# ANNUAL REPORT 2014

FERD

WE WILL CREATE ENDURING VALUE
AND LEAVE CLEAR FOOTPRINTS

# BOARD OF DIRECTOR'S REPORT

2014 was a year in which Ferd's business areas reported variable results. Three areas achieved a good absolute return, but the performance of Ferd's oil service companies and Elopak resulted in Ferd Capital reporting a negative return for the year. In total, Ferd generated a return of approximately NOK 700 million or 2.9% in 2014. Ferd's performance in 2014 was weaker than the return achieved on the Oslo Stock Exchange, and also fell short of our expectations. Ferd's average annual return over the last five years was 12.1%, which is significantly better than the return for the Oslo Stock Exchange but weaker than the global stock market index in Norwegian krone terms (MSCI). At the close of 2014, Ferd's value adjusted equity was NOK 24.9 billion.

> *2014 was a year in which Ferd's business areas reported variable results.*

Long-term interest rates fell in 2014, both in Norway and internationally. The decline in activity seen in the oil industry was an important factor in the decision by the Norwegian central bank to cut its key policy rate. The Norwegian krone depreciated significantly, particularly against the US dollar but also against the euro. Just under 40% of Ferd's investments are denominated in Norwegian krone, with 25% in US dollar and 25% in euro. Ferd recorded a currency gain of over NOK 1 billion in 2014. Stock markets in industrialised countries generally had a good performance in 2014. However, the Norwegian stock market only managed a 5% gain for the year as the result of a 40% decline in the oil service index.

> *Ferd's average annual return over the last five years was 12.1%, which is significantly better than the return for the Oslo Stock Exchange but weaker than the global stock market index in Norwegian krone terms (MSCI).*

In January 2014, Ferd increased its ownership interest in Interwell from 34% to 58%. Towards the end of 2014, Ferd Capital purchased 10.1% of Petroleum Geo-Services, a stock exchange listed seismic company. Ferd Real Estate invested approximately NOK 400 million in new real estate assets and existing projects over the course of 2014. Ferd and the funds in which Ferd are invested in realised sizeable disposals in 2014. Ferd Special Investments and Ferd's investments in Private Equity funds generated cash from disposals of almost NOK 1.6 billion. At the close of 2014, Ferd AS (parent company) had credit facilities available on the group's facility of NOK 5.5 billion. Ferd accordingly now has considerable capital resources available for new investments in the future.

**Future prospects**
A modest upswing in the global economy is expected in 2015. The outlook for securities markets will depend in part on the extent to which central banks continue to implement expansive monetary policy measures. The American central bank is now cutting back on quantitative easing, but the Eurozone economy is still in need of monetary policy stimulus. There is a lower level of activity in the oil sector in Norway, but the weakness of the Norwegian krone may lead to stronger growth for the mainland Norwegian economy. The Norwegian central bank is expected to make one or possibly two further cuts in Norwegian interest rates over the course of 2015. The area of greatest uncertainty is the extent to which the low level of activity in the oil sector will affect the overall Norwegian economy. Given the current level of pricing seen in stock markets, particularly in the USA, continuing growth in corporate earnings will be needed if the market outlook is to remain positive. This in turn means that in order for stock markets to continue to generate a good return, it is essential that the American economy maintains its growth and that European economies show further improvement.

Until now, Ferd Capital's investments have, with just two exceptions, been in unlisted companies. It has now been decided that Ferd Capital will consider new investments in both listed and unlisted companies. When assessing investment opportunities, Ferd Capital's decisions depend principally on its evaluation of company-specific factors. In the business areas responsible for financial investments, interest is focused on finding investment opportunities where the current valuation in the market permits a favourable potential return at an acceptable level of risk.

> *Over the last ten years, Ferd has generated a total return of NOK 18.0 billion, equivalent to an annual return of 12.6%.*

**The group's value-adjusted equity**
Over the last ten years, Ferd has generated a total return of NOK 18.0 billion, equivalent to an annual return of 12.6%. Ferd evaluates its return on the basis of the absolute return achieved over time and how this relates to the level of risk exposure that has been involved.


> *Some of the companies in Ferd Capital's portfolio performed well in 2014, but Aibel and Elopak reported weak performance for the year.*

Ferd holds a broadly diversified portfolio of listed and unlisted equity investments, alternative investments and real estate. Ferd's equity investments provide good diversification between different sectors and geographical markets and between companies at different stages of the corporate life cycle. Ferd Capital's portfolio represents just under 40% of Ferd's value-adjusted equity.

Some of the companies in Ferd Capital's portfolio performed well in 2014, but Aibel and Elopak reported weak performance for the year. Ferd Invest's Nordic share portfolio generated a return of 14%, which was one percentage point lower than the return on the benchmark index for this portfolio. Ferd Special Investments also reported a good absolute return.

Ferd Hedge Funds reported a satisfactory relative return in 2014. The return on the hedge fund portfolio was 4%, while Ferd's real estate portfolio achieved a return of 15%. The good return achieved by Ferd Real Estate was the result of both strong returns on certain individual projects and the general performance of the real estate market in 2014.

**Financial results for Ferd AS**
Ferd AS is an investment company with investments in a broad range of asset classes. The registered office of Ferd AS is at Lysaker in Bærum municipality. Recognition of assets at fair value is of key importance for an investment company, and Ferd accordingly presents accounts that report its investments at fair value, including the subsidiary companies of Ferd AS.

Ferd AS reports operating profit of NOK 584 million for 2014, representing a decrease of NOK 4,906 million from 2013. In addition to the matters mentioned above, the most important reason for the profit reported for 2014 was the weak return from investments in Private Equity funds.

Net cash flow for 2014 was made up of cash from operations of NOK -250 million, NOK -3 million from investment activities and NOK 350 million from financing activities.

For further commentary on financial results in 2014, the reader is referred to the separate sections on each business area on the following pages.

The annual accounts have been prepared on the going concern assumption, and in accordance with Section 3-3a of the Accounting Act, the Board confirms that the going concern assumption is appropriate.

Financial results and cash flow for Ferd (Ferd AS group)
Operating revenue was NOK 14.0 billion in 2014, in line with 2013. In 2013 Ferd recognised to income NOK 3.0 billion in respect of the increased value of shares and equity participations, while in 2014 Ferd earned NOK 0.6 billion from its financial investments.

Sales revenue increased from NOK 11.0 billion in 2013 to NOK 13.1 billion in 2014. Consolidated sales revenue reported by Ferd includes the revenue reported by Servi Group for the whole of 2014, while in 2013 Servi Group's revenue was included from August. Elopak reported operating revenue of NOK 6.5 billion in 2014, up by NOK 0.5 billion from the previous year. Elopak's revenue is denominated in euro, and the increase in revenue reported for 2014 was due in part to the weakness of the Norwegian krone and in part to slightly higher revenue. Mestergruppen reported an increase in revenue of NOK 0.2 billion in 2014 compared to 2013. In addition, consolidated sales revenue reported by Ferd for 2014 includes NOK 0.9 billion of revenue reported by Interwell, which was consolidated from January 2014.

Ferd is committed to innovation, and the group's research and development activities are principally carried out in subsidiary companies, where almost NOK 150 million of development costs were recognised to profit and loss in 2014. In addition, a number of development projects have been capitalised to the balance sheet as intangible assets, representing almost NOK 500 million of capitalised developed expenses as well as new patents and other intellectual property rights.

The group's financial items showed net income of NOK 3 million in 2014 compared to net financial expense of NOK 512 million in 2013. This improvement is principally due to currency effects.

Ferd normally has a low effective tax rate because a large part of its earnings is generated from investments in shares. Under the exemption model, gains on shares are not taxable. However, many taxable gains were realised in 2014, and the effective tax rate for the year was 34.1%. The group's net tax charge for 2014 was NOK 490 million as compared to a charge of NOK 267 million for 2013.

Net cash flow for 2014 was made up of cash from operations of NOK 928 million, cash from investment activities of NOK -1,389 million, and cash from financing activities of NOK 428 million. The most important factor in the positive cash flow from financing activities was the drawdown of borrowings by the parent company Ferd AS.

**Strategy**
The overall vision for Ferd's activities is to 'create enduring value and leave clear footprints'. Ferd's corporate mission statement states that the group will hold a combination of industrial investments where Ferd has ownership positions that give it a significant influence and financial portfolios that represent diversification for Ferd. Ferd will accordingly strive to maximise its value-adjusted equity capital over time.

The approach to risk exposure taken by the owner and the Board of Directors is one of the most important parameters for Ferd's activities. This defines Ferd's risk-bearing capacity, which is an expression of the maximum risk exposure permitted across the composition of Ferd's overall portfolio. Ferd's risk willingness, which determines how much of its risk-bearing capacity should be used, will vary over time, reflecting both the availability of attractive investment opportunities and the company's view on general market conditions.

The Board keeps Ferd's risk capacity under continuous review. The assessment of how Ferd's risk capital is allocated represents one of the Board's most important tasks, since risk exposure and return are largely determined by the assets in which Ferd invests. The allocation of new capital, as well as the reallocation of capital between business areas, represents a systematic approach to making use of the group's capital base and risk-bearing capacity.

It is Ferd's intention that its allocation of capital should be characterised by a high equity exposure and good risk diversification. Good risk diversification helps to ensure that Ferd can maintain its exposure to equity investments, even at times when other players have less access to capital. In addition, maintaining strong liquidity enables us to maintain our freedom to operate as we wish even in more difficult times.

Ferd's equity capital investments represent a well-diversified portfolio, and the overall performance shows a relatively strong correlation with the performance of Norwegian and international stock markets. Ferd Real Estate and Ferd Hedge Funds help to reduce the group's overall risk exposure because these investments involve less risk than investing in equities.

Asset allocation must be consistent with the owner's willingness and ability to assume risk. This provides guidance on how large a proportion of equity can be invested in asset classes with a high risk of fall in value. The risk of fall in value is measured and monitored with the help of stress testing. The risk of fall in value at the start of 2015 was a little lower than both the average risk for 2014 and the average risk over the last five years.

Ferd aims to maintain sound creditworthiness at all times in order to ensure that it has freedom of manoeuvre and can readily access low-cost financing at short notice when it wishes. Ferd's objective is that its main banking connections will rate Ferd's creditworthiness as equivalent to 'investment grade'. In order to protect Ferd's other equity from risk, Ferd Capital and Ferd Real Estate carry out their investments as stand-alone projects without guarantees from Ferd. Both Ferd and its banks pay close attention to liquidity. Ferd has always held liquidity comfortably in excess of the minimum liquidity requirements we impose internally and the requirements to which we are committed by loan agreements at the parent company level. Ferd works on the assumption that the return generated by financial investments should help to cover current interest payments. It is also important that the balance sheet is liquid, and that the maturity profile of assets corresponds closely to the maturity profile of liabilities.

Ferd has a proactive approach to currency exposure. We work on the assumption that Ferd will always have a certain proportion of its equity invested in euro, US dollar and Swedish krona denominated investments, and accordingly do not normally hedge currency exposure against the Norwegian krone. If the exposure to any one currency is judged to be too great or too small, the currency exposure is adjusted by borrowing in the currency in question at the parent company level, or by using derivatives.

Ferd holds only very limited investments in interest-bearing securities. Its exposure to interest rate risk arises from any borrowing that may have been drawn down, and is managed by group treasury.

Further information on Ferd's strategy can be found in a separate article.

**Corporate Governance**
Ferd is a relatively large corporate group, with a single controlling owner. Despite this, the Board of Directors of Ferd Holding AS has substantially the same responsibilities and authority as the board of a public company.

Not all the sections of the Norwegian Code of Practice for Corporate Governance are relevant to a family-owned company such as Ferd, but Ferd complies with the Code where it is relevant and applicable. Further information is provided in a separate article on corporate governance. The Board of Directors of Ferd Holding held seven Board meetings in 2014.

**Ferd Capital**
When making investment decisions, Ferd Capital attaches only little weight to the overall macroeconomic outlook. Company-specific factors play the crucial role when deciding whether or not investment opportunities are attractive. In December 2014, Ferd Capital built up a 10.1% stake in the stock exchange listed seismic company Petroleum Geo-Services, becoming its single largest shareholder. Ferd Capital's aim is to contribute actively to growing the company further. In January 2014, Ferd capital increased its ownership interest in Interwell from 34% to 58%.

Ferd Capital sold its ownership interests in venture capital businesses to Verdane Capital VIII K/S in 2014. Following this disposal, Ferd Capital no longer holds any investments in the venture capital segment that are owned directly by Ferd.

**Aibel**
Aibel is a supplier of services related to oil, gas and renewable energy. The company is one of the largest Norwegian oil service companies involved in engineering design, construction, maintenance and modification of oil and gas production facilities for the upstream oil and gas industry.

Aibel reported turnover of NOK 8,554 million in 2014 as compared to NOK 12,645 million in 2013. EBITDA was NOK 184 million as compared to NOK 778 million in 2013.

At the start of 2014, Statoil indicated to Aibel that it wished to reduce the volume of activity to be carried out under its framework contract. In addition, Statoil intended to reduce or defer new modification assignments. The large fall in the oil price seen over the course of the second half of the year made market conditions even more challenging.

Aibel experienced a drop of around 25% in the volume of maintenance and modification contracts between 2013 and 2014. The new building market also saw a significant slowdown, and these developments meant that 2014 was a year of adjustments for the company. Aibel was one of the first companies in the industry to make capacity adjustments, which included significantly reducing the use of hired-in workers and employee numbers. In order to improve its competitiveness, the company took action to improve its efficiency and reduce its cost base. Ferd contributed NOK 50 million of new equity in July 2014 in order to strengthen Aibel's financial condition.

Aibel expects market conditions to remain challenging in 2015, although the market is expected to improve over the medium term. The increasing number of platforms on the Norwegian continental shelf and ageing of existing platforms will create greater demand for maintenance and modification work. In addition, fields such as Johan Sverdrup will lead to significant investment in the Norwegian continental shelf in the years ahead. Aibel was awarded a contract in February 2015 for construction of the deck of the drilling platform for the Johan Sverdrup field.

Aibel's ambition going forward is to use the challenging market conditions to strengthen its position as one of the leading oil service companies for oil and gas on the Norwegian continental shelf by further enhancing the company's competitiveness and thereby positioning the company for new growth.

**Elopak**
Elopak is a supplier of packaging systems for liquid food products. The company is a total system supplier, developing carton packaging solutions for both fresh and aseptic products.

Elopak's business is in general less cyclical than many other industries, and should therefore not experience any major loss of volume as a result of changes in economic conditions. However, the company expects carton sales for the juice market to be more volatile. Demand for these products is affected both by the state of consumers' finances and changing preferences between juices and competing beverage products.

Elopak's total revenue was NOK 6,471 million in 2014, compared to NOK 5,967 million in 2013. The increase in reported revenue was the result of a higher average euro exchange rate in 2014 than in 2013 and slightly higher revenue. Elopak's euro-denominated reported revenue in 2014 was EUR 776 million as compared to EUR 769 million in 2013.

Elopak reports EBITDA of NOK 612 million for 2014, as compared to NOK 651 million in 2013. The main reason for the reported decrease was the increase in costs caused by significant investment in growth initiatives.

Elopak made major investments in 2013 in establishing EloBrickTM (roll-feed aseptic carton packaging) as a separate business area, with the associated organisational structure and production facilities. Elopak continued to invest in EloBrick in 2014, and completed the expansion of its production capacity. The commercial rollout of EloBrick to Elopak's customers is now fully underway. Elopak also continued its strategy for growth in the aseptic packaging market. The new aseptic filling machinery has been approved as a system for use by customers that sell juice products, and commercial sales have commenced.

The company decided in 2013 to upgrade and expand its production capacity in Canada, and production will be transferred to a new facility in Montreal. Construction of the new facility is proceeding according to plan. The transfer of production will start in mid-2015, and the new facility will reach full production capacity during the course of 2016.

The markets for Elopak's products are expected to be relatively stable compared to the 2014. However, the outlook for the Russian market is uncertain due to the current economic and political situation.

The Board is of the opinion that Elopak will position to meet the challenges the group faces. Elopak will continue to pursue its growth strategy in the aseptic segment in 2015.

**Interwell**
Interwell is a leading Norwegian supplier of high-technology well solutions for the international oil and gas industry. The company's most important market is the Norwegian continental shelf. In recent years, Interwell has also expanded its presence in a number of important international markets in Europe, the Middle East and the USA.

Despite the fall in the price of oil and the cash flow challenges this caused for oil companies in 2014, Interwell reported another year of strong organic growth. The company achieved significant growth in both the Middle East and the USA, and it continued to make good progress in regions where it is more established.

Interwell reported revenue of NOK 856 million in 2014, an increase of 14% from 2013. EBITDA for 2014 was NOK 315 million, up by 18% from 2013.

There is significant uncertainty in the market given the oil price and the cash flow challenges faced by oil companies as we go into 2015. Despite this, Interwell is well-positioned to achieve underlying growth. Interwell principally delivers services to the well intervention market, which has historically been less influenced by the cyclicality of the oil services market, and the company's services and products help improve oil companies' cash flows. The company has built a robust international platform and therefore has limited exposure if a particular region happens to experience a period of weak growth.

Interwell remains committed to being a technological leader in its niche areas, and will continue its strong focus on continuous technological development in the years ahead. In today's market, developing technology that is able to further help oil companies increase their revenue and reduce their costs is critical for Interwell.

**Telecomputing**
TeleComputing is a leading provider of complete IT services to the Nordic small and medium enterprise (SME) market.

TeleComputing reported EBITDA of NOK 224 million in 2014, representing a modest improvement from 2013. TeleComputing's revenue increased by 5% in 2014, which is a higher rate of growth than the IT market as whole but is below the company's long-term target. As the consulting activities carried out by the subsidiary company Kentor also saw increased demand in relation to the company's services in the second half of the year, TeleComputing is now in a situation where all business areas reported year-on-year growth.

TeleComputing was again successful in renewing many important contracts in 2014, as well as in attracting many new customers. This resulted in a larger order backlog at the end of 2014 than at any other point in the company's history. TeleComputing's objective is to maintain industry-leading margins. This was again achieved in 2014. A particularly positive point was that both business areas in Sweden reported improved profit margins.

The IT operations business is expected to grow well going forward, supported by the record-high order backlog. The company is uniquely positioned in the Scandinavian market to help customers reap the benefits of cloud-based IT services.

**Mestergruppen**
Mestergruppen is a leading supplier of building products for the B2B market.

Mestergruppen reported revenue from its building products activities in 2014 of NOK 2,698 million, representing growth of 5% compared to 2013. Mestergruppen focused in 2014 on streamlining the company's organisational structure and improving efficiency.

There is uncertainty about how the building materials market will play out in 2015. In the medium term, the building materials industry is expected to grow on average approximately in line with the historic trend. The building materials industry in Norway is fragmented, competitive and exposed to economic cycles. Mestergruppen will continue its focus on creating profitable growth through increased volume, operational efficiency and efficient flow of goods through the whole value chain. Ferd's ambition is to strengthen Mestergruppen's position as a cost leader in the building materials industry in Norway.

**Swix Sport**
Swix Sport develops, produces and markets innovative and high-quality products for sporting and other active recreational pursuits, both in Norway and internationally.

Revenue increased from NOK 757 million in 2013 to NOK 813 million in 2014. Sales in Sweden have been very strong and very good results have been achieved by these activities following Swix's decision in 2013 to take over sales and distribution in the Swedish market. In 2014, approximately 50% of Swix's revenue was generated outside of Norway. Swix operates through two main divisions, Sport (Swix and Toko) and Outdoor (Ulvang and Lundhags) in order to emphasise its focus on the outdoor segment. Swix Sport reported EBITDA of NOK 58 million for 2014 as compared to NOK 71 million in 2013. The decline in earnings was the result of higher distribution costs in 2014, due in part to the weakness of the Norwegian krone.

The continuing trend for greater interest in health and outdoor pursuits offers good future prospects for the sporting goods industry in general, and Swix Sport in particular. Swix's objective is to place greater focus on the outdoor segment using the Lundhags and Ulvang brands to reduce seasonal variation in its revenue, while at the same time ensuring that Swix maintains its position as a global leader in winter sports.

The sporting goods market remains highly competitive, and continuous innovation combined with efficient distribution are key to winning market share.

**Servi Group**
Servi develops and produces customer-specific hydraulic systems, cylinders and valves for offshore, maritime and land-based industries.

Servi Group reported revenue of NOK 883 million in 2014 as compared to NOK 855 million in 2013, making 2014 a record year for the company. This was principally due to a high level of activity in the marine and offshore segment.

EBITDA for 2014 was NOK 113 million as compared to NOK 76 million in 2013. After correcting for non-recurring items, Servi's profit for 2014 was little changed from 2013.

