



Industriens Pension

ANNUAL REPORT

2007

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Introduction

Significantly lower costs

Costs

In 2007, the costs per member were reduced significantly. In 2006 the average costs were DKK 367 per member, plus DKK 49 for costs relating to sickness and accident insurance. In 2007, the average fell by 13 % to DKK 318. Costs relating to sickness and accident insurance amounted to DKK 55 in 2007.

These strong costs reductions should be viewed against the fact that at 1 January 2007 we gathered all customer services in Industriens Pension and thus ended our collaboration with ATP PensionService, who have assisted us with this task since the start of the scheme in 1993.

The cost reductions were effected while at the same time developing a flexible and future-proof IT platform which allows us to meet demands for more options and flexibility from members and businesses.

The reduction in costs is the result of our constant focus on keeping costs down by enhancing the efficiency of our administration while offering a simple pension scheme with a limited, but adequate, product range that complies with our members' needs to supplement payments from the public sector.

The total investment costs represented 0.32 % of the investment assets in 2007.

Investments

In 2007, the investment assets, including the strategic hedging of the interest-rate risk of liabilities, yielded a return of 0.6 %, whereas the return excluding strategic hedging was 2.5 %. As a consequence of developments in the financial markets, the return is lower than in the preceding years.

In the light of the uncertainty of the financial markets, the holding of listed shares was reduced significantly during the year. Instead, the holding of unlisted shares was increased. The return on unlisted shares was more than 25 %.

Interest rates increased during 2007, which led to a modest return from guilt-edged bonds. Bonds in emerging markets and corporate bonds yielded a somewhat higher return.

During 2007, we have hedged a major part of the interest rate risk of liabilities by means of interest rate swaps. This hedging is to ensure that reserves are not affected unintentionally by changes in interest rates. From 2008, in principle the interest rate risk on liabilities has been hedged 100 per cent.

Looking at the return over the entire life of the scheme – i.e. over the last 15 years – the average return is 8.4 per cent; a high level compared with the other labour-market pensions, and compared with the sector in general.

Rate of interest on members' accounts

The rate of interest on members' accounts in 2007 reached 5 per cent p.a. in January and February, and it was then raised to 6.5 per cent per annum. Even though the investment return is lower than the account rate of interest, the account rate of interest was maintained at 6.5 per cent by the start of 2008. This is due to the fact that our reserves are now adequate for us to yield a high account rate of interest while keeping our active investment strategy.

Member contributions

When the scheme was launched in 1993, contributions amounted to a mere 0.9 per cent of members' pay. Contributions have grown over the years, and in 2006 payments reached 10.8 per cent of members' pay. At the industrial collective agreement for 2007, it was agreed to raise members' contributions to 11.1 per cent of members' pay on 1 July 2008 and to 12.0 per cent on 1 July 2009.

Balance Sheet

Over the year, assets increased by DKK 5.4 billion, reaching almost DKK 48.5 billion at the end of the year. The growth is primarily due to member contributions.

Customer service and communication

During 2007 we answered approx. 82,000 telephone calls from members and businesses, and more than 97 per cent of our customers were serviced after a response time of less than 25 seconds.

Out of the total volume of calls, approx. 70 per cent were inquiries from members, 20 per cent were inquiries from companies and 10 per cent related to questions from companies, the social partners and shop stewards about the industrial educational funds and maternity fund.

An average call takes about three minutes. In approx. 90 per cent of all the cases, an inquiry had been satisfactorily answered when the phone was hung up. This means that the customer did not have to get in touch with us again in order to have the case completed.

A case started by a call or an inquiry by e-mail from a customer is, as far as possible, handled and completed by the individual customer consultant receiving the call or e-mail. This provides more effective case administration and additional time to hand-over the case from one person to another is avoided.

Apart from telephone calls, we have also seen a steady increase in the number of inquiries received by e-mail. In 2007, we handled approx. 10,000 e-mail inquiries. Each inquiry is handled as quickly as possible on a day-to-day basis.

We intend to continue development of our internet-based communication in 2008. Back in 2003, Industriens Pension was the first in the sector to offer its customers the possibility of managing their health-related case administration through the internet. This opportunity to gain insight into case processing has been a major success.

We intend to continue developing the interactive dialogue on the internet. The main objective is to meet the communication needs of customers and companies and to provide them with easy access to up-to-date information on their pension schemes.

