NOTE 1 GENERAL INFORMATION AND ACOUNTING PRINCIPLES

General information

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

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

The Company's financial statements for 2012 were approved by the Board of Directors on 8 April 2013.

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.

Ferd has changed the principle for measuring investments in subsidiaries from using acquisition cost to fair value in accordance with IAS 39. Note 19 has details.

Investments in subsidiaries

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

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

Investments in associates and joint ventures

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

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

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

Revenue recognition

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

Foreign currency translation

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

Classification of financial instruments

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

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

Financial instruments are classified as held for trading and included in category 1 if acquired primarily for benefiting from short-term price fluctuations. Derivatives are classified as held for trading and as current assets.

Pursuant to the "fair value option" in IAS 39,financial instruments can also be classified at fair value,with changes in value recognised in the income statement. The instrument must initially be recognised at fair value with value changes through profit and loss and also meet certain criteria. The key assumption for applying the "fair value option" is that a group of financial assets and liabilities are managed on a fair value basis and that management evaluates the earnings following the same principle.

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

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

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

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

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

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

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

Financial derivatives and hedge accounting

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

Income taxes

The income tax expense includes tax payable and changes in deferred tax. Income tax on items recognised in other comprehensive income (OCI) is also recognised in OCI,and tax effects on items recognised directly in equity is also recognised in equity.

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

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

Property,plant and equipment

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

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

Impairment

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

The difference between the carrying value and recoverable amount is charged to the income statement as a write-down. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to 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. Impairment losses are subsequently reversed when the impairment indicator no longer exists.

Leasing

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Pension costs and pension funds/obligations

Defined benefit plans

A defined benefit plan is a pension scheme defining the pension payment an employee will receive at the time of retirement. The pension is normally determined as a part of the employee's salary. The Company's net obligation from defined benefit pension plans is calculated separately for each scheme. The obligation represents an estimate of future retirement benefits that the employees have earned at the balance sheet date as a concequence 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 net pension cost of the period is included in payroll costs and comprises the total of the benefits earned during the year,the interest cost on the liability,the expected yield of the pension funds and the accrued social security tax. Estimate deviations are recognised as other income and expenses in the statement of comprehensive income.

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

Provisions

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

Current liabilities

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

Dividend

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

Business areas

Ferd reports business areas in line with how the Company`s management makes,monitors and evaluates its decisions. The segments are identified based on whose results are regularly reviewed by management and used for allocation of capital and other resources,and assess performance.

Cash flow statement

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 2012 or earlier.

New and amended standards applied by Ferd effective from the accounting year 2012:

Amendments to IAS 1 Presentation of Financial Statements

The amendments include a requirement to group income and expenses in total comprehensive income on the basis of whether there is a potential for reclassifying them to the income statement or not. The amendment has had an impact on the presentation of comprehensive income and the statement of changes in equity.

Amendment to IFRS 7 Financial Instruments - disclosures

The amendment concerns disclosure requirements in connection with transfers of financial assets where the Company still has an involvement. The amendment has no significant impact for Ferd AS.

Amendments to IAS 12 Income Taxes

Under the amendments the measurement of deferred tax liability is required to reflect the tax consequences of recovering the carrying amount of an investment property entirely through sale. The changes have had no impact for the financial statements of Ferd AS.

New and amended standards not yet implemented by Ferd:

Amendments to IAS 19 Employee Benefits

In the changed IAS 19,the "corridor method" is not allowed for the recognition of actuarial gains/losses. Actuarial gains/losses shall in their entirety be recognised in other comprehensive income in the period they arise. Ferd does not apply the corridor method,hence this change has no impact for Ferd.

The amended IAS 19 also a new approach to presenting pensions

The pension earnings shall be presented in the income statement as salary expenses,whereas net interest can be included in the finance items. In addition,in benefit schemes net interest shall be calculated by applying the discount interest rate on the net obligation,i.e.,the pension obligation less earned funds. This implies that return shall no longer be calculated on the funds. The changes are effective for acounting years starting on 1 January 2013. Ferd expects to implement the amended standard from this date.

Amendment to IFRS 7 Financial Instruments- disclosures

The amendment implies that enterprises must provide a number of quantitative information related to setting-off financial assets against financial liabilities. The amendment is effective for accounting years starting on 1 January 2013. The Company expects to implement the changed standard from this date,but the changes are expected to have no or very limited impact for Ferd AS.

Amendments to IAS 32 Financial Instruments – presentation

IAS 32 has been amended to clarify the set-off requirements in the standard. The changes become effective for annual periods beginning on 1 January 2014. Ferd expects to implement the amended standard from this date,but the changes are expected to have no or very limited impact for Ferd AS.

IFRS 9 Financial Instruments

IFRS 9 will replace the current IAS 39. The project is divided in several phases. The first phase concerns classification and measurement and has been finalised by IASB. The classification and measurement requirements for financial liabilities in IAS 39 are continued,with the exception of financial liabilities recognised at fair value with changes in value through profit and loss (the fair value option),where changes in value connected with the company's own credit risk is separated and recognised in other income and expenses in total comprehensive income. Phase 2 concerns impairment of financial instruments and phase 3 hedge accounting,but neither has so far been completed by IASB. IFRS 9 is effective for accounting years starting on 1 January 2015,but the standard has not yet been approved by the EU. Ferd expects to implement IFRS 9 starting on 1 January 2015. Those parts of IFRS 9 that have been completed so far,have relatively limited consequences for Ferd AS.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to 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 requequirements for subsidiaries,joint arrangements,associates and non-consolidated entities into one standard. IFRS 12 becomes effective for annual periods beginning on or after 1 January 2014 (earlier adoption is allowed),and the standard has been approved by the EU. Ferd expects to implement IFRS 12 starting on 1 January 2014,and the implementation will have an impact on Ferd's notes to the financial statements as a consequence of increased information requirements.

IFRS 13 Fair Value Measurement

The standard specifies principles and guidance for measuring fair value on assets and liabilities. The objective of the standard has been to establish a single source of guidance under IFRS for all fair value measurements,with a view to ensuring a common definition of fair value across all other standards and provide a uniform guidance to measuring fair value. IFRS 13 becomes effective for annual periods beginning on or after 1 January 2014 (earlier adoption is allowed),and the EU has approved the standard. Ferd expects to implement IFRS 13 starting on 1 January 2014,but it is not expected that the clarifications in IFRS 13 will have any significant consequences for Ferd.

Amendments to IAS 27 Separate Financial Statements (revised)

As a consequence of the new IFRS 10 and IFRS 12,amendments were made to IAS 27 coordinating this standard with the new accounting standards. IFRS 10 replaced those parts of IAS 27 that concerned consolidated financial statements. IAS 27 is now limited to accounting for the financial statements of the parent company,and will therefore not apply for the group accounts when implemented. The changes become effective for annual periods beginning on or after 1 January 2014,and the standard has been approved by the EU. Ferd expects to implement the amended standard starting on 1 January 2014.