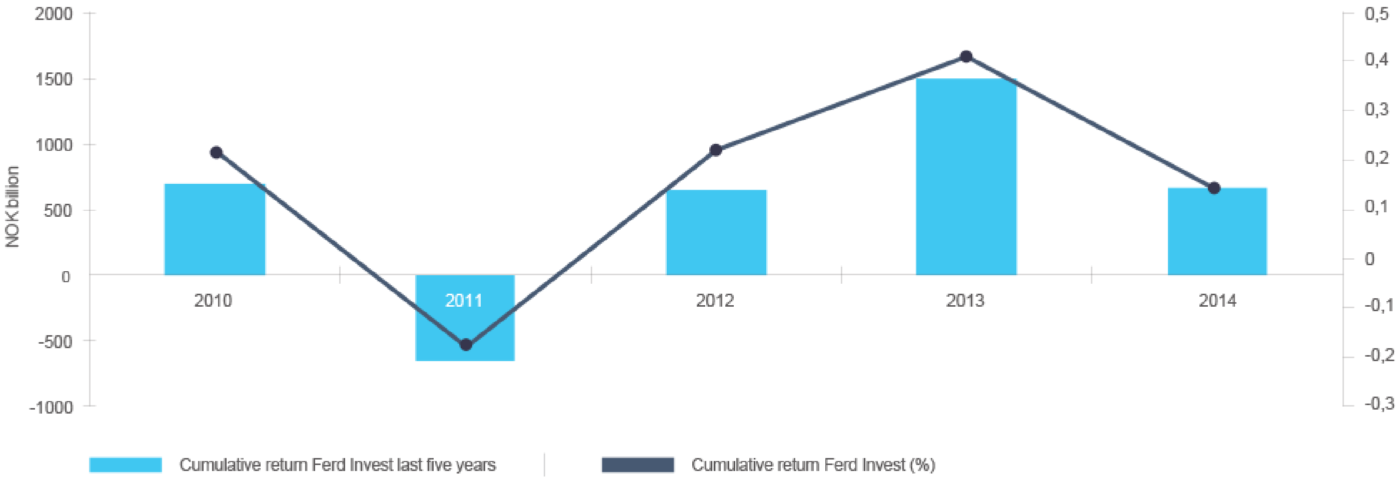
Servi is well-positioned for continuing organic growth, but demand from the oil industry is expected to be weaker in 2015. The company is seeing a healthy flow of orders from its largest customers in other segments, with a continuing positive trend. Servi has established a new organisation in Houston, which has given the company a better starting point to attract new customers in the American market. In addition, the Houston office will enable Servi to extend its service for existing Norwegian customers in the American market.

Servi's objective is to be the market leader and preferred hydraulics partner for its customers. The company places great importance on closeness to its customers, combined with continuous development of its technology and services, in order to maintain its market-leading position.

**Ferd Invest**

Ferd Invest invests in listed Nordic shares. Its target is to generate a return that is higher than the return on its Nordic benchmark index. The investment team does not focus on country or sector allocation, or on the constituents of the benchmark index.

Ferd Invest reported an operating profit of NOK 657 million as compared to NOK 1,471 million in 2013. 2014 was another year in which Nordic stock markets delivered positive returns. Share prices rose by less than in 2013, but Nordic stock markets gained between 21% (Copenhagen) and 5% (Oslo) in local currency terms. When these rises are measured in Norwegian krone terms, they are even greater.




The market value of the Ferd Invest portfolio grew by 13.9% in 2014, which was 1.3 percentage points weaker than the benchmark index for the portfolio. Ferd Invest's most successful investments in 2014 were Outokumpu, Autoliv, Kone and Novo Nordisk. The investments with the weakest performance in 2014 were in the energy sector and companies exposed to the Russian economy.

At the close of 2014, the market value of the Ferd Invest portfolio was NOK 5.2 billion. Investments are divided between the three Scandinavian stock markets, in addition to the Helsinki stock market. The largest investments at the close of 2014 were in Opera Software, Autoliv, Kone OY, Assa Abloy and Hexagon. These investments accounted for around 40% of the total value of the portfolio at year-end.

**Ferd Hedge Fund**

Ferd's objective for its hedge fund portfolio is to achieve a satisfactory risk-adjusted return over time, both relative to the market and in absolute terms. In order to achieve good risk diversification, it is important that the composition of the portfolio features a range of funds which generate returns that are not dependent on the same risk factors. In addition, as part of risk diversification for Ferd's overall portfolio, the hedge fund portfolio normally has a relatively small weighting in funds that are heavily exposed to the stock market.

Ferd Hedge Fund's portfolio achieved a return of 3.5% in 2014, which was 0.4 percentage point higher than the return for the benchmark index against which the performance of the portfolio is measured. The return for the year was NOK 103 million. The market value of the portfolio at the end of 2014 was NOK 2.9 billion.

While changes to the hedge fund portfolio were on a moderate scale in 2013, 2014 was a more active year with many adjustments to the portfolio. Over the course of the year, Ferd Hedge Fund worked to concentrate the portfolio by reducing the number of funds in which it is invested. The number of funds has decreased from 26 to 20, and the concentration of the portfolio on the 10 largest positions also increased during the course of the year.

The objective for the hedge fund portfolio is still to maintain a well-diversified portfolio, but the purpose of the changes is to ensure that Ferd Hedge Fund generates a better reward for making good choices of fund managers.

**Ferd Special Investments**
The investment mandate for 'Special Investments' was put in place in spring 2010, and Special Investments became a separate business area in autumn 2012. The objective for this business area is to benefit from investment opportunities that Ferd is well placed both to evaluate and to hold, but which fall outside the group's other mandates.

Investments held in this portfolio share the common feature of a favourable balance between the potential return and the risk of loss. Particular attention is paid to being able to identify good protection against downside risk. It has so far been possible to identify Investment opportunities that satisfy the portfolio's objective in the secondary market for hedge fund units, where imbalances between the number of buyers and sellers of these units have allowed Ferd to purchase units below their estimated value.

Ferd Special Investments reported a return of NOK 225 million in 2014, approximately equivalent to a 10% return.

The portfolio produced a good return in 2014, principally as a result of distributions made by funds in the portfolio. The portfolio was valued at year-end at NOK 2.3 billion.

**Ferd Real Estate**
2014 was a good year for Ferd Real Estate. Ferd Real Estate reported operating profit of NOK 254 million as compared to NOK 80 million in 2013. Market conditions for real estate as an asset class were good in 2014, due in part to further reductions in interest rates and an improvement in the banks' appetite for real estate lending. The main contributors to the profit reported for 2014 were the good return on a development project at Lysaker on the outskirts of Oslo and the performance of Ferd Real Estate's investments in two European real estate funds.

Ferd Real Estate's value-adjusted equity was NOK 1.9 billion at the end of 2014, with a return on the portfolio of 15% for 2014.

The Tiedemannsbyen project as a whole is for around 1,200 residential units, and will be carried out over a period of between 10 and 15 years. Tiedemannsbyen DA will develop approximately 600 units in the first stage, while in the second stage Tiedemannsfabrikken AS will develop 320 units. Tiedemannsfabrikken AS is owned 50/50 by Ferd Real Estate and Selvaag Bolig, and this collaboration with Selvaag Bolig commenced in 2014.

In 2014, Ferd Real Estate had one office building under construction for Aibel in Bergen. The development is due for completion in the first half of 2015, and Ferd Real Estate decided in February 2015 to sell this building as an investment property.

We anticipate that the commercial rental market will face more challenging conditions in 2015, particularly in areas with clusters of businesses exposed to oil-related activities. We anticipate that rental levels will remain flat in central locations, but expect a slight decrease in rental levels in non-central areas.

2014 was a very good year for the residential real estate market, with high price growth, particularly in major towns and cities. Although increasing numbers of new residential units are being constructed and the unemployment rate is expected to rise slightly, we think the residential real estate market will be shaped by the stable outlook for the Norwegian economy and low interest rates.

**Ferd Social Entrepreneurs**
Ferd Social Entrepreneurs (FSE) invests in social entrepreneurs who reflect Ferd's vision of creating enduring value and leaving a clear footprint.

FSE has chosen to apply a focused strategy for its interpretation of what is included in the definition of social entrepreneurship. Social entrepreneurs must play a part in solving social problems while at the same time demonstrating a good likelihood that their activities will be financially self-sufficient over a time horizon of 3 to 6 years. FSE principally supports social entrepreneurs who work with children and young people.

The Board of Ferd Holding AS has allocated up to NOK 25 million annually for work with social entrepreneurship. In addition, Ferd's other business areas and subsidiaries support social entrepreneurs with time and commitment as board members and through other assistance.

Social entrepreneurship is a strongly growing area internationally that is also attracting increasing interest in Norway. FSE is being approached by a large number of parties interested in the area who want to learn from FSE's experience and to collaborate on potential projects. FSE has chosen to prioritise the use of its resources on teams and individuals where we think there is good potential for practical action and benefits that will further the cause of social entrepreneurship.

**Health, safety, environmental matters and employment equality**
Recent years have seen increasing emphasis on environmental issues in the industrialised countries of the world. None of the group's activities produces discharges that require licensing and environmental monitoring. Ferd is committed to ensuring that companies it owns operate in a sustainable manner and demonstrate environmental awareness.

Elopak's focus on environmental measures continued in 2014. As part of its target to replace all non-renewable raw materials with renewable alternatives, Elopak launched a new packaging in 2014 based on renewal polyethylene in the coating material and using a screw closure. This represents a milestone in work on reducing the environmental footprint, and is a major step towards making all such packaging 100% renewable. In addition, Elopak has implemented a number of measures to improve the energy efficiency of its production, and has started to phase in a strategy to purchase 'green' energy. Other companies in the group strive to limit their impact on the external environment to the greatest extent commercially possible, this includes waste sorting and proper disposal of specialist waste created by production processes.

The Ferd group had 4,578 employees at the end of 2014, and after including employees of Aibel the total number for 2014 was 9,746. The proportion of female employees in the Ferd group is 27%. Sick leave amounted to 3.5% for the Ferd group in 2014. The working environment at Ferd AS is considered to be good. Ferd AS had 38 employees at the close of 2014, of which 23 are male and 15 are female. The Board of Directors of Ferd AS comprises one female director and four male directors. No serious accidents or injuries were reported at Ferd AS in 2014. For the group as a whole, there were no accidents that led to loss of life, but there were isolated cases of injuries at work that resulted in short periods of sick leave.

It is the company's policy to treat female and male employees equally. This is reflected in a policy of equal salaries for equal responsibilities, and a recruitment policy that emphasises the selection of candidates with the right expertise, experience and qualifications to meet the requirements of the position in question. The company strives to be an attractive employer for all employees, regardless of gender, disability, religion, lifestyle, ethnicity or national origin.

**Allocation of profit for the year**
It is proposed that NOK 20 million of the profit for the year of NOK 534 million is paid as a group contribution, and that the remaining NOK 514 million is transferred to other equity.

**Bærum, 24 April 2015**
**The Board of Directors of Ferd AS**

Johan H. Andresen
Chairman of the Board

John Giverholt
Board Member, CEO

Tom Erik Myrland
Board Member

Erik Rosness
Board Member

Gry Skorpen
Board Member

# ACCOUNTS
FERD AS

## Income statement 1 January - 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **OPERATING INCOME AND EXPENSES** | | | |
| Dividend and group contribution from financial investments | 4 | 950 834 | 268 421 |
| Unrealised changes in values on financial investments | 4 | -1 616 359 | 4 787 712 |
| Net gain on sales of financial investments | 4 | 1 375 630 | 590 490 |
| Other income | 17 | 26 684 | 20 852 |
| **Operating income** | 3 | **736 789** | **5 667 474** |
| Payroll costs | 9,15 | 74 415 | 101 312 |
| Depreciation and impairment | 12 | 1 554 | 1 891 |
| Other operating expenses | 10,11 | 77 046 | 74 455 |
| **Operating expenses** | 3 | **153 015** | **177 658** |
| **Operating profit** | 3 | **583 775** | **5 489 816** |
| Interest income | 17 | 5 587 | 76 117 |
| Interest expenses | 17 | - 4 119 | - 18 155 |
| Net other financial items | | 202 249 | - 382 967 |
| **Net financial result** | | **203 717** | **- 325 005** |
| **Profit before tax** | | **787 492** | **5 164 811** |
| Income tax expense | 8 | 252 727 | 178 473 |
| **PROFIT FOR THE YEAR** | | **534 765** | **4 986 338** |

### Total comprehensive income

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| PROFIT FOR THE YEAR | | 534 765 | 4 986 338 |
| Other income and expenses not reclassified to the income statement at a later date: | | | |
| Estimate deviation on pensions | 15 | - 1 190 | 9 590 |
| Tax on estimate deviation on pensions | 8 | 321 | - 2 685 |
| **TOTAL COMPREHENSIVE INCOME** | | **533 896** | **4 993 244** |

## Balance sheet as at 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible assets | 12 | 10 103 | 8 082 |
| Investments in subsidiaries | 3,5,7 | 10 824 395 | 11 403 639 |
| Other receivables | 5 | 841 | 42 663 |
| **Total non-current assets** | | **10 835 339** | **11 454 384** |
| **Current assets** | | | |
| Short-term receivables on group companies | 5,17 | 724 687 | 66 907 |
| Other short-term receivables | 5 | 800 849 | 157 821 |
| Listed shares and bonds | 3,5 | 6 622 552 | 5 241 213 |
| Unlisted shares and bonds | 3,5,7 | 2 215 184 | 2 922 904 |
| Hedge funds | 3,5 | 4 629 081 | 4 361 911 |
| Interest-bearing investments | 3,5 | | 13 205 |
| Bank deposits | 3,5,13 | 371 542 | 274 870 |
| **Total current assets** | | **15 363 895** | **13 038 830** |
| **TOTAL ASSETS** | 3 | **26 199 234** | **24 493 214** |

| | | | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | 183 268 | 183 268 |
| Share premium | | 3 057 406 | 3 057 406 |
| Other paid-in equity | | 809 905 | 809 905 |
| Other equity | | 20 429 371 | 20 065 622 |
| **Total equity** | | **24 479 949** | **24 116 201** |
| **Non-current liabilities** | | | |
| Pension liabilities | 15 | 24 659 | 20 579 |
| Deferred tax | 8 | 223 128 | 128 054 |
| **Total non-current liabilities** | | **247 788** | **148 633** |
| **Current liabilities** | | | |
| Short-term interest-bearing liabilities | 5,16 | 483 025 | |
| Trade payables | 5 | 1 611 | 1 891 |
| Income tax payable | 8 | 46 341 | 32 228 |
| Public duties etc. | 5 | 6 926 | 8 757 |
| Debt to group companies | 5,17 | 909 732 | 83 064 |
| Other current liabilities | 5 | 23 862 | 102 441 |
| **Total current liabilities** | | **1 471 498** | **228 381** |
| **Total liabilities** | | **1 719 286** | **377 014** |
| **TOTAL EQUITY AND LIABILITIES** | | **26 199 234** | **24 493 214** |

## Statement of changes in equity

**2013**

| NOK 1 000 | Share capital (note 14) | Share premium | Other paid-in equity | Total paid-in equity | Other equity | Total other equity | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity at 1 Jan. 2013** | **183 268** | **3 057 406** | **809 905** | **4 050 579** | **15 792 234** | **15 792 234** | **19 842 813** |
| **Total comprehensive income 2013** | | | | | **4 993 244** | **4 993 244** | **4 993 244** |
| **Transactions with owners** | | | | | | | |
| Additional dividend paid *) | | | | | - 700 000 | **- 700 000** | **- 700 000** |
| Equity effect of merger (note 19) | | | | | - 19 856 | **- 19 856** | **- 19 856** |
| **Total transactions with owners** | | | | | **- 719 856** | **- 719 856** | **- 719 856** |
| **Equity at 31 Dec. 2013** | **183 268** | **3 057 406** | **809 905** | **4 050 579** | **20 065 622** | **20 065 622** | **24 116 201** |

*) In December 2013, Ferd AS paid an additional dividend to Ferd Holding AS. The dividend is in its entirety used to settle a balance between the companies.

**2014**

| NOK 1 000 | Share capital (note 14) | Share premium | Other paid-in equity | Total paid-in equity | Other equity | Total other equity | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity at 1 Jan. 2014** | **183 268** | **3 057 406** | **809 905** | **4 050 579** | **20 065 622** | **20 065 622** | **24 116 201** |
| **Total comprehensive income 2014** | | | | | **533 896** | **533 896** | **533 896** |
| **Transactions with owners** | | | | | | | |
| Proposed dividend | | | | | - 20 148 | **- 20 148** | **- 20 148** |
| Additional dividend paid *) | | | | | - 150 000 | **- 150 000** | **- 150 000** |
| **Total transactions with owners** | | | | | **- 170 148** | **- 170 148** | **- 170 148** |
| **Equity at 31 Dec. 2014** | **183 268** | **3 057 406** | **809 905** | **4 050 579** | **20 429 370** | **20 429 370** | **24 479 949** |

*) In May 2014, Ferd AS paid an additional dividend to Ferd Holding AS. The dividend is in its entirety used to settle a balance between the companies.

## Statement of cash flows 1 January - 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 787 492 | 5 164 811 |
| Taxes paid | 8 | - 30 535 | |
| Depreciation and impairment | 12 | 1 554 | 1 891 |
| Gain and loss on securities, net | 4 | -1 375 630 | - 680 683 |
| Unrealised value changes on securities, net | 4 | 1 642 393 | -4 440 791 |
| New investments in shares in subsidiaries | 5 | - 618 552 | - 319 663 |
| Net investments in securities | 5 | 717 104 | 2 429 094 |
| Gain and loss on sale of tangible assets, net | | - 261 | 35 |
| Change in other non-liquid items | | 8 112 | - 32 010 |
| Change in other receivables | | -1 234 882 | - 4 352 |
| Change in other current liabilities | | - 146 809 | - 196 315 |
| **Net cash flows used in (-)/from operating activities** | | **- 250 014** | **1 922 017** |
| | | | |
| **Investing activities** | | | |
| Proceeds from sale of tangible and intangible assets | | 1 391 | 1 624 |
| Purchases of tangible assets | 12 | - 4 705 | - 1 684 |
| Change in long-term lendings | | | 675 967 |
| **Net cash flows used in (-)/from investing activities** | | **- 3 314** | **675 907** |
| | | | |
| **Financing activities** | | | |
| Change in interest-bearing debt | 16 | 500 000 | -2 510 595 |
| Dividend paid | | - 150 000 | - 726 875 |
| **Net cash flows from/used in (-) financing activities** | | **350 000** | **-3 237 470** |
| | | | |
| **Merged bank deposit** | 19 | **0** | **3 389** |
| | | | |
| Change in bank deposits | | 96 672 | - 636 158 |
| Bank deposit at 1 January | | 274 870 | 911 028 |
| **Benk deposits at 31 December** | 13 | **371 542** | **274 870** |

## NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

### General information

Ferd AS is a privately owned Norwegian investment company located in Strandveien 50, Lysaker. The Company is involved in long-term and active ownerships of strong 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 2014 were approved by the Board of Directors on 24 April 2015.

### Basis for the preparation of the financial statements

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

### Summary of the most significant accounting principles

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

### Investments in subsidiaries

Subsidiaries are companies where the parent company Ferd AS has direct or indirect control. Ferd has "control" over an investment if Ferd has the decision power over the enterprise in which it has invested, is exposed to or entitled to a variable return from the enterprise, and at the same time has the opportunity to use this decision power over the enterprise to influence on the variable return.

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

### Investments in associated companies and joint ventures

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

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

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

### Revenue recognition

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

Revenue is recognised at fair value of the compensation and is presented net after discounts, VAT and other types of public duties. Sales income is presented as Other income in the result.

### Foreign currency translation

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

### Classification of financial instruments

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

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

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

Financial instruments at fair value with value changes over profit and loss pursuant to IAS 39 can also be classified in accordance with the "fair value option" in IAS 28.18. The instrument must initially be recognised at fair value with value changes over 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 over profit and loss”, are classified as other liabilities. Trade payables and other liabilities are classified as current if the debt is due within one year or is part of the ordinary operating cycle. Debt arisen by utilising Ferd's loan facility is presented as long-term if Ferd both has the opportunity and the intention to revolve the debt more than 12 months.

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

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

Financial instruments at “fair value over 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. Value changes are recognised in the result.

Borrowings and receivables are initially measured at fair value with the addition of direct transaction costs. In subsequent periods, the assets and liabilities are measured at amortised cost by using the effective interest method less any decline in value. A provision for a decline in value is made for actual and possible losses on receivables. Ferd regularly reviews receivables and prepares estimates for losses, as the basis for the provisions in the financial statements. Losses on loans and receivables are recognised in the income statement.

Financial liabilities classified as other liabilities are measured at amortised cost by using the effective interest method.

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

**Financial derivatives and hedge accounting**

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

**Income taxes**

The income tax expense includes tax payable and changes in deferred tax. Income tax on other income and expenses items in other comprehensive income is also recognised 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. Tax payable for the period is calculated on the tax basis, which deviates from the "Profit before tax" as a consequence of amounts that shall be recognised as income or expense in another period (temporary differences) or balances never to be subject to tax (permanent differences).

Deferred tax is calculated on temporary differences between book and tax values of assets and liabilities in the financial statements and any tax effects of losses carried forward at the reporting date.

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

**Tangible assets**

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

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

**Impairment**

Tangible assets are considered for impairment when there are indications to the effect that future earnings cannot support the carrying amount.

In the assessment of a decline in value, the first step is to calculate or estimate the assets' recoverable amount. 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 less 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.

In the event that the carrying amount exceeds the recoverable amount, the difference is recognised as a write-down. Impairment losses are subsequently reversed when the impairment indicator no longer exists.

