

NOTE 20**FINANCIAL INSTRUMENTS**

The following is a summary of the carrying value and fair value of the Group's financial instruments and how these have been treated in the accounts. The table is the basis for further information on the Group's financial risk and refers to subsequent notes.

NOK 1 000	Financial instruments measured at fair value through profit and loss	Financial instruments measured at amortised cost		Total	Fair value
		Lending and receivables	Financial obligation		
Non-current assets					
Other financial non-current assets	51 599	233 660		285 259	285 259
Total 2012	51 599	233 660		285 259	285 259
Total 2011	158 917	256 300		415 217	415 217
Current assets					
Short-term receivables		1 627 010		1 627 010	1 627 010
Listed shares	3 476 584			3 476 584	3 476 584
Unlisted shares and investments in other equity instruments	8 699 217			8 699 217	8 699 217
Hedge funds	3 078 721			3 078 721	3 078 721
Investments in debt instruments	133 664			133 664	133 664
Bank deposits		1 683 997		1 683 997	1 683 997
Total 2012	15 388 186	3 311 007		18 699 193	18 699 193
Total 2011	13 476 441	3 164 030		16 640 471	16 640 471
Long-term debt					
Long-term interest-bearing debt			5 283 103	5 283 103	5 283 103
Other long-term debt			350 309	350 309	350 309
Total 2012			5 633 412	5 633 412	5 633 412
Total 2011			5 909 002	5 909 002	5 909 002
Short-term debt					
Short-term interest-bearing debt			362 440	362 440	362 440
Other short-term debt			1 855 693	1 855 693	1 855 693
Total 2012			2 218 133	2 218 133	2 218 133
Total 2011			2 923 114	2 923 114	2 923 114

Fair value hierarchy - Financial assets and liabilities

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

Level 1: Valuation based on quoted prices in active markets for identical assets without adjustments. An active market is characterised by the fact that the security is traded with adequate frequency and volume in the market. The price information shall be continuously updated and represent expected sales proceeds. Only listed shares owned by Ferd Invest 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
Assets				
Other financial non-current assets			51 599	51 599
Listed shares	3 476 584			3 476 584
Unlisted shares and investments in other equity instruments		6 448	8 692 769	8 699 217
Hedge funds		1 600 948	1 477 773	3 078 721
Investments in debt instruments		133 664		133 664
Total 2012	3 476 584	1 741 060	10 222 141	15 439 785

NOK 1 000	Level 1	Level 2	Level 3	Total 2011
Assets				
Other financial non-current assets			158 917	158 917
Listed shares	2 895 122			2 895 122
Unlisted shares and investments in other equity instruments	9 042		6 658 405	6 667 447
Hedge funds		1 310 539	1 477 781	2 788 320
Investments in debt instruments		1 125 553		1 125 553
Total 2011	2 904 164	2 436 092	8 295 103	13 635 358

Specification of assets in level 3

NOK 1 000	Opening bal. 1 Jan. 2012	Purchases	Transfers Sales from level 3	Recognised in P/L 2012	Closing bal. 31 Dec. 2012
Other financial non-current assets	158 917		- 63 578	- 43 740	51 599
Unlisted shares and investments in other equity instruments	6 658 405	186 454	- 347 180 - 120 380	2 315 470	8 692 769
Hedge funds	1 477 781	690 982	- 490 577 - 359 707	159 295	1 477 773
Total	8 295 103	877 436	- 901 335 - 480 087	2 431 025	10 222 142

NOK 1 000	Opening bal. 1 Jan. 2011	Purchases	Transfers Sales from level 3	Recognised in P/L 2011	Closing bal. 31 Dec. 2011
Other financial non-current assets	91 921	66 996			158 917
Listed shares	6 976		- 6 976		
Unlisted shares and investments in other equity instruments	7 449 579	215 636	- 856 169 - 331 072	180 431	6 658 405
Hedge funds	584 142	1 521 043	- 689 884	62 479	1 477 781
Total	8 132 619	1 803 675	-1 546 052 - 338 048	242 910	8 295 103

Transfers from level 3 are mainly due to the step-by-step acquisition of Telecomputing in 2011.

Valuation of assets classified in level 3

Financial assets in level 3 include investments managed in-house, venture investments, private equity funds and hedge funds. The values at the balance sheet date are shown below.

NOK 1 000	2012	2011
Industrial investments and venture investments	4 191 993	2 915 310
External private equity funds	4 552 375	3 902 012
Hedge funds	1 477 773	1 477 781
Total	10 222 142	8 295 103

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.

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.