

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	Servi	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
Carrying amount at 31 December	386 289	1 406	15 274	456 351	593 969	1 453 289

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
Carrying amount at 31 December	1 385	15 490	402 871	593 969	1 013 715

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
Elopak	4.0 %	4.5 %	6.0 %	6.2 %	2.0 %	2.0 %	0.0 %	0.0 %

Europa	4,9 %	4,9 %	0,9 %	0,9 %	2,0 %	2,0 %	0,0 %	0,0 %
Seco Invest	5,8 %	5,8 %	6,5 %	6,5 %	2,0 %	2,0 %	2,0 %	2,0 %
Alf Valde	8,9 %		12,0 %		2,5 %		2,5 %	
Lundhags	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.