**Leasing**

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

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

**Cash and cash equivalents**

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

**Pension costs and pension funds/obligations**

*Defined benefit plans*

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

The portion of the period's net cost that comprises the current year's pension earnings, curtailment and settlement of pension schemes, plan changes and accrued social security tax is included in payroll costs in the period during which the employees have worked and thereby earned the pension rights. The interest expense on the pension obligation less expected return on the pension funds is charged to the income statement as finance costs in the same period. Positive and negative estimate deviations are recognised as other income and costs in total comprehensive income in the period when they were identified.

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 result when the curtailment or settlement occurs. A curtailment occurs when the Company decides to reduce significantly the number of employees covered by a plan or amends the terms of a defined benefit plan to the effect that a significant part of the current employees’ future earnings no longer qualify for benefits or will qualify for reduced benefits only.

*Defined contribution plans*

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

**Provisions**

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

**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 IFRS 8. Ferd is an investment company, and management makes decisions, is following up and evaluates the decisions based on the development in value and fair value of the Company's investment. Ferd distinguishes between business areas abased on investment type/mandate, capital allocation, resource allocation and risk assessment.

**Statements of cash flows**

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

**Related parties**

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

**New accounting standards according to IFRS**

The financial statements have been prepared in accordance with standards approved by the International Accounting Standards Board (IASB) and International Financial Reporting Standards - Interpretations Committee (IFRIC) effective for accounting years starting on 1 January 2014 or earlier.

**New and amended standards applied by Ferd effective from the accounting year 2014:**

*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.

The implementation of IFRS 10 has had no consequences for Ferd AS' parent company accounts.

*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.

Ferd has implemented IFRS 12, but the implementation has not had any significant consequences for Ferd AS' parent company accounts.

**New and amended standards not 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. The classification and measurement requirements for financial liabilities in IAS 39 are on the whole continued. The use of amortised cost and fair value is continued as a basis for measurement. Concretely defined instruments must be measured at amortised cost or at fair value with value changes through the extended result. All other instrument shall be measured at fair value with value changes over profit and loss.

Phase 2 concerns impairment of financial instruments, and the changes include a twist from making provisions for incurred losses to expected losses. Consequently, the new standard does not require a concrete loss event for making a provision for a credit loss. Losses shall be made for estimated losses, and changes in these estimates shall also be recognised in the income statement on a current basis. The changes will have particular consequences for banks and lending businesses, but also for the Ferd, as the Group has significant receivables from the sale of goods and services that are partly expected to be affected.

Phase 3 concerns hedge accounting, and the rules in IFRS 9 are considerably more flexible than in IAS 39. Several types of instruments qualify as hedging instruments, more types of risk can be hedged, and even more importantly, the strong effectiveness requirements in IAS 39 have been modified. Instead of testing the effectiveness, IFRS 9 introduces a principle of at qualitative financial connection between a hedging instrument, the hedged object and risk. On the other hand, several new note requirements related to the enterprise's hedging strategy have been added.

The implementation date for IFRS 9 is determined to accounting years starting on 1 January 2018, but the EU has not yet approved the standard. Ferd will implement the standard when it becomes mandatory.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is a joint standard for the recognition of income from customers and replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRS 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 only concerns income from contracts with customers. Revenue relating to liability and equity instruments previously regulated by IAS 18, is moved to IAS 39 (and IFRS 9 when implemented).

The main principle of IFRS 15 is that the recognition of income shall be made in such a manner that the recognition correctly demonstrates how the compensation for deliveries of goods and services is received by the enterprise. IFRS 15 introduces a 5 step model.

The standard is effective for accounting years starting on 1 January 2017, but it has still not been approved by the EU. As an investing enterprise, Ferd AS has very little income from customer contracts and will probably not be impacted by the standard.

*Changes in IAS 16 and IAS 38,clarification of acceptable depreciation methods*

There have been changes in IAS 16 and IAS 38 in order to prohibit the use of income-based depreciation methods. The depreciation of assets shall represent the use of the financial benefits associated with an asset, and is primarily independent of the income generated by the same assets. Accordingly, income-based depreciation methods are prohibited, with the exception of some intangible assets, where there is a very strong correlation between income and use. The change is effective from 1 January 2016, but is not considered to have any consequences for Ferd, as assets on the whole are depreciated by using the straight-line method.

## NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTAL CONSIDERATIONS

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

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

### Determination of the fair value of financial assets

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

<u>Listed shares and bonds</u>

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.

<u>Unlisted shares and bonds</u>

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.

<u>Hedge funds</u>

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.

<u>Interest investments</u>

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.

<u>Derivatives</u>

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

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

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

Future cash flows are based on the following factors:

Existing contracts

Expected future rentals

Expected vacancies

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

The risk premium is based on:

Location

Standard

Expected market development

Rent level compared to the rest of the market

The tenant’s financial strength

Property specific knowledge

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

**Determination of the fair value of financial subsidiaries with financial and subsidiaries owned by the business area Ferd Capital**

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

**Pension funds and obligations**

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

## NOTE 3 BUSINESS AREAS

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

**Ferd Capital** is an active and long-term investor in privately owned and listed companies. This implies that Ferd Capital both consider when to invest or sell, and is working actively with the companies during the period of ownership to secure the development in value to be the best possible. Ferd Capital is exercising active leadership by cooperating with the companies' management and board. Ferd Capital manages the Grou's long-term active equity investments.

- Elopak (100 percent stake) is one of the world's leading manufacturers of packaging 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.

- 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 netbased applications and customised operating and outsourcing services.

- Interwell (58 percent stakel) 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.

- Swix Sport (100 percent stake) is developing, manufacturing and marketing ski wax, ski sticks, accessories and textiles for sporting and active leasure time use. The company has extensive operations in Norway and abroad.

- Mestergruppen (95 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.

- Petroleum Geo-Services (10,1 percent stake). Petroleum Geo-Services (PGS) supplies seismology, electro-magnetic services and reservoir analyses to oil companies engaged in offshore operations all over the world.

**Ferd Invest** mainly invests in listed Nordic limited companies. The ambition is to beat a Nordic share index, but the investment team is not focusing on allocations between countries and sectors or the content of the reference index (MSCI Nordic Mid Cap Index). Ferd Invest is only concerned with the companies in which they invest and their development.

**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 aim is to achieve an attractive risk-adjusted return, both in absolute terms and relatively to the hedge fund index (HFRI FoF: Conservative Index).

**Ferd Eiendom** is an active property investor responsible for the Group's efforts concerning property. Developments mainly take place within housing projects, new office buildings and warehouse/combined buildings. The projects are partly carried out in-house, partly together with selected external cooperating partners. Investments concerning financial property only are also made.

**Other areas** mainly comprises investments in externally managed private equity funds that do no require much daily follow-up and therefore are monitored by management. Other areas also comprise some financial instruments to be utilised by management to adjust the total risk exposure. Costs to the company's management, staff and in-house bank are also included .

Ferd Special Investments and Ferd Hedgefond are invested in USD. Foreign currency effects on the investments are recognised in Other areas by using foreign currency derivatives.

| NOK 1 000 | **Ferd AS** | **Ferd Capital** | **Ferd Invest** | **Ferd Special Investments** | **Ferd Hedgefond** | **Ferd Eiendom** | **Other areas** |
|---|---|---|---|---|---|---|---|
| **Results 2014** | | | | | | | |
| Sales income | **736 789** | -1 265 018 | 665 319 | 144 695 | 96 213 | 274 100 | 821 480 |
| Operating expenses | **- 153 015** | - 49 929 | - 8 734 | - 6 553 | - 8 293 | - 20 323 | - 59 183 |
| **Operating result** | **583 775** | **-1 314 946** | **656 585** | **138 142** | **87 920** | **253 777** | **762 298** |
| **Balance sheet 31 December 2014** | | | | | | | |
| Investments in subsidiaries | **10 824 395** | 8 614 104 | | 37 582 | | 2 130 528 | 42 181 |
| Investmens classified as current assets | **13 466 817** | 931 482 | 5 645 278 | 1 875 527 | 2 869 671 | 130 | 2 144 729 |
| Bank deposits/drawings on group account | **371 542** | 769 191 | 11 390 | - 53 711 | - 157 173 | 248 456 | - 446 611 |
| Other assets | **1 536 480** | 2 334 | 3 903 | 383 210 | 146 557 | 138 795 | 861 681 |
| **Total assets** | **26 199 234** | **10 317 111** | **5 660 572** | **2 242 608** | **2 859 054** | **2 517 909** | **2 601 980** |

| NOK 1 000 | **Ferd AS** | **Ferd Capital** | **Ferd Invest** | **Ferd Special Investments** | **Ferd Hedgefond** | **Ferd Eiendom** | **Other areas** |
|---|---|---|---|---|---|---|---|
| **Result 2013** | | | | | | | |
| Operating income | 5 667 474 | 2 448 792 | 1 489 658 | 573 629 | 196 366 | 89 265 | 869 763 |
| Operating expenses | - 177 658 | - 62 682 | - 18 455 | - 21 153 | - 4 894 | - 9 278 | - 61 196 |
| **Operating profit** | **5 489 816** | **2 386 111** | **1 471 203** | **552 476** | **191 472** | **79 987** | **808 567** |

**Balance sheet at 31 December 2013**

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

## NOTE 4 INCOME FROM FINANCIAL INVESTMENTS

| NOK 1 000 | Dividend and group contributions from financial investments *) | Unrealised value change on financial investments | Net gain on sales of financial investments | Total |
|---|---|---|---|---|
| Investments in subsidiaries | 765 179 | -1 904 662 | | **-1 139 483** |
| Listed shares and stakes | 156 786 | - 414 465 | 972 475 | **714 795** |
| Unlisted shares and bonds | | - 46 840 | 13 517 | **- 33 322** |
| Hedge funds | 28 869 | 749 608 | 389 638 | **1 168 115** |
| **Total 2014** | **950 834** | **-1 616 359** | **1 375 630** | **710 105** |

| NOK 1 000 | Dividend and group contributions from financial investments *) | Unrealised value change on financial investments | Net gain on sales of financial investments | Total |
|---|---|---|---|---|
| Investments in subsidiaries | 152 627 | 2 473 235 | | 2 625 863 |
| Listed shares and stakes | 110 698 | 1 091 666 | 352 266 | 1 554 631 |
| Unlisted shares and bonds | 1 491 | 408 887 | 42 158 | 452 536 |
| Hedge funds | 6 764 | 833 463 | 163 319 | 1 003 546 |
| Interest investments | - 3 160 | - 19 540 | 32 746 | 10 047 |
| **Total 2013** | **268 421** | **4 787 712** | **590 490** | **5 646 622** |

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

**NOTE 5 FINANCIAL INSTRUMENTS AND THE USE OF FAIR VALUE**

**Ferd's principles in the measurement of fair value, in general**

Ferd applies the valuation method that is considered to be the most representative estimate of an assumed sales value. Such a sale shall 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 valuatons, 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 overall within the business area, 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**

The value of subsidiaries is deterined on the basis of the companies' recorded equity and adjust for changes in value not recognised. Underlying investments are valued according to the same principles as investments directly owned by Ferd AS, as described below.

Investments in listed shares are valued by applying the market method. The quoted price for the most recent carried-out transaction on the market place is the basis.

Investments in unlisted shares managed in-house are normally valued on the basis of an earnings multiple. In calculating the value (Enterprise Value - EV), ratios like EV/EBITDA, EV/EBITA , EV/EBIT and EV / EBITDA-CAPEX) are applied. Ferd obtains relevant mutiples for comparable companies. The multiples for the portfolio companies are adjusted if the assumptions are not the same as the peer group. Such assumptions can include a control premium, a liquidity discount, growth assumptions, margins or similar. The company's result applied in the valuation is normalised for one-off 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 normally used as a basis for our valuation.

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 a basis.

Special Investments has acquired hedge funds in the second-hand market, often at a considerable discount compared to the reported value fraom the funds (NAV). In the measurement of these hedge funds, estimates from selveral external brokers are obtained to evaluate at which discount these hedge funds are traded, compared to the most recently reported NAV. Ferd makes an assessment of the broker estimates, makes a best estimate for discount and uses this estimate in the valuation of the hedge funds.

Rental properties are valued by discounting future expected cash flows. The value of properties being 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. Our calculated values are regularly compared to independent valuations.

The table below is an overview of carrying and fair value of the Group's assets and liabilities 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** | **Loans and receivables** | **Financial liability** | **TOTAL** | **Fair value** |
| **Non-current assets** | | | | | |
| Investments in | | | | | |

| NOK 1 000 | Investments at fair value over profit and loss | Financial instruments measured at amortised cost: Loans and receivables | Financial instruments measured at amortised cost: Financial liability | TOTAL | Fair value |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 10 824 395 | | | 10 824 395 | 10 824 395 |
| Other non-current receivables | | 841 | | 841 | 841 |
| **Total 2014** | **10 824 395** | **841** | | **10 825 236** | **10 825 236** |
| **Total 2013** | **11 403 639** | **42 663** | | **11 446 302** | **11 446 302** |
| | | | | | |
| **Current assets** | | | | | |
| Short-term receivables on group companies | | 724 687 | | 724 687 | 724 687 |
| Other short-term receivables | 34 964 | 765 884 | | 800 849 | 800 849 |
| Listed shares and bonds | 6 622 552 | | | 6 622 552 | 6 622 552 |
| Unlisted shares and bonds | 2 215 184 | | | 2 215 184 | 2 215 184 |
| Hedge funds | 4 629 081 | | | 4 629 081 | 4 629 081 |
| Bank deposits | | 371 542 | | 371 542 | 371 542 |
| **Total 2014** | **13 501 782** | **1 862 113** | | **15 363 895** | **15 363 895** |
| **Total 2013** | **12 539 232** | **499 598** | | **13 038 830** | **13 038 830** |
| | | | | | |
| **Short-term debt** | | | | | |
| Short-term interest-bearing debt | | | 500 000 | 500 000 | 500 000 |
| Trade accounts payable | | | 1 611 | 1 611 | 1 611 |
| Public duties etc. | | | 6 926 | 6 926 | 6 926 |
| Debt to group companies | | | 909 732 | 909 732 | 909 732 |
| Other short-term debt | 3 079 | | 20 782 | 23 862 | 23 862 |
| **Total 2014** | **3 079** | | **1 439 052** | **1 442 132** | **1 442 132** |
| **Total 2013** | | | **196 153** | **196 153** | **196 153** |

**Fair value herarchy - financial assets and liabilities**

Ferd classifies assets and liabilities measured at fair value in the balance sheet by a hierarchy based on the underlying object 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 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. Ferd's hedge fund portfolio is considered to meet the requirements of level 2. These funds comprise composite portfolios of shares, interest securities, raw materials 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. This concerns investments where all or parts of the information about value cannot be observed in the market. Ferd is also applying valuation models for investments where the share has little or no trading. Securities valued on the basis of quoted prices or reported value (NAV), but where significant adjustments are required, are assessed on level 3. For Ferd this concerns all private equity investments and funds investments made by Special 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 level in the hiearchy 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 2014** |
|---|---|---|---|---|
| Investments in subsidiaries | | | 10 824 395 | 10 824 395 |
| Other short-term receivables | | 34 964 | | 34 964 |
| Listed shares and bonds | 6 622 552 | | | 6 622 552 |
| Unlisted shares and bonds | | | 2 215 184 | 2 215 184 |
| Hedge funds | | 2 869 671 | 1 759 410 | 4 629 081 |
| Other short-term debt | | - 3 079 | | - 3 079 |
| **Total 2014** | **6 622 552** | **2 901 556** | **14 798 989** | **24 323 097** |

| NOK 1 000 | **Level 1** | **Level 2** | **Level 3** | **Total 2013** |
|---|---|---|---|---|
| Investments in subsidiaries | | | 11 403 639 | 11 403 639 |
| Listed shares and bonds | 5 241 213 | | | 5 241 213 |
| Unlisted shares and bonds | | | 2 922 904 | 2 922 904 |
| Hedge funds | | 2 360 531 | 2 001 380 | 4 361 911 |
| Interest-bearing investments | | 13 205 | | 13 205 |
| **Total 2013** | **5 241 213** | **2 373 736** | **16 327 923** | **23 942 871** |

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

| NOK 1 000 | Op.bal.1 Jan. 2014 | Purchases/share issues | Sales and proceeds from investments | Transfers to and from level 3 | Unrealised gain and loss, recognised in the result | Gain and loss recognised in the result | Closing bal. on 31 Dec. 2014 |
|---|---|---|---|---|---|---|---|
| Investments in subsidiaries | 11 403 639 | 1 325 568 | - 150 | | -1 904 662 | | 10 824 395 |
| Unlisted shares and bonds | 2 922 904 | 153 471 | - 647 684 | | - 93 388 | - 120 119 | 2 215 184 |
| Hedge funds | 2 001 380 | 91 680 | - 901 293 | | 567 643 | | 1 759 410 |
| **Total** | **16 327 923** | **1 570 719** | **-1 549 127** | | **-1 430 407** | **- 120 119** | **14 798 989** |

| NOK 1 000 | Op.bal.1 Jan. 2013 | Purchases/share issues | Sales and proceeds from investments | Transfers to and from level 3 | Unrealised gain and loss, recognised in the result | Gain and loss recognised in the result | Closing bal. on 31 Dec. 2013 |
|---|---|---|---|---|---|---|---|
| Investments in subsidiaries | 8 610 741 | 450 360 | - 130 697 | | 2 473 235 | | 11 403 639 |
| Unlisted shares and bonds | 5 619 273 | 221 876 | -3 364 254 | | 409 528 | 36 481 | 2 922 904 |
| Hedge funds | 1 461 746 | 503 209 | - 631 165 | | 386 655 | 280 935 | 2 001 380 |
| **Total** | **15 691 760** | **1 175 445** | **-4 126 116** | | **3 269 418** | **317 416** | **16 327 923** |

**Specification of applied indata and sensitivity analysis**

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

| NOK 1 000 | Balance sheet value at 31 Dec. 2014 | Applied and implicit EBITDA multiples | Value, if the multiple is reduced by 10 % | Valjue, if the multiple is increased by 10% | Applied discount rate | Value, if the interest is increased by 1 percentage point | Value, if the interest is reduced by 1 percentage point |
|---|---|---|---|---|---|---|---|
| Investment in Ferd Eiendom AS 1) | 2 130 528 | | | | 7,5% - 9,0% | 1 797 528 | 2 574 428 |
| Other investments in subsidiaries | 8 693 867 | 7,4 - 10,7 | 7 387 867 | 9 999 867 | | | |
| Unlisted private equity funds 2) | 969 759 | 7,2 - 13,0 | 822 402 | 1 117 116 | | | |
| Other unlisted shares and bonds 2) | 1 245 425 | | | | | | |

| NOK 1 000 | Balance sheet value at 31 Dec 2014 | Estimated discounts acc. to broker (interval) | Value if discount increased by 10 % | Value if discount reduced by 10 % |
|---|---|---|---|---|
| Hedge funds 3) | 1 759 410 | 11 % - 80 % | 1 597 900 | 1 898 598 |

1) Appr. 52% of Ferd Eiendom AS' portfolio constitutes rental property and sensitive for changes in the discount interest rate.

2) Appr. 44 % of the value of unlisted shares and bonds are sensitive for a change in multiple. The other investments are valued on the basis på reported NAV whereby Ferd cannot calculate the sensitivity, even though multiples probably have been applied in determining NAV.

3) Appr. 72 % of the investments are sensitive for a change in discount. These investments were made only by the business area Special Investments.

## NOTE 6 RISK MANAGEMENT - INVESTING ACTIVITIES

There have been no signifcant changes related to the Company's risk management in the period.

### 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 normally have maximum 35 per cent impairment risk. The impairment risk regulates how large part of equity that can be invested in assets with high risk for impairment. This is measured and followed up by stress tests. The loss risk is assessed as a possible total impairment expressed in kroner og as a percentage of equity. Due to Ferd's long-term approach, the owner can accept significant fluctuations in value-adjusted equity.

### CATEGORIES OF FINANCIAL RISK

**Liquidity risk**

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

**Foreign currency risk**

Ferd is well aware of foreign currency risks. We assume that Ferd always will have a certain part of equity invested in euro, USD and Swedish kroner, and is therefore normally not hedging the currency exposure to Norwegian kroner. If the exposure in a currency is considered to be too high or low, the currency exposure is regulated by loans on the parent company level in the currency in question, or by using derivatives.

Ferd has the following outstanding currency derivatives on the parent company level as at 31 December 2014:

| | **Purchases of currency** | | **Disposals of currency** | |
|---|---|---|---|---|
| NOK 1 000 | **Currency** | **Amount** | **Currency** | **Amount** |
| | NOK | 2 992 335 | USD | - 400 000 |
| | NOK | 1 831 789 | EUR | - 200 000 |

**SENSITIVITY ANALYSIS, 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 the unlisted investments in a stress test scenario have an impairment loss of 1.0-1.3 times the Norwegian market.

