participate in defined benefit and defined contribution plans.

Until and including 2013, all employees have been members of a defined benefit plan for salaries up to 12 times the basic amount for the national insurance (G). Defined benefit pension plans give the employees the right to determined future pension benefits. The obligation is an estimate of future benefits earned by the employees, based on the number of service years and the salary level at the age of retirement. The benefits are discounted to present value, and the recognised obligation is reduced by the fair value of the pension funds for funds based pension schemes. Changes in assumptions, the total number of members and deviations between estimated and actual salary increases and return on funds result in actuarial gains and losses. Such gains and losses are recognised in total comprehensive income. The defined benefit scheme was terminated at year-end, and paid-up policies have been issued in 2014. The effect of the change in plan was recognised in the income statement in 2013. From January 2014, all employees will be members of a contribution scheme for salaries below 12 G.

For salaries exceeding 12 G, Ferd has established a pension scheme implying that the employees earn a pension right each year. The scheme was closed for new hires when established. The right comprises a share of the salary in excess of 12 G together with a return component depending on the employee's chosen risk profile. The pension plan has many similarities with a contribution scheme, but as Ferd is not making current payments to a fund, but has elected to take the risk of return itself, the scheme shall be classified as a benefit scheme for accounting purposes. Ferd has recognised the obligation as a pension liability and is expensing the current deposits and the current return as incurred. The liability has not been discounted.

In addition, Group management has an early retirement pension scheme giving them the opportunity to retire at 65 years. This is also a benefit scheme.

**Financial assumptions at 31 December**

	<b>2013</b>	<b>2012</b>
Discount rate	3,30%	2,20%
Expected return from pension assets	3,30%	3,60%
Expected wage growth	3,75%	3,25%
Future expected pension regulation	1,75%	1,30%
Expected regulation of base amount (G)	3,50%	3,00%

**DEFINED BENEFIT PLANS****Specification of the recognised liability**

NOK 1 000	<b>2013</b>	<b>2012</b>
Present value of unfunded pension liabilities	20 579	27 976
Present value of wholly or partly funded pension obligations	62 716	102 614
Total present value of defined benefit obligations	83 295	130 590
Fair value of pension assets	62 716	60 920
<b>Total defined benefit obligation recognised in the balance sheet</b>	<b>20 579</b>	<b>69 670</b>

**Movement in the liability for defined benefit pension plans**

NOK 1 000	2013	2012
Liability for defined benefit pension plans at 1 January	130 590	137 448
Present value of the pension earnings of the year	10 326	13 715
Interest expense on the pension liability	4 361	2 819
Estimate deviation on the pension liability	- 13 054	- 9 017
Plan changes	- 35 855	- 9 826
Benefits paid	- 13 073	- 4 549
<b>Liability for defined benefit pension plans at 31 December</b>	<b>83 295</b>	<b>130 590</b>

**Movement in fair value of pension assets for defined benefit pension plans**

NOK 1 000	2013	2012
Fair value of pension assets at 1 January	60 920	61 000
Expected return from pension assets	1 303	2 548
Estimate deviations on pension funds	- 3 464	- 4 936
Contribution from employer	7 433	6 455
Administration expenses	- 51	- 508
Benefits paid	- 3 425	- 3 639
<b>Fair value of pension assets at 31 December</b>	<b>62 716</b>	<b>60 920</b>

**Pension assets include the following:**

NOK 1 000	2013	2012
Equity instruments	9 059	8 800
Government stock	7 058	6 856
Corporate stock	12 687	12 324
Other debt instruments, including structured debt	25 340	24 614
Property investments	7 191	6 985
Bank deposits	1 381	1 341
<b>Total pension assets</b>	<b>62 716</b>	<b>60 920</b>

**Estimate deviation recognised in total comprehensive income**

NOK 1 000	2013	2012
Estimate deviation on the pension obligation (benefit schemes) of the year	13 054	9 017
Estimate deviation of the pension funds (contribution schemes) of the year	- 3 464	- 4 936
<b>Net estimate deviation for benefit schemes recognised in income statement</b>	<b>9 590</b>	<b>4 081</b>

**Pension costs recognised in the income statement**

NOK 1 000	2013	2012
Present value of this year's pension earnings	10 326	13 715
Plan changes	- 35 855	- 9 826
Administration expenses	51	508
<b>Total pension costs recognised in the income statement as salary expenses</b>	<b>- 25 478</b>	<b>4 397</b>
Interest expense on the pension liability	4 361	2 818
Expected return on pension assets	- 1 303	- 2 548
<b>Total pension costs recognised in the income statement as interest expenses</b>	<b>3 058</b>	<b>270</b>



**NOTE 16****LONG-TERM DEBT****Long-term interest-bearing debt  
by currency**

NOK 1 000	Loan amount in NOK 2013	Loan amount in NOK 2012
NOK	-	500 000
USD	-	1 113 050
EUR	-	880 464
<b>Balance sheet value at 31 December</b>	<b>-</b>	<b>2 493 514</b>

Ferd has a total lending facility of NOK 6 billion, but has not utilised any of it as at 31 December 2013.

**NOTE 17****TRANSACTIONS AND BALANCES WITH GROUP COMPANIES**

Ferd AS has the following loans and balances with group companies:

NOK 1 000	2013	2012
<b>Receivables</b>		
Long-term loans to group companies		675 967
Short-term receivables on group companies	66 907	64 648
Total receivables	66 907	740 615
<b>Debt</b>		
Short-term debt to group companies	83 064	272 498
Total debt	83 064	272 498

All group balances bear an interest of 6 months NIBOR + 2 percentage points.

Long-term loans have interest rates on assumed market terms.

NOK 1 000	2013	2012
<b>Services billed to group companies</b>		
Staff services	8 169	7 479
Property management	10 628	10 819
Total income	18 798	18 298
<b>Interest income on intercompany loans</b>		
Interest income	47 576	53 839
Total interest income	47 576	53 839

**NOTE 18****CONTINGENT LIABILITIES AND OBLIGATIONS NOT  
RECOGNISED IN BALANCE SHEET****Guarantees and obligations not recognised in  
the balance sheet**

NOK 1 000	<b>2013</b>	<b>2012</b>
Not paid, but committed capital to funds investments	748 054	828 261
<b>Total</b>	<b>748 054</b>	<b>828 261</b>

**Contingent obligations and litigation**

Ferd AS is presently not involved in any legal proceedings.

**NOTE 19****MERGER**

Effective from 29 August 2013, Ferd AS has merged the wholly-owned subsidiaries Ferd Capital Partners AS, Det Oversøiske Compagnie and Kople II AS. The merger was carried out pursuant to the rules on simplified merger of group companies in the Companies Act, and no compensation was paid. As the company taken over was fully owned by the acquiring party, the merger has been accounted for by the continuity method.