

THE GROUP'S PENSION PLANS

Ferd has established pension schemes in accordance with Norwegian legislation. The employees participate in defined benefit and defined contribution plans complying with the requirements of the mandatory occupational pension.

DEFINED BENEFIT PLANS

Defined benefit plans provide employees with the right to defined future pension benefits. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each pension plan. The obligation is an estimate of future benefits that employees have earned based on years of service and salary at retirement. Benefits are discounted to present value, and the recognised obligation is reduced by the fair value of plan assets for funded pension schemes. Changes in assumptions, staff numbers and variances between estimated and actual salary increases and return on assets result in actuarial gains and losses. Actuarial gains and losses and gains and losses resulting from a curtailment or termination of pension plans are recognised immediately in the income statement.

The defined benefit pension plans consist of group schemes as well as some additional arrangements, including employees with a retirement basis over 12 G, and AFP.

Defined contribution plans

For defined contribution plans, the Group's obligations are limited to making specific contributions. Payments to defined contribution pension plans are recognised as expenses in the income statement when the employees have rendered services entitling them to the contribution.

Other service related long-term benefits

In addition to the pension schemes described above, Ferd has obligations related to future health services for some groups of employees in the USA.

ECONOMIC ASSUMPTIONS

Ferd has defined benefit plans in several countries with varying economic conditions affecting the assumptions that are the basis for calculating pension obligations. The parameters are adapted to conditions in each country. The discount rate is determined as a weighted average of the yields at the reporting date on at least AA rated corporate bonds, or government bonds in cases where there is no market for AA rated corporate bonds. The government bond interest rate is applied for Norwegian schemes. To the extent that the bond does not have the same maturity as the obligation, the discount rate is adjusted. Actuarial assumptions for demographic factors and retirement are based on generally accepted principles in the insurance business. Future mortality rates are based on statistics and mortality tables (K2013).

Economic assumptions in Norwegian companies at 31 December

	2015	2014
Discount rate	1,90%	2,70%
Expected wage growth	2,50%	3,25%
Future expected pension regulation	1,75%	1,75%
Expected regulation of base amount (G)	2,25%	3,00%

Interval for economic assumptions in foreign companies at 31 December

	2015	2014
Discount rate	0.75 - 4.08 %	1.10 - 4.52 %
Expected wage growth	0.00 - 1.00 %	0.00 - 3.75 %
Future expected pension regulation	0.00 - 1.75 %	0.00 - 1.75 %

PENSION OBLIGATIONS**Reconciliation of net liability against balance sheet**

NOK 1 000	2015	2014
Pension liabilities for defined benefit pension plans	- 193 138	- 169 417
Pension assets for defined benefit pension plans	25 370	17 391
Total defined benefit obligation recognised in the Group's balance sheet	- 167 768	- 152 026

DEFINED BENEFIT PLANS**Specification of recognised liability**

NOK 1 000	2015	2014
Present value of unfunded pension liabilities	- 63 867	- 56 988
Present value of wholly or partly funded obligations	- 599 766	- 556 128
Total present value of defined benefit obligations	- 663 634	- 613 116
Fair value of pension assets	495 865	461 090
Total defined benefit obligation recognised in the Group's balance sheet	- 167 768	- 152 026

Movements in liabilities for defined benefit pension plans

NOK 1 000	2015	2014
Liability for defined benefit pension plans at 1 January	613 116	669 253
Present value of current service cost	10 533	17 655
Interest expenses on the pension liability	18 435	17 359
Demographic estimate deviation on the pension liability	- 17 783	3 214
Financial estimate deviation on the pension liability	5 626	70 510
Settlement of pension plans	- 6	- 200 726
Curtailment of pension plans		- 15 612
Change in liability due to acquisition/sale of subsidiaries		9 167
Benefits paid	- 43 452	- 22 416
Social security tax	- 396	73
Exchange differences on foreign plans	77 894	64 639
Liability for defined benefit pension plans at 31 December	663 967	613 116

Expected payments of defined pension liabilities

NOK 1 000	2015
Defined benefit pension expected to fall due year 1-5	209 334
Defined benefit pension expected to fall due year 6-10	207 846
Defined benefit pension expected to fall due year 11-20	235 890
Defined benefit pension expected to fall due year 21-30	10 898
Total benefit pension due	663 967

Movement in fair value of pension assets for defined benefit pension plans

NOK 1 000	2015	2014
Fair value of pension assets at 1 January	461 090	532 085
Expected return from pension assets	13 584	13 317
Financial estimate deviation on the pension assets	- 8 891	19 034
Contributions from employer	12 363	10 285
Administration expenses	- 1 270	- 1 604
Contributions from employees	1 699	1 320
Increase in pension funds due to the acquisition of subsidiaries		8 297
Settlements	- 2 829	- 154 268
Benefits paid	- 39 369	- 18 535
Exchange difference on foreign plans	59 489	51 159
Fair value of pension assets at 31 December	495 865	461 090

Pension assets include the following

NOK 1 000	Of which active market:	2015	2014
Equity instruments	118 894	120 613	96 343
Government stock	298 102	351 254	271 396
Corporate stock	5 257	6 475	58 276
Other debt instruments, including structured debt	358	441	4 279
Property investments	1 333	11 328	24 102
Bank deposits	538	2 093	1 602
Other assets	2 099	3 661	5 092
Total pension funds	426 581	495 865	461 090

Actuarial deviations recognised in other comprehensive income

NOK 1 000	2015	2014
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Current year actuarial deviation on pension liabilities (defined benefit schemes)	12 157	- 73 724
Current year actuarial deviation on pension funds (defined benefit schemes)	- 8 891	19 034
Tax effect (note 9)	- 988	2 098
Net actuarial deviation on defined benefit schemes	2 278	- 52 592

PENSION COSTS

NOK 1 000	2015	2014
Defined benefit plans	17 893	- 28 071
Defined contribution plans	115 310	131 120
Total pension costs recognised in current year payroll costs	133 203	103 049

DEFINED BENEFIT PLAN PENSION COSTS

Pension costs recognised in income statement

NOK 1 000	2015	2014
Present value of this year's pension earned	10 533	17 655
Contribution from employees	- 1 699	- 1 320
Curtailment of pension schemes and plan changes	8 185	- 46 083
Social security tax	- 396	73
Administration costs	1 270	1 604
Total pension costs from benefit schemes recognised in salary costs	17 893	- 28 071

Interest expense on the pension liability	18 435	17 359
Expected return on pension funds	- 13 584	- 13 317
Total pension costs from benefit schemes recognised in finance costs	4 850	4 042