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Price risk: Norwegian shares decline by 30 percent | -4 200 000 | -4 500 000 |
| Price risk: International shares decline by 20 percent | -1 700 000 | -1 600 000 |
| Price risk: Property declines by 10 percent | - 300 000 | - 200 000 |
| Currency risk: The Norwegian krone appreciates 10 percent | -1 100 000 | -1 100 000 |
| **Total impairment in value-adjusted equity** | **-7 300 000** | **-7 400 000** |
| | | |
| Impairment as a percentage of value-adjusted equity | 30% | 31% |

**NOTE 7 SHARES AND STAKES IN OTHER COMPANIES WITH OWNERSHIPS IN EXCESS OF 10 %**

| | **Business office** | **Stake** |
|---|---|---|
| **Subsidiary** | | |
| Elopak AS | Røyken | 100,0 % |
| FC Well Invest AS | Bærum | 100,0 % |
| FC-Invest AS | Bærum | 100,0 % |
| Ferd Aibel Holding AS | Bærum | 100,0 % |
| 1912 Top Holding AS | Bærum | 100,0 % |
| Ferd Eiendom AS | Bærum | 100,0 % |
| Ferd Malta Holdings Ltd | Malta | 100,0 % |
| Ferd MG Holding AS | Bærum | 100,0 % |
| Ferd Sosiale Entreprenører AS | Bærum | 100,0 % |
| Norse Crown Company Ltd. AS | Bærum | 100,0 % |
| Swix Sport AS | Oslo | 100,0 % |
| | | |
| **Non-current shares with ownership > 10 %** | | |
| Herkules Capital I AS | | 40,0 % |

**Current shares with ownership > 10 %**

| | |
|---|---|
| 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 % |
| Herkules Private Equity Fund I (LP-I) Limited | 76,1 % |
| Herkules Private Equity Fund II (LP-I) Limited | 74,5 % |
| Herkules Private Equity Fund III (LP-I) Limited | 25,1 % |
| Intera Fund I | 12,0 % |
| Marical Inc | 22,4 % |
| 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 % |
| Petroleum Geo-Services ASA | 10,1 % |
| SPV Herkules II LP | 81,5 % |

**NOTE 8** **INCOME TAXES**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| **The tax expense comprises:** | | |
| Income tax payable | 43 884 | |
| Change in deferred tax | 95 395 | 146 737 |
| Tax concerning prior periods | 765 | 31 736 |
| Tax effect of net rendered group contribution | 112 683 | |
| **Tax expense** | **252 727** | **178 473** |

**Tax payable in balance sheet**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Tax payable of the year | 43 884 | |
| Tax payable from prior years | 2 457 | 32 228 |
| **Tax payable in balance sheet** | **46 341** | **32 228** |

**Reconciliation of nominal to effective tax rate**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Profit before tax | 787 492 | 5 164 811 |
| Expected tax expense according to nominal tax rate (27%) | 212 623 | 1 446 147 |
| Non-taxable gain/loss and return on securities | - 438 059 | - 187 854 |
| Unrealised changes in value of securities | 580 273 | -1 112 420 |
| Adjustment of tax from prior periods | 765 | 31 736 |
| Efffect of change in tax rate | | - 4 743 |
| Adjustment of deferred tax from previous periods *) | - 106 804 | |
| Tax effect of other permanent differences | 3 929 | 5 607 |
| **Tax expense** | **252 727** | **178 473** |
| Effective tax rate | 32,1 % | 3,5 % |

**Deferred tax**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Receivables | - 9 213 | - 6 791 |
| Shares and bonds | 384 636 | 200 624 |
| Tangible assets | 4 343 | 5 197 |
| Provisions | 4 583 | |
| Net pensions | - 6 658 | - 5 556 |
| Tax loss to carry forward* | - 154 563 | - 65 420 |
| **Balance sheet value at 31 Dec., deferred tax liability** | **223 128** | **128 054** |

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Balance sheet value at 1 January | 128 054 | - 20 320 |
| Charged in period | 95 395 | 146 737 |
| Merged (cf. note 19) | | - 1 048 |
| Tax set-off against total comprehensive income (estimate deviation, pensions) | - 321 | 2 685 |
| **Balance sheet value at 31 December** | **223 128** | **128 054** |

*As a consequence of changed legislation for carried interest in PE funds, Ferd's tax basis from such investments is changed. The taxation for the period back to 2007 will be changed with increased deduction as a result. This increased deduction will not be considered in the tax basis until Ferd has received a final decision from the tax authorities.

## NOTE 9 SALARIES AND REMUNERATIONS

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Salaries | 46 508 | 107 099 |
| Social security tax | 17 717 | 17 464 |
| Pension costs (note 15) | 6 733 | - 25 478 |
| Other benefits | 3 457 | 2 227 |
| **Total** | **74 415** | **101 312** |
| | | |
| Average number of man-labour years | 38 | 39 |

**Salary and remuneration to Group CEO**

| NOK 1 000 | Salary | Bonus | Benefits in kind | Pension |
|---|---|---|---|---|
| John Giverholt | 3 300 | 3 276 | 186 | 1 062 |

The Group CEO's bonus scheme is limited to MNOK 6,0. 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. This is a contribution scheme (cf. also note 19). 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 severance pay if he has to resign from his position.

**Fees to the Board**

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

## NOTE 10 OTHER OPERATING EXPENSES

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Lease of buildings etc. | 6 159 | 5 850 |
| Fees to lawyers, consultants and auditors | 25 045 | 29 374 |
| Travel expenses | 1 876 | 1 635 |
| Loss and change in write-downs of receivables | 26 035 | 13 444 |
| Other expenses | 17 932 | 24 151 |
| **Total** | **77 046** | **74 455** |

## NOTE 11 AUDIT FEES CHARGED TO THE INCOME STATEMENT

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

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Audit fees | 1 140 | 1 111 |
| Other attestation services | | 18 |
| Other non-audit services | 64 | 1 520 |
| **Total** | **1 204** | **2 649** |

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

## NOTE 12 TANGIBLE ASSETS

**2014**

| NOK 1 000 | Buildings and land | Fixtures and equipment | Total |
|---|---|---|---|
| Cost at 1 January | 3 118 | 19 902 | **23 020** |
| Additions | 802 | 3 903 | **4 705** |
| Disposals | | - 3 058 | **- 3 058** |
| Cost at 31 December | **3 920** | **20 747** | **24 667** |
| | | | |
| Accumulated depreciation and impairment at 1 January | | 14 938 | **14 938** |
| Depreciation of the year | | 1 554 | **1 554** |
| Disposal of depreciation | | - 1 928 | **- 1 928** |
| Accumulated depreciation and impairment at 31 December | | **14 564** | **14 564** |
| | | | |
| **Carrying amount at 31 December** | **3 920** | **6 183** | **10 103** |
| | | | |
| Estimated economic life of depreciable assets | - | 4-10 years | |
| Depreciation method | | Straight-line | |
| | | | |
| Annual lease of tangible assets not carried in the balance sheet | 6 159 | | |

**2013**

| NOK 1 000 | Buildings and land | Fixtures and equipment | Total |
|---|---|---|---|
| Cost at 1 January | 3 080 | 22 066 | **25 146** |
| Additions | 38 | 1 646 | **1 684** |
| Disposals | | - 3 810 | **- 3 810** |
| Cost at 31 December | **3 118** | **19 902** | **23 020** |
| | | | |
| Accumulated depreciation and impairment at 1 January | | 15 198 | **15 198** |
| Depreciation of the year | | 1 891 | **1 891** |
| Disposal of depreciation | | - 2 151 | **- 2 151** |
| Accumulated depreciation and impairment at 31 December | | **14 938** | **14 938** |
| | | | |
| **Carrying amount at 31 December** | **3 118** | **4 964** | **8 082** |
| | | | |
| Estimated economic life of depreciable assets | - | 4-10 years | |
| Depreciation method | | Straight-line | |

## NOTE 13 BANK DEPOSITS

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

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Employees' withheld tax | 4 558 | 5 669 |

## NOTE 14 SHARE CAPITAL AND SHAREHOLDER INFORMATION

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

**Owner structure**
The shareholder as at 31 December 2014 was:

| | Number of shares | Stake |
|---|---|---|
| Ferd Holding AS | 183 267 630 | 100,00% |

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

| Shares owned indirectly by the CEO and board members of Ferd AS: | Position | | Stake |
|---|---|---|---|
| Johan H. Andresen | Chair of the Board | 69,94% | 15,20% |

Johan H. Andresen's children own 84,8 % of Ferd AS indirectly through the ownership of shares in Ferd Holding AS.

## NOTE 15 PENSION COSTS AND LIABILITIES

### FERD'S PENSION PLANS

Ferd has established pension schemes in accordance with Norwegian legislation. The employees participate in a defined contriution plan for salaries below 12G.

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

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

Until 2013, all employees wee members of a defined benefit scheme for salaries up until 12 times the base amount of the national insurance (G). Defined benefit pension schemes give the employees a right to speific pension payments. The obligation is an estimate of future benefits earned by the employees on the basis of the number of years of service and the salary level at the retirement. The 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 variations between estimated an actual salary increases and return on assets result in actuarial gain and loss. Actuarial gains and losses are recognised in total comprehensive income. The defined benefit scheme was terminated on 31 December 2013. Paid-up policies were issued in 2014. The effect of the plan change is recognised in the income statement in 2013.

**Financial assumptions at 31 December**

| | **2014** | **2013** |
|---|---|---|
| Discount interest rate | 2,70% | 3,30% |
| Expected wage growth | 3,25% | 3,75% |
| Future expected pension regulation | 1,75% | 1,75% |
| Expected regulation of base amount (G) | 3,00% | 3,50% |

### DEFINED BENEFIT PLANS

**Specification of the recognised liability**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Present value of unfunded pension liabilities | 24 659 | 20 579 |
| Present value of wholly or partly funded pension obligations | | 62 716 |
| Total present value of defined benefit obligations | 24 659 | 83 295 |
| Fair value of pension assets | | 62 716 |
| **Total defined benefit obligation recognised in the balance sheet** | **24 659** | **20 579** |

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

| NOK 1 000 | | |
|---|---|---|
| Liability for defined benefit pension plans at 1 January | 83 295 | 130 590 |
| Present value of the pension earnings of the year | 2 004 | 10 326 |
| Interest expense on the pension liability | 1 257 | 4 361 |
| Estimate deviation on the pension liability | 1 190 | - 13 054 |
| Plan changes | | - 35 855 |
| Benefits paid | - 63 087 | - 13 073 |
| **Liability for defined benefit pension plans at 31 December** | **24 659** | **83 295** |

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Fair value of pension assets at 1 January | 62 716 | 60 920 |
| Expected return from pension assets | | 1 303 |
| Estimate deviations on pension funds | | - 3 464 |
| Contribution from employer | | 7 433 |
| Administration expenses | | - 51 |
| Benefits paid | - 62 716 | - 3 425 |
| **Fair value of pension assets at 31 December** | | **62 716** |

**Pension assets include the following:**

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Equity instruments | | 9 059 |
| Government stock | | 7 058 |
| Corporate stock | | 12 687 |
| Other debt instruments, including structured debt | | 25 340 |
| Porperty investments | | 7 191 |
| Bank deposits | | 1 381 |
| **Total pension assets** | | **62 716** |

**Estimate deviation recognised in total comprehensive income**

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Estimate deviation on the pension obligation (benefit schemes) of the year | - 1 190 | 13 054 |
| Estimate deviation of the pension funds (benefit schemes) of the year | | - 3 464 |
| **Net estimate deviation for benefit schemes recognised in income statement** | **- 1 190** | **9 590** |

**Pension costs recognised in the income statement**

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Present value of this year's pension earnings | 2 004 | 10 326 |
| Plan changes | | - 35 855 |
| Administration expenses | | 51 |
| Pension costs on contribution schemes | 4 729 | |
| **Total pension costs recognised in the income statement as salary expenses** | **6 733** | **- 25 478** |

| | | |
|---|---|---|
| Interest expense on the pension liability | 1 257 | 4 361 |
| Expected return on pension assets | | - 1 303 |
| **Total pension costs recognised in the income statement as interest expenses** | **1 257** | **3 058** |

## NOTE 16 SHORT-TERM INTEREST-BEARING DEBT

**Short-term interest-bearing debt by currency**

| NOK 1 000 | Loan amount in NOK 2014 | Loan amount in NOK 2013 |
|---|---|---|
| NOK | 500 000 | - |
| USD | - | - |
| EUR | - | - |
| **Short-term interest-bearing debt at 31 Dec. at nominal value** | **500 000** | **-** |
| Capitalised drawing costs | -16 975 | |
| Carrying amount at 31 December | **483 025** | **-** |

Ferd has a total loan facility of 6 billion NOK. The drawing costs related to the facility are accrued over the term.

## NOTE 17 TRANSACTIONS AND BALANCES WITH GROUP COMPANIES

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| **Receivables** | | |
| Short-term receivables on group companies | 724 687 | 66 907 |
| Total receivables | 724 687 | 66 907 |
| | | |
| **Debt** | | |
| Short-term debt to group companies | 909 732 | 83 064 |
| Total debt | 909 732 | 83 064 |

All group balances bear an interest of 6 months NIBOR + 1,5 percentage points.

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| **Services billed to group companeis** | | |
| Staff services | 8 847 | 8 169 |
| Property management | 16 174 | 10 628 |
| Total income | 25 022 | 18 798 |
| | | |
| **Interest income on intercompany loans and balances** | | |
| Interest income | 6 582 | 47 576 |
| Interest expense | - 1 269 | |
| Net interest income | 5 313 | 47 576 |

## NOTE 18 CONTINGENT LIABILITIES AND OBLIGATIONS NOT RECOGNISED IN BALANCE SHEET

**Guarantees and obligations not recognised in the balance sheet**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Commitments to supply subsidiaries and other enterprises with equity | 343 500 | |
| Not paid, but committed capital to funds investments | 620 401 | 748 054 |
| **Total** | **963 901** | **748 054** |

**Contingent obligations and litigation**

Ferd AS is presently not involved in any litigation.

**Events subsequent to the balance sheet date**

Subsequent to the balance sheet date, Ferd AS has given an additional guarantee to third-parties up to MNOK 350. The guarantes can be asserted if the party for which Ferd has guaranteed, does not fulfill their delivery obligations. The guarantee has a duration of until four years.

## NOTE 19 MERGER

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

# ACCOUNTS
FERD AS
GROUP

## Income statement 1 January - 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **OPERATING INCOME AND EXPENSES** | | | |
| Sales income | 3,10 | 13 127 697 | 10 958 333 |
| Income from financial investments | 3,4 | 599 704 | 2 950 881 |
| Other income | 3,8 | 277 624 | 141 334 |
| **Operating income** | 3 | **14 005 025** | **14 050 548** |
| Cost of sales | | 7 685 974 | 6 701 261 |
| Payroll costs | 11,19 | 2 868 428 | 2 305 685 |
| Depreciation and write-downs | 3,12,13,14 | 645 898 | 439 714 |
| Other operating expenses | 15,16 | 1 369 610 | 1 148 592 |
| **Operating expenses** | | **12 569 910** | **10 595 252** |
| **Operating profit** | 3 | **1 435 115** | **3 455 296** |
| Income on investments accounted for by the equity method | 3,17 | 30 367 | 83 164 |
| Finance income | 18 | 542 578 | 312 858 |
| Finance expenses | 18 | - 569 702 | - 908 497 |
| **Net finance items** | | **3 243** | **- 512 475** |
| **Profit before tax** | | **1 438 358** | **2 942 821** |
| Income tax expense | 9 | 490 013 | 267 426 |
| **PROFIT FOR THE YEAR** | | **948 345** | **2 675 395** |
| Non-controlling interests' share of profit for the year | | 46 006 | - 80 |
| Parent company shareholders' share of profit for the year | | 902 339 | 2 675 475 |

### Total comprehensive income

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| PROFIT FOR THE YEAR | | 948 345 | 2 675 395 |
| Other income and expenses than can be reclassified to the income statement at a later date: | | | |
| Currency conversion of foreign subsidiaries | | 93 566 | 128 245 |
| Effect of cash flow hedging | 28 | - 30 681 | 5 705 |
| Tax on cash flow hedging | 9,28 | 7 284 | - 1 023 |
| Other income and expenses that cannot be reclassified to the income statement at a later date: | | | |
| Estimate deviation on pensions | 19 | - 54 690 | 38 810 |
| Tax on estimate deviation on pensions | 9 | 2 098 | - 3 627 |
| **TOTAL COMPREHENSIVE INCOME** | | **965 922** | **2 843 505** |

## Balance sheet as at 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 3,12,13 | 4 117 955 | 2 276 314 |
| Deferred tax assets | 9 | 195 585 | 150 634 |
| Tangible assets | 3,14 | 2 436 626 | 1 915 068 |
| Investments accounted for by the equity method | 3,7,17 | 442 250 | 647 167 |
| Investment property | 3,5,8 | 2 386 449 | 1 828 917 |
| Pension funds | 19 | 17 391 | 9 805 |
| Other financial assets | 7 | 272 285 | 162 791 |
| **Total non-current assets** | | **9 868 541** | **6 990 696** |
| **Current assets** | | | |
| Inventories | 20 | 2 381 419 | 2 063 998 |
| Short-term receivables | 5,21 | 2 953 019 | 1 923 627 |
| Listed shares and bonds | 3,5,7 | 6 622 553 | 5 241 213 |
| Unlisted shares and bonds | 3,5,7 | 3 086 854 | 5 446 096 |
| Hedge funds | 3,5 | 4 651 984 | 4 377 613 |
| Bank deposits | | 1 320 725 | 1 332 095 |
| **Total current assets** | | **21 016 554** | **20 384 642** |
| **TOTAL ASSETS** | 3 | **30 885 095** | **27 375 338** |

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Paid-in equity | 22 | 4 050 578 | 4 050 578 |
| Other equity | | 16 595 163 | 15 810 806 |
| Non-controlling owner interests | 23 | 684 544 | 19 995 |
| **Total equity** | | **21 330 285** | **19 881 379** |
| **Non-current liabilities** | | | |
| Pension liabilities | 19 | 169 417 | 146 973 |
| Deferred tax | 9 | 793 731 | 379 720 |
| Long-term interest-bearing liabilities | 24 | 3 697 893 | 3 508 604 |
| Other long-term debt | 5,24 | 294 103 | 301 204 |
| **Total non-current liabilities** | | **4 955 144** | **4 336 501** |
| **Current liabilities** | | | |
| Short-term interest-bearing liabilities | | 1 314 066 | 525 844 |
| Income tax payable | 9 | 277 390 | 167 049 |
| Other current liabilities | 5,25 | 3 008 210 | 2 464 565 |
| **Total current liabilities** | | **4 599 666** | **3 157 458** |
| **Total liabilities** | | **9 554 810** | **7 493 959** |
| **TOTAL EQUITY AND LIABILITIES** | | **30 885 095** | **27 375 338** |

## Statement of changes in equity

**2013**

| NOK 1 000 | Share capital (note 22) | Share premium | Other paid-in equity | Total paid-in equity | Currency conversion reserve | Cash-flow hedging (note 28) | Retained earnings | Total other equity | Non-controlling owner interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 Jan. 2013** | **183 268** | **3 057 405** | **809 905** | **4 050 578** | **- 293 837** | **- 35 830** | **14 035 302** | **13 705 635** | **28 635** | **17 784 848** |
| **Total comprehensive income 2013** | | | | | **128 245** | **4 682** | **2 710 494** | **2 843 421** | **84** | **2 843 505** |
| **Transactions with owners** | | | | | | | | | | |
| Transactions with non-controlling interests | | | | | | | 6 625 | 6 625 | - 5 688 | 937 |
| Dividend paid* | | | | | | | - 726 875 | - 726 875 | - 3 036 | - 729 911 |
| Group contribution paid | | | | | | | - 18 000 | - 18 000 | | - 18 000 |
| **Total owner transactions** | | | | | | | - 738 250 | - 738 250 | - 8 724 | - 746 974 |
| **Equity at 31 Dec. 2013** | **183 268** | **3 057 405** | **809 905** | **4 050 578** | **- 165 592** | **- 31 148** | **16 007 546** | **15 810 806** | **19 995** | **19 881 379** |

*) In December 2013, Ferd AS paid an additional dividend to Ferd Holding AS of MNOK 700. This dividend has in its entirety been utilised to settle a balance between the companies.

**2014**

| NOK 1 000 | Share capital (note 22) | Share premium | Other paid-in equity | Total paid-in equity | Currency conversion reserve | Cash-flow hedging (note 28) | Retained earnings | Total other equity | Non-controlling owner interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 Jan. 2014** | **183 268** | **3 057 405** | **809 905** | **4 050 578** | **- 165 592** | **- 31 148** | **16 007 546** | **15 810 806** | **19 995** | **19 881 379** |
| **Total comprehensive income 2014** | | | | | **93 566** | **- 23 397** | **850 524** | **920 693** | **45 229** | **965 922** |
| **Transactions with owners** | | | | | | | | | | |
| Transactions with non-controlling interests | | | | | | | 13 664 | 13 664 | 626 217 | 639 881 |
| Dividend paid* | | | | | | | - 150 000 | - 150 000 | - 6 897 | - 156 897 |
| **Total owner transactions** | | | | | | | - 136 336 | - 136 336 | 619 320 | 482 984 |
| **Equity at 31 Dec. 2014** | **183 268** | **3 057 405** | **809 905** | **4 050 578** | **- 72 026** | **- 54 545** | **16 721 734** | **16 595 163** | **684 544** | **21 330 285** |

*) In May 2014, Ferd AS paid an additional dividend to Ferd Holding AS. This dividend has in its entirety been utilised to settle a balance between the companies.

