

**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 consolidated financial statements**

Ferd AS' consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU.

**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.

**Consolidation and consolidated financial statements**

The consolidated financial statements show the overall financial results and the overall financial position for the parent company Ferd AS and entities where Ferd has a direct or indirect controlling influence. A controlling interest normally exists when Ferd AS either directly or by other controlling entities has a stake exceeding 50 % of the voting capital.

Non-controlling interests in subsidiaries are disclosed as part of equity, but separated from the equity that can be attributed to the shareholders of Ferd AS. The non-controlling interests are either measured at fair value or at the proportionate share of identified assets and liabilities. The principle for measuring non-controlling interests is determined separately for each business combination.

Subsidiaries are consolidated from the date when the Group achieves control, and are excluded when such control ceases. Should there be a change in ownership in a subsidiary without loss of control, the change is accounted for as an equity transaction. The difference between the compensation and the carrying value of the non-controlling interests are directly recognised in equity and allocated to the shareholders of Ferd AS. At a loss of control, the subsidiary's assets, liabilities, non-controlling interests and any accumulated currency differences are derecognised. Any remaining interests at the date of loss of control are measured at fair value, and gain or loss is recognised in the income statement.

Inter-company transactions, balances and unrealised internal gains are eliminated. When required, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with those used by the Group.

**Business combinations**

Business combinations are accounted for by the acquisition method. This implies the identification of the acquiring company, the determination of the date for the take-over, the recognition and measurement of identifiable acquired assets, liabilities and any non-controlling interests in the acquired company, and the recognition and measurement of goodwill or gain from an acquisition made on favourable terms.

Assets, liabilities taken over and contingent liabilities taken over or incurred are measured at fair value at the acquisition date. Goodwill is recognised as the total of the fair value of the consideration, including the value of the non-controlling interests and the fair value of former owner's share, less net identifiable assets in the business combination. Direct costs connected with the acquisition are recognised in the income statement.

Any contingent consideration from the Group is recognised at fair value at the acquisition date. Changes in the value of the contingent consideration considered to be a financial liability pursuant to IAS 39, are recognised in the income statement when incurred. At step-by-step business combinations, the Group's former stake is measured at fair value at the date of the take-over. Any adjustments in value are recognised in the income statement.

**Investments in associates and joint ventures**

Associates are entities over which the Group has significant, but not controlling, influence. Significant influence implies that the Group is involved in strategic decisions concerning the company's finances and operations without controlling these decisions. Significant influence normally exists for investments where the Group 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.

The exemption clause in IAS 28 about using the equity method for investments in associated companies owned by investment entities, and the corresponding exemption in IAS 31 for joint ventures, is the basis for presenting the investments in the business area Ferd Capital. These associates are recognised at fair value with value changes through profit and loss, and are classified as current assets in the statement of financial position.

The Group reports other associates and joint ventures using the equity method of accounting, i.e., the Group's share of the associates' profit or loss is disclosed on a separate line in the income statement. The carrying amount of the investment includes the share of total comprehensive income in the associated company. The accounting principles are adjusted to bring them in line with those of the Group. The carrying amount of investments in associates is classified as "Investments recognised under the equity method" and includes goodwill identified at the date of acquisition, reduced by any subsequent impairments.

**Revenue recognition**

Revenue is recognised when earned. The Group's consolidated revenue mainly includes selling goods, rendering IT services and delivering packing systems.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and reward of the ownership, income from the sale can be expected and the amount can be reliably measured. Revenue 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. Should the contract contain several elements, revenue from each element is recognised separately, provided that the transfer of risk and control can be separately assessed. Contracts concerning the sale of filling machines and packing materials are commercially connected, and revenue is therefore recognised in total for the contract.

Revenue is measured at fair value and presented net of rebates, value added tax and similar taxes.

At the sale of intangible and tangible assets, gain or loss is calculated by comparing the proceeds with the residual value of the sold asset. Calculated gain/loss is included in operating income or expenses, respectively.

**Foreign currency translation**

Transactions in foreign currency in the individual Group entities are recognised and measured in the functional currency of the entity at the transaction date. Monetary items in foreign currency are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Currency differences are recognised in the income statement with the exception of currency differences on loans in foreign currencies hedging a net investment and inter-company balances considered to be part of the net investment. These differences are recognised in total comprehensive income until the investment is disposed of.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the parent company. When a subsidiary in foreign currency is consolidated, income and expense items are translated into Norwegian kroner at an average weighted exchange rate throughout the year. For balance sheet items, including excess values and goodwill, the exchange rate prevailing at the balance sheet date is used. Exchange differences arising when consolidating foreign subsidiaries are recognised in total comprehensive income until the subsidiary is disposed of.

#### **Classification of financial instruments**

Financial instruments constitute a substantial part of Ferd's consolidated accounts and are of considerable significance for the overall financial standing and result of the Group. Financial assets and liabilities are recognised when the Group becomes a party to the contractual obligations and rights of the instrument. Pursuant to IAS 39, all Ferd's financial instruments are initially classified in the following categories:

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 as part of category 1 if acquired primarily for benefiting from short-term price deviations. Derivatives are classified as held for trading unless they are part of a hedging instrument, another asset or liability. Assets held for trading are classified as current assets.

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 statement of financial position**

Purchases and sales of financial instrument transactions are recognised on the date of the agreement, which is when the Group 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 have been transferred to another party. Correspondingly, financial instruments are derecognised when the Group on the whole has transferred the risk and reward of 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.

Loans and financial liabilities are initially measured at fair value with the addition of direct transactions costs. In subsequent periods, the assets and liabilities are measured at amortised cost by using the effective interest method. Loss on impairment of loans and receivables is recognised in the income statement.

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 income is recognised when the Group has established the right to receive payment. Net finance income related to financial instruments is classified as operating income and presented as "Income from financial investments" in the income statement.

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

The Group applies financial derivatives to reduce any potential loss from exposures to unfavourable changes in exchange rates or interest rates. Financial derivatives related to a highly probable planned transaction (cash flow hedges) are recognised in accordance with the principles for hedge accounting when the hedge has been documented and meets the relevant requirements for effectiveness. Ferd is not applying hedge accounting for derivatives acquired to reduce risk in an asset or liabilities recognised in the balance sheet. Derivatives not qualified for hedge accounting are classified as financial instruments at fair value, and changes in value are recognised in the income statement.

Cash flow hedging is presented by recognising a change in fair value of the financial derivative applied as cash flow hedging in total comprehensive income until the underlying transaction is accounted for. The ineffective portion of the hedge is recognised immediately in profit or loss.

When the hedge instrument expires or is disposed of, the planned transaction is carried out, or when the hedge no longer meets the criteria for hedge accounting, the accumulated effect of the hedging is recognised in the income statement.

#### **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 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 and the tax effects of losses to carry forward in the consolidated financial statements at the reporting date. Deferred tax liabilities associated with the initial recognition of goodwill in business combinations are not carried in the balance sheet. No deferred tax is recognised on those investment properties at fair value that are expected to be sold as limited companies and thereby not setting off any tax liability.

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 Group has a legal right to net assets and liabilities.

#### **Goodwill**

Goodwill is the difference between the cost of an acquisition and the fair value of the Group's share of net assets in the acquired business at the acquisition date. Goodwill arising on the acquisition of subsidiaries is classified as intangible assets. Goodwill is tested for impairment annually, or more often if there are indications of impairment, and carried at cost less accumulated depreciation. Impairment losses are not reversed in subsequent periods. Goodwill arising on the acquisition of a share in an associate is included in the carrying amount of the investment and tested for impairment as part of the carrying amount of the investment. Gain or loss arising from the realisation of a business includes goodwill allocated to the business sold. For the purpose of impairment testing, goodwill is allocated to the relevant cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combinations.

#### **Intangible assets**

Intangible assets acquired separately are initially carried at cost. Intangible assets acquired in a business combination are recognised at their fair value at the time of the combination. In subsequent periods, intangible costs are recognised at cost less accumulated depreciation and impairment.

Intangible assets with a definite economic life are depreciated over their expected useful life. Normally, straight-line depreciation methods are applied, as this generally reflects the use of the assets in the most appropriate manner. This applies for intangible assets like software, customer relations, patents and rights and capitalised development costs. Intangible assets with an indefinite life are not depreciated, but tested for impairment annually. Some of the Group's capitalised brands have indefinite economic lives.

#### **Research, development and other in-house generated intangible assets**

Expenses relating to research activities are recognised in the income statement as they arise.

In-house generated intangible assets arising from development are recognised in the balance sheet only if the following conditions are met:

1. The asset can be identified
2. It is probable that the asset will generate future cash flows
3. The development costs can be reliably measured

In-house generated intangible assets are amortised over their estimated useful lives from the date when the assets are available for use. If the conditions for capitalisation are not met, the expenses are recognised in the income statement as incurred.

#### **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. Current maintenance is expensed.

Property, plant and equipment are depreciated systematically 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 and intangible assets that are depreciated are considered for impairment when there are indications to the effect that future earnings cannot support the carrying amount. Intangible assets with undefined useful lives and goodwill are depreciated, but evaluated annually for impairment.

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. Other leases are classified as operating leases.

The object and liability of finance leases with the Group as the lessee is initially recognised at the lower of the object's fair value and the present value of the minimum lease. Lease payments are apportioned between the liability and finance cost in order to achieve a constant rate of interest on the remaining balance of the liability. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, provided that the Group will not assume ownership by the end of the lease term.

Finance leases with the Group as the lessor are initially recognised at the beginning of the period as a receivable equal to the Group's net investment in the lease agreement. The lease payments are apportioned between the repayment of the main balance and finance income. The finance income is calculated and recognised as a constant periodical return on the net investment over the lease period. Direct costs incurred in connection with the lease agreement are included in the value of the asset.

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

#### **Investment property**

Investment properties are acquired to achieve long-term return on hiring or an increase in value, or both. Properties are measured at cost at the acquisition date, including transaction costs. In subsequent periods, investment properties are measured at their assumed fair value. Fair value is the price we would have achieved at a sale of the property in an well-organised transaction to an external party, carried out on the balance sheet date. Fair value is either based on observable market values, which in reality requires a bid on the property, or a calculation considering rental income from closed lease contracts, an assumption of the future lease level based on the market situation on the balance sheet date and also all available information about the property and the market on which it will be sold, based on market prices. An assumption at the calculation is that the property is utilized in the best possible manner, i.e. in a manner achieving most profit.

