

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

	2016	2015
Discount rate	2.00%	1.90%
Expected wage growth	2.50%	2.50%
Future expected pension regulation	1.75%	1.75%
Expected regulation at base amount (G)	2.25%	2.25%

Interval for economic assumptions in foreign companies at 31 December

	2016	2015
Discount rate	0.60 - 3.91 %	0.75 - 4.08 %
Expected wage growth	0.00 - 1.00 %	0.00 - 1.00 %
Future expected pension regulation	0.00 - 1.75 %	0.00 - 1.75 %

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

NOK 1 000	2016	2015
Pension liabilities for defined benefit pension plans	-176 129	-193 138
Pension assets for defined benefit pension plans	4 415	25 370
Total defined benefit obligation recognised in the Group's balance sheet	-171 714	-167 768

DEFINED BENEFIT PLANS**Specification of recognised liability**

NOK 1 000	2016	2015
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Present value of unfunded pension liabilities	-64 095	-63 867
Present value of wholly or partly funded obligations	-485 704	-599 766
Total present value of defined benefit obligations	-549 799	-663 633
Fair value of pension assets	378 085	495 865
Total defined benefit obligation recognised in the Group's balance sheet	-171 714	-167 768

Movements in liabilities for defined benefit pension plans

NOK 1 000	2016	2015
Liability for defined benefit pension plans at 1 January	663 967	613 116
Present value of current service cost	11 203	10 533
Interest expenses on the pension liability	17 883	18 435
Demographic estimate deviation on the pension liability	12 173	-17 783
Financial estimate deviation on the pension liability	334	5 626
Settlement of pension plans	-47 567	- 6
Curtailment of pension plans	3 863	-
Change in liability due to acquisition/sale of subsidiaries	- 313	-
Benefits paid	-79 635	-43 452
Social security tax	- 186	- 396
Exchange differences on foreign plans	-31 922	77 894
Liability for defined benefit pension plans at 31 December	549 799	663 967

Expected payments of defined pension liabilities

NOK 1 000	2016
Defined benefit pension expected to fall due year 1-5	235 553
Defined benefit pension expected to fall due year 6-10	135 921
Defined benefit pension expected to fall due year 11-20	170 637
Defined benefit pension expected to fall due year 21-30	7 688
Total benefit pension due	549 799

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

NOK 1 000	2016	2015
Fair value of pension assets at 1 January	496 445	461 090
Expected return from pension assets	13 390	13 584
Financial estimate deviation on the pension assets	15 541	-8 891
Contributions from employer	12 456	12 363
Administration expenses	-3 102	-1 270
Contributions from employees	1 661	1 699
Increase in pension funds due to the acquisition of subsidiaries	-4 071	-
Settlements	-44 734	-2 829
Benefits paid	-76 669	-39 369
Exchange difference on foreign plans	-32 831	59 489
Fair value of pension assets at 31 December	378 085	495 865

Pension assets include the following

NOK 1 000	Of which active market:	2016	2015
Equity instruments	86 717	87 634	120 613
Government stock	153 515	175 005	351 254
Corporate stock	5 908	7 001	6 475
Other debt instruments, including structured debt	1 934	2 018	441
Property investments	836	6 559	11 328
Bank deposits	264	427	2 093
Other assets	97 355	99 441	3 661
Total pension funds	346 528	378 085	495 865

Actuarial deviations recognised in other comprehensive income

NOK 1 000	2016	2015
Current year actuarial deviation on pension liabilities (defined benefit schemes)	-12 506	12 157
Current year actuarial deviation on pension funds (defined benefit schemes)	-	-

schemes)	12 138	-8 891
Tax effect (note 9)	3 402	- 988
Net actuarial deviation on defined benefit schemes	3 034	2 279

PENSION COSTS

NOK 1 000	2016	2015
Defined benefit plans	27 317	17 893
Defined contribution plans	125 103	115 310
Total pension costs recognised in current year payroll costs	152 421	133 203

DEFINED BENEFIT PLAN PENSION COSTS

Pension costs recognised in income statement

NOK 1 000	2016	2015
Present value of this year's pension earned	11 203	10 533
Contribution from employees	-1 661	-1 699
Curtailment of pension schemes and plan changes	14 859	8 185
Social security tax	- 186	- 396
Administration costs	3 102	1 270
Total pension costs from benefit schemes recognised in salary costs	27 317	17 893

Interest expense on the pension liability	17 883	18 435
Expected return on pension funds	- 13 390	- 13 584
Total pension costs from benefit schemes recognised in finance costs	4 492	4 850