## Statement of cash flows 1 January - 31 December

| NOK 1 000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax and minorities | | 1 438 358 | 2 942 821 |
| Taxes paid | 9 | - 222 697 | - 145 134 |
| Depreciation and write-downs | 12,13,14 | 645 898 | 439 714 |
| Value-change on investment property | 8 | - 169 358 | - 20 463 |
| Income on investments accounted for by the equity method | 17 | - 16 389 | - 83 164 |
| Pension costs without cash effects | 19 | - 41 309 | - 95 181 |
| Gain and loss on securities, net | | - 349 682 | -2 026 171 |
| Net investment in securities | | 639 427 | 2 498 264 |
| Net investment in investment property | 8 | - 366 961 | 174 618 |
| Gain and loss on sale of tangible assets, net | | - 28 052 | 22 155 |
| Change in inventories | | - 159 151 | - 248 707 |
| Change in short-term receivables and other curent assets | | - 507 841 | 113 030 |
| Change in trade payables and other current liabiities | | 31 647 | - 39 952 |
| Change in other long-term debt | | 33 795 | - 73 106 |
| **Net cash flows from operating activities** | | **927 684** | **3 458 726** |
| | | | |
| **Investing activities** | | | |
| Proceeds from sale of tangible and intangible assets | | 77 725 | 2 945 |
| Purchases of tangible and intangible assets | 12,13,14 | - 783 727 | - 741 385 |
| Dividend received from companies accounted for by the equity method | 17 | 22 312 | 100 824 |
| Purchase of subisidiaries, net less bank deposits taken-over | 13 | - 544 123 | - 831 842 |
| Proceeds from sale of subsidiaries, net less bank deposits transferred | | | 252 165 |
| Net other assets taken over by purchases of assets through subsidiaries | | | - 296 954 |
| Net other investments | | - 160 742 | - 43 405 |
| **Net cash flows used in investing activities** | | **-1 388 555** | **-1 557 652** |
| | | | |
| **Financing activities** | | | |
| Change in interest-bearing debt | | 572 953 | -1 624 497 |
| Dividend paid | | - 156 897 | - 700 000 |
| Net transactions with non-controlling interests | | 11 590 | - 44 875 |
| **Net cash flows from/-used in investing activities** | | **427 646** | **-2 369 372** |
| | | | |
| **Currency conversion of bank deposits** | | **21 855** | **116 397** |
| | | | |
| Change in bank deposits | | - 11 370 | - 351 901 |
| Bank deposits at 1 January | | 1 332 095 | 1 683 997 |
| **Bank deposits at 31 December** | | **1 320 725** | **1 332 095** |

## NOTE 1 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

**General information**

Ferd AS is a privately owned Norwegian investment company located in Strandveien 50, Lysaker. The Company is involved in long-term and active ownerships of strong 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 2014 were approved by the Board of Directors on 24 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 direct or indirect control. Ferd has "control" over an investment if Ferd has the decision power over the enterprise in which it has been invested, is exposed to or is entitled to a variable return from the enterprise, and at the same time has the opportunity to use this decision power over the enterprise to influence on the variable return.

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 change 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 is 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 taken over, 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 influence, but not control. 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 and joint ventures owned by investing entities is the basis for presenting the investments in the business area Ferd Capital. These investments are recognised at fair value with value changes over profit and loss, and are classified as current assets in the statement of financial position.

Other associates and joint ventures are accounted for by the equity method, 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 Ferd's share of total comprehensive income in the investment. 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 accounted for by the equity method" and includes goodwill identified at the date of acquisition, reduced by any subsequent impairments.

**Sales income**

The Group's consolidated revenue mainly comprises the sale of a wide range of goods to manufacturing companies as well as to consumers, services to the oil sector, IT services and deliveries of packaging and packaging systems.

Revenue from the sale of goods is recognised when the potential for earnings and losses has been transferred to the buyer, when 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 packaging are commercially connected, and revenue is therefore recognised in total for the contract.

Revenue is measured at fair value of the compensation 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 carrying 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. Gain and loss arising from changes in foreign currency is 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 as other income 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.

**Loan expenses**

Loan expenses that are directly attributable to the acquisition, manufacturing or production of an asset requiring a long time to be completed before it can be used, are added to the acquisition cost for the asset. For investment properties measured at fair value, Ferd is also capitalising loan expenses incurred in the development period. Ferd is capitalising loan expenses from the starting date for the preparation of the asset for its intended use and the loan expenses begin to incur. The capitalisation continues until these activities have been completed. Should the development be put temporarily on hold, the loan expenses are not capitalised during this period.

**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 over 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 28.18. 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 classified as other liabilities are measured at amortised cost by using the effective interest method.

Financial liabilities that are not included in the category held for trading and not measured at "fair value over profit and loss" are classified as other liabilities. Trade payables and other liabilities are classified as current if the debt is due within one year or is part of the ordinary operating cycle. Debt arisen by utilising Ferd's loan facility is presented as long-term if Ferd both has the opportunity and the intention to revolve the debt more than 12 months.

**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 over 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 the income statement. In subsequent periods, the financial instruments are presented at fair value based on market values or generally accepted calculation methods. Changes in value are recognised in the income statement.

Loans and receivables 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, less any decline in value. A provision for a decline in value is made for actual and possible losses on receivables. The Group regularly reviews receivables and prepares estimates for losses, as the basis for the provisions in the financial statements. Losses from declines in value are recognised in the income statement.

Financial obligations classified as other liabilities are measured at amortised cost by using the effective interest method.

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 the legal 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 the financial 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 other income and expenses items in other comprehensive income is also recognised 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. Tax payable for the period is calculated on the tax basis deviating from the "Profit before tax" as a consequence of amounts that shall be recognised as income or expense in another period (temporary differences) or balances never to be subject to tax (permanent differences).

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 in the balance sheet on the initial recognition of the acquisition of investment properties if the purchase of a subsidiary with an investment property is considered as an acquisition of a separate asset.

Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that there will be future 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. The allocation is made to the cash-generating units or groups of units expected to benefit from the synergies of the combination.

### 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 all the following conditions are met:

1. The asset can be identified
2. Ferd intends to, and has the ability to, complete the intangible asset, including the fact that Ferd has adequate technical, financial and other resources to finalise the development and to use or sell the intangible asset.
3. The technical assumptions for completing the intangible asset are known.
4. It is probable that the asset will generate future cash flows
5. 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. When the requirements for capitalisation no longer exist, the expenses are recognised in the income statement as incurred.

### Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. The cost includes expenses directly attributable to the acquisition of the asset, including loan costs. 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.

Tangible assets are depreciated systematically over their expected useful lives, normally on a straight-line basis. When such assets have been capitalised under financial leasing, they are depreciated over the shorter of useful life and agreed lease period. If indications of impairment exist, the asset is tested for impairment.

### Impairment

Tangible 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. If there are indicators on a possible decline in value, an evaluation of impairment is made. Intangible assets with undefined useful lives and goodwill are depreciated, but evaluated annually for impairment.

In the assessment of a decline in value, the first step is to calculate or estimate the assets' recoverable amount. Should it not be possible to calculate the recoverable amount for an individual asset, the recoverable amount for the cash-generating unit of which the asset is part, is calculated. A cash-generating unit is the smallest identifiable group of assets generating incoming cash-flows not depending on incoming cash-flows from other assets or groups of assets.

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 less 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.

In the event that the carrying amount exceeds the recoverable amount, the difference is recognised as a write-down. Write-downs 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. Variable and contingent lease amounts are recognised as operating costs in the income statement as they incur. Lease objects related to financial lease agreements 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 a long-term return on hiring or an increase in value, or both. Investment 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 a 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 utilised 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.

**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 that an employee will receive at the time of retirement. The pension is normally determined as a part of the employee's salary. The Group's net obligation from defined benefit pension plans is calculated separately for each scheme. The obligation is calculated by an actuary and 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 in the period during which the employee has worked and thereby earned the pension rights. The net interest expense on the pension obligation less expected return on the pension funds is charged to the income statement as finance costs in the same period. Positive and negative estimate deviations are recognised as other income and costs in total comprehensive income in the period when they were identified.

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 result when the curtailment or settlement occurs. A curtailment occurs when the Group 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 Group 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.

**Dividend**

Dividend proposed by the Board is classified as equity in the financial statements and recognised as a liability only when it has been approved by the shareholders in a Shareholders' Meeting.

**Business areas**

Ferd reports business areas in line with IFRS 8. Ferd is an investment company, and management makes decisions, is following up and evaluates the decisions based on the development in value and fair value of the Company's investment. Ferd distinguishes between business areas based on investment type/mandate, capital allocation, resource allocation and risk assessment.

**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 2014 or earlier.

**New and amended standards implemented by Ferd effective from the accounting year 2014:**

*FRS 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 and is emphasising actual control to a larger extent than previous rules.

IFRS 10 also has a consolidation exemption for investment companies, provided that certain criteria are met.

The implementation of IFRS 10 has had no consequences for Ferd. The changed control term has not had any effect on which companies Ferd is consolidating, nor is Ferd subject to the exemption for investment companies.

*IFRS 11 Joint Arrangements*

The standard regulates the accounting for enterprises where Ferd has joint control with other entities. The standard replaces *IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers* . IFRS 11 has 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 by 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. Ferd is presently not a participant in any arrangement qualifying as "joint operations".

Ferd applied the equity method on all jointly controlled business before the implementation of IFRS 11, and the consequences of implementing IFRS 11 have therefore been 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.

Ferd has implemented IFRS 12, and the implementation has had some consequences for Ferd's notes due to the increased information requirement.

**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. The classification and measurement requirements for financial liabilities in IAS 39 are on the whole continued. The use of amortised cost and fair value is continued as a basis for measurement. Concretely defined instruments must be measured at amortised cost or at fair value with value changes over the extended result. All other instrument shall be measured at fair value with value changes over profit and loss.

Phase 2 concerns impairment of financial instruments, and the changes include a twist from making provisions for incurred losses to expected losses. Consequently,the new standard does not require a concrete loss event for making a provision for a credit loss. Losses shall be made for estimated losses, and changes in these estimates shall also be recognised in the income statement on a current basis. The changes will have particular consequences for banks and lending businesses, but also for Ferd, as the Group has significant receivables from the sale of goods and services that are partly expected to be affected.

Phase 3 concerns hedge accounting, and the rules in IFRS 9 are considerably more flexible than in IAS 39. Several types of instruments qualify as hedging instruments, more types of risk can be hedged, and even more importantly, the strong effectiveness requirements in IAS 39 have been modified. Instead of testing the effectiveness, IFRS 9 introduces a principle of a qualitative financial connection between a hedging instrument, the hedged object and risk. On the other hand, several new note requirements related to the enterprise's hedging strategy have been added.

The implementation date for IFRS 9 is determined to accounting years starting on 1 January 2018, but the EU has not yet approved the standard. Ferd will implement the standard when it becomes mandatory.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is a joint standard for the recognition of income from customers and replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRS 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 only concerns income from contracts with customers. Revenue relating to liability and equity instruments previously regulated by IAS 18, is moved to IAS 39 (and IFRS 9 when implemented).

The main principle of IFRS 15 is that the recognition of income shall be made in such a manner that the recognition correctly demonstrates how the compensation for deliveries of goods and services is received by the enterprise. IFRS 15 introduces a 5 step model.

The standard is much more comprehensive and detailed than previous regulations, and it includes many additional guidelines and examples to assist the users to interpret the standard correctly.

The standard is effective for accounting years starting on 1 January 2017, but it has still not been approved by the EU. The implementation of the standard is expected to have the largest consequences for those of Ferd's subsidiaries that deliver goods and services and where the delivery comprises several products.

*Changes in IAS 16 and IAS 38, clarification of acceptable depreciation methods*

There have been changes in IAS 16 and IAS 38 in order to prohibit the use of income-based depreciation methods. The depreciation of assets shall represent the consumption of the financial benefits associated with an asset, and is primarily independent of the income generated by the same assets. Accordingly, income-based depreciation methods are prohibited, with the exception of some intangible assets, where there is a very strong correlation between income and use. The change is effective from 1 January 2016, but is not considered to have any consequences for Ferd, as assets on the whole are depreciated by using the straight-line method.

## NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTAL CONSIDERATIONS

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 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. Moreover, 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 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 expected 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 market-based rate of return for properties with the assumed best location (prime-yield CBD) 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 of transactions concerning comparable properties close to the balance sheet date, these values are applied as a cross-reference for the valuation.

Properties that are part of development projects are valued by applying the same method, but the uncertainty of the estimates is larger. For development projects, the value of the project is increased in line with achieved milestones.

### 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 13 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 19 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 disclosed value shall be based on 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 probability 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.

## NOTE 3 BUSINESS AREAS

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

**Ferd Capital** is an active and long-term investor in privately owned and listed companies. This implies that Ferd Capital both consider when to invest or sell, and is working actively with the companies during the period of ownership to secure the development in value to be the best possible. Ferd Capital is exercising active leadership by cooperating with the companies' management and board . 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 loss of MNOK 1 315. The value of Ferd Capital's portfolio constitutes MNOK 10 317 as at 31 December 2014 and MNOK 10 847s at 31 December 2013 measured at fair value.

The investments comprise:

- Elopak (100 percent stake) is one of the world's leading manufacturers of packaging 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.

- 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 netbased applications and customised operating and outsourcing services.

- Interwell (58 percent stakel) 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.

- Swix Sport (100 percent stake) is developing, manufacturing and marketing ski wax, ski sticks, accessories and textiles for sporting and active leasure time use. The company has extensive operations in Norway and abroad.

- Mestergruppen (95 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.

- Petroleum Geo-Services (10,1 percent stake). Petroleum Geo-Services (PGS) supplies seismology, electro-magnetic services and reservoir analyses to oil companies engaged in offshore operations all over the world.

**Ferd Invest** mainly invests in listed Nordic limited companies. The ambition is to beat a Nordic share index, but the investment team is not focusing on allocations between countries and sectors or the content of the reference index (MSCI Nordic Mid Cap Index). Ferd Invest is only concerned with the companies in which they invest and their development.

**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 aim is to achieve an attractive risk-adjusted return, both in absolute terms and relatively to the hedge fund index (HFRI FoF: Conservative Index).

**Ferd Eiendom** is an active property investor responsible for the Group's efforts concerning property. Developments mainly take place within housing projects, new office buildings and warehouse/combined buildings. The projects are partly carried out in-house, partly together with selected external cooperating partners. Investments concerning financial property only are also made.

**Other areas** mainly comprises investments in externally managed private equity funds that do no require much daily follow-up and therefore are monitored by management. Other areas also comprise some financial instruments to be utilised by management to adjust the total risk exposure. Costs to the company's management, staff and in-house bank are also included.

Ferd Special Investments and Ferd Hedgefond are invested in USD. Foreign currency effects on the investments are recognised in Other areas by using foreign currency derivatives.

| NOK 1 000 | Ferd AS Group | Ferd Capital | Ferd Invest | Ferd Special Investments | Ferd Hedgefond | Ferd Eiendom | Other areas |
|---|---|---|---|---|---|---|---|
| **Result 2014** | | | | | | | |
| Sales income | 13 127 697 | 13 126 450 | | | | 1 247 | |
| Income from financial investments | 599 704 | -1 291 897 | 665 319 | 145 705 | 96 164 | 78 267 | 906 145 |
| Other income | 277 624 | 32 206 | | | 48 | 244 962 | 407 |
| **Operating income** | **14 005 025** | **11 866 759** | **665 319** | **145 705** | **96 213** | **324 476** | **906 552** |
| Operating expenses excl. depreciation and impairment | 11 924 012 | 11 793 166 | 8 694 | 7 190 | 8 248 | 36 779 | 69 935 |
| **EBITDA** | **2 081 013** | **73 594** | **656 625** | **138 515** | **87 965** | **287 697** | **836 617** |
| Depreciation and impairment | 645 898 | 640 678 | 40 | | 45 | 3 989 | 1 146 |
| **Operating profit** | **1 435 115** | **- 567 084** | **656 585** | **138 515** | **87 920** | **283 708** | **835 471** |
| Income on investments accounted for by the equity method | 30 367 | 33 211 | | | | - 2 843 | |
| **Result before finance items and income tax expense** | **1 465 482** | **- 533 873** | **656 585** | **138 515** | **87 920** | **280 864** | **835 471** |
| **Statement of financial position 31 December 2014** | | | | | | | |
| Intangible assets | 4 117 955 | 4 116 955 | | | | 1 000 | |
| Tangible assets and investment properties | 4 823 075 | 2 166 416 | | | | 2 649 138 | 7 521 |
| Investments accounted for by the equity method | 442 250 | 312 318 | | | | 129 932 | |
| Investments classified as current asset | 14 361 390 | 1 438 482 | 5 645 278 | 1 898 430 | 2 869 671 | 348 035 | 2 161 494 |
| Bank deposits 1) | 1 320 725 | 1 520 642 | 11 390 | - 35 300 | - 157 173 | - 178 796 | 159 961 |
| Other assets | 5 819 700 | 4 607 573 | 3 770 | 383 431 | 146 700 | 408 314 | 269 912 |
| **Total assets** | **30 885 095** | **14 162 386** | **5 660 439** | **2 246 562** | **2 859 197** | **3 357 622** | **2 598 888** |

1) The business area's net withdrawals from the bank accounts are included here.

| NOK 1 000 | Ferd AS Group | Ferd Capital | Ferd Invest | Ferd Special Investments | Ferd Hedgefond | Ferd Eiendom | Other areas |
|---|---|---|---|---|---|---|---|
| **Result 2013** | | | | | | | |
| Sales income | 10 958 333 | 10 956 742 | | | | 1 591 | |
| Income from financial investments | 2 950 881 | - 120 834 | 1 489 658 | 568 921 | 196 366 | 1 013 | 815 756 |
| Other income | 141 334 | 26 258 | | | | 114 396 | 680 |
| **Operating income** | **14 050 548** | **10 862 166** | **1 489 658** | **568 921** | **196 366** | **117 000** | **816 436** |
| Operating expenses excl. depreciation and impairment | 10 155 537 | 9 998 504 | 18 378 | 21 367 | 4 802 | 33 485 | 79 001 |
| **EBITDA** | **3 895 010** | **863 663** | **1 471 280** | **547 553** | **191 564** | **83 515** | **737 435** |
| Depreciation and impairment | 439 714 | 437 719 | 77 | | 92 | 923 | 904 |
| **Operating profit** | **3 455 296** | **425 944** | **1 471 203** | **547 553** | **191 472** | **82 592** | **736 531** |
| Income on investments accounted for by the equity method | 83 164 | 29 067 | | | | 54 097 | |
| **Profit before finance items and income tax expense** | **3 538 460** | **455 011** | **1 471 203** | **547 553** | **191 472** | **136 689** | **736 531** |
| **Statement of financial position 31 December 2014** | | | | | | | |
| 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 | |
| Investments classified as current asset | 15 064 922 | 2 651 290 | 4 985 020 | 2 008 553 | 2 227 204 | 13 592 | 3 179 263 |
| Bank deposits 1) | 1 332 095 | 1 809 760 | 53 737 | 194 897 | 30 896 | 57 970 | - 815 163 |
| Other assets | 4 310 855 | 3 852 716 | 941 | 145 238 | 24 917 | 245 610 | 41 434 |
| **Total assets** | **27 375 338** | **12 633 185** | **5 039 738** | **2 348 688** | **2 283 366** | **2 660 679** | **2 409 684** |

1) The business area's net withdrawals from the bank accounts are included here.

## NOTE 4 INCOME FROM FINANCIAL INVESTMENTS

Income from financial investments by the various asset classes:

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Listed shares and bonds | 714 795 | 1 554 631 |
| Unlisted shares and bonds | -1 295 073 | 364 188 |
| Hedge funds | 1 179 982 | 1 022 015 |
| Interest investments | | 10 047 |
| **Total income from financial investments** | **599 704** | **2 950 881** |

**NOTE 5 THE USE OF FAIR VALUE AND FINANCIAL INSTRUMENTS**

**Ferd's principles in the measurement of fair value, generally**

Ferd applies the valuation method that is considered to be the most representative estimate of an assumed sales value. Such a sale shall 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 valuatons, 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 overall within the business area, 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 by applying the market method. The quoted price for the most recent carried-out transaction on the market place is the basis.

Investments in unlisted shares managed in-house are normally valued on the basis of an earnings multiple. In calculating the value (Enterprise Value - EV), ratios like EV/EBITDA, EV/EBITA , EV/EBIT and EV / EBITDA-CAPEX are applied.. Ferd obtains relevant mutiples for comparable companies. The multiples for the portfolio companies are adjusted if the assumptions are not the same as for peer groups. Such assumptions can include a control premium, a liquidity discount, growth assumptions, margins or similar. The company's result applied in the valuation is normalised for one-off ffects. 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 normally used as a basis for our valuation.

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 a basis.

Special Investments has acquired hedge funds in the second-hand market, often with at a considerable discount compared to the reported value fraom the funds (NAV). In the measurement of these hedge funds, estimates from selveral external brokers are obtained to evaluate at which discount these hedge funds are traded, compared to the most recently reported NAV. Ferd makes an assessment of the broker estimates, makes a best estimate for discount and uses this estimate in the valuation of the hedge funds.