Revenue from investment properties includes the period's net change in value of the properties together with rental income of the period less property-related costs in the same period.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. The costs of inventories are determined on a first-in-first-out basis. The cost of finished goods and goods in progress consists of costs related to product design, consumption of materials, direct wages and other direct costs. The net realisable value is the estimated selling price less estimated variable expenses for completion and sale.

#### **Accounts receivable and other receivables**

Current receivables are initially recognised at fair value. In subsequent periods, provisions for actual and possible losses are considered. The Group 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. Restricted funds are also included. Drawings on bank overdraft are presented as current liabilities 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 periods. 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 previous events, 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 Group's management makes, monitors and evaluates its decisions. The operative areas are identified on the basis of the internally generated information that is periodically reviewed by management and utilised to the allocation of capital and resources as well as goal achievement.

#### **Cash flow statement**

The cash flow statement has been prepared using the indirect method, implying that the basis used is the Group'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 implemented 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 17](#)).

In addition, net interest in benefit schemes 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 change so far has 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 be effective for the accounting year starting on 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 have been finalized so far have relatively limited consequences for Ferd.

##### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses consolidated financial statements and SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities. The content of the term "control" is somewhat changed compared to IAS 27. IFRS 10 also has a consolidation exemption for investment companies, provided that certain criteria are met. IFRS 10 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 10 starting on 1 January 2014. Ferd has reviewed its investments, both consolidated subsidiaries and other non-consolidated company investments, with the conclusion that the changes are expected to have very small consequences for Ferd. The amended control term will not change the conclusion about consolidation of any of Ferd's investments, and Ferd will not comply with the exemption criteria for investment companies.

#### *IFRS 11 Joint Arrangements*

This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 concerns joint arrangements and have guidelines for accounting for two different types of joint arrangements – joint operations and joint ventures. According to IFRS 11, joint ventures shall be accounted for using the equity method pursuant to IAS 28, and joint operations by a recognition of the investor's share of assets, liabilities, income and costs in the jointly controlled activity. IFRS 11 becomes effective for annual periods beginning on or after 1 January 2014, and the EU has approved the standard. Ferd intends to implement IFRS 10 starting on 1 January 2014. Ferd has carried out an overall analysis of the Group's joint arrangements to clarify whether any of them qualify to be joint activities, but has identified none. Ferd applies the equity method on all jointly controlled arrangements today and expects that the consequences from applying IFRS 11 will be insignificant.

#### *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.

Management has used estimates and assumptions in the preparation of the consolidated 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 transaction, 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 the Ferd Group's balance sheet comprises financial assets at fair value. The fair value assessment of financial assets will to 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 investment properties**

The Ferd Group has several investment 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:

1. Existing contracts
2. Expected future rentals
3. 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:

1. Location
2. Standard
3. Expected market development
4. Rent level compared to the rest of the market
5. The tenant's financial strength
6. 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.

Business premises not hired out and properties included in development projects are normally valued by independent appraisals.

#### **Impairment considerations of goodwill**

Goodwill is tested annually for impairment by discounting expected future cash flows of the cash-generating unit to which goodwill is allocated. If the discounted value of future cash flows is lower than the carrying value, goodwill is written down to the recoverable amount. The impairment tests are based on assumptions of future expected cash flows and estimates of the discount interest rate.

Note 8 has details on the impairment considerations for goodwill.

#### **Depreciation and impairment of tangible and intangible assets**

Tangible and intangible assets with definite lives are recognised at cost. The acquisition cost less the residual value is depreciated over the expected useful economic life. The carrying values will depend on the the Group's estimates on useful lives and residual values. These assumptions are estimated on the basis of experience, history and judgemental considerations. The estimates are adjusted if the expectations change.

Testing for impairment is undertaken when indicators of a permanent decline in value of tangible or intangible assets are identified. These tests are based on estimates and assumptions on future cash flows and discount interest rate.

#### **Pension funds and obligations**

The calculation of pension obligations implies the use of judgement and estimates on a number of financial and demographical assumptions. Note 17 has details on the assumptions used. Changes in assumptions can result in significant changes in pension obligations and funds in the balance sheet.

#### **Deferred tax assets**

Deferred tax assets of tax losses to carry forward and other tax-reducing differences are recognised in the balance sheet to the extent that it is probable that the deferred tax assets can be utilised against future taxable income. Management is required to use significant judgement to determine the size of the deferred tax assets recognised in the balance sheet. The assessment shall take into account expectations of future taxable income, the points in time for utilising the deferred tax

asset and future tax planning strategies.

**Provision for losses on receivables**

The provision for losses on receivables is estimated on the risk for not recovering the outstanding amounts due. The assessment is based on historical experience, the aging of the receivable and the counterparty's financial situation.

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. Those companies controlled by Ferd Capital are consolidated into the consolidated financial statements. Accordingly, the business area reporting in the consolidated financial statements comprises the consolidated results from these companies, together with the value changes and administration costs of the non-consolidated companies. The value of the investments and value changes are included in the company accounts of Ferd AS, where Ferd Capital reports an operating result of MNOK 2 386. The value of Ferd Capital's portfolio constitutes MNOK 10 847 as at 31 December 2013 and MNOK 8 913 as at 31 December 2012 measured at fair value.

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, Toko, 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	Ferd AS Group	Ferd Capital	Ferd Invest	Ferd Special Investments	Ferd Hedgefond	Ferd Eiendom	Other areas
<b>Result 2013</b>							
Sales income	10 958 333	10 956 742				1 591	
Income from financial investments	2 694 153	- 120 834	1 489 658	568 921	196 366	1 013	559 029
Other income	141 334	26 258				114 396	680
<b>Operating income</b>	<b>13 793 820</b>	<b>10 862 166</b>	<b>1 489 658</b>	<b>568 921</b>	<b>196 366</b>	<b>117 000</b>	<b>559 709</b>
Operating expenses excl. depreciation and impairment	10 155 537	9 998 504	18 378	21 367	4 802	33 485	79 001
<b>EBITDA</b>	<b>3 638 283</b>	<b>863 663</b>	<b>1 471 280</b>	<b>547 553</b>	<b>191 564</b>	<b>83 515</b>	<b>480 708</b>
Depreciation and impairment	439 714	437 719	77		92	923	904
<b>Operating profit</b>	<b>3 198 568</b>	<b>425 944</b>	<b>1 471 203</b>	<b>547 553</b>	<b>191 472</b>	<b>82 592</b>	<b>479 804</b>
Income on investments accounted for by the equity method	83 164	29 067				54 097	
<b>Profit before finance items and income tax expense</b>	<b>3 281 732</b>	<b>455 011</b>	<b>1 471 203</b>	<b>547 553</b>	<b>191 472</b>	<b>136 689</b>	<b>479 804</b>

**Statement of financial position 31 December 2013**

Intangible assets	2 276 314	2 276 314					
Tangible assets and investment properties	3 743 985	1 748 692	40		350 1 990 754		4 150
Investments accounted for by the equity method	647 167	294 414			352 753		



	15 064	2 651	4 985				3 179
Investments classified as current asset	922	290	020	2 008 553	2 227 204	13 592	263
		5 662					- 773
Other assets (1)	5 642 951	475	54 678	340 135	55 812	303 580	729
<b>Total assets</b>	<b>27 375 338</b>	<b>12 633 185</b>	<b>5 039 738</b>	<b>2 348 688</b>	<b>2 283 366</b>	<b>2 660 679</b>	<b>2 409 684</b>

1) The business area's net drawings on the bank accounts are included here and deducted from the other assets.

NOK 1 000	Ferd AS Group	Ferd Capital	Ferd Invest	Ferd Special Investments	Ferd Hedgefond	Ferd Elendom	Other areas
<b>Result 2012</b>							
Sales income	10 465 326	10 464 382				944	
Income from financial investments	3 238 952	1 081 221	654 655	182 447	137 678	- 48 813	1 231 764
Other income	483 836	39 445				444 082	310
<b>Operating income</b>	<b>14 188 115</b>	<b>11 585 048</b>	<b>654 655</b>	<b>182 447</b>	<b>137 678</b>	<b>396 213</b>	<b>1 232 074</b>
Operating expenses excl. depreciation and impairment	9 867 146	9 714 196	23 928	12 852	8 255	39 845	68 069
<b>EBITDA</b>	<b>4 320 968</b>	<b>1 870 851</b>	<b>630 727</b>	<b>169 595</b>	<b>129 422</b>	<b>356 368</b>	<b>1 164 005</b>
Depreciation and impairment	452 849	451 398	77	58	37	368	911
<b>Operating profit</b>	<b>3 868 119</b>	<b>1 419 453</b>	<b>630 650</b>	<b>169 537</b>	<b>129 385</b>	<b>356 000</b>	<b>1 163 094</b>
Income on investments accounted for by the equity method	87 010	56 965				30 045	
<b>Profit before finance items and income tax expense</b>	<b>3 955 129</b>	<b>1 476 418</b>	<b>630 650</b>	<b>169 537</b>	<b>129 385</b>	<b>386 044</b>	<b>1 163 094</b>

**Statement of financial position 31 December 2012**

Intangible assets	1 731 348	1 731 348					
Tangible assets and investment properties	3 377 888	1 381 850	117		442 1 991 498		3 981
Investments accounted for by the equity method	599 321	258 732			340 590		
Investments classified as current asset	15 439 785	4 140 076	3 473 772	1 480 585	1 607 396	319	4 737 638
Other assets (1)	5 387 701	3 982 241	52 839	291 122	79 027	296 752	685 721
<b>Total assets</b>	<b>26 536 044</b>	<b>11 494 246</b>	<b>3 526 728</b>	<b>1 771 707</b>	<b>1 686 865</b>	<b>2 629 158</b>	<b>5 427 340</b>

1) The business area's net drawings on the bank accounts are included here and deducted from the other assets.

**NOTE 4                      GEOGRAPHICAL ALLOCATION OF REVENUE**

NOK 1 000	2013	2012
Norway	4 344 143	4 084 030
Sweden	1 042 083	1 042 339
Germany	1 051 213	942 905
Netherlands	504 199	477 232
USA	417 983	385 779
Russia	445 504	376 298
Canada	358 719	365 511
Austria	365 165	349 948
Denmark	289 451	282 573
Spain	245 677	233 214
Great Britain	226 375	213 881
France	191 838	186 094
Rest of the world	1 475 983	1 525 522
<b>Total revenue</b>	<b>10 958 333</b>	<b>10 465 326</b>

Sales revenues are allocated on the basis of where the customers live.