Communication through the internet also contributes to enhanced cost efficiency, as the number of calls to the customer service is held in check and the costs of updating, printing and distributing printed material are reduced to the benefit of all our members.

More options and flexibility

The request for more options and flexibility from members and companies has made us work intensively over the last couple of years to develop a new IT platform. This was launched on 1 January 2007, and, in the long term, it will enable our members to compose their pension schemes themselves much more than before.

Members will also be given the opportunity to pay in extra contributions to their pension scheme in 2008. They can do this through the new *Fritvalgs Lønkonto* (free choice of wage account) established in the collective agreement, or through individual payments. As a new feature members can also transfer their SP savings with ATP to us.

Savings in the optional supplementary extra pension scheme are made through a pension scheme payable in instalments on general market terms. Members are also offered the option of transferring part of their existing savings on average interest rate terms to savings on market interest rate terms. Similarly, members may choose to invest part of their compulsory pension contributions as savings on market rate terms.

Good and proper corporate governance

In 2004 the Danish Pension Market Council published a report on good and proper corporate governance for labour-market pensions, outlining a number of recommendations for the labour-market pension companies. The primary aim was to prevent conflicts of interest between the management and the pension scheme members.

In Industriens Pension, the recommendations have caused us to intensify our work on good and proper corporate governance and in our annual reports for the preceding years we described several of the measures launched in the light of these recommendations. In accordance with the recommendation from the Minister for Economic and Business Affairs, Bendt Bendtsen, we have published a total overview for this year, in which we address the individual elements of the recommendation, stating whether we have chosen to follow the recommendation in question or have chosen another solution than that recommended by the Pension Market Council.

Management of risks and individual solvency need

In Industriens Pension, we focus on active risk management, among other things to avoid the event of an unforeseen risk reducing the return or increasing the costs for our customers. As part of active risk management, the board of directors adopted a risk management policy in 2007. This includes all types of risk, e.g. the risk on investments due to fluctuations in interest rates or share prices, the risk on insurances because we live longer and therefore require pensions for an increasing number of years, as well as the risk of human errors or IT system errors.

In 2007 the board of directors also made an assessment of the capital required by Industriens Pension in order to be able to meet the total risk (the individual solvency requirement).

Børge Frederiksen
Chairman

Hans Skov Christensen
Deputy Chairman

Members and Companies

Members

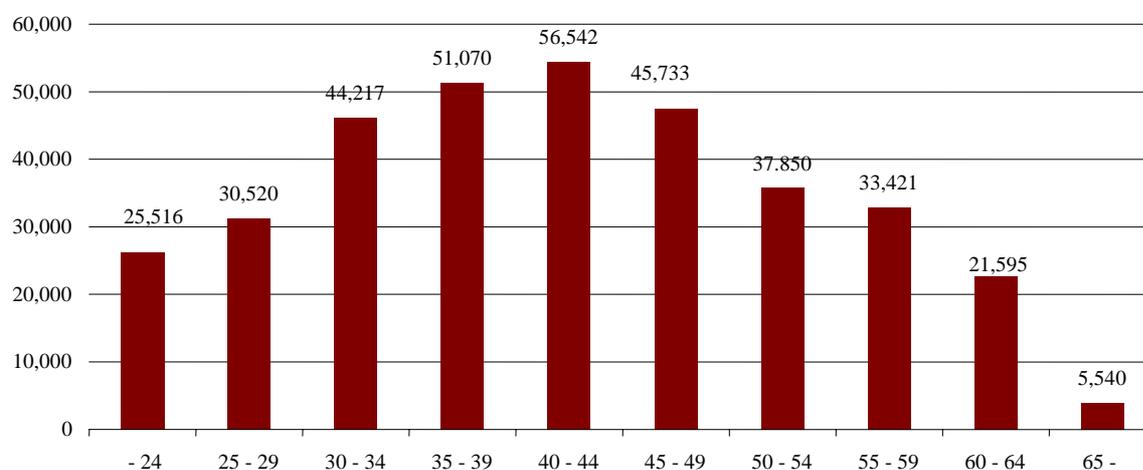
Industriens Pension has a total of 352,004 members, 77 per cent of whom are men. This number increased by 15,279 during 2007. More than half our members are contribution-paying members. Pensioned members still make up a small percentage, but their number is rising.