Rental properties are valued by discounting future expected cash flows. The value of properties being 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. Our calculated values are regularly compared to independent valuations.

The table below is an overview of carrying and fair value of the Group's assets and liabilities 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** |
| **Non-current assets** | | | | | | |
| Intangible assets | | | | | 4 117 955 | 4 117 955 |
| Deferred tax assets | | | | | 195 585 | 195 585 |
| Tangible assets | | | | | 2 436 626 | 2 436 626 |
| Investments accounted for by the equity method | | | | | 442 250 | 442 250 |
| Investment property | 2 386 449 | | | | | 2 386 449 |
| Pension funds | | | | | 17 391 | 17 391 |
| Other financial non-current assets | | | 190 409 | | 81 876 | 272 285 |
| **Total 2014** | **2 386 449** | | **190 409** | | **7 291 683** | **9 868 541** |
| **Total 2013** | **1 828 917** | | **58 270** | | **5 103 509** | **6 990 696** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current asssets** | | | | | | |
| Inventories | | | | | 2 381 419 | 2 381 419 |
| Short-term receivables | | 11 565 | 2 766 573 | | 174 881 | 2 953 019 |
| Listed shares and bonds | 6 622 553 | | | | | 6 622 553 |
| Unlisted shares and bonds | 3 086 854 | | | | | 3 086 854 |
| Hedge funds | 4 651 984 | | | | | 4 651 984 |
| Interest investments | | | | | | |
| Bank deposits | | | 1 320 725 | | | 1 320 725 |
| **Total 2014** | **14 361 391** | **11 565** | **4 087 298** | | **2 556 300** | **21 016 554** |
| **Total 2013** | **15 081 626** | **11 710** | **3 227 308** | | **2 063 998** | **20 384 642** |
| | | | | | | |
| **Non-current liabilities** | | | | | | |
| Pension obligation | | | | | 169 417 | 169 417 |
| Deferred tax | | | | | 793 731 | 793 731 |
| Long-term interest-bearing debt | | | | 3 704 895 | - 7 002 | 3 697 893 |
| Other long-term debt | | 52 281 | | 234 566 | 7 256 | 294 103 |
| **Total 2014** | | **52 281** | | **3 939 461** | **963 402** | **4 955 144** |
| **Total 2013** | | **42 239** | | **3 768 531** | **525 731** | **4 336 501** |
| | | | | | | |
| **Current liablities** | | | | | | |
| Short-term interest-bearing debt | | | | 1 331 041 | - 16 975 | 1 314 066 |
| Tax payable | | | | | 277 390 | 277 390 |
| Other short-term debt | 15 503 | 58 167 | | 2 835 237 | 99 303 | 3 008 210 |
| **Total 2014** | **15 503** | **58 167** | | **4 166 278** | **359 718** | **4 584 163** |
| **Total 2013** | | **49 842** | | **2 591 977** | **515 639** | **3 157 458** |

**Fair value herarchy - financial assets and liabilities**

Ferd classifies assets and liabilities measured at fair value in the balance sheet by a hierarchy based on the underlying object 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 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. Ferd's hedge fund portfolio is considered to meet the requirements of level 2. These funds comprise composite portfolios of shares, interest securities, raw materials 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. This concerns investments where all or parts of the information about value cannot be observed in the market. Ferd is also applying valuation models for investments where the share has little or no trading. Securities valued on the basis of quoted prices or reported value (NAV), but where significant adjustments are required, are assessed on level 3. For Ferd this concerns all private equity investments and funds investments made by Special Investments, where reported NAV has to be adjusted for discounts. A reconciliation of the movements of assets on level 3 is shown in a separate table.

Ferd allocates each investment to its respective level in the hiearchy 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 the change has been known to Ferd.

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 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment property | | | 2 386 449 | 2 386 449 |
| Short-term receivables | | 11 565 | | 11 565 |
| Listed shares and bonds | 6 622 553 | | | 6 622 553 |
| Unlisted shares and bonds | | | 3 086 854 | 3 086 854 |
| Hedge funds | | 2 869 671 | 1 782 313 | 4 651 984 |
| **Liabilities** | | | | |
| Other long-term debt | | - 52 281 | | - 52 281 |
| Other short-term debt | | - 73 670 | | - 73 670 |
| **Total 2014** | **6 622 553** | **2 755 285** | **7 255 616** | **16 633 454** |

| NOK 1 000 | Level 1 | Level 2 | Level 3 | Total 2013 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment property | | | 1 828 917 | 1 828 917 |
| Short-term receivables | | 28 414 | | 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 |
| **Liabilities** | | | | |
| Other long-term debt | | - 42 239 | | - 42 239 |
| Other short-term debt | | - 49 842 | | - 49 842 |
| **Total 2013** | **5 241 213** | **2 296 864** | **9 292 095** | **16 830 172** |

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

| NOK 1 000 | **Op.bal.1 Jan. 2014** | **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. 2014** |
|---|---|---|---|---|---|---|---|
| Investment property | 1 828 917 | 390 609 | - 2 435 | | 169 358 | | 2 386 449 |
| Unlisted shares and bonds | 5 446 096 | 553 599 | -1 425 596 | | -1 383 158 | - 104 087 | 3 086 854 |
| Hedge funds | 2 017 082 | 92 895 | - 901 293 | | 573 629 | | 1 782 313 |
| **Total** | **9 292 095** | **1 037 103** | **-2 329 324** | | **- 640 171** | **- 104 087** | **7 255 616** |

*Included in sales and disposals are MNOK 686 for Interwell AS, that in 2014 was reclassififed from unlisted shares measured at fair value to subsidiary.

| 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 |
| 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 |
| **Total** | **12 203 994** | **1 379 855** | **-4 876 830** | | **225 732** | **359 344** | **9 292 095** |

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. 2014 | Applied and implicit EBITDA multiples | Value, if multiple reduced by 10% | Value, if multiple increased by 10% | Applied discount rate | Value, if interest rate increased by 1 percentage point | Value, if interest rate reduced by 1 percentage point |
|---|---|---|---|---|---|---|---|
| Investment property 1) | 2 386 449 | | | | 7,5% - 9,0% | 2 053 449 | 2 830 349 |
| Unlisted shares and bonds sensitive for multiple 2) | 1 476 759 | 7,2 - 13,0 | 1 065 402 | 1 888 116 | | | |
| Other unlisted shares and bonds sensitive for multiple 2) | 1 610 095 | | | | | | |

| NOK 1 000 | Balance sheet value at 31 Dec 2014 | Estimated discounts acc. to broker (interval) | Value if discount increased by 10 % | Value if discount reduced by 10 % |
|---|---|---|---|---|
| Hedge funds 3) | 1 782 313 | 11 % - 80 % | 1 597 900 | 1 921 501 |

1) Appr. 52% of Ferd Eiendom AS' portfolio constitutes rental property and development project sensitive for changes in the discount interest rate.

2) Appr. 48 % of the value of unlisted shares and bonds are sensitive for a change in multiple. The other investments are valued on the basis på reported NAV whereby Ferd cannot calculate the sensitivity, even though multiples probably have been applied in determining NAV.

3) Appr. 72 % of the investments are sensitive for a change in discount. These investments were made only by the business area Special Investments.

## NOTE 6 RISK MANAGEMENT - INVESTING ACTIVITIES

There have been no signifcant changes related to the Company's risk management in the period.

### 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 normally have maximum 35 per cent impairment risk. 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 is well aware of foreign currency risks. We assume that Ferd always will have a certain part of equity invested in euro, USD and Swedish kroner, and is therefore normally not hedging the currency exposure to Norwegian kroner. If the exposure in a currency is considered to be too high or low, the currency exposure is regulated by loans on the parent company level in the currency in question, or by using derivatives.

Ferd has the following outstanding currency derivatives on the parent company level as at 31 December 2014:

| | Purchases of currency | | Disposals of currency | |
|---|---|---|---|---|
| NOK 1 000 | **Currency** | **Amount** | **Currency** | **Amount** |
| | NOK | 2 992 335 | USD | - 400 000 |
| | NOK | 1 831 789 | EUR | - 200 000 |

### 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 the unlisted investments in a stress test scenario have an impairment loss of 1.0-1.3 times the Norwegian market.

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Price risk: Norwegian shares decline by 30 percent | -4 200 000 | -4 500 000 |
| Price risk: International shares decline by 20 percent | -1 700 000 | -1 600 000 |
| Price risk: Property declines by 10 percent | - 300 000 | - 200 000 |
| Currency risk: The Norwegian krone appreciates 10 percent | -1 100 000 | -1 100 000 |
| **Total impairment in value-adjusted equity** | **-7 300 000** | **-7 400 000** |
| | | |
| Impairment as a percentage of value-adjusted equity | 30% | 31% |

**NOTE 7 SHARES AND STAKES IN OTHER COMPANIES WITH OWNERSHIPS IN EXCESS OF 10 %**

| | Business office | Stake | Measurement method |
|---|---|---|---|
| **Subsidiary** | | | |
| Elopak AS med datterselskaper | Røyken | 100,0 % | Consolidated |
| FC Well Invest AS med datterselskaper (Interwell) | Bærum | 100,0 % | Consolidated |
| FC-Invest AS med datterselskaper (Telecomputing) | Bærum | 100,0 % | Consolidated |
| Ferd Aibel Holding AS | Bærum | 100,0 % | Consolidated |
| 1912 Top Holding AS med datterselskaper (Servi Gruppen) | Bærum | 100,0 % | Consolidated |
| Ferd Eiendom AS med datterselskaper | Bærum | 100,0 % | Consolidated |
| Ferd Malta Holdings Ltd | Malta | 100,0 % | Consolidated |
| Ferd MG Holding AS med datterselskaper (Mestergruppen) | Bærum | 100,0 % | Consolidated |
| Ferd Sosiale Entreprenører AS | Bærum | 100,0 % | Consolidated |
| Norse Crown Company Ltd. AS | Bærum | 100,0 % | Consolidated |
| Swix Sport AS med datterselskaper | Oslo | 100,0 % | Consolidated |
| **Joint venture** | | | |
| Aibel Holding I AS med datterselskaper (Aibel) | Stavanger | 50,0 % | Fair value |
| Elocap Ltd | Israel | 50,0 % | Equity method |
| Frogn Næringspark AS | Trondheim | 50,0 % | Equity method |
| Impresora del Yaque | Santiago De Los Caballeros, Den Dominikanske Republikk | 51,0 % | Equity method |
| **Associated company** | | | |
| Al-Obeikan Elopak factory for Packaging Co | Riyadh, Saudi-Arabia | 49,0 % | Equity method |
| Lala Elopak S.A. de C.V. | Gómez Palacio, Mexico | 49,0 % | Equity method |
| Tiedemannsbyen DA | Oslo | 50,0 % | Equity method |
| Lofoten Tomteselskap AS | Bodø | 35,0 % | Equity method |
| Hafrsby AS | Stavanger | 14,5 % | Equity method |
| Hunstad Sør Tomteselskap AS | Bodø | 31,6 % | Equity method |
| Tastarustå Byutvikling AS | Stavanger | 33,3 % | Equity method |
| Madla Byutvikling AS | Stavanger | 33,3 % | Equity method |
| Boreal GmbH | Tyskland | 20,0 % | Equity method |
| Siriskjær AS | Stavanger | 50,0 % | Equity method |
| Solheim Byutviklingselskap AS | Stavanger | 33,3 % | Equity method |
| Sporafjell Utviklingsselskap AS | Stavanger | 50,0 % | Equity method |
| Kråkeland Hytteservice AS | Sirdal | 33,5 % | Equity method |

| | | |
|---|---|---|
| **Non-current shares with ownership > 10 %** | | |
| Herkules Capital I AS | 40,0 % | Fair value |
| **Current shares with ownership > 10 %** | | |
| Energy Ventures AS | 31,8 % | Fair value |
| Energy Ventures II AS | 26,0 % | Fair value |
| Energy Ventures II KS | 22,1 % | Fair value |
| Energy Ventures III AS | 25,0 % | Fair value |
| Energy Ventures III GP LP | 25,0 % | Fair value |
| Energy Ventures III LP | 18,7 % | Fair value |
| Energy Ventures IS | 19,1 % | Fair value |
| Harbert European Real Estate Fund II | 25,9 % | Fair value |
| Harbert European Real Estate Fund III | 9,8 % | Fair value |
| Herkules Private Equity Fund I (GP-I) Ltd | 40,0 % | Fair value |
| Herkules Private Equity Fund I (GP-II) Ltd | 40,0 % | Fair value |
| Herkules Private Equity Fund I (LP-I) Limited | 76,1 % | Fair value |
| Herkules Private Equity Fund II (GP-I) Ltd | 40,0 % | Fair value |
| Herkules Private Equity Fund II (GP-II) Ltd | 40,0 % | Fair value |
| Herkules Private Equity Fund II (LP-I) Limited | 74,5 % | Fair value |
| Herkules Private Equity Fund III (GP-I) Ltd | 4,2 % | Fair value |
| Herkules Private Equity Fund III (GP-II) Ltd | 4,2 % | Fair value |
| Herkules Private Equity Fund III (LP-I) Limited | 25,1 % | Fair value |
| Intera Fund I | 12,0 % | Fair value |
| Marical Inc | 22,4 % | Fair value |
| NMI AS | 12,5 % | Fair value |
| NMI Frontier | 12,5 % | Fair value |
| NMI Fund III | 31,3 % | Fair value |
| NMI Global | 12,5 % | Fair value |
| NRP Fleetfinance IV D.I.S | 20,0 % | Fair value |
| SPV Herkules II LP | 81,5 % | Fair value |

## NOTE 8 INVESTMENT PROPERTY

**Investment property**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Balance at 1 January | 1 828 917 | 1 981 853 |
| Acquisitions | 65 450 | 640 189 |
| Acquisitions through improvements | 325 159 | 1 219 |
| Disposals | - 2 435 | - 814 807 |
| Net change in value of investment property | 169 358 | 20 463 |
| **Carrying amount at 31 December** | **2 386 449** | **1 828 917** |

**Income from investment property**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Rental income from properties | 73 612 | 92 071 |
| Costs directly attributable to properties | - 11 226 | - 11 449 |
| Net change in value of investment property | 169 358 | 20 463 |
| **Total** | **231 744** | **101 085** |

**Calculation of 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 well-informed, 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.

**NOTE 9 INCOME TAXES**

**Specification of income tax expenses**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| **Tax payable of net profit** | | |
| Income tax payable for the year | 295 622 | 185 767 |
| Adjustments of prior periods | 13 422 | 26 804 |
| **Total tax payable** | **309 044** | **212 571** |
| | | |
| **Deferred tax expense** | | |
| Change in deferred tax recognised in the income statement | 151 184 | 49 067 |
| Effects of changes in tax rates and prior years' taxes | 29 785 | 5 788 |
| **Total deferred tax** | **180 969** | **54 855** |
| | | |
| **Income tax expense** | **490 013** | **267 426** |

**Tax payable in the balance sheet**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Tax payable of the year | 295 622 | 185 767 |
| Tax on rendered group contribution | | - 7 000 |
| Tax liability from prior years | 37 917 | 84 290 |
| Advance tax paid | - 61 546 | - 89 170 |
| Translation differences | 5 397 | - 6 838 |
| **Tax payable** | **277 390** | **167 049** |

**Reconciliation of nominal to effective tax rate**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Profit before tax | 1 438 358 | 2 942 821 |
| Estimated income tax expense at nominal tax rate (27%) | 388 357 | 823 990 |
| Losses and other deductions without any net tax effect | - 567 | - 1 806 |
| Non-taxable net income (-) / costs (+) from securities | 160 951 | - 556 833 |
| Other non-taxable income | - 19 605 | - 40 876 |
| Adjustments for prior periods | 43 207 | 32 593 |
| Tax effect of other permanent differences | - 82 330 | 10 358 |
| **Income tax expense** | **490 013** | **267 426** |
| | | |
| **Effective tax rate** | **34,1 %** | **9,1 %** |

**Tax recognised directly in equity**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Actuarial loss on pension obligations (note 19) | 2 098 | - 3 627 |
| Cash flow hedges (note 28) | 7 284 | - 1 023 |
| **Total tax recognised in total comprehensive income** | **9 382** | **- 4 650** |

**Deferred tax asset and deferred tax liability**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Inventories | - 8 482 | 14 335 |
| Receivables | 8 479 | 8 416 |
| Stocks and bonds | - 359 482 | - 186 533 |
| Other differences | 26 314 | 13 714 |
| Tangible assets | - 112 932 | 41 868 |
| Investment properties | - 51 402 | - 89 051 |
| Intangible assets | - 273 348 | - 146 318 |
| Net pensions | 53 938 | 46 635 |
| Tax losses to carry forward | 389 980 | 311 775 |
| **Total** | **- 326 935** | **14 841** |
| Reassessment of deferred tax assets | - 271 211 | - 243 927 |
| **Net carrying value at 31 December of deferred tax assets (+)/liabilities (-)** | **- 598 146** | **- 229 086** |

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 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.

**Gross tax losses to carry forward with expiration years**

| NOK 1 000 | **2014** |
|---|---|
| 2015 | 11 575 |
| 2016 | 16 579 |
| 2017 | 20 245 |
| After 2017 | 331 807 |
| Without expiration | 1 423 800 |
| **Total tax losses to carry forward** | **1 804 006** |

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Net carrying value at 1 January | - 229 086 | - 187 243 |
| Translation differences | - 40 938 | 3 592 |
| Acquisition and disposal of subsidiary | - 156 535 | 14 070 |
| Recognised in income statement during the period | - 180 969 | - 54 855 |
| Tax recognised in comprehensive income | 9 382 | - 4 650 |
| **Net carrying value at 31 December** | **- 598 146** | **- 229 086** |

As a consequence of a statement from IFRIC, Ferd has in 2014 recognised deferred tax on investment properties. In previous periods, deferred tax was not recognised on those investment properties expected to be disposed of as limited companies, as such sales are within the tax-exemption model and therefore not taxable. In Ferd's opinion, it is highly unlikely that this tax obligation will be payable. The effect constitutes appr. MNOK 84.

As a consequence of changed legislation for carried interest in PE funds, Ferd's tax basis from such investments is changed. The taxation for the period back to 2007 will be changed with increased deduction as a result. This increased deduction will not be considered in the tax basis until Ferd has received a final decision from the tax authorities.

## NOTE 10 GEOGRAPHICAL ALLOCATION OF REVENUE

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Norway | 5 203 182 | 4 344 143 |
| Germany | 1 167 291 | 1 051 213 |
| Sweden | 1 139 845 | 1 042 083 |
| USA | 549 501 | 417 983 |
| Netherlands | 540 645 | 504 199 |
| Russia | 488 551 | 445 504 |
| Canada | 455 394 | 358 719 |
| Denmark | 413 059 | 289 451 |
| Great Britain | 383 705 | 226 375 |
| Spain | 284 621 | 245 677 |
| Austria | 277 656 | 365 165 |
| Finland | 210 081 | 153 814 |
| France | 190 644 | 191 838 |
| Rest of the world | 1 823 522 | 1 322 169 |
| **Total revenue** | **13 127 697** | **10 958 333** |

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

## NOTE 11 SALARIES

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Salaries | 2 384 921 | 1 950 286 |
| Social security tax | 321 620 | 227 665 |
| Pension costs (note 19) | 103 049 | 75 618 |
| Other benefits | 58 838 | 52 117 |
| **Total** | **2 868 428** | **2 305 685** |
| | | |
| Average number of man-labour years | 4 427 | 3 870 |

**Salary and remuneration to Group management**

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| NOK 1 000 | Salary | Bonus | Benefits in kind | Pension | Salary | Bonus | Benefits in kind | Pension |
| Group CEO, John Giverholt | 3 300 | 3 276 | 186 | 1 062 | 3 287 | 2 297 | 234 | 1 218 |
| Other members of Group management | 4 550 | 7 627 | 501 | 1 038 | 4 637 | 7 898 | 421 | 1 664 |
| **Total** | **7 850** | **10 904** | **688** | **2 100** | **7 924** | **10 195** | **655** | **2 882** |

The Group CEO's bonus scheme is limited to MNOK 6,0. 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. This is a contribution scheme (cf. also note 19). 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' severance pay if he has to resign from his position.