**NOTE 5****INFORMATION FROM FINANCIAL INVESTMENTS**

Income from financial investments by the various investments categories:

NOK 1 000	2013	2012
Listed shares and bonds	1 554 631	576 907
Unlisted shares and bonds	364 188	2 323 642
Hedge funds	765 287	320 125
Interest investments	10 047	18 278
<b>Total income from financial investments</b>	<b>2 694 153</b>	<b>3 238 952</b>

**NOTE 6 SALARIES AND REMUNERATIONS**

NOK 1 000	2013	2012
Salaries	1 950	1 797
Social security tax	286	351
Pension costs ( <a href="#">note 17</a> )	227 665	230 146
Other benefits	75 618	75 757
	52 117	56 218
<b>Total</b>	<b>2 305 685</b>	<b>2 159 472</b>
Average number of man-labour years	3 870	3 570

**Salary and remuneration to group management**

NOK 1 000	2013				2012			
	Salary	Bonus	Benefits in kind	Pension	Salary	Bonus	Benefits in kind	Pension
Group CEO, John Giverholt	3 287	2 297	234	1 218				
Other members of group management	4 637	7 898	421	1 664				
Group CEO, Johan H. Andresen (from 1 January 2012 until 30 September 2012)					991		140	
Group CEO, John Giverholt (from 1 October 2012 until 31 December 2013)					825		51	228
Other members of group management (from 1 January 2012 until 30 September 2012)					5 917	907	546	2 132
Other members of group management (from 1 October 2012 until 31 December 2012)					1 125		82	682
<b>Total</b>	<b>7 924</b>	<b>10 195</b>	<b>655</b>	<b>2 882</b>	<b>8 858</b>	<b>907</b>	<b>819</b>	<b>3 042</b>

The Group CEO's bonus scheme is limited to one year's salary. Bonus is based on the results achieved in the Group.

The Group CEO participates in Ferd's collective pension schemes for salaries below 12 G and is thereby in 2013 entitled to a defined benefit pension. From 2014, this scheme is replaced by a contribution scheme (cf. note 17). 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.

Ferd's group management changed considerably during 2012. Dag Opedal resigned from group management in the spring of 2012. Effective from 1 October, Ferd was reorganised, and Johan H. Andresen and Arthus Sletteberg resigned from group management. Tom Erik Myrland became Investment Director and Erik Rosness Finance Director. Former Finance Director John Giverholt became the new Group CEO. The above remunerations for 2012 represent payment up until 1 October for the former group management and after 1 October for the new.

**Fees to the Board**

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

## NOTE 7 INTANGIBLE ASSETS

NOK 1 000	2013	2012
Goodwill (note 8)	1 453 289	1 013 715
Other intangible assets	823 025	717 633

<b>Carrying amount at 31 December</b>	<b>2 276 314</b>	<b>1 731 348</b>
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### 2013

NOK 1 000	Software	Brands	Patents and development rights	Capitalised development costs	Customer relations	Total
Cost at 1 January	308 788	162 738	224 951	110 252	430 550	1 237 279
Additions	40 800	2 700	70	41 938	125 412	210 920
Disposals	- 16 623					- 16 623
Exchange difference	33 002		27 875	15 003		75 880
<b>Cost at 31 December</b>	<b>365 967</b>	<b>165 438</b>	<b>252 896</b>	<b>167 193</b>	<b>555 962</b>	<b>1 507 456</b>
Acc. amortisation and impairment at 1 January	254 085	6 700	188 738	2 234	67 889	519 646
Additions of amortisations at acquisitions	7 760					7 760
Current year amortisation charge	27 764	4 020	26 449	1 531	47 719	107 483
Disposals	- 7 797				2 652	- 5 145
Exchange differences	29 058		25 517	112		54 687
<b>Accumulated amortisation at 31 December</b>	<b>310 870</b>	<b>10 720</b>	<b>240 704</b>	<b>3 877</b>	<b>118 260</b>	<b>684 431</b>
<b>Accumulated impairment at 31 December</b>	<b>3 387</b>					<b>3 387</b>
<b>Carrying amount at 31 December</b>	<b>55 097</b>	<b>154 718</b>	<b>12 192</b>	<b>163 316</b>	<b>437 702</b>	<b>823 025</b>

Economic life	3-5 year	> 20 years to indefinite	3-10 years	10 years	10-15 years
Amortisation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

### 2012

NOK 1 000	Software	Brands	Patents and development rights	Capitalised development costs	Customer relations	Total
Cost at 1 January	295 468	136 376	225 659	74 578	409 609	1 141 691
Additions	19 272	37 462	11 377	40 152	20 940	129 203
Disposals	- 1 836	- 11 100				- 12 936
Exchange difference	- 4 116		- 12 085	- 4 478		- 20 679
<b>Cost at 31 December</b>	<b>308 788</b>	<b>162 738</b>	<b>224 951</b>	<b>110 252</b>	<b>430 550</b>	<b>1 237 279</b>
Acc. amortisation and impairment at 1 January	231 853	2 680	169 730	8 832	21 250	434 345
Additions of amortisations at acquisitions						
Current year amortisation charge	38 886	4 020	28 270	- 6 598	46 639	111 217
Disposals	- 1 836		122			- 1 714
Exchange differences	- 14 850		- 9 384			- 24 234
<b>Accumulated amortisation at 31 December</b>	<b>254 085</b>	<b>6 700</b>	<b>188 738</b>	<b>2 234</b>	<b>67 889</b>	<b>519 646</b>
<b>Accumulated impairment at 31 December</b>	<b>3 008</b>					<b>3 008</b>
<b>Carrying amount at 31 December</b>	<b>54 703</b>	<b>156 038</b>	<b>36 213</b>	<b>108 018</b>	<b>362 661</b>	<b>717 633</b>

Economic life	3-5 year	> 20 years to indefinite	3-10 years	10 years	10-15 years
Amortisation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

### Research and development

Costs expensed to research and development in fiscal year 2013 totalled MNOK 138. The corresponding cost for 2012 was MNOK 118.

## NOTE 8

## GOODWILL AND INFORMATION ON BUSINESS COMBINATIONS

Pursuant to IFRS 3 Business combinations, the net assets of acquired companies have been assessed at fair value at the acquisition date. The remaining part of the consideration after allocating the consideration to identifiable assets and liabilities, is recognised as goodwill. The tables below show the values and movements in the the various goodwill items in the Group.

## 2013

NOK 1 000	Norrwin AB (Lundhags)		Alf Valde	Elopak Europa	Seco Invest (TeleComputing)	Total
Cost at 1 January		1 385	16 053	448 571	593 969	1 059 978
Additions	386 289	21				386 310
Disposals			- 779			- 779
Exchange differences				59 827		59 827
Cost at 31 December	386 289	1 406	15 274	508 398	593 969	1 505 336
Accumulated impairment at 1 January			563	45 700		46 263
Impairment						
Disposals			- 563			- 563
Exchange differences				6 347		6 347
Accumulated impairment at 31 December				52 047		52 047
<b>Carrying amount at 31 December</b>	<b>386 289</b>	<b>1 406</b>	<b>15 274</b>	<b>456 351</b>	<b>593 969</b>	<b>1 453 289</b>

## Changes in 2013:

Effective from 1 August 2013 for accounting purposes, Ferd acquired Servi Group. Through the acquisition, Ferd has increased its customer relations by MNOK 120,7 (note 7), in addition to a goodwill of appr. MNOK 386. The cost of the shares in Servi Group AS constituted appr. MNOK 672, of which MNOK 288 are financed by loans. Servi's contribution to Ferd's consolidated financial statements amounted to MNOK 354 in operating income and MNOK 17 in EBITDA in 2013.

The purchase analysis of Lundhags and Alf Valde (acquired in 2012) is only marginally changed in 2013. As a result, goodwill has been reduced by NOK 758 000.

## 2012

NOK 1 000	Norrwin AB (Lundhags)		Alf Valde	Elopak Europa	Seco Invest (TeleComputing)	Total
Cost at 1 January				470 719	621 776	1 092 495
Additions		1 385	16 053			17 438
Disposals					- 27 807	- 27 807
Exchange differences				- 22 148		- 22 148
Cost at 31 December		1 385	16 053	448 571	593 969	1 059 978
Accumulated impairment at 1 January				48 393		48 393
Impairment			563			563
Disposal of subsidiary						
Exchange differences				- 2 693		- 2 693
Accumulated impairment at 31 December			563	45 700		46 263
<b>Carrying amount at 31 December</b>		<b>1 385</b>	<b>15 490</b>	<b>402 871</b>	<b>593 969</b>	<b>1 013 715</b>

## Changes in 2012:

In 2012, Ferd (through Swix) acquired Norrwin AB and Original Teamwear AS with accounting effect from 1 January 2012. The acquisitions have increased intangible assets (brands and patents) by a total of MNOK 37,6 (note 7), in addition to goodwill amounting to appr. one million. The cost of the shares in Norrwin AB constituted MNOK 66,8, whereas the shares in Original Teamwear AS were purchased in two steps. Original was an associate with a carrying value of MNOK 8,8 at the beginning of 2012, and in addition MNOK 28,4 were paid in 2012. The companies have contributed to Ferd's consolidated financial statements with MNOK 142 in turnover and MNOK 10 in profit before tax in 2012.

In 2012, Ferd (through Mestergruppen) acquired Alf Valde AS with accounting effect from 1 July 2012. The acquisition has increased Ferd's goodwill by MNOK 16. The cost for the shares constituted MNOK 23. Alf Valde has contributed to Ferd's consolidated financial statements with MNOK 33 in turnover og MNOK 2 in profit before tax in 2012.

There were minor changes in the purchase analyses of Mestergruppen and Telecomputing (acquisitions in 2011) in 2012. The changes have resulted in a reduction in goodwill of MNOK 28, whereas customer relations have increased by MNOK 20 (note 7).

## Impairment testing for goodwill:

Goodwill is allocated to the Group's cash generating units, and is tested for impairment annually or more frequently if there are indications of impairment. Testing for impairment implies determining the recoverable amount of the cash generating unit. The recoverable amount is determined by discounting future expected cash flows, based on the cash generating unit's business plans. The discount rate applied to the future cash flows is based on the Group's weighted average cost of capital (WACC), adjusted to the market's appreciation of the risk factors for each cash generating unit. Growth rates are used to project cash flows beyond the periods covered by the business plans.

## Cash generating units

The goodwill items specified above are mainly related related to Elopak and Telecomputing, in addition to two minor goodwill items related to new acquisitions in 2012 in the sub-groups Swix and Mestergruppen. An additional goodwill of appr. MNOK 386 came as a result of the acquisition of Servi in 2013.

