

NOTE 11**FINANCIAL INSTRUMENTS**

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

NOK 1 000	Financial instruments measured at fair value over profit and loss	Financial instruments measured at amortised cost		TOTAL	Fair value
		Lending and receivables	Financial obligation		
Non-current assets					
Investments in subsidiaries	8 610 741			8 610 741	8 610 741
Loans to group companies		675 967		675 967	675 967
Non-current shares and ownership in other companies	51 599			51 599	51 599
Other non-current receivables		67 040		67 040	67 040
Total 2012	8 662 340	743 007		9 405 347	9 405 347
Total 2011	6 538 248	629 637		7 167 885	7 167 885
Current assets					
Short-term receivable on group companies		64 648		64 648	64 648
Other short-term receivables		131 351		131 351	131 351
Listed shares	3 476 584			3 476 584	3 476 584
Unlisted shares and investments in other equity instruments	5 574 122			5 574 122	5 574 122
Hedge funds	3 062 694			3 062 694	3 062 694
Investments in debt instruments	155 088			155 088	155 088
Bank deposits		911 028		911 028	911 028
Total 2012	12 268 488	1 107 027		13 375 515	13 375 515
Total 2011	11 427 992	1 366 109		12 794 101	12 794 101
Long-term debt					
Long-term interest-bearing debt			2 493 514	2 493 514	2 493 514
Total 2012			2 493 514	2 493 514	2 493 514
Total 2011			3 323 266	3 323 266	3 323 266
Short-term debt					
Trade accounts payable			5 378	5 378	5 378
Public duties etc.			9 752	9 752	9 752
Debt to group companies			272 498	272 498	272 498
Other short-term debt			11 508	11 508	11 508
Total 2012			299 136	299 136	299 136
Total 2011			222 640	222 640	222 640

Fair value hierachy - Financial assets and liabilities

Ferd classifies instruments measured at fair value in the balance sheet by a fair value hierachy. The hierachy has the following levels:

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

Level 2: Investments where there are quoted prices, but the markets do not meet the requirements for being characterised as active. In addition, 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. Financial derivatives like interest rate swaps and currency futures are also considered to be level 2 investments. Some funds in Ferd's hedge fund portfolio are considered to meet the requirements of level 2. These funds comprise composite portfolios of shares, unit trust funds, interest securities, 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. The valuation is based on valuation models where parts of the utilised information cannot be observed in the market. Securities valued on the basis of quoted prices or reported value (NAV), but where significant adjustments are required, are assessed on level 3. Shares with little or no trading, where an internal valuation is required to determine the fair value, are assessed on level 3. For Ferd this concerns all venture investments, private equity investments and funds where reported NAV need to be adjusted. A reconciliation of the movements of assets on level 3 is shown in a separate table.

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 2012
Investments in subsidiaries			8 610 741	8 610 741
Non-current shares and ownership in other companies			51 599	51 599
Listed shares	3 476 584			3 476 584
Unlisted shares and investments in other equity instruments		6 448	5 567 674	5 574 122
Hedge funds		1 600 948	1 461 746	3 062 694
Investment in debt instruments		155 088		155 088
Total 2012	3 476 584	1 762 484	15 691 760	20 930 828

NOK 1 000	Level 1	Level 2	Level 3	Total 2011
Investments in subsidiaries			6 483 565	6 483 565
Non-current shares and ownership in other companies			54 683	54 683
Listed shares	2 895 122			2 895 122
Unlisted shares and investments in other equity instruments	9 042		4 548 984	4 558 026
Hedge funds		1 371 510	1 477 781	2 849 291
Investments in debt instruments		1 125 553		1 125 553
Total 2011	2 904 164	2 497 063	12 565 013	17 966 239

Reconciliation of movements in assets on level 3

NOK 1 000	Opening bal. 1 Jan. 2012	Purchases	Sales	Transfers from level 3	Recognised in P/L 2012	Closing bal. 31 Dec. 2012
Investments in subsidiaries	6 483 565	469 949	- 5 100		1 662 327	8 610 741
Non-current shares and ownership in other companies	54 683				- 3 084	51 599
Unlisted shares and investments in other equity instruments	4 548 984	186 454	- 390 765	- 6 448	1 229 449	5 567 674
Hedge funds	1 477 781	690 982	- 490 577	- 375 735	159 295	1 461 746
Total	12 565 013	1 347 385	- 886 442	- 382 183	3 047 987	15 691 760

NOK 1 000	Opening bal. 1 Jan. 2012	Purchases	Sales	Transfers from level 3	Recognised in P/L 2012	Closing bal. 31 Dec. 2012
Investments in subsidiaries		781 410			- 243 023	6 483 565
Non-current shares and ownership in other	38 598	16 085				54 683

companies						
Listed shares	6 976				- 6 976	
Unlisted shares and investments in other equity instruments	4 928 026	215 635	- 856 169	- 6 976	268 468	4 548 984
Hedge funds	683 823	1 521 043	- 689 884		- 37 201	1 477 781
Total	11 602 601	2 534 173	-1 546 053	- 6 976	- 18 732	12 565 013

Investments in unlisted shares managed in-house are valued on the basis of an earnings multiple, adjusted by a liquidity discount reduction and the addition of a control premium. The corrections are made directly on the multiple. Finally, the equity value is calculated by deducting net interest-bearing debt.

Some subsidiaries are valued in the same manner as unlisted shares, cf. above. The valuation of other subsidiaries is based on the companies' recorded equity and adjusted for value changes not recognised. Underlying investments are valued according to the same principles as in Ferd AS, whereas investment properties are valued by discounting future expected cash flows.

A significant part of venture investments constitutes companies with no positive cash flows. This implies a greater degree of uncertainty in the valuations of the companies. Valuations are based on international guidelines (EVCA guidelines), i.e., the lower of cost and fair value unless a transaction at a higher value has taken place.

The valuation of investments in externally managed private equity and hedge funds is based on value reports received from the funds. The hedge funds in the SI portfolio are adjusted for estimated discount on the funds based on estimates made by brokers.