**Fees to the Board**
No specific fees have been paid for board positions in Ferd AS.

## NOTE 12 INTANGIBLE ASSETS

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Goodwill (note 13) | 2 717 241 | 1 453 289 |
| Other intangible assets | 1 400 714 | 823 025 |
| **Carrying amount at 31 December** | **4 117 955** | **2 276 314** |

**2014**

| NOK 1 000 | Software | Brands | Patents and rights | Capitalised development costs | Customer relations | Total |
|---|---|---|---|---|---|---|
| Cost at 1 January | 365 967 | 165 438 | 252 896 | 167 193 | 555 962 | 1 507 456 |
| Additions on acquisitions | 1 752 | | 358 870 | 52 041 | 300 222 | 712 885 |
| Ordinary additions | 23 526 | 250 | 65 065 | 79 359 | | 168 200 |
| Disposals | - 62 749 | | | | | - 62 749 |
| Exchange differences | 27 124 | | 18 063 | 11 000 | | 56 187 |
| Cost at 31 December | 355 620 | 165 688 | 694 894 | 309 593 | 856 184 | 2 381 979 |
| Acc. amortisation and impairment at 1 January | 310 870 | 10 720 | 240 704 | 3 877 | 118 260 | 684 431 |
| Additions of amortisations at acquisitions | 1 765 | | 57 175 | 15 958 | 50 222 | 125 120 |
| Current year amortisation charge | 26 318 | 4 020 | 50 734 | 22 974 | 84 782 | 188 828 |
| Disposals | - 62 749 | | | | | - 62 749 |
| Exchange differences | 28 812 | | 15 990 | 833 | | 45 635 |
| Accumulated amortisation at 31 December | 305 016 | 14 740 | 364 603 | 43 642 | 253 264 | 981 265 |
| Accumulated impairment at 31 December | | | | | | |
| **Carrying amount at 31 December** | **50 604** | **150 948** | **330 291** | **265 951** | **602 920** | **1 400 714** |
| Economic life | 3-5 years | > 20 years to indefinite | 3-10 years | 10 years | 10-15 years | |
| Amortisation method | Straight-line | Straight-line | Straight-line | Straight-line | Straight-line | |

**2013**

| NOK 1 000 | Software | Brands | Patents and 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 on acquisitions | 8 291 | | | | 120 694 | 128 985 |
| Ordinary additions | 32 509 | 2 700 | 70 | 41 938 | 4 718 | 81 935 |
| Disposals | - 16 623 | | | | | - 16 623 |
| Exchange differences | 33 002 | | 27 875 | 15 003 | | 75 880 |
| Cost at 31 December | 365 967 | 165 438 | 252 896 | 167 193 | 555 962 | 1 507 456 |
| 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 |
| Accumulated amortisation at 31 December | 310 870 | 10 720 | 240 704 | 3 877 | 118 260 | 684 431 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Accumulated impairment at 31 December | 3 387 | | | | | | 3 387 |
| **Carrying amount at 31 December** | **55 097** | **154 718** | **12 192** | | **163 316** | **437 702** | **823 025** |
| 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 2014 totalled MNOK 149. The corresponding cost for 2013 was MNOK 138.

## NOTE 13 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.

**2014**

| NOK 1 000 | **Interwell** | **Jacilla (skisporet.no)** | **Servi** | **Norrwin AB (Lundhags)** | **Alf Valde** | **Elopak Europa** | **Seco Invest (TeleComputing)** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Cost at 1 January | | | 386 289 | 1 406 | 15 274 | 508 398 | 593 969 | 1 505 336 |
| Additions | 1 212 016 | 4 330 | | | | | 18 638 | 1 234 984 |
| Disposals | | | | - 105 | | | | - 105 |
| Exchange differences | | | | | | 33 006 | | 33 006 |
| Cost at 31 December | 1 212 016 | 4 330 | 386 289 | 1 301 | 15 274 | 541 404 | 612 607 | 2 773 221 |
| Accumulated impairment at 1 January | | | | | | 52 047 | | 52 047 |
| Additions | | | | | | | | |
| Write-downs | | | | | | | | |
| Disposals | | | | | | | | |
| Exchange differences | | | | | | 3 933 | | 3 933 |
| Accumulated impairment at 31 December | | | | | | 55 980 | | 55 980 |
| **Carrying amount at 31 December** | **1 212 016** | **4 330** | **386 289** | **1 301** | **15 274** | **485 424** | **612 607** | **2 717 241** |

**Changes in 2014:**

In 2014, Ferd increase its stake from 34 % to 58 % in Interwell and thereby achieved control over the company. The acquisition was made with accounting effect from 1 January 2014. The purchase has increased Ferd's patents and rights by MNOK 298 (note 7), capitalised development costs by MNOK 36, customer relations by MNOK 250, in addition to a goodwill of appr. MNOK 1212. The goodwill is not deductible for tax purposes. The cost for the shares in Interwell AS constitutes appr. MNOK 895, of which MNOK 496 were paid cash in 2014 and MNOK 399 were the value of the shares before the acquisition. Before the purchase, the shares in Interwell were measured at fair value with value changes over profit and loss. MNOK 601 in non-controlling interest at the acquisition date have been recognised, calculated as their proportionate share of the enterprise's identifiable net assets. Interwell's impact on Ferd's consolidated financial statments amounted to MNOK 856 in operating income and MNOK 315 in EBITDA in 2014.

In 2014, Swix Sport acquired 55% of the shares in Jacilla AS, the operator of the portal ww.skisporet.no. A private share issue took place in October, with the consequence that Swix Sport AS has increased its stake to 61,5%. The acquisition is effective from 1 November 2014 for accounting purposes. As a consequence of the purchase, Swix Sport has increased the goodwill by more than MNOK 4. The goodwill is not deductible for tax purposes. The cost for the shares in Jacilla AS was TNOK 2.775 and was paid cash in 2014. MNOK 2 in non-controlling interests at the acquisition has been recognised, calculated as their proportionate share of the company's identifiable net assets. Jacilla's impact on Ferd's consolidated financial statements amounted to TNOK 722 in operating income and TNOK 44 in EBITDA in 2014.

On 29 August 2014, TeleComputing AS made an agreement on purchasing 100% of the shares in Alcom AS. Alcom is a company located on Bryne in Rogaland concentrating on goods and services related to IT operations and communication solutions. The acquisition has given Ferd increased excess values related to patents amounting to MNOK 4, in addition to increased goodwill of more than MNOK 18. The purchase amount constitutes MNOK 28, and parts of the settlement for the shsares in Alcom was carried out with shares in Seco Invest. Alcom's contribution constituted MNOK 20 in operating income an MNOK 0.5 in EBITDA in the owner period.

**2013**

| NOK 1 000 | **Servi** | **Norrwin AB (Lundhags)** | **Alf Valde** | **Elopak Europa** | **Seco Invest (TeleComputing)** | **Sum** |
|---|---|---|---|---|---|---|
| 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) was only marginally changed in 2013.

**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 relate to Ferd Capital's investments in the group companies Elopak, Telecomputing, Interwell, Servi, in addition to some minor goodwill items in the sub-groups Swix and Mestergruppen.

Goodwill concerning Elopak is allocated to the cash generating unit Europa, which consists of Elopak's European markets, including the in-house production and supply organisation. This goodwill has a carrying value of MNOK 485 at 31 December 2014. The rationale for determining Europe as one cash-generating unit is the 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 613 as at 31 December 2014, following the acquisition of Alcom in 2014 that resulted in an increase of the goodwill of MNOK 19. For impairment purposes, Telecomputing is considered to be one cash generating unit due to similar activities and the synergy effects achieved acrosss the companies under Seco Invest AS.

Goodwill in Mestergruppen relates to the acquisition of Alf Valde AS (Byggeriet Digernes) in 2012. The goodwill amounts to MNOK 15. After the acquisition, Alf Valde has been very well integrated in Mestergruppen's operations, is sharing purchase and salaes conditions for all goods, and Mestergruppen's purchase bonuses are also influenced by the entire group's total purchases. Accordingly, Byggeriet Digernes is part of the entire Mestergruppen's total operations and is considered as one joint cash-generating unit when tested for impairment.

Goodwill in Swix concerns from previous periods the acquisition of Norrwin AB, with the brand Lundhags in Sweden in 2012. The goodwill amounts to appr. one million as at 31 December 2014. 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.

In 2014, Swix Sport acquired 61,5% of the shares in Jacilla AS. Through the acquisition, Swix Sport has increased the goodwill by more than MNOK 4. The purchase is effective for accounting purposes from November 2014, and no impairment testing has been made of this goodwill this year.

Goodwill identified at the acquisition of Servi, carried out in 2013,with a carryikng amount at 31 December 2014 of MNOK 386, 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 acquisition of Interwell in 2014 has implied a recognition of goodwill of MNOK 345 for Ferd. This goodwill is allocated to the whole of Interwell as one joint cash-generating unit, which is the level on which Ferd is following up Interwell. In the Interwell group, however, there are an additional MNOK 867 in goodwill from acquisitions carried out by Interwell. This goodwill is allocated to two separate cash-generating units, Interwell Norge and Interwell Technology, as these business areas generate ingoing cash-flows separately.

*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 2014. The 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 indicate that a large gap is required before there can be any question of impairment.

Detailed description of the assumptions applied:

| | Discount rate after tax | | Discount rate before tax | | Growth rate 2-5 years | | Long-term growth rate | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Elopak Europa | 4,0 % | 4,9 % | 5,7 % | 6,9 % | 2,0 % | 2,0 % | 0,0 % | 0,0 % |
| Seco Invest | 4,4 % | 5,8 % | 5,9 % | 6,5 % | 8,0 % | 8,0 % | 0,0 % | 0,0 % |
| Servi | | | 5,9 % | | 3,5 % | | 2,5 % | |
| Alf Valde | 9,1 % | 8,9 % | 12,0 % | 12,0 % | 2,5 % | 2,5 % | 2,5 % | 2,5 % |
| Lundhags | 7,5 % | 7,5 % | 10,0 % | 10,0 % | 2,5 % | 2,5 % | 2,5 % | 2,5 % |
| Interwell Norge | 10,0 % | | | | 5,0 % | | 2,0 % | |
| Interwell Technology | 10,0 % | | | | 25,0 % | | 2,0 % | |

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. 'As Elopak's functional currency is euro, the basis has also been a euro interest significantly lower than NOK interest rates.

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 14 TANGIBLE ASSETS

**2014**

| NOK 1 000 | **Buildings and land** | **Machines and installations** | **Fixtures and equipment** | **Total** |
|---|---|---|---|---|
| Cost at 1 January | 652 461 | 4 503 762 | 279 758 | 5 435 981 |
| Additions on acquisitions | | 429 621 | 44 396 | 474 017 |
| Ordinary additions | 136 057 | 574 131 | 35 390 | 745 578 |
| Disposals | - 14 109 | - 456 848 | - 38 964 | - 509 921 |
| Exchange differences | 35 673 | 233 700 | 8 583 | 277 956 |
| **Cost at 31 December** | 810 082 | 5 284 366 | 329 163 | 6 423 611 |
| | | | | |
| Accumulated depreciation and impairment at 1 January | 302 377 | 2 990 885 | 227 651 | 3 520 913 |
| Accumulated depreciation on acquisitions | | 192 060 | 16 357 | 208 417 |
| Depreciation of the year | 21 880 | 399 897 | 28 369 | 450 146 |
| Impairment of the year | | 6 924 | | 6 924 |
| Derecognised depreciation | - 4 693 | - 391 402 | - 34 488 | - 430 583 |
| Exchange differences | 19 558 | 201 666 | 9 944 | 231 168 |
| Accumulated depreciation at 31 December | 339 122 | 3 400 030 | 247 833 | 3 986 985 |
| Accumulated impairment at 31 December | 2 788 | 46 975 | 279 | 50 042 |
| | | | | |
| **Carrying amount at 31 December** | **470 960** | **1 884 336** | **81 330** | **2 436 626** |
| | | | | |
| Estimated aconomic life of depreciable assets | 5-50 years | 5-15 years | 3-13 years | |
| Depreciation plan | Straig-line | Straig-line | Straig-line | |
| Land is not depreciated | | | | |

**2013**

| NOK 1 000 | Buildings and land | Machines and installations | Fixtures and equipment | Total |
|---|---|---|---|---|
| Cost at 1 Jan | 410 487 | 3 697 636 | 230 510 | 4 338 633 |
| Additions at acquisitions | 28 560 | 63 927 | 4 461 | 96 948 |
| Ordinary additions | 179 922 | 477 799 | 19 405 | 677 126 |
| Disposals | - 7 356 | - 147 103 | - 29 856 | - 184 315 |
| Exchange differences | 40 848 | 411 503 | 55 238 | 507 589 |
| **Cost at 31 December** | 652 461 | 4 503 762 | 279 758 | 5 435 981 |
| | | | | |
| 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 |
| | | | | |
| **Carrying amount at 31 December** | **350 084** | **1 512 877** | **52 107** | **1 915 068** |
| | | | | |
| Estimated economic life of depreciable assets | 5-50 years | 5-15 years | 3-13 years | |
| Amortisation method | Straight-line | Straight-line | Straight-line | |
| Land is not depreciated | | | | |

## NOTE 15 OTHER OPERATING EXPENSES

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Sales and administration costs | 217 841 | 205 906 |
| Lease of buildings etc. | 266 802 | 249 407 |
| Fees to auditors, lawyers, consultants | 210 874 | 182 866 |
| Travel expenses | 183 155 | 153 365 |
| Loss and change in write-downs of trade receivables | 60 117 | 28 052 |
| Other expenses | 430 821 | 328 996 |
| **Total** | **1 369 610** | **1 148 592** |

## NOTE 16 EXPENSED AUDIT FEES

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

| NOK 1 000 | Audit fees | Other assurance services | Tax services | Other non-audit services | Total |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Ernst & Young | 11 313 | 176 | 5 649 | 1 986 | 19 123 |
| Others | 2 450 | 9 | 970 | 2 064 | 5 494 |
| **Total** | **13 763** | **185** | **6 619** | **4 050** | **24 617** |
| | | | | | |
| **2013** | | | | | |
| Ernst & Young | 10 598 | 435 | 3 508 | 2 893 | 17 434 |
| Others | 1 340 | 461 | 886 | 227 | 2 914 |
| **Total** | **11 938** | **896** | **4 394** | **3 120** | **20 348** |

Other non-audit services mainly concern due diligence services and financial support to the social entrepreneurs.
All amounts are exclusive of VAT.

## NOTE 17 INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments in associates and joint ventures are in Ferd's consolidated accounts accounted for by the equity method.
A specification of companies and shares is given in the statement of investments in associates and joint ventures in note 15.

**2014**

| NOK 1 000 | Al-Obeikan Elopak factory for Packaging Co | Lala Elopak S.A. de C.V. | Tiedemanns-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 | 58 325 | 165 051 | 106 768 | 112 002 | 95 974 | 106 046 | 644 165 |
| Share of result at 1 January | 82 874 | 117 986 | 23 002 | 82 977 | 22 236 | - 17 | 329 058 |
| Accumulated impairment of goodwill at 1 January | - 12 600 | | | | | - 1 582 | - 14 182 |
| Transfer from the company | - 29 879 | - 98 878 | - 12 765 | - 63 826 | - 23 517 | - 5 865 | - 234 730 |
| Exchange differences/eliminations | - 29 799 | - 28 034 | | - 3 053 | - 293 | - 15 966 | - 77 145 |
| **Carrying amount at 1 January** | **68 921** | **156 125** | **117 005** | **128 100** | **94 400** | **82 616** | **647 167** |
| Additions of the year | | | | | | 9 370 | 9 370 |
| Disposals of the year | | | | - 131 153 | - 94 693 | - 20 212 | - 246 058 |
| Sales during the year | | | | | | - 13 619 | - 13 619 |
| Share of the result of the year | 10 116 | 16 039 | - 2 844 | | | 7 057 | 30 367 |
| Write-down of goodwill | | | | | | - 359 | - 359 |
| Transfers from the company | - 7 184 | - 15 128 | | | | | - 22 312 |
| Recognised directly in equity | - 3 550 | | | | | | - 3 550 |
| Exchange differences/eliminations | 16 441 | 12 821 | | 3 053 | 293 | 8 635 | 41 244 |
| **Carrying amount at 31 December** | **84 744** | **169 857** | **114 161** | | | **73 488** | **442 250** |

The Harbert funds are not included in the summary, as the funds have been reclassified to current investments measured at fair value. Ferd no longer has significant influence on these funds.

**2013**

| NOK 1 000 | Al-Obeikan Elopak factory for Packaging Co | Lala Elopak S.A. de C.V. | Tiedemanns-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 | 101 074 | 578 177 |
| Share of result at 1 January | 76 742 | 100 900 | 8 973 | 54 093 | 11 052 | - 5 721 | 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 | - 14 394 | - 77 162 |
| **Carrying amount at 1 January** | **58 347** | **139 624** | **115 741** | **149 700** | **61 900** | **74 009** | **599 321** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Carrying amount at 1 January** | **58 347** | **139 624** | **115 741** | **149 700** | **61 900** | **74 009** | **599 321** |
| Additions of the year | 4 225 | 11 958 | | | 44 833 | 4 338 | 65 354 |
| Disposals of the year | | | | | | - 8 | - 8 |
| Sales during the year | | | | | | | |
| Share of the result of the year | 6 132 | 17 086 | 14 029 | 28 884 | 11 184 | 6 346 | 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 |
| **Carrying amount at 31 December** | **68 921** | **156 125** | **117 005** | **128 100** | **94 400** | **82 616** | **647 167** |

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 2014. The figures are unaudited.

| NOK 1 000 | **Al-Obeikan Elopak factory for Packaging Co** | **Lala Elopak S.A. de C.V.** | **Tiedemanns-byen DA** |
|---|---|---|---|
| Operating revenue | 399 446 | 518 320 | 1 734 |
| Operating profit | 30 379 | 44 699 | - 533 |
| Profit after tax and minority | 20 491 | 32 749 | - 6 260 |
| Total assets | 344 369 | 461 737 | 447 559 |
| Total liabilities | 200 645 | 177 980 | 219 237 |

- Al-Obeikan Elopak is a cardboard manufacturer with a plant in Saudi-Arabia selling cardboard to customers in the Middle East and North Africa.
- Lala Elopak is a cardboard manufacturer with a plant in Mexico selling cardboard to the market in North and Sourth America.
- Tiedemannsbyen DA is owned by Ferd and Skanska engaged in developing residential housing on the old manufacturing site of Tiedemann's tobacco plant on Ensjø.

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

| NOK 1 000 | Stake/voting share | 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 | |
|---|---|---|---|---|---|---|---|
| | **2014** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Al-Obeikan Elopak factory for Packaging Co | 49,0 % | | | 4 068 | 129 | 140 346 | 115 268 |
| Boreal GmbH | 20,0 % | | | | | | |
| Elocap Ltd. | 50,0 % | 8 587 | 253 820 | | - 8 513 | | |
| Frogn Næringspark AS | 50,0 % | | | | | | |
| Hafrsby AS | 14,5 % | | | | | | |
| Hunstad Sør Tomteselskap AS | 31,6 % | | 425 | 10 712 | | | |
| Impresora Del Yaque | 51,0 % | 23 607 | 2 498 | 1 368 | 686 | | |
| Kråkeland Hytteservice AS | 33,5 % | | | | | | |
| Lala Elopak S.A. de C.V. | 49,0 % | 15 044 | 20 487 | 1 701 | 2 235 | | |
| Lofoten Tomteselskap AS | 35,0 % | | 32 | 1 610 | | | |
| Madla Byutvikling AS | 33,3 % | | | | | | |
| Siriskjær AS | 50,0 % | | | 59 | | | |
| Solheim Byutviklingselskap AS | 33,1 % | | | | | | |
| Sporafjell Utviklingsselskap AS | 50,0 % | | | 5 262 | | | |
| Tastarustå Byutvikling AS | 33,3 % | | | | | | |
| Tiedemannsbyen DA | 50,0 % | 1 375 | 5 500 | 4 172 | 4 365 | | |
| **Total** | | **48 613** | **282 762** | **28 952** | **- 1 098** | **140 346** | **115 268** |

## NOTE 18 SPECIFICATION OF FINANCE INCOME AND EXPENSE

**Finance income**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Interest income from bank deposits | 46 635 | 71 663 |
| Interest income from related parties | 21 596 | 11 453 |
| Other interest income | 7 440 | 1 032 |
| Foreign exchange gain and other finance income | 466 907 | 228 710 |
| **Total** | **542 578** | **312 858** |

**Finance expense**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Interest expense to finance institutions | 150 966 | 147 131 |
| Interest expense to related parties | 26 158 | 35 797 |
| Other interest expense | 48 748 | 48 467 |
| Foreign exchange loss and other finance expenses | 343 830 | 677 102 |
| **Total** | **569 702** | **908 497** |

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

## NOTE 19 PENSION COSTS AND LIABILITIES

### 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 obligation 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.

*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 services for some groups of employees in 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 at least 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).