Goodwill concerning Elopak is allocated to the cash generating unit Europe, which consists of Elopak's European markets, including the internal production and supply organisation. This goodwill has a carrying value of MNOK 456 at 31 December 2013. The rationale for determining Europe as one cash-generating unit is the inherent dynamics of this market. The trend is that customers are merging, and have easy access to the supplies all over Europe. Elopak adapts to its customers by distributing the production of cartons for the various markets according to the optimal production efficiency in Europe. The historical geographical criteria for production and demands from customers are no longer as important. As a consequence of this development, the split of margins along Elopak's value chain will be subject to change from one year to another. Hence, one European business unit will be the best indicator for assessing any impairment of goodwill.

Goodwill related to Telecomputing concerns Telecomputing's operations in Norway and Sweden. The goodwill has a carrying amount of MNOK 594 as at 31 December 2013. For impairment purposes, Telecomputing is considered to be one cash generating unit due to similar activities.

Goodwill in Mestergruppen relates to the acquisition of Alf Valde in 2012. The goodwill amounts to MNOK 15 and is considered as a separate cash generating unit when tested for impairment. The goodwill has been marginally adjusted in

2013 as a consequence of an updated excess value analysis.

Goodwill in Swix concerns the acquisition of Norrwin AB, with the brand Lundhags in Sweden in 2012. The goodwill amounts to appr. one million as at 31 December 2013. In addition to manufacturing and selling Lundhags' products, Norrwin has taken over as Swix' distributor in the Swedish market, and the company is thereby very much integrated in Swix' operations. Accordingly, Norrwin is considered together with the rest of Swix as one joint cash generating unit for impairment purposes.

Goodwill identified at the acquisition of Servi, carried out in 2013, is allocated to Servi in total as the cash generating unit. This is a consequence of Servi's co-ordinated and well integrated activities. The goodwill has not been tested for impairment in 2013.

#### Impairment testing and assumptions

The recoverable amount for the cash generating unit is calculated on the basis of the present value of expected cash flows. The cash flows are based on assumptions about future sales volumes, selling prices and direct costs. The background for these assumptions is historical experience from the market, adopted budgets and the Group's expectations of market changes. Having carried out impairment testing, the Group does not expect significant changes in current trade. This implies that expected future cash flows mainly are a continuation of observed trends.

Determined cash flows are discounted at a discount interest rate. The rate applied and other assumptions are shown below

Calculated recoverable amounts in the impairment tests are positive, and based on the tests, the conclusion is that no write-down for impairment is required in 2013. The inherent uncertainty connected with the assumptions on which the impairment testing is based is illustrated by sensitivity analyses. The conclusions are tested for changes in discount and growth rates. The sensitivity analyses show robust conclusions for impairment testing.

Detailed description of the assumptions applied:

	Discount rate after tax		Discount rate before tax		Growth rate 2-5 years		Long-term growth rate	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Elopak Europa</b>	4,9 %	4,5 %	6,9 %	6,3 %	2,0 %	2,0 %	0,0 %	0,0 %
<b>Seco Invest</b>	5,8 %	5,8 %	6,5 %	6,5 %	2,0 %	2,0 %	2,0 %	2,0 %
<b>Alf Valde</b>	8,9 %		12,0 %		2,5 %		2,5 %	
<b>Lundhags</b>	7,5 %		10,0 %		2,5 %		2,5 %	

The discount rate reflects the market's assessment of the risk specific to the cash generating unit. The rate is based on the weighted average cost of capital for the industry. This rate has been further adjusted to reflect the specific risk factors related to the cash generating unit, which has not been reflected in the cash flows.

The average growth rate in the period 2 to 5 years is based on Ferd's expectations for the development in the market in which the business operates. Ferd uses a stable growth rate to extrapolate the cash flows beyond 5 years.

EBITDA represents operating profit before depreciation and is based on the expected future market development. Committed operating efficiency improvement measures are taken into account. Changes in the outcomes for these initiatives may influence future estimated EBITDA.

Investment costs necessary to meet expected future growth are taken into account. Based on management's assessment, the estimated investment costs do not include investments that improve the current assets' performance. The related cash flows are treated correspondingly.

## NOTE 9

## TANGIBLE ASSETS

## 2013

NOK 1 000	Buildings and land	Machines and installations	Fixtures and equipment	Total
Cost at 1 January	410 487	3 697 636	230 510	4 338 633
Additions	208 482	541 726	23 866	774 074
Disposals	- 7 356	- 147 103	- 29 856	- 184 315
Exchange differences	40 848	411 503	55 238	507 589
<b>Cost at 31 December</b>	<b>652 461</b>	<b>4 503 762</b>	<b>279 758</b>	<b>5 435 981</b>

Accumulated depreciation and impairment at 1 January	248 148	2 505 978	188 472	2 942 598
Accumulated depreciation on acquisitions	10 926	30 426	3 521	44 873
Depreciation of the year	17 158	290 586	22 343	330 087
Impairment of the year		3 616		3 616
Derecognised depreciation	- 2 235	- 135 272	- 19 538	- 157 045
Exchange differences	28 380	295 551	32 853	356 784
Accumulated depreciation at 31 December	302 377	2 990 885	227 651	3 520 913
Accumulated impairment at 31 December	2 288	33 455	268	36 011

<b>Carrying amount at 31 December</b>	<b>350 084</b>	<b>1 512 877</b>	<b>52 107</b>	<b>1 915 068</b>
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Estimated economic life of depreciable assets	5-50 years	5-15 years	3-13 years
Amortisation method	Straight-line	Straight-line	Straight-line

## 2012

NOK 1 000	Buildings and land	Machines and installations	Fixtures and equipment	Total
Cost at 1 January	416 174	3 699 376	230 081	4 345 631
Additions	34 771	361 125	15 204	411 100
Disposals	- 24 756	- 211 006	- 8 528	- 244 290
Exchange differences	- 15 702	- 151 859	- 6 247	- 173 808
<b>Cost at 31 December</b>	<b>410 487</b>	<b>3 697 636</b>	<b>230 510</b>	<b>4 338 633</b>

Accumulated depreciation and impairment at 1 January	262 631	2 462 125	179 288	2 904 044
Accumulated depreciation on acquisitions				
Depreciation of the year	13 937	303 885	20 849	338 671
Impairment of the year		2 394	4	2 398
Derecognised depreciation	- 17 427	- 158 558	- 6 605	- 182 590
Exchange differences	- 10 993	- 103 868	- 5 064	- 119 925
Accumulated depreciation at 31 December	248 148	2 505 978	188 472	2 942 598
Accumulated impairment at 31 December	2 100	26 462	238	28 800

<b>Carrying amount at 31 December</b>	<b>162 339</b>	<b>1 191 658</b>	<b>42 038</b>	<b>1 396 035</b>
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Estimated economic life of depreciable assets	5-50 years	5-15 years	3-13 years
Amortisation method	Straight-line	Straight-line	Straight-line



**NOTE 10****OTHER OPERATING EXPENSES**

NOK 1 000	2013	2012
Sales and administration costs	205 906	164 519
Lease of buildings etc.	249 407	213 686
Travel expenses	153 365	139 040
Loss and change in write-downs of trade receivables	28 052	16 362
Fees to auditors, lawyers, consultants	182 866	130 080
Other expenses	328 996	425 750
<b>Total</b>	<b>1 148 592</b>	<b>1 089 437</b>

**NOTE 11      EXPENSED AUDIT FEES**

Ernst & Young AS is Ferd's Group auditor. Some minor Group companies are audited by other audit firms.

NOK 1 000	<b>Audit fees</b>	<b>Other assurance services</b>	<b>Tax services</b>	<b>Other non-audit services</b>	<b>Total</b>
<b>2013</b>					
Ernst & Young AS	10 598	435	3 508	2 893	17 434
Others	1 340	461	886	227	2 914
<b>Total</b>	<b>11 938</b>	<b>896</b>	<b>4 394</b>	<b>3 120</b>	<b>20 348</b>
<b>2012</b>					
Ernst & Young AS	8 891	451	790	2 271	12 403
Others	471	17	74	11	573
<b>Total</b>	<b>9 362</b>	<b>468</b>	<b>864</b>	<b>2 282</b>	<b>12 976</b>

Fees are exclusive of VAT

Other non-audit services mainly comprise due diligence services. All amounts are exclusive of VAT.

## NOTE 12

## INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments in associates and joint ventures are in Ferd's consolidated accounts recognised BY the equity method.

A specification of companies and shares is given in the statement of investments in associates and joint ventures in [note 20](#).

## 2013

NOK 1 000	Al-Obeikan Elopak factory for Packaging Co	Lala Elopak Tiedemanns- S.A. de C.V. byen DA	Harbert European Real Estate Fund II	Harbert European Real Estate Fund III	Others	Total
Ownership and voting share	49%	49%	50%	26%	22%	
Cost at 1 January	54 100	153 093	106 768	112 002	51 141	578 177
Share of result at 1 January	76 742	100 900	8 973	54 093	11 052	246 039
Accumulated impairment of goodwill at 1 January	- 12 600				- 1 085	- 13 685
Transfer from the company	- 29 879	- 84 963		- 13 342	- 5 865	- 134 049
Exchange differences/eliminations	- 30 016	- 29 406		- 3 053	- 293	- 77 162
<b>Carrying amount at 1 January</b>	<b>58 347</b>	<b>139 624</b>	<b>115 741</b>	<b>149 700</b>	<b>61 900</b>	<b>599 321</b>
Additions	4 225	11 958			44 833	65 354
Disposals					- 8	- 8
Sales during the year						
Share of the result of the year	6 132	17 086	14 029	28 884	11 184	83 661
Impairment of goodwill					- 497	- 497
Transfers from the company		- 13 915	- 12 765	- 50 484	- 23 517	- 100 681
Recognised directly in equity	- 1 333	- 184				- 1 517
Exchange differences/eliminations	1 550	1 556			- 1 572	1 534
<b>Carrying amount at 31 December</b>	<b>68 921</b>	<b>156 125</b>	<b>117 005</b>	<b>128 100</b>	<b>94 400</b>	<b>647 167</b>

## 2012

NOK 1 000	Al-Obeikan Elopak factory for Packaging Co	Elopak South Africa Ltd	Lala Elopak Tiedemanns- S.A. de C.V. byen DA	Harbert European Real Estate Fund II	Harbert European Real Estate Fund III	Others	Total
Ownership and voting share	49%	50%	49%	50%	26%	22%	
Cost at 1 January	54 100	25 692	153 093	106 768	133 253	44 000	628 815
Share of result at 1 January*	62 782	55 316	83 685	2 332	37 020	4 721	242 750
Accumulated impairment of goodwill at 1 January	- 12 600	- 2 200				- 1 085	- 15 885
Transfer from the company	- 15 308	- 26 029	- 61 827		- 13 342	- 5 865	- 122 371
Exchange differences/eliminations	- 21 143	- 11 918	- 28 348		- 3 053	- 293	- 76 306
<b>Carrying amount at 1 January</b>	<b>67 831</b>	<b>40 861</b>	<b>146 603</b>	<b>109 100</b>	<b>153 877</b>	<b>48 428</b>	<b>657 004</b>
Additions					35 664	14 464	50 128
Disposals		- 41 373			- 28 523	- 25 300	- 116 447
Sales during the year							
Share of the result of the year*	13 960	5 599	17 215	6 641	17 074	6 331	64 204
Impairment of goodwill							
Transfers from the company	- 14 571		- 23 136				- 37 707
Recognised directly in equity							
Exchange differences/eliminations	- 8 873	- 5 087	- 1 058			- 2 843	- 17 861
<b>Carrying amount at 31 December</b>	<b>58 347</b>		<b>139 624</b>	<b>115 741</b>	<b>149 700</b>	<b>61 900</b>	<b>599 321</b>

\*) Gain on sale of Elopak South Africa Ltd constitutes 22 806.

