NOTE 8 GOODWILL AND INFORMATION ON BUSINESS COMBINATIONS

Pursuant to IFRS 3 Business combinations, the net assets of acquired companies have been assessed at fair value at the acquisition date. The remaining part of the consideration after allocating the consideration to identifiable assets and liabilities, is recognised as goodwill. The table below shows the values and movements in the the various goodwill items in the Group.

2012

NOK 1 000	**Norrwin AB (Lundhags)**	**Alf Valde**	**Elopak Europa**	**Seco Invest (TeleComputing)**	**Total**
Cost at 1 January			470 719	621 776	1 092 495
Additions	1 385	16 053			17 438
Disposals				- 27 807	- 27 807
Exchange differences			- 22 148		- 22 148
Cost at 31 December	1 385	16 053	448 571	593 969	1 059 978
Accumulated impairment at 1 January			48 393		48 393
Impairment		563			563
Disposal of subsidiary					
Exchange differences			- 2 693		- 2 693
Accumulated impairment at 31 December		563	45 700		46 263
Carrying amount at 31 December	**1 385**	**15 490**	**402 871**	**593 969**	**1 013 715**

Changes in 2012:

In 2012, Ferd (through Swix) has acquired Norrwin AB and Original Teamwear AS with accounting effect from 1 January 2012. The acquisitions have increased intangible assets (brands and patents) by a total of MNOK 37,6 (note 7), in addition to goodwill amounting to appr. one million. The cost of the shares in Norrwin AB constituted MNOK 66,8, whereas the shares in Original Teamwear AS were purchased in two steps. Original was an associate with a carrying value of MNOK 8,8 at the beginning of 2012, and in addition MNOK 28,4 were paid in 2012. The companies have contributed to Ferd's consolidated financial statements with MNOK 142 in turnover and MNOK 19 in profit before tax in 2012.

During 2012, Ferd (through Mestergruppen) acquired Alf Valde AS with accounting effect from 1 July 2012. The acquisition has increased Ferd's goodwill by MNOK 16. The cost for the shares constituted MNOK 23. Alf Valde has contributed to Ferd's consolidated financial statements with MNOK 33 in turnover og MNOK 2 in profit before tax in 2012.

There are minor changes in the purchase price allocations of Mestergruppen and Telecomputing (acquisitions in 2011). The changes have resulted in a reduction in goodwill of MNOK 28, whereas customer relations have increased by MNOK 20 (note 7).

2011

NOK 1 000	**Elopak Europa**	**Seco Invest (TeleComputing)**	**Total**
Cost at 1 January	472 282		472 282
Additions		621 776	621 776
Disposals			
Exchange differences	- 1 563		- 1 563
Cost at 31 December	470 719	621 776	1 092 495
Accumulated impairment at 1 January	48 590		48 590
Impairment			
Disposal of			

Disposal of subsidiary			
Exchange differences	- 197		- 197
Accumulated impairment at 31 December	48 393		48 393
Carrying amount at 31 December	**422 326**	**621 776**	**1 044 102**

Changes in 2011:

In 2011, Ferd acquired Mestergruppen and the Telecomputing Group (Seco Invest), effective from 1 May 2011.

The acquisition of Telecomputing has increased the Group's goodwill by MNOK 622. Before the acquisition, Ferd had a stake of 46 % and recognised the investment in Telecomputing at fair value. The acquisition of Telecomputing has also increased intangible assets of MNOK 134,8 in customer relations and MNOK 80,4 in brands as well as minor additions of patents and rights (note 7). The cost of Ferd's shares in Telecomputing was MNOK 461. The acquisition of Telecomputing has contributed positively to the Group's result before tax with MNOK 85,2 in 2011.

The acquisition of Mestergruppen has increased the Group's carrying amount of customer relations by MNOK 230,1 (note 7). The cost of Ferd's shares in Mestergruppen was MNOK 396. Mestergruppen has contributed to the Group's result before tax with MNOK 83,6 in 2011.

Impairment testing for goodwill:

Goodwill is allocated to the Group's cash generating units, and is tested for impairment annually or more frequently if there are indications of impairment. Testing for impairment implies determining the recoverable amount of the cash generating unit. The recoverable amount is determined by discounting future expected cash flows, based on the cash generating unit's business plans. The discount rate applied to the future cash flows is based on the Group's weighted average cost of capital (WACC), adjusted to the market's appreciation of the risk factors for each cash generating unit. Growth rates are used to project cash flows beyond the periods covered by the business plans.

Cash generating units

The goodwill items specified above are mainly related related to Elopak and Telecomputing, in addition to two minor goodwill items related to new acquisitions in 2012 in the sub-groups Swix and Mestergruppen.

Goodwill related to Elopak is allocated to the cash generating unit Europe, which consists of Elopak's European markets, including the internal production and supply organisation. This goodwill has a carrying value of MNOK 302 at 31 December 2012. The rationale for determining Europe as one cash-generating unit is the inherent dynamics of this market. The trend is that customers are merging, and have easy access to the supply in Europe. Elopak adapts to its customers by distributing the production of cartons for the various markets according to the optimal production efficiency in Europe. The historical geographical criteria for production and demands from customers are no longer as important. As a consequence of this development, the split of margins along Elopak's value chain will be subject to change from one year to another. Hence, one European business unit will be the best indicator for assessing any impairment of goodwill.

Goodwill related to Telecomputing concerns Telecomputing's operations in Norway and Sweden. The goodwill has a carrying amount of MNOK 594 as at 31 December 2012. For impairment purposes, Telecomputing is considered to be one cash generating unit due to similar activities.

Goodwill in Mestergruppen concerns the acquisition of Alf Valde in 2012. The goodwill amounts to MNOK 16 and is considered as a separate cash generating unit at impairment testing. This goodwill has not been tested for impairment in 2012.

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. These assumptions are based on 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 impairment is required in2012. The inherent uncertainty connected with the assumptions on which the impairment testing is based is illustrated by sensitivity analyses. The conclusions are tested for changes in discount and growth rates. The sensitivity analyses show robust conclusions for impairment testing.

Detailed description of the assumptions used:

	Discount rate after tax (WACC)		Discount rate before tax		Growth rate 2-5 years		Long-term growth rate	
	2012	2011	2012	2011	2012	2011	2012	2011
Europe	4,5 %	5,4 %	6,3 %	7,5 %	2,0 %	2,0 %	0,0 %	0,0 %
Seco Invest	5,8 %	6,4 %	6,5 %	7,2 %	2,0 %	2,0 %	2,5 %	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.

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.