

**NOTE 27****RISK MANAGEMENT - OPERATIONS**

Risk management relating to the investment activities of Ferd is described in [note 6](#).

**Currency risk**

Contracted currency flows from operations are normally secured in their entirety, while projected cash flows are hedged to a certain extent. Interest payments related to the Group's foreign currency loans are mostly secured by corresponding cash flows from the Group's activities. Instruments such as currency forward contracts, currency swaps and options can be used to manage the Group's currency exposure.

**Outstanding foreign exchange forward contracts related to operations:**

NOK 1 000	Purchase of currency		Sale of currency	
	Currency	Amount	Currency	Amount
	NOK	329 111	EUR	- 35 610
	NOK	3 651	EUR	- 400
	NOK	7 934	SEK	- 8 000
	EUR	1 000	CAD	- 1 522
	EUR	830	CHF	- 898
	EUR	9 450	DKK	- 70 581
	EUR	1 380	GBP	- 1 017
	EUR	9 766	JPY	-1 307 924
	EUR	6 770	SEK	- 62 419
	EUR	4 920	USD	- 5 378
	EUR	4 400	NOK	- 41 078
	JPY	5 410 100	EUR	- 40 575
	PLN	5 054	EUR	- 1 190
	RUB	40 200	EUR	- 500
	CAD	9 099	EUR	- 6 000
	ILS	4 771	EUR	- 1 120
	GBP	192	EUR	- 260
	USD	18 050	NOK	- 148 638
	USD	31 798	EUR	- 29 100

Appr. 15% of the foreign exchange forward contracts with the purchase of JPY /sale of EUR mature in 2017. All other foreign exchange forward contracts are due in the course of 2016.

**Interest rate risk**

The Group has short-term fixed interest rates on long-term funding in accordance with internal guidelines. This applies for loans in Norwegian kroner, as well as in foreign currency. The Group uses interest rate swaps to reduce interest rate exposure by switching from floating rates to fixed rates for a portion of the loans.

**Outstanding interest rate swaps**

NOK 1 000	Currency	Amount	Receives	Pays	Time remaining to maturity
	DKK	50 000	6M CIBOR	Fixed 2.97%	1 year
			3M	Fixed 0.28% -	
	EUR	110 000	EURIBOR	2.88%	0.5 - 5.0 years
	NOK	150 000	1,12%	Fixed 2.43%	0.5 year

The table includes derivatives for hedging.

**Credit risk**

Credit risk is the risk that a counterparty will default on his/her contractual obligations resulting in a financial loss to the Group. Ferd has adopted a policy implying that the Group shall be exposed only to credit-worthy counterparties, and independent credit analyses are obtained for all counterparties when such analyses are available. If not, the Group uses other publicly available financial information and its own trade to assess creditworthiness.