The table below shows a summary of financial information related to Ferd's largest investments in associates and joint ventures on a 100 percent basis. The stated figures represent fiscal year 2013. The figures are unaudited.

NOK 1 000	Al-Obeikan Elopak factory for Packaging Co	Lala Elopak Tiedemanns- S.A. de C.V. byen DA	Harbert European Real Estate Fund II	Harbert European Real Estate Fund III
Operating revenue	177 006	240 603	245 798	10 138
Operating profit	10 395	27 913	38 880	3 025
Profit after tax and minority	6 053	18 353	28 914	65 115
Total assets	147 773	183 808	403 929	524 894
Total liabilities	94 064	64 854	169 921	670

Stake, transactions and balances with enterprises accounted for by the equity method:

Eierandel, transaksjoner og mellomværende med selskap behandlet etter egenkapitalmetoden

		Sales from associates companies and joint ventures to Ferd		Ferd's net receivables/(payables) to associated companies and joint ventures		Ferd's guarantees for associated companies and joint ventures		
NOK 1 000	Stake/voting share	2013	2013	2012	2013	2012	2013	2012
Al-Obeikan Elopak factory for Packaging Co	49,0 %				129	26 992	115 268	105 642
Boreal GmbH	20,0 %							
Elocap Ltd.	50,0 %	253 820		94 249	- 8 513	- 8 419		
Frogn Næringspark AS	50,0 %							
Harbert European Real Estate Fund II	26,0 %							
Harbert European Real Estate Fund III	22,0 %							
Hunstad Sør Tømteselskap AS	31,6 %	425						
Impresora Del Yaque	51,0 %	2 498				23 488		
Kråkeland Hytteservice AS	33,5 %							
Lala Elopak S.A. de C.V.	49,0 %	20 487		20 182	2 235	2 659		
Lofoten Tømteselskap AS	35,0 %	32						
Madla Byutvikling AS	33,3 %							
Siriskjær AS	50,0 %							
Solheim Byutviklingselskap AS	33,1 %							
Sporafjell Utviklingsselskap AS	50,0 %							
Tastarustå Byutvikling AS	33,3 %							
Tiedemannsbyen DA	50,0 %							
<b>Total</b>		<b>277 262</b>	<b>114 431</b>		<b>- 6 149</b>	<b>44 720</b>	<b>115 268</b>	<b>105 642</b>

**NOTE 13****SPECIFICATION OF FINANCE INCOME AND EXPENSE****Finance income**

NOK 1 000	2013	2012
Interest income from bank deposits	190 601	78 598
Interest income from related parties	11 453	63 794
Other interest income	1 032	23 893
Foreign exchange gain and other finance income	485 438	66 311
<b>Total</b>	<b>688 524</b>	<b>232 597</b>

**Finance expense**

NOK 1 000	2013	2012
Interest expense to finance institutions	266 069	210 701
Interest expense to related parties	35 797	17 658
Other interest expense	48 467	82 594
Foreign exchange loss and other finance expenses	677 102	264 092
<b>Total</b>	<b>1 027 435</b>	<b>575 046</b>

None of the financial items originate from financial instruments measured at fair value.

## NOTE 14

## INCOME TAXES

## Specification of income tax expenses

NOK 1 000	2013	2012
<b>Tax payable of net profit</b>		
Income tax payable for the year	185 767	138 917
Adjustments of prior periods	26 804	8 826
<b>Total tax payable</b>	<b>212 571</b>	<b>147 743</b>

## Deferred tax expense

Change in deferred tax recognised in the income statement	49 067	34 990
Effects of changes in tax rates and prior years' taxes	5 788	3 881
<b>Total deferred tax</b>	<b>54 855</b>	<b>38 872</b>

<b>Income tax expense</b>	<b>267 426</b>	<b>186 615</b>
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## Tax payable in balance sheet

NOK 1 000	2013	2012
Tax payable of the year	185 767	138 917
Tax on rendered group contribution	- 7 000	
Tax liability from prior years	84 290	9 121
Advance tax paid	- 89 170	- 44 224
Translation differences	- 6 838	
<b>Tax payable</b>	<b>167 049</b>	<b>103 814</b>

## Reconciliation of nominal to effective tax rate

NOK 1 000	2013	2012
Profit before tax	2 942 821	3 612 680
Estimated income tax expense at nominal tax rate (28%)	823 990	1 011 550
Losses and other deductions without any net tax effect	- 1 806	7 039
Non-taxable income elated to securities	- 556 833	- 810 164
Other non-taxable income, incl. value changes in investment property	- 40 876	- 26 049
Adjustment of prior periods	32 593	12 707
Tax effect of other permanent differences	10 358	- 8 469
<b>Income tax expense</b>	<b>267 426</b>	<b>186 615</b>
<b>Effective tax rate</b>	<b>9,1 %</b>	<b>5,2 %</b>

## Tax recognised directly in equity

NOK 1 000	2013	2012
Actuarial loss on pension obligations	- 3 627	959
Cash flow hedges	- 1 023	2 378
<b>Total tax recognised in total comprehensive income</b>	<b>- 4 650</b>	<b>3 337</b>

## Deferred tax assets and liabilities

NOK 1 000	2013	2012
Inventories	14 335	21 414
Receivables	8 416	6 678
Stocks and bonds	- 186 533	10 636
Other differences	13 714	32 266
Tangible assets	- 47 183	- 153 123
Intangible assets	- 146 318	- 128 457
Net pensions	46 635	65 931
Tax losses to carry forward	311 775	190 785
<b>Total</b>	<b>14 841</b>	<b>46 130</b>
Reassessment of deferred tax assets	- 243 927	- 233 373
<b>Net carrying value at 31 December of deferred tax assets (+)/liabilities (-)</b>	<b>- 229 086</b>	<b>- 187 243</b>

Deferred tax assets are reviewed on each balance sheet date, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for a part or all of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability shall be settled or the asset be realised, based on tax rates and legislation prevailing at the balance sheet date.

## Tax losses to carry forward, gross

NOK 1 000	2013
2013	9 632
2014	14 071
2015	15 675
After 2015	286 394
Without expiration	909 369
<b>Total tax losses to carry forward</b>	<b>1 235 141</b>

## Change in net deferred tax in balance sheet

NOK 1 000	2013	2012
Net carrying value at 1 January	- 187 243	- 174 885
Translation differences	3 592	- 1 529
Acquisition and disposal of subsidiary	14 070	- 30 464
Recognised in income statement during the period	- 54 855	- 38 872
Tax recognised in comprehensive income	- 4 650	3 337
Other changes 1)		55 170
<b>Net carrying value at 31 December</b>	<b>- 229 086</b>	<b>- 187 243</b>

1) Other changes mainly relate to implementation effects, the tax effect of internal gains and corrections of previous years' errors.

NOTE 15	SHARES AND STAKES IN OTHER COMPANIES WITH OWNERSHIPS IN EXCESS OF 10 %	
	Business office	Stake
<b>Subsidiary</b>		
Elopak AS med datterselskaper	Røyken	100,0 %
FC Well Invest AS	Bærum	100,0 %
FC-Invest AS med datterselskaper (Telecomputing)	Bærum	100,0 %
Ferd Aibel Holding AS	Bærum	100,0 %
1912 Top Holding AS med datterselskaper (Servi Gruppen)	Bærum	100,0 %
Ferd Eiendom AS med datterselskaper	Bærum	100,0 %
Ferd Malta Holdings Ltd	Malta	100,0 %
Ferd MG Holding AS med datterselskaper (Mestergruppen)	Bærum	96,6 %
Ferd Sosiale Entreprenører AS	Bærum	100,0 %
Norse Crown Company Ltd. AS	Bærum	100,0 %
Swix Sport AS med datterselskaper	Oslo	100,0 %
<b>Joint ventures</b>		
Impresora del Yaque	The Dominican Republic	51,0 %
Elocap Ltd	Israel	50,0 %
Frogn Næringspark AS	Trondheim	50,0 %
<b>Associated companies</b>		
Al-Obeikan Elopak factory for Packaging Co	Saudi-Arabia	49,0 %
Lala Elopak S.A. de C.V.	Mexico	49,0 %
Harbert European Real Estate Fund II	London	25,9 %
Harbert European Real Estate Fund III	London	22,2 %
Tiedemannsbyen DA	Oslo	50,0 %
Lofoten Tømteselskap AS	Bodø	35,0 %
Hunstad Sør Tømteselskap AS	Bodø	31,6 %
Tastarustå Byutvikling AS	Stavanger	33,3 %
Madla Byutvikling AS	Stavanger	33,3 %
Boreal GmbH	Tyskland	20,0 %
Solheim Byutviklingselskap AS	Stavanger	33,3 %
Kråkeland Hytteservice AS	Sirdal	33,5 %
<b>Non-current shares with ownership &gt; 10 %</b>		
Herkules Capital I AS		40,0 %
<b>Current shares with ownership &gt; 10 %</b>		
Aibel Holding I AS		49,0 %
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 (GP-I) Ltd		40,0 %
Herkules Private Equity Fund I (GP-II) Ltd		40,0 %
Herkules Private Equity Fund I (LP-I) Limited		76,1 %
Herkules Private Equity Fund II (GP-I) Ltd		40,0 %
Herkules Private Equity Fund II (GP-II) Ltd		40,0 %
Herkules Private Equity Fund II (LP-I) Limited		74,5 %

Herkules Private Equity Fund III (GP-I) Ltd	4,2 %
Herkules Private Equity Fund III (GP-II) Ltd	4,2 %
Herkules Private Equity Fund III (LP-I) Limited	25,1 %
Intera Fund I	12,0 %
Interwell AS	34,0 %
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 16****INVESTMENT PROPERTY****Investment property**

NOK 1 000	2013	2012
Balance at 1 January	1 981 853	1 514 927
Acquisitions	640 189	65 136
Acquisitions through improvements	1 219	65 418
Disposals	- 814 807	- 6 963
Net change in value of investment property	20 463	343 335
<b>Carrying amount at 31 December</b>	<b>1 828 917</b>	<b>1 981 853</b>

**Income from investment property**

NOK 1 000	2013	2012
Rental income from properties	92 071	98 850
Costs directly attributable to properties	- 11 449	- 6 472
Net change in value of investment property	20 463	343 335
<b>Total</b>	<b>101 085</b>	<b>435 713</b>

**Fair value of investment property**

The investment properties are measured at fair value. Fair value is the amount for which an asset can be traded in a transaction between knowledgeable, voluntary parties. Market prices are considered when determining the market rent and required rate of return.

