

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 amount 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. For salaries exceeding 12 G, Ferd has established a pension scheme implying that the employees earn a pension right each year. The scheme was closed for new hires when established. The right comprises a share of the salary in excess of 12 G together with a return component depending on the employee's chosen risk profile. The pension plan has many similarities with a contribution scheme, but as Ferd is not making regular payments to a fund, but has elected to take the risk of return itself, the scheme shall be classified as a benefit scheme for accounting purposes. Ferd has recognised the obligation as a pension liability and is expensing the current deposits and the current return as incurred. The liability has not been discounted.

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 contributions 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 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).

From 2013, the pension liabilities are recognised net less the pension funds. Net pension liabilities are discounted, implying that the return (previously an important economic assumption) is no longer relevant.

Economic assumptions in Norwegian companies at 31 December

	2013	2012
Discount rate	3,30%	2,20%
Expected wage growth	0-3,75%	0-3,25%
Future expected pension regulation	1,75%	1,75%
Expected regulation of base amount (G)	3,50%	3,00%

Interval for economic assumptions in foreign companies at 31 December

	2013	2012
Discount rate	2.00 - 4.10	2.00 - 4.15
Expected wage growth	0.00 - 1.00	0.00 - 1.00
Future expected pension regulation	0.00 - 0,60	0.00 - 0.55

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

NOK 1 000	2013	2012
Pension liabilities for defined benefit pension plans	- 146 973	- 211 528
Pension assets for defined benefit pension plans	9 805	9 505

Total defined benefit obligation recognised in the consolidated statement of financial

total defined benefit obligation recognised in the consolidated statement of financial position

- 137 168 - 202 023

DEFINED BENEFIT PLANS

Specification of recognised liability

NOK 1 000	2013	2012
Present value of unfunded pension liabilities	- 51 737	- 69 469
Present value of wholly or partly funded obligations	- 617 516	- 469 621
Total present value of defined benefit obligations	- 669 253	- 539 091
Fair value of pension assets	532 085	337 068
Total defined benefit obligation recognised in the consolidated statement of financial position	- 137 168	- 202 023

Movements in liabilities for defined benefit pension plans

NOK 1 000	2013	2012
Liability for defined benefit pension plans at 1 January	539 091	681 653
Present value of current service cost	25 031	24 635
Interest expenses on the pension liability	23 286	20 487
Demographic estimate deviation on the pension liability	28 063	
Financial estimate deviation on the pension liability	- 40 622	12 768
Settlement of pension plans	- 42 097	- 17 936
Curtailment of pension plans	- 48 907	115
Plan changes		- 32 370
Change in liability due to acquisition/sale of subsidiaries	191 228	
Benefits paid	- 40 255	- 128 361
Social security tax	1 148	113
Exchange differences on foreign plans	33 287	- 22 015
Liability for defined benefit pension plans at 31 December	669 253	539 091

Expected payments of defined pension liabilities

NOK 1 000	2013
Defined benefit pension expected to fall due year 1-5	222 144
Defined benefit pension expected to fall due year 6-10	194 134
Defined benefit pension expected to fall due year 11-20	191 241
Defined benefit pension expected to fall due year 21-30	50 144
Defined benefit pension expected to fall due year after 30 years	11 589
Total benefit pension due	669 253

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

NOK 1 000	2013	2012
Fair value of pension assets at 1 January	337 068	442 221
Expected return from pension assets	15 976	14 725
Financial estimate deviation on the pension assets	26 251	- 14 791
Contributions from employer	34 826	22 212
Administration expenses	- 1 681	- 645
Contributions from employees		2 838
Increase in pension funds due to the acquisition of subsidiaries	157 744	
Settlements	- 32 021	
Benefits paid	- 34 896	- 114 239
Exchange difference on foreign plans	28 818	- 15 253
Fair value of pension assets at 31 December	532 085	337 068

Pension assets include the following

NOK 1 000	2013	2012
Equity instruments	93 007	100 459
Government stock	107 682	180 650
Corporate stock	18 045	78 653
Other debt instruments, including structured debt		57 814
Property investments	991	35 899
Bank deposits	13 713	21 415

Other assets	55 653	57 195	51 303
Total pension funds	289 090	532 085	337 068

Actuarial deviations recognised in comprehensive income

NOK 1 000	2013	2012
Current year actuarial deviation on pension liabilities (defined benefit schemes)	12 559	12 768
Current year actuarial deviation on pension funds (defined benefit schemes)	26 251	14 791
Net actuarial deviation on defined benefit schemes recognised in comprehensive income	38 810	27 559

PENSION COSTS

NOK 1 000	2013	2012
Defined benefit plans	- 24 824	- 8 344
Defined contribution plans	100 442	85 028
Early retirement and other schemes		- 927
Total pension costs recognised in current year payroll costs	75 618	75 757

DEFINED BENEFIT PLAN PENSION COSTS

Pension costs recognised in income statement

NOK 1 000	2013	2012
Present value of this year's pension earned	25 031	24 635
Contribution from employees		- 2 838
Curtailement of pension schemes and plan changes	- 52 684	- 32 255
Social security tax	1 148	113
Administration costs	1 681	1 999
Total pension costs from benefit schemes recognised in salary costs	- 24 824	- 8 344

Interest expense on the pension liability	23 286	20 487
Expected return on pension funds	- 15 976	- 14 725
Total pension costs from recognised in finance costs	7 310	5 762