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

| | **2014** | **2013** |
|---|---|---|
| Discount rate | 2,70% | 3,30% |
| Expected wage growth | 3,25% | 3,75% |
| Future expected pension regulation | 1,75% | 1,75% |
| Expected regulation of base amount (G) | 3,00% | 3,50% |

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

| | **2014** | **2013** |
|---|---|---|
| Discount rate | 1.1 - 4.52 | 2.00 - 4.10 |
| Expected wage growth | 0.00 - 3.75 | 0.00 - 1.00 |
| Future expected pension regulation | 0.00 - 1.75 | 0.00 - 0,60 |

### PENSION OBLIGATIONS

**Reconciliation of net liability against balance sheet**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Pension liabilities for defined benefit pension plans | - 169 417 | - 146 973 |
| Pension assets for defined benefit pension plans | 17 391 | 9 805 |
| **Total defined benefit obligation recognised in the consolidated statement of financial position** | **- 152 026** | **- 137 168** |

### DEFINED BENEFIT PLANS

**Specification of recognised liability**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Present value of unfunded pension liabilities | - 56 988 | - 51 737 |
| Present value of wholly or partly funded obligations | - 556 128 | - 617 516 |

**DEFINED BENEFIT PLANS**

**Specification of recognised liability**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Present value of unfunded pension liabilities | - 56 988 | - 51 737 |
| Present value of wholly or partly funded obligations | - 556 128 | - 617 516 |
| Total present value of defined benefit obligations | - 613 116 | - 669 253 |
| Fair value of pension assets | 461 090 | 532 085 |
| Total defined benefit obligation recognised in the consolidated statement of financial position | **- 152 026** | **- 137 168** |

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Liability for defined benefit pension plans at 1 January | 669 253 | 539 091 |
| Present value of current service cost | 17 655 | 25 031 |
| Interest expenses on the pension liability | 17 359 | 23 286 |
| Demographic estimate deviation on the pension liability | 3 214 | 28 063 |
| Financial estimate deviation on the pension liability | 70 510 | - 40 622 |
| Settlement of pension plans | - 200 726 | - 42 097 |
| Curtailment of pension plans | - 15 612 | - 48 907 |
| Change in liability due to acquisition/sale of subsidiaries | 9 167 | 191 228 |
| Benefits paid | - 22 416 | - 40 255 |
| Social security tax | 73 | 1 148 |
| Exchange differences on foreign plans | 64 639 | 33 287 |
| **Liability for defined benefit pension plans at 31 December** | **613 116** | **669 253** |

**Expected payments of defined pension liabilities**

| NOK 1 000 | **2014** |
|---|---|
| Defined benefit pension expected to fall due year 1-5 | 203 581 |
| Defined benefit pension expected to fall due year 6-10 | 201 686 |
| Defined benefit pension expected to fall due year 11-20 | 198 957 |
| Defined benefit pension expected to fall due year 21-30 | 8 892 |
| **Total benefit pension due** | **613 116** |

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

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Fair value of pension assets at 1 January | 532 085 | 337 068 |
| Expected return from pension assets | 13 317 | 15 976 |
| Financial estimate deviation on the pension assets | 19 034 | 26 251 |
| Contributions from employer | 10 285 | 34 826 |
| Administration expenses | - 1 604 | - 1 681 |
| Contributions from employees | 1 320 | |
| Increase in pension funds due to the acquisition of subsidiaries | 8 297 | 157 744 |
| Settlements | - 154 268 | - 32 021 |
| Benefits paid | - 18 535 | - 34 896 |
| Exchange difference on foreign plans | 51 159 | 28 818 |
| Fair value of pension assets at 31 December | **461 090** | **532 085** |

**Pension assets include the following**

| NOK 1 000 | **Of which active market:** | **2014** | **2013** |
|---|---|---|---|
| Equity instruments | 95 461 | 96 343 | 100 459 |
| Government stock | 211 195 | 271 396 | 180 650 |
| Corporate stock | 4 915 | 58 276 | 78 653 |
| Other debt instruments, including structured debt | 361 | 4 279 | 57 814 |
| Property investments | 1 415 | 24 102 | 35 899 |
| Bank deposits | | 1 602 | 21 415 |
| Other assets | 1 692 | 5 092 | 57 195 |
| **Total pension funds** | **315 039** | **461 090** | **532 085** |

**Actuarial deviations recognised in comprehensive income**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Current year actuarial deviation on pension liabilities (defined benefit schemes) | - 73 724 | 12 559 |
| Current year actuarial deviation on pension funds (defined benefit schemes) | 19 034 | 26 251 |
| Tax effect (note 9) | 2 098 | - 3 627 |
| **Net actuarial deviation on defined benefit schemes** | **- 52 592** | **35 183** |

**PENSION COSTS**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Defined benefit plans | - 28 071 | - 24 824 |
| Defined contribution plans | 131 120 | 100 442 |
| **Total pension costs recognised in current year payroll costs** | **103 049** | **75 618** |

**DEFINED BENEFIT PLAN PENSION COSTS**

**Pension costs recognised in income statement**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Present value of this year's pension earned | 17 655 | 25 031 |
| Contribution from employees | - 1 320 | |
| Curtailment of pension schemes and plan changes | - 46 083 | - 52 684 |
| Social security tax | 73 | 1 148 |
| Administration costs | 1 604 | 1 681 |
| **Total pension costs frm benefit schemes recognised in salary costs** | **- 28 071** | **- 24 824** |
| | | |
| Interest expense on the pension liability | 17 359 | 23 286 |
| Expected return on pension funds | - 13 317 | - 15 976 |
| **Total pension costs from benefit schemes recognised in finance costs** | **4 042** | **7 310** |

## NOTE 20 INVENTORIES

**2014**

| NOK 1 000 | **Raw materials** | **Work in progress** | **Finished goods** | **Total** |
|---|---|---|---|---|
| Cost at 31 December | 421 481 | 858 501 | 1 257 741 | 2 537 723 |
| Provision for obsolescence at 1 January | 9 528 | | 122 591 | 132 119 |
| Additions from acquisition of subsidiary | 5 313 | | | 5 313 |
| Write-down | 2 054 | 21 069 | 19 709 | 42 832 |
| Reversal of write-down | - 4 997 | | - 25 628 | - 30 625 |
| Currency translation | 252 | | 6 413 | 6 665 |
| Provision for obsolescence at 31 December | 12 150 | 21 069 | 123 085 | 156 304 |
| **Carrying value at 31 December** | **409 331** | **837 432** | **1 134 656** | **2 381 419** |

**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 |
| **Carrying value at 31 December** | **437 809** | **643 456** | **982 733** | **2 063 998** |

## NOTE 21 CURRENT ASSETS

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Prepayments | 114 737 | 75 337 |
| VAT and tax receivables | 116 382 | 125 235 |
| Current interest-bearing receivables | 1 098 | 41 764 |
| Other current receivables | 1 047 303 | 475 538 |
| **Carrying amount at 31 December** | **1 279 520** | **717 874** |

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Accounts receivable, gross | 1 714 512 | 1 257 292 |
| Write-down of receivables | - 41 013 | - 51 539 |
| **Carrying amount at 31 December** | **1 673 499** | **1 205 753** |
| | | |
| **Total current receivables** | **2 953 019** | **1 923 627** |

**Accounts receivable by age**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Up to 30 days | 207 049 | 171 445 |
| 30-60 days | 68 377 | 53 778 |
| 60-90 days | 80 524 | 72 235 |
| Over 90 days | 77 167 | 41 301 |
| **Total** | **433 117** | **338 759** |

## 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 2014 was:

| | **Number of shares** | **Stake** |
|---|---|---|
| Ferd Holding AS | 183 267 630 | 100,00% |
| **Total number of shares** | **183 267 630** | **100,00%** |

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

| **Shares indirectly owned by the CEO and board members in Ferd AS:** | **Position** | **Voting share** | **Stake** |
|---|---|---|---|
| Johan H. Andresen | Chair of the Board | 69,94% | 15,20% |

Johan H. Andresen's children own 84,8 percent of Ferd AS indirectly by ownership of shares in Ferd Holding AS.

## NOTE 23 Non-controlling interests

| **Subsidiary** | **Interwell AS** | **Mestergruppen AS** | **Totals** |
|---|---|---|---|
| Business office | Stavanger | Oslo | |
| Ferd's stake and voting share | 58,1 % | 94,5 % | |
| Non-controlling share | 41,9 % | 5,5 % | |
| | | | |
| NOK 1 000 | | | |
| Non-controlling interest 1 Jan. 2014 | | 19 995 | 19 995 |
| Addition by acquisition of subsidiaries | 610 480 | | 610 480 |
| Dividends and capital changes | - 6 224 | - 673 | - 6 897 |
| Transactions with non-controlling interests | 16 070 | - 333 | 15 737 |
| Total comprehensive income attributable to non-controlling interests | 46 997 | - 1 768 | 45 229 |
| **Non-controlling interest at 31 Dec. 2014** | **667 323** | **17 221** | **684 544** |

**Summary of financial information from subsidiaries:**

| NOK 1 000 | Interwell AS | Mestergruppen AS |
|---|---|---|
| Operating income | 856 287 | 2 842 544 |
| Operating profit | 152 821 | 59 639 |
| Profit after tax | 136 617 | 28 563 |
| Non-current assets | 1 430 201 | 212 066 |
| Current assets | 474 538 | 850 517 |
| Non-current liabilities | 326 097 | 377 779 |
| Current liabilities | 211 086 | 444 378 |

## NOTE 24 NON-CURRENT LIABILITIES

**Long-term interest-bearing debt**

| NOK 1 000 | Amount in currency 2014 | Amount in NOK 2014 | Amount in NOK 2013 |
|---|---|---|---|
| NOK | 1 876 019 | 1 876 019 | 1 617 918 |
| USD | 1 500 | 11 111 | 12 167 |
| EUR | 138 103 | 1 242 927 | 1 286 110 |
| DKK | 349 583 | 418 623 | 320 253 |
| SEK | 169 890 | 136 748 | 257 279 |
| CHF | 2 600 | 19 467 | 23 250 |
| Carrying value of loan expenses | | - 7 002 | - 8 373 |
| **Carrying value at 31 December** | | **3 697 893** | **3 508 604** |
| | | | |
| Other long-term debt | | 294 103 | 301 204 |
| **Total non-current liabilities** | | **3 991 996** | **3 809 808** |

**Instalments determined in contracts**

| NOK 1 000 | 2014 |
|---|---|
| 2016 | 276 929 |
| 2017 | 216 855 |
| 2018 | 453 699 |
| 2019 | 1 987 880 |
| 2020 or later | 1 063 635 |
| **Total** | **3 998 998** |

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

## NOTE 25 OTHER CURRENT LIABILITIES

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Trade payables | 1 500 253 | 1 074 147 |
| Public duties etc. | 260 265 | 218 230 |
| Other short-term debt | 1 247 692 | 1 172 188 |
| **Total** | **3 008 210** | **2 464 565** |

## NOTE 26 SECURED BORROWINGS, GUARANTEES AND CONTINGENT LIABILITIES

**Secured borrowings**

| NOK 1 000 | 2014 | 2013 |
|---|---|---|
| Loan facilities | 2 793 173 | 1 845 942 |
| Factoring | 24 525 | 8 383 |
| **Total** | **2 817 698** | **1 854 325** |

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 | **2014** | **2013** |
|---|---|---|
| Investment property | 1 499 663 | 1 222 094 |
| Other tangible assets | 618 578 | 136 928 |
| Inventories | 876 988 | 497 486 |
| Receivables | 840 472 | 519 078 |
| **Total** | **3 835 701** | **2 375 586** |
| | | |
| Maximum exposure to the above assets | 3 835 701 | 2 375 586 |

**Guarantees and off-balance sheet liabilities**

| NOK 1 000 | **2014** | **2013** |
|---|---|---|
| Committed capital to fund investments | 655 462 | 903 209 |
| Committed equity supplies in company investments | 397 614 | |
| Guarantees without security | 939 783 | 923 476 |
| Clauses on minimum purchases in agreements with suppliers | 255 789 | 187 190 |
| Other obligations 1) | 130 285 | 108 369 |
| **Total** | **2 378 933** | **2 122 244** |

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.

## NOTE 27 RISK MANAGEMENT - OPERATIONS

Risk management relating to the investment activities of Ferd is described in note 6.

**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 the Group's currency exposure.

**Outstanding foreign exchange forward contracts related to operations:**

| | **Purchase of currency** | | **Sale of currency** | |
|---|---|---|---|---|
| NOK 1 000 | **Currency** | **Amount** | **Currency** | **Amount** |
| | NOK | 325 716 | EUR | - 38 180 |
| | NOK | 27 175 | EUR | - 3 000 |
| | EUR | 15 400 | CAD | - 22 104 |
| | EUR | 200 | CHF | - 240 |
| | EUR | 10 | CZK | - 276 |
| | EUR | 3 000 | DKK | - 22 319 |
| | EUR | 3 000 | GBP | - 2 381 |
| | EUR | 2 686 | JPY | - 380 000 |
| | EUR | 3 680 | NOK | - 31 415 |
| | EUR | 4 700 | RUB | - 367 141 |
| | EUR | 1 500 | SEK | - 14 315 |
| | EUR | 600 | USD | - 731 |
| | JPY | 6 506 298 | EUR | - 48 518 |
| | PLN | 2 962 | EUR | - 700 |
| | RUB | 26 388 | EUR | - 300 |
| | SEK | 4 766 | EUR | - 500 |
| | USD | 2 300 | CAD | - 2 516 |
| | USD | 30 401 | EUR | - 24 400 |

Appr. 80% of the foreign exchange forward contracts with the purchase of JPY /sale of EUR mature in 2016 and 2017. All other foreign exchange forward contracs are due in the course of 2015.

**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 | Fixed 2.97% - 4.15% | 0.7 - 2.5 years |
| | EUR | 100 000 | 3M EURIBOR | Fixed 0.77% - 2.88% | 1.2 - 5.0 years |
| | USD | 1 089 | 3M LIBOR | Fixed 1.27% | 1.25 year |
| | NOK | 16 916 | 3M NIBOR | Fixedt 3.3% | 1.25 year |
| | CHF | 2 178 | 3M LIBOR | Fixed 0.82% | 1.25 year |

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 28 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.

| | **2014** | | | | **2013** | | | |
|---|---|---|---|---|---|---|---|---|
| NOK 1 000 | Interest rate swaps | Currency futures | Commodity swaps | **Total** | Interest rate swaps | Currency futures | Commodity swaps | **Total** |
| Opening balance | - 7 728 | - 25 002 | - 2 997 | **- 35 726** | - 27 989 | - 8 482 | 640 | **- 35 830** |
| Gain/loss on cash flow hedges | - 27 090 | - 15 161 | - 13 583 | **- 55 834** | 54 115 | - 10 546 | - 4 679 | **38 890** |
| Income/expense recognised in the income statement | 10 884 | 7 226 | 3 550 | **21 660** | - 25 922 | - 7 855 | 593 | **- 33 185** |
| Currency translation | - 1 238 | 921 | - 733 | **- 1 050** | - 162 | - 3 673 | - 743 | **- 4 579** |
| Deferred tax (note 9) | 3 337 | 1 885 | 2 062 | **7 284** | - 7 770 | 5 555 | 1 192 | **- 1 023** |
| Effect of cash flow hedging in comprehensive income | - 14 106 | - 5 130 | - 8 703 | **- 27 940** | 20 261 | - 16 520 | - 3 637 | **104** |
| Closing balance | - 21 834 | - 30 132 | - 11 700 | **- 63 666** | - 7 728 | - 25 002 | - 2 997 | **- 35 726** |

*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 | **2014** | **2013** |
|---|---|---|
| Revenue | | |
| Commodity costs | - 6 307 | 9 060 |
| Other operating expenses | - 5 947 | - 1 179 |
| Net finance result | - 9 406 | 25 304 |
| **Total** | **- 21 660** | **33 185** |

*Negative amounts represent income.*

## NOTE 29 LIQUIDITY RISK

### 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 can be required to pay.

| **31 December 2014** | | | | |
|---|---|---|---|---|
| NOK 1 000 | **Less than 1 year** | **1-3 years** | **3-5 years** | **Total** |
| Finance institutions | 1 331 032 | 324 828 | 2 359 894 | 4 015 754 |
| Accounts payable | 1 500 253 | | | 1 500 253 |
| Other non-current liabilities | | 151 847 | 162 703 | 314 550 |
| Public taxes and other current liabilities | 1 247 394 | | | 1 247 394 |
| **Total 1)** | **4 078 679** | **476 675** | **2 522 597** | **7 077 951** |

| **31 December 2013** | | | | |
|---|---|---|---|---|
| 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 |
| Other non-current liabilities | | 256 120 | 45 084 | 301 204 |
| Public taxes and other current liabilities | 935 883 | | | 935 883 |
| **Total 1)** | **2 535 874** | **580 169** | **3 238 021** | **6 354 064** |

1) The table does not include lease obligations, guarantees and off-balance sheet liabilities, cf. notes 26 and 30 respectively.

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

| **31 December 2014** | | | | |
|---|---|---|---|---|
| NOK 1 000 | **Less than 1 year** | **1-3 years** | **More than 3 years** | **Total** |
| Net settlement | | | | |
| - Interest rate swaps | - 1 202 | 22 313 | - 2 088 | 19 023 |
| - Currency futures | - 38 659 | - 22 761 | | - 61 420 |
| - Commodity derivatives | - 14 634 | | | - 14 634 |
| Total | **- 54 495** | **- 448** | **- 2 088** | **- 57 031** |

| **31 December 2013** | | | | |
|---|---|---|---|---|
| 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 | | | | |
| Total | **- 34 054** | **- 14 142** | **14 585** | **- 33 611** |

### Credit facilities

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

| | **2014** | | **2013** | |
|---|---|---|---|---|
| | Used | Unused | Used | Unused |
| Overdraft | | | | |
| -Secured | 175 351 | 251 149 | 122 925 | 256 587 |
| -Unsecured | 114 813 | 694 233 | 163 744 | 526 438 |
| Credit facilities | | | | |
| -Secured | 2 701 490 | 7 578 816 | 2 300 529 | 7 716 123 |
| - Unsecured | | | | |
| Factoring | | | | |
| - Secured | 20 376 | 4 149 | 514 191 | 268 634 |
| -Unsecured | 703 872 | 236 412 | | |
| **Total secured** | **2 897 217** | **7 834 114** | **2 937 645** | **8 241 344** |
| **Total unsecured** | **818 685** | **930 645** | **163 744** | **526 438** |

## NOTE 30 OPERATING AND FINANCE LEASES

### 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.

| Specification of income on operating leases | 2014 | 2013 |
|---|---|---|
| Total variable leases recognised as income | 110 555 | 101 495 |
| Minimum leases (including fixed leases) recognised as income | | 3 933 |
| **Total** | **110 555** | **105 428** |

| At the balance sheet date, the Group has contracted the following future minimum leases: | 2014 | 2013 |
|---|---|---|
| Totally due next year | 93 034 | 80 291 |
| Totally due in 2-5 years | 282 959 | 225 228 |
| Totally due after 5 years | 31 356 | 41 095 |
| **Total** | **407 349** | **346 614** |

*The amounts have not ben discounted.*

### The Group as lessor, finance leases

| Specification of income from finance leases | 2014 | 2013 |
|---|---|---|
| Total variable leases recognised as income | 17 617 | 6 019 |
| Finance income from finance leasing contracts | | |
| **Total income from finance leases** | **17 617** | **6 019** |

| Gross investment compared to the present value of outstanding minimum leases | 2014 | 2013 |
|---|---|---|
| Gross receivables on lease agreements | 17 617 | 27 528 |
| Finance income not yet earned | - 2 439 | - 3 303 |
| **Net investment from finance leases (present value)** | **15 178** | **24 225** |

### The Group as lessee, operating leases

| Specification of expenses on operating leases | 2014 | 2013 |
|---|---|---|
| Total variable leases recognised as expenses | 158 824 | 153 379 |
| Minimum leases (including fixed leases) recognised as expense | 183 310 | 151 328 |
| Subleases recognised as cost reductions | - 171 | - 934 |
| **Total leasing costs** | **341 963** | **303 773** |

| Due for payment | 2014 | 2013 |
|---|---|---|
| Total costs next year | 338 231 | 280 803 |
| Total costs 2-5 years | 947 479 | 887 725 |
| Total costs after 5 years | 822 811 | 426 201 |
| **Total** | **2 108 521** | **1 594 729** |

*The amounts have not been discounted.*

| Distribution of the same leasing obligation on leasing objects | 2014 | 2013 |
|---|---|---|
| Buildings and land | 1 799 654 | 1 308 512 |
| Machines and installations | 207 495 | 193 384 |
| Fixtures, vehicles and equipment | 101 372 | 92 833 |
| **Total leasing obligations related to operating lease commitments** | **2 108 521** | **1 594 729** |

### The Group as lessee, finance leasing

| **Specification of leasing costs** | **2014** | **2013** |
|---|---|---|
| Total variable leases recognised as expenses | 6 610 | 8 922 |
| **Total leasing costs** | **8 922** | **8 922** |

| **Future minimum leases and corresponding present values, by due dates:** | **Minimum rent** | **Calculated interest** | **Present value** |
|---|---|---|---|
| Total due in one year | 1 077 | 25 | 1 052 |
| Total due in year 2-5 | 131 | 8 | 123 |
| total due after 5 years | | | |
| **Total leasing obligations related to finance leasing** | **1 208** | **33** | **1 175** |

| **Net carrying value of leased assets, by asset class** | **2014** | **2013** |
|---|---|---|
| Fixtures, vehicles and equipment | 4 005 | 15 447 |
| **Total carrying value of leased assets** | **4 005** | **15 447** |

The fixed assets are also included in the tangible asset note (note 14).

## NOTE 31 RELATED PARTIES

### 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 determined in the Company's Articles of Association and Norwegian legislation. There are no significant agreements with enterprises where a board member has significant interest. Ownership in Ferd AS by board members is stated in note 22, and information on fees to board members and executives in note 11.

## NOTE 32 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, Ferd AS has given an additional guarantee to third-parties up until MNOK 350. The guarantee can be asserted if the party for which Ferd has guaranteed, does not fulfill their delivery obligations. The guarantee has a duration of until four years.

# AUDITOR'S REPORT

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Ferd AS

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Ferd AS, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2014, the income statement, total comprehensive income, cash flow statement and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

*The Board of Directors' and Group Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Group Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Group Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

*Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of Ferd AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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*Opinion on the financial statements of the Group*

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements**

*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Group Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 27 April 2015
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)