All of the Group's investment properties are measured yearly based on cash flow models. Future cash flows are calculated on the basis of signed contracts, as well as future cash flows based on expected market prices. No external valuations have been obtained. Other investment properties than rental properties, primarily land for developing property and residential projects, are valued on the basis of appraisals. Note 2 gives a detailed description of the parameters used to calculate the fair value.

**THE GROUP'S PENSION PLANS**

Ferd has established pension schemes in accordance with Norwegian legislation. The employees participate in defined benefit and defined contribution plans complying with the requirements of the mandatory occupational pension.

*Defined benefit plans*

Defined benefit plans provide employees with the right to defined future pension benefits. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each pension plan. The amount is an estimate of future benefits that employees have earned based on years of service and salary at retirement. Benefits are discounted to present value, and the recognised obligation is reduced by the fair value of plan assets for funded pension schemes. Changes in assumptions, staff numbers and variances between estimated and actual salary increases and return on assets result in actuarial gains and losses. Actuarial gains and losses and gains and losses resulting from a curtailment or termination of pension plans, are recognised immediately in the income statement.

The defined benefit pension plans consist of group schemes as well as some additional arrangements, including employees with a retirement basis over 12 G, and AFP. 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 regular 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.

*Defined contribution plans*

For defined contribution plans, the Group's obligations are limited to making specific contributions. Payments to defined contribution pension plans are recognised as expenses in the income statement when the employees have rendered services entitling them to the contribution.

## Other service related long-term benefits

In addition to the pension schemes described above, Ferd has obligations related to future health contributions for some groups of employees in the USA.

**ECONOMIC ASSUMPTIONS**

Ferd has defined benefit plans in several countries with varying economic conditions affecting the assumptions that are the basis for calculating pension obligations. The parameters are adapted to conditions in each country. The discount rate is determined as a weighted average of the yields at the reporting date on AA rated corporate bonds, or government bonds in cases where there is no market for AA rated corporate bonds. The government bond interest rate is applied for Norwegian schemes. To the extent that the bond does not have the same maturity as the obligation, the discount rate is adjusted. Actuarial assumptions for demographic factors and retirement are based on generally accepted principles in the insurance business. Future mortality rates are based on statistics and mortality tables (K2013).

From 2013, the pension liabilities are recognised net less the pension funds. Net pension liabilities are discounted, implying that the return (previously an important economic assumption) is no longer relevant.

**Economic assumptions in Norwegian companies at 31 December**

	2013	2012
Discount rate	3,30%	2,20%
Expected wage growth	0-3,75%	0-3,25%
Future expected pension regulation	1,75%	1,75%
Expected regulation of base amount (G)	3,50%	3,00%

**Interval for economic assumptions in foreign companies at 31 December**

	2013	2012
Discount rate	2.00 - 4.10	2.00 - 4.15
Expected wage growth	0.00 - 1.00	0.00 - 1.00
Future expected pension regulation	0.00 - 0.60	0.00 - 0.55

**PENSION OBLIGATIONS****Reconciliation of net liability against balance sheet**

NOK 1 000	2013	2012
Pension liabilities for defined benefit pension plans	- 146 973	- 211 528
Pension assets for defined benefit pension plans	9 805	9 505
Total defined benefit obligation recognised in the consolidated statement of financial position	- 137 168	- 202 023

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

NOK 1 000	2013	2012
Present value of unfunded pension liabilities	- 51 737	- 69 469
Present value of wholly or partly funded obligations	- 617 516	- 469 621
Total present value of defined benefit obligations	- 669 253	- 539 091
Fair value of pension assets	532 085	337 068
Total defined benefit obligation recognised in the consolidated statement of financial position	- 137 168	- 202 023

**Movements in liabilities for defined benefit pension plans**

NOK 1 000	2013	2012
Liability for defined benefit pension plans at 1 January	539 091	681 653
Present value of current service cost	25 031	24 635
Interest expenses on the pension liability	23 286	20 487
Demographic estimate deviation on the pension liability	28 063	
Financial estimate deviation on the pension liability	- 40 622	12 768
Settlement of pension plans	- 42 097	- 17 936
Curtailment of pension plans	- 48 907	115
Plan changes		- 32 370
Change in liability due to acquisition/sale of subsidiaries	191 228	
Benefits paid	- 40 255	- 128 361
Social security tax	1 148	113
Exchange differences on foreign plans	33 287	- 22 015
<b>Liability for defined benefit pension plans at 31 December</b>	<b>669 253</b>	<b>539 091</b>

**Expected payments of defined pension liabilities**

NOK 1 000	2013
Defined benefit pension expected to fall due year 1-5	222 144

Defined benefit pension expected to fall due year 6-10	194 134
Defined benefit pension expected to fall due year 11-20	191 241
Defined benefit pension expected to fall due year 21-30	50 144
Defined benefit pension expected to fall due year after 30 years	11 589
<b>Total benefit pension due</b>	<b>669 253</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	337 068	442 221
Expected return from pension assets	15 976	14 725
Financial estimate deviation on the pension assets	26 251	- 14 791
Contributions from employer	34 826	22 212
Administration expenses	- 1 681	- 645
Contributions from employees		2 838
Increase in pension funds due to the acquisition of subsidiaries	157 744	
Settlements	- 32 021	
Benefits paid	- 34 896	- 114 239
Exchange difference on foreign plans	28 818	- 15 253
Fair value of pension assets at 31 December	<b>532 085</b>	<b>337 068</b>

#### Pension assets include the following

NOK 1 000	2013	2012
Equity instruments	93 007	100 459
Government stock	107 682	180 650
Corporate stock	18 045	78 653
Other debt instruments, including structured debt		57 814
Property investments	991	35 899
Bank deposits	13 713	21 415
Other assets	55 653	57 195
<b>Total pension funds</b>	<b>289 090</b>	<b>532 085</b>

#### Actuarial deviations recognised in comprehensive income

NOK 1 000	2013	2012
Current year actuarial deviation on pension liabilities (defined benefit schemes)	12 559	12 768
Current year actuarial deviation on pension funds (defined benefit schemes)	26 251	14 791
<b>Net actuarial deviation on defined benefit schemes recognised in comprehensive income</b>	<b>38 810</b>	<b>27 559</b>

#### PENSION COSTS

NOK 1 000	2013	2012
Defined benefit plans	- 24 824	- 8 344
Defined contribution plans	100 442	85 028
Early retirement and other schemes		- 927
<b>Total pension costs recognised in current year payroll costs</b>	<b>75 618</b>	<b>75 757</b>

#### DEFINED BENEFIT PLAN PENSION COSTS

##### Pension costs recognised in income statement

NOK 1 000	2013	2012
Present value of this year's pension earned	25 031	24 635
Contribution from employees		- 2 838
Curtailment of pension schemes and plan changes	- 52 684	- 32 255
Social security tax	1 148	113
Administration costs	1 681	1 999
<b>Total pension costs from benefit schemes recognised in salary costs</b>	<b>- 24 824</b>	<b>- 8 344</b>

Interest expense on the pension liability	23 286	20 487
Expected return on pension funds	- 15 976	- 14 725
<b>Total pension costs from recognised in finance costs</b>	<b>7 310</b>	<b>5 762</b>

**NOTE 18****INVENTORIES****2013**

NOK 1 000	Raw materials	Work in progress	Finished goods	Total
Cost at 31 December	447 337	643 456	1 105 324	2 196 117
Provision for obsolescence at 1 January	13 017	1 280	126 027	140 324
Write-down	3 843		36 307	40 150
Reversal of write-down	- 8 600	- 1 280	- 52 678	- 62 558
Currency translation	1 268		12 935	14 203
Provision for obsolescence at 31 December	9 528		122 591	132 119

<b>Carrying value at 31 December</b>	<b>437 809</b>	<b>643 456</b>	<b>982 733</b>	<b>2 063 998</b>
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**2012**

NOK 1 000	Raw materials	Work in progress	Finished goods	Total
Cost at 31 December	334 416	434 828	980 334	1 749 578
Provision for obsolescence at 1 January	10 777		123 273	134 050
Write-down	2 240	1 280	2 754	6 274
Reversal of write-down				
Provision for obsolescence at 31 December	13 017	1 280	126 027	140 324

<b>Carrying value at 31 December</b>	<b>321 399</b>	<b>433 548</b>	<b>854 307</b>	<b>1 609 254</b>
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**NOTE 19****CURRENT ASSETS**

NOK 1 000	2013	2012
Prepayments	75 337	85 835
VAT and tax receivables	125 235	111 049
Current interest-bearing receivables	41 764	52 121
Other current receivables	475 538	391 260
<b>Carrying amount at 31 December</b>	<b>717 874</b>	<b>640 265</b>

NOK 1 000	2013	2012
Accounts receivable, gross	1 257 292	1 020 040
Allowances	- 51 539	- 33 295
<b>Carrying amount at 31 December</b>	<b>1 205 753</b>	<b>986 745</b>

<b>Total current receivables</b>	<b>1 923 627</b>	<b>1 627 010</b>
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**Accounts receivable by age**

NOK 1 000	2013	2012
Up to 30 days	171 445	111 522
30-60 days	53 778	30 274
60-90 days	72 235	21 026
Over 90 days	41 301	30 147
<b>Total</b>	<b>338 759</b>	<b>192 970</b>

**NOTE 20 THE USE OF FAIR VALUE AND FINANCIAL INSTRUMENTS**

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.

