

## Note 26 - Measurement of fair value of financial instruments

With effect from 1 January 2009 the Group has implemented the changes in IFRS 7 related to financial instruments measured at fair value on the balance sheet date. The changes require presentation of fair-value measurements at the following levels of inputs:

- prices quoted for similar instruments in an active market (level 1)
- directly observable market inputs, either direct (price) or indirect (price-derived), other than Level 1 inputs (level 2)
- inputs not based on observable market data (level 3)

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2012:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
Derivatives	61	3,039	-	3,100
Bonds and money market certificates	3,764	10,825	-	14,590
Equity instruments	131	-	601	731
Fixed interest loans	-	2,585	-	2,585
Financial assets available for sale				
Equity instruments	-	-	46	46
<b>Total assets</b>	<b>3,956</b>	<b>16,450</b>	<b>646</b>	<b>21,051</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
Derivatives	62	2,728	-	2,790
<b>Total liabilities</b>	<b>62</b>	<b>2,728</b>	<b>-</b>	<b>2,790</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2011:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
Derivatives	2	3,694	-	3,697
Bonds and money market certificates	2,896	6,980	-	9,875
Equity instruments	143	-	417	560
Fixed interest loans	-	2,012	-	2,012
Financial assets available for sale				
Equity instruments	-	-	51	51
<b>Total assets</b>	<b>3,041</b>	<b>12,687</b>	<b>468</b>	<b>16,195</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
Derivatives	1	3,157	-	3,158
<b>Total liabilities</b>	<b>1</b>	<b>3,157</b>	<b>-</b>	<b>3,158</b>

The fair value of financial instruments that are traded in an active market is based on the market price on the balance sheet date. A market is regarded as active if the market prices are easily and regularly available from a stock exchange, trader, broker, industrial classification, quotation service or regulatory authority, and these prices represent actual and regularly occurring arms-length market transactions. The market price utilised for financial assets is the applicable buy price, for financial liabilities the applicable sell price is used. These instruments are included in level 1. Instruments included in level 1 are exclusively equity instruments quoted on the Oslo Stock Exchange and classified as held for trading or available for sale, and Treasury bills.

The fair value of financial instruments that are not traded in an active market (for example some OTC derivatives) is determined by means of valuation methods. These valuation methods maximise the use of observable data where such data are available, and rely as little as possible on the Group's own estimates. If all significant data that are needed in order to determine the fair value of an instrument are observable data, the instrument is included in level 2.

If one or several significant data items are not based on observable market data, the instrument is included in level 3.

Special valuation methods used to value financial instruments include:

- market prices or trader prices quoted for similar instruments
- fair value of interest rate swaps is calculated as the current value of estimated future cash flow based on observable yield curves
- fair value of forward contracts in foreign currency is determined by reference to the current value of the difference between the agreed forward price and forward price on the balance sheet date
- other techniques, such as the multiplier model, are used to determine fair value of the remaining financial instruments

The following table presents the changes in the instruments classified in level 3 as at 31 December 2012:

	Equity instruments	Total
Opening balance 1 January	468	468
Investments in the period	177	177
Disposals in the period (at book value)	-6	-6
Gain or loss entered in income statement	8	8
<b>Closing balance 31 December</b>	<b>646</b>	<b>646</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2011:

	Equity instruments	Total
Opening balance 1 January	449	449
Transferred to level 1 or 2	-23	-23
Investments in the period	43	43
Disposals in the period (at book value)	-1	-1
Gain or loss entered in income statement	-5	-5
Gain or loss recognised directly in comprehensive income	5	5
<b>Closing balance 31 December</b>	<b>468</b>	<b>468</b>

The total gain and loss for the period applies to assets owned on the balance sheet date.