**Financial instruments measured at amortised cost**

NOK 1 000	Investments at fair value over profit and loss	Investments at fair value over extended result	Loans and receivables	Financial liability	Other valuation methods	TOTAL
<b>Non-current assets</b>						
Intangible assets					2 276 314	2 276 314
Deferred tax assets					150 634	150 634
Tangible assets					1 915 068	1 915 068
Investments at the equity method					647 167	647 167
Investment property	1 828 917					1 828 917
Pension funds					9 805	9 805
Other financial non-current assets			58 270		104 521	162 791
<b>Total 2013</b>	<b>1 828 917</b>		<b>58 270</b>		<b>5 103 509</b>	<b>6 990 696</b>
<b>Total 2012</b>	<b>1 981 853</b>		<b>233 660</b>		<b>3 960 485</b>	<b>6 175 998</b>

<b>Current assets</b>						
Inventories					2 063 998	2 063 998
Short-term receivables	16 704	11 710	1 895 213			1 923 627
Listed shares and bonds	5 241 213					5 241 213
Unlisted shares and bonds	5 446 096					5 446 096
Hedge funds	4 377 613					4 377 613
Interest investments						
Bank deposits			1 332 095			1 332 095
<b>Total 2013</b>	<b>15 081 626</b>	<b>11 710</b>	<b>3 227 308</b>		<b>2 063 998</b>	<b>20 384 642</b>
<b>Total 2012</b>	<b>15 439 785</b>	<b>15 434</b>	<b>3 295 573</b>		<b>1 609 254</b>	<b>20 360 046</b>

<b>Non-current liabilities</b>						
Pension obligation					146 973	146 973
Deferred tax					379 720	379 720
Long-term interest-bearing debt				3 516 977	- 8 373	3 508 604
Other long-term debt		42 239		251 554	7 411	301 204
<b>Total 2013</b>		<b>42 239</b>		<b>3 768 531</b>	<b>525 731</b>	<b>4 336 501</b>
<b>Total 2012</b>		<b>30 612</b>		<b>5 633 412</b>	<b>592 434</b>	<b>6 256 458</b>

<b>Current liabilities</b>						
Short-term interest-bearing debt				525 844		525 844
Tax payable					167 049	167 049
Other short-term debt		49 842		2 066 133	348 590	2 464 565
<b>Total 2013</b>		<b>49 842</b>		<b>2 591 977</b>	<b>515 639</b>	<b>3 157 458</b>
<b>Total 2012</b>		<b>45 917</b>		<b>2 218 133</b>	<b>230 688</b>	<b>2 494 738</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
<b>Assets</b>				
Investment property			1 828 917	1 828 917
Short-term receivables		16 704	11 710	28 414
Listed shares and bonds	5 241 213			5 241 213
Unlisted shares and bonds			5 446 096	5 446 096
Hedge funds		2 360 531	2 017 082	4 377 613
<b>Liabilities</b>				
Other long-term debt			- 42 239	- 42 239
Other short-term debt			- 49 842	- 49 842
<b>Total 2013</b>	<b>5 241 213</b>	<b>2 377 235</b>	<b>9 211 724</b>	<b>16 830 172</b>

NOK 1 000	Level 1	Level 2	Level 3	Total 2013
<b>Assets</b>				
Investment property			1 981 853	1 981 853
Short-term receivables			15 434	15 434
Listed shares and bonds	3 476 584			3 476 584
Unlisted shares and bonds		6 448	8 744 368	8 750 816
Hedge funds		1 600 948	1 477 773	3 078 721
Interest investments		133 664		133 664
<b>Liabilities</b>				
Other long-term debt			- 30 612	- 30 612
Other short-term debt			- 45 917	- 45 917
<b>Total 2012</b>	<b>3 476 584</b>	<b>1 741 060</b>	<b>12 142 899</b>	<b>17 360 543</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	Unrealised gain and loss, recognised in comprehensive income	Unrealised gain and loss, recognised in the result	Gain and loss recognised in the result	Closing bal. on 31 Dec. 2013
Investment property	1 981 853	641 408	- 814 807		- 11 141	31 604	1 828 917
Short-term receivables	15 434			- 514	- 5 155	1 945	11 710
Unlisted shares and bonds	8 744 368	235 239	-3 418 186		- 151 806	36 481	5 446 096
Hedge funds	1 477 773	503 208	- 643 837		388 679	291 259	2 017 082
Liabilities	- 76 529			- 1 470	- 13 001	- 1 081	- 92 081
<b>Total</b>	<b>12 142 899</b>	<b>1 379 855</b>	<b>-4 876 830</b>	<b>- 1 984</b>	<b>207 576</b>	<b>360 208</b>	<b>9 211 724</b>

NOK 1 000	Op.bal.1 Jan. 2012	Purchases/ share issues	Sales and proceeds from investments	Unrealised gain and loss, recognised in comprehensive income	Unrealised gain and loss, recognised in the result	Gain and loss recognised in the result	Closing bal. on 31 Dec. 2012
Investment property	1 514 927	130 554	- 6 963		343 335		1 981 853
Short-term receivables	18 300			- 2 104		- 762	15 434
Unlisted shares and bonds	6 696 942	186 454	- 410 758		2 383 646	- 111 916	8 744 368
Hedge funds	1 118 074	690 982	- 490 577		61 246	98 048	1 477 773
Liabilities	- 83 245			6 253		463	- 76 529
<b>Total</b>	<b>9 264 998</b>	<b>1 007 990</b>	<b>- 908 298</b>	<b>4 149</b>	<b>2 788 227</b>	<b>- 14 167</b>	<b>12 142 899</b>

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 discounts according to broker (interval)	Estimated discount (interval)	Value if the discount is increased by 10 percentage points
Investment property 1)	1 828 917			7,5% - 9,0%	1 666 917		
Unlisted shares and bonds 2)	5 446 096	7,6 - 9,5	4 702 696				
Hedge funds 3)	2 017 082					12 % - 76 %	1 783 380

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 in the parent company's accounts 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 per cent in Norway and 20-40 percent abroad).

NOK 1 000	2013	2012
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 22****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%
<b>Total number of shares</b>	<b>183 267 630</b>	<b>100,00%</b>

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. The consolidated financial statements of Ferd JHA AS are available on [www.ferd.no](http://www.ferd.no).

**Shares indirectly owned by the CEO and board members in**

<b>Ferd AS:</b>	<b>Position</b>	<b>Stake</b>
Johan H. Andresen	Chair of the Board	15,21%

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

**NOTE 23****NON-CURRENT LIABILITIES****Long-term interest-bearing debt**

NOK 1 000	Amount in currency 2013	Amount in NOK 2013	Amount in NOK 2012
NOK	1 617 918	1 617 918	2 273 899
USD	2 000	12 167	1 126 990
EUR	153 428	1 286 110	1 070 757
DKK	285 000	320 253	374 905
GBP			90 248
SEK	271 627	257 279	321 304
CHF	3 400	23 250	25 000

Carrying value of loan expenses - 8 373

**Carrying value at 31 December 3 508 604 5 283 103**

Other long-term debt 301 204 350 309

**Total non-current liabilities 3 809 808 5 633 412**

**Instalments determined in contracts**

NOK 1 000	2013
2015	234 495
2016	345 674
2017	1 841 059
2018	1 396 953
<b>Total</b>	<b>3 818 181</b>

The first year's instalment of long-term debt is presented as part of the short-term interest-bearing debt.

**NOTE 24**                      **OTHER CURRENT LIABILITIES**

NOK 1 000	2013	2012
Trade payables	1 074 147	755 698
Public duties etc.	218 230	229 784
Other short-term debt	1 172 188	1 043 002
<b>Total</b>	<b>2 464 565</b>	<b>2 028 484</b>

**NOTE 25 SECURED BORROWINGS, GUARANTEES AND CONTINGENT LIABILITIES****Secured borrowings**

NOK 1 000	2013	2012
Loan facilities	1 845 942	1 418 637
Factoring	8 383	19 872
<b>Total</b>	<b>1 854 325</b>	<b>1 438 509</b>

Loan facilities comprise various credit facilities in the Group, normally secured by receivables, inventories, tangible assets and investment property. Interest terms are floating interest rates.

**Carrying amounts of pledged assets**

NOK 1 000	2013	2012
Investment property	1 222 094	1 611 814
Other tangible assets	136 928	142 886
Inventories	497 486	213 678
Receivables	519 078	377 867
<b>Total</b>	<b>2 375 586</b>	<b>2 346 245</b>

Maximum exposure to the above assets	2 375 586	2 346 245
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**Guarantees and off-balance sheet liabilities**

NOK 1 000	2013	2012
Committed capital to fund investments	903 209	993 986
Commitment to provide loans		3 283
Guarantees without security	923 476	665 210
Clauses on minimum purchases in agreements with suppliers	187 190	152 408
Other obligations 1)	108 369	82 044
<b>Total</b>	<b>2 122 244</b>	<b>1 896 931</b>

1) Other obligations mainly concern repurchase commitments on sales of machines and investment obligations relating to developing investment property and the building of manufacturing plants.

In 2012, Ferd AS was sued by Amorin in connection with Ferd's former engagement in TiMar (Portugal). Ferd agreed to a settlement involving an insignificant amount in 2013.

**NOTE 26****RISK MANAGEMENT -  
OPERATIONS**

Risk management relating to the investment activities of Ferd is described in [note 21](#).

**Currency risk**

Contracted currency flows from operations are normally secured in their entirety, while projected cash flows are hedged to a certain extent. Interest payments related to the Group's foreign currency loans are mostly secured by corresponding cash flows from the Group's activities. Instruments such as currency forward contracts, currency swaps and options can be used to manage Ferd Group's currency exposure.

**Outstanding foreign exchange forward contracts**

		Currency		NOK	
NOK 1 000	Currency	Purchase	Sale	Purchase	Sale
	CAD		- 14 000		- 83 825
	CHF	1 000		8 383	
	EUR	21 000	- 130 000	176 033	-1 089 725
	JPY	7 050 000	- 537 000	410 743	- 33 530
	NOK	398 000	- 110 000	398 000	- 110 000
	RUB		- 82 000		- 16 765
	SEK	9 000	- 108 000	8 383	- 100 590
	CZK				
	GBP				
	DKK	92 000	- 9 000	100 590	- 8 383
	ILS	8 000		16 765	
	USD	43 000		259 858	
Total				1 378 755	-1 442 818

**Interest rate risk**

The Group has short-term fixed interest rates on long-term funding in accordance with internal guidelines. This applies for loans in Norwegian kroner, as well as in foreign currency. The Group uses interest rate swaps to reduce interest rate exposure by switching from floating rates to fixed rates for a portion of the loans.

**Outstanding interest rate swaps**

NOK 1 000	Currency	Amount	Receives	Pays	Time remaining to maturity
	DKK	100 000	6M CIBOR	Fast 2,97% - 4,15%	1,7 - 3,5 years
	EUR	85 000	EURIBOR	Fast 0,81 - 2,88%	2,2 - 5,0 years
	SEK	50 000	3M STIBOR		3,0 years

The table includes derivatives for hedging.

**Credit risk**

Credit risk is the risk that a counterparty will default on his/her contractual obligations resulting in a financial loss to the Group. Ferd has adopted a policy implying that the Group shall be exposed only to credit-worthy counterparties, and independent credit analyses are obtained for all counterparties when such analyses are available. If not, the Group uses other publicly available financial information and its own trade to assess creditworthiness.

## NOTE 27

## HEDGE ACCOUNTING - OPERATIONS

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedges related to hedged transactions that have not yet taken place. Movements in the hedging reserve are described in the table below.

NOK 1 000	2013				2012			
	Interest rate swaps	Currency futures	Commodity swaps	Total	Interest rate swaps	Currency futures	Commodity swaps	Total
				<b>- 35</b>				<b>- 31</b>
Opening balance	- 27 989	- 8 482	640	<b>830</b>	- 23 938	11 050	- 19 011	<b>899</b>
Gain/loss on cash flow hedges	54 115	- 10 546	- 4 679	<b>38 890</b>	11 394	59 593	- 56 202	<b>13 315</b>
Income/expense recognised in the income statement	- 25 922	- 7 855	593	<b>- 33</b>	- 16 379	- 83 635	80 390	<b>- 19</b>
Currency translation	- 162	- 3 673	- 743	<b>- 4 579</b>				<b>624</b>
Deferred tax ( <a href="#">note 14</a> )	- 7 770	5 555	1 192	<b>- 1 023</b>	935	4 510	- 4 537	<b>2 378</b>
Effect of cash flow hedging in comprehensive income	20 423	- 12 847	- 2 894	<b>4 683</b>	- 4 051	- 19 532	19 651	<b>- 3 931</b>
				<b>- 35</b>				<b>- 35</b>
Closing balance	- 7 728	- 25 002	- 2 997	<b>726</b>	- 27 989	- 8 482	640	<b>830</b>

Negative amounts represent a liability and a reduction in equity.

Gain/loss transferred from other income and expenses in the income statement of the period is included in the following items in the income statement:

NOK 1 000	2013	2012
Revenue		- 727
Commodity costs	9 060	8 486
Other operating expenses	- 1 179	375
Net finance result	25 304	11 490
<b>Total</b>	<b>33 185</b>	<b>19 624</b>

Negative amounts represent income.

**Liquidity risk - operations**

Liquidity risk concerning operations relates primarily to the risk that Elopak, Telecomputing, Mestergruppen, Servi and Swix will not be able to service their financial obligations as they fall due. This risk is managed by maintaining adequate cash reserves and overdraft opportunities in banking and credit facilities, as well as continuously monitoring future and actual cash flows.

The following tables provide an overview of the Group's contractual maturities of financial liabilities. The tables are compiled based on the earliest date the Group may be required to pay.

<b>31 December 2013</b>				
NOK 1 000	Less than 1 year	1-3 years	3-5 years	Total
Finance institutions	525 844	324 049	3 192 937	4 042 830
Accounts payable	1 074 147			1 074 147
Related parties				
Other non-current liabilities		256 120	45 084	301 204
Other current liabilities	935 883			935 883
<b>Total 1)</b>	<b>2 535 874</b>	<b>580 169</b>	<b>3 238 021</b>	<b>6 354 064</b>

<b>31 -December 2012</b>				
NOK 1 000	Less than 1 year	1-3 years	3-5 years	Total
Finance institutions	362 440	2 840 370	2 442 733	5 645 543
Accounts payable	755 698			755 698
Related parties		11 498	32 731	44 229
Other non-current liabilities		164 550	141 530	306 080
Other current liabilities	1 106 157			1 106 157
<b>Total 1)</b>	<b>2 224 295</b>	<b>3 016 418</b>	<b>2 616 994</b>	<b>7 857 707</b>

1) The table does not include lease obligations, guarantees and off-balance sheet liabilities, cf. notes 25 and 29 respectively.

The table below shows the anticipated receipts and payments on derivatives:

<b>31 December 2013</b>				
NOK 1 000	Less than 1 year	1-3 years	More than 3 years	Total
Net settlement				
- Interest rate swaps	1 915	5 750	18 022	25 687
- Currency futures	- 35 969	- 19 892	- 3 437	- 59 298
- Commodity derivatives				
<b>Total</b>	<b>- 34 054</b>	<b>- 14 142</b>	<b>14 585</b>	<b>- 33 611</b>

<b>31 December 2012</b>				
NOK 1 000	Less than 1 year	1-3 years	More than 3 years	Total
Net settlement				
- Interest rate swaps	51 446			51 446
- Currency futures	10 252			10 252
- Commodity derivatives	- 600			- 600
<b>Total</b>	<b>61 098</b>			<b>61 098</b>

**Credit facilities**

The table below shows a summary of used and unused credit facilities at 31 December:

	<b>2013</b>		<b>2012</b>	
	Used	Unused	Used	Unused
<i>Overdraft</i>				
-Secured	122 925	256 587	47 078	314 940
-Unsecured	163 744	526 438	54 982	440 696
<i>Credit facilities</i>				
-Secured	2 300 529	7 716 123	1 604 440	1 567 090
- Unsecured				
<i>Factoring</i>				
- Secured	514 191	268 634	4 311	15 561
-Unsecured			391 113	416 599
<b>Total secured</b>	<b>2 937 645</b>	<b>8 241 344</b>	<b>1 655 829</b>	<b>1 897 591</b>
<b>Total unsecured</b>	<b>163 744</b>	<b>526 438</b>	<b>446 095</b>	<b>857 295</b>

**The Group as lessor, operating leases**

The Group leases fixtures and equipment under operating leases. Essentially, equipment is rented out to Elopak's customers who use them in their own production.

<b>Specification of income on operating leases</b>	<b>2013</b>	<b>2012</b>
Total variable leases recognised as income	101 495	90 229
Minimum leases (including fixed leases) recognised as income	3 933	
<b>Total variable leases recognised as income</b>	<b>105 428</b>	<b>90 229</b>

**At the balance sheet date, the Group has contracted the following future minimum leases:**

	<b>2013</b>	<b>2012</b>
Totally due next year	80 291	70 128
Totally due in 2-5 years	225 228	175 879
Totally due after 5 years	41 095	28 075
<b>Total</b>	<b>346 614</b>	<b>274 082</b>

The amounts have not been discounted.

**The Group as lessor, finance leases**

<b>Specification of income from finance leases</b>	<b>2013</b>	<b>2012</b>
Total variable leases recognised as income	6 019	
Finance income from finance leasing contracts		1 476
<b>Total</b>	<b>6 019</b>	<b>1 476</b>

**Gross investment compared to the present value of outstanding minimum leases**

	<b>2013</b>	<b>2012</b>
Gros receivables on leasing contracts	27 528	17 714
Finance income not yet earned	- 3 303	- 2 969
<b>Net investment from finance leases (present value)</b>	<b>24 225</b>	<b>14 745</b>

**The Group as lessee, operating leases**

<b>Specification of expenses on operating leases</b>	<b>2013</b>	<b>2012</b>
Total variable leases recognised as expenses	153 379	184 846
Minimum leases (including fixed leases) recognised as expense	151 328	47 979
Subleases recognised as cost reductions	- 934	- 899
<b>Total leasing costs</b>	<b>303 773</b>	<b>231 926</b>

<b>Due for payment</b>	<b>2013</b>	<b>2012</b>
Total costs next year	280 803	238 682
Total costs 2-5 years	887 725	736 636
Total costs after 5 years	426 201	478 246
<b>Total</b>	<b>1 594 729</b>	<b>1 453 564</b>

The amounts have not been discounted.

<b>Distribution of the same leasing obligation on leasing objects</b>	<b>2013</b>	<b>2012</b>
Buildings and land	1 308 512	751 031
Machines and installations	193 384	16 839
Fixtures, vehicles and equipment	92 833	685 694
<b>Total leasing obligations related to operating lease commitments</b>	<b>1 594 729</b>	<b>1 453 564</b>

**The Group as lessee, finance leasing**

<b>Specification of leasing costs</b>	<b>2013</b>	<b>2012</b>
Total variable leases recognised as expenses	8 922	7 263
<b>Total leasing costs</b>	<b>8 922</b>	<b>7 263</b>

<b>Future minimum leases and corresponding present values, by due dates:</b>	<b>Minimum rent</b>	<b>Calculated interest</b>	<b>Present value</b>
Total due in one year	6 410	305	6 105
Total due in year 2-5	4 471	266	4 205
Total due after 5 years			
<b>Total leasing obligations related to finance leasing</b>	<b>10 881</b>	<b>571</b>	<b>10 310</b>

<b>Net carrying value of leased assets, by asset class</b>	<b>2013</b>	<b>2012</b>
Buildings and land		
Machines and installations		3 362
Fixtures, vehicles and equipment	15 447	19 470
<b>Total carrying value of leased assets</b>	<b>15 447</b>	<b>22 832</b>

The fixed assets are also included in note 9.



**Associated companies and joint ventures**

Transactions with associated companies and joint ventures are accounted for in [note 12](#).

**The Board and executives**

The board members' rights and obligations are stated in the Articles of Association and Norwegian law. The Group has no significant contracts in which a board member has a substantial interest. Ownership in Ferd AS by board members is stated in [note 22](#), and information on fees to board members and executives in [note 6](#).

**NOTE 31****EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

Through the wholly-owned subsidiary FC Well Invest AS, Ferd increased its ownership in Interwell AS from 34 % to 58 % in January 2014. Interwell will be fully consolidated in Ferd's consolidated financial statements starting on 1 January 2014. The compensation for the transaction constituted MNOK 496.

In 2013, Interwell had a turnover of MNOK 762 and an EBITDA of MNOK 265.