Table 1 Number of members

| <i>Member category</i> | <i>Number</i> | <i>Percentage</i> |
|-----------------------------------|---------------|-------------------|
| Contribution-paying members | 179,223 | 51% |
| Self-paying members | 5,946 | 2% |
| Contribution-free covered members | 42,741 | 12% |
| 'Dormant' members | 112,016 | 32% |
| Pensioned members | 12,078 | 3% |
| Total | 352,004 | 100% |

With only few elderly members, and with an average age of 42, our group of members is still relatively young.

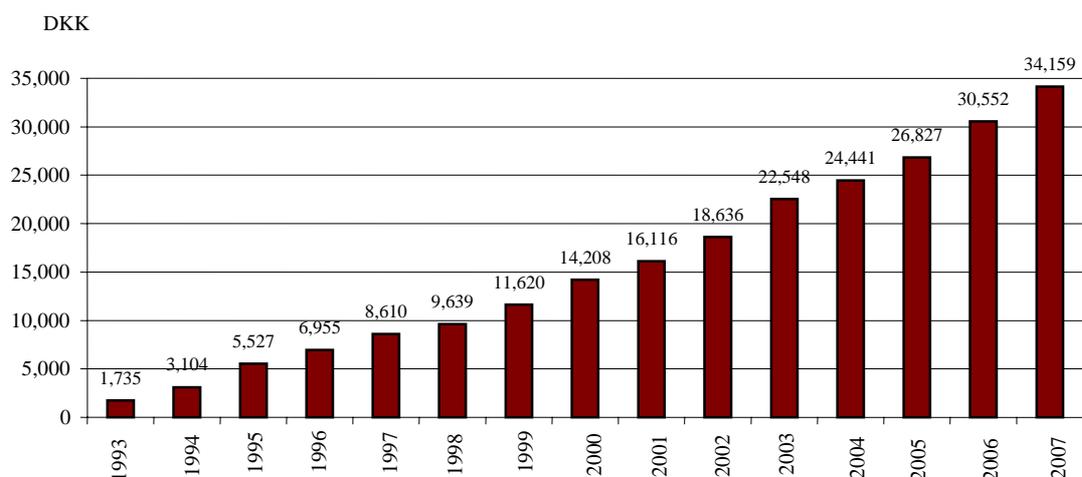
Figure 1 Members analysed by age



Pension contributions

Pension contributions to Industriens Pension came to DKK 6.0 billion in 2007 after social security contributions, or DKK 0.6 billion more than the year before.

The average contribution for a member is DKK 2,847 a month, corresponding to DKK 34,159 on an annual basis.

Figure 2 Average annual payments 1993-2007

The average annual pension contribution has been calculated before deduction of labour market contributions. Transfers and single payments have been excluded from the calculation.

Concurrently with the growing contributions, savings for members' pensions are increasing as well. At the end of 2007, the average pension savings for a contribution-paying member were DKK 126,202.

Payments to members

In 2007, Industriens Pension paid a total of DKK 1.2 billion to members. These payments have been made to the members receiving old-age pensions or disability pensions, members who have certain critical illnesses, members who transfer their pension schemes when changing jobs, or members who cancel their membership. Surviving relatives etc. after members die have also received payments.

Table 2 Disbursements

| <i>Benefits</i> | <i>DKK mill.</i> |
|--|------------------|
| Old-age pensions | 55 |
| Lump sum on old-age retirement | 130 |
| Disability pensions | 157 |
| Disability lump sum | 77 |
| Instalment assurance for surviving relatives | 4 |
| Death lump sum | 171 |
| Lump sum for certain critical diseases | 47 |
| Children's pensions | 12 |
| Lump sum on cancellation of membership | 6 |
| Transfers on change of jobs | 524 |
| Total | 1,183 |

61 per cent of the members who applied for regular disability pension payments and payment of a lump sum on disability have been awarded benefits. The remaining were refused as a medical assessment of their loss of ability to work deemed that they were not entitled to benefits.

Members applying for payment of a lump sum for certain critical illnesses have been awarded the lump sum in 65 per cent of cases. The rest have been turned down, mainly because their diagnosis was not covered by their cover, or because their diagnosis had been made before they were covered by the insurance.

Danish Insurance Complaints Board

Industriens Pension is attached to the Insurance Complaints Board. In 2007, there were 23 complaints against our decisions, and by the end of the year we had 6 cases pending in the Complaints Board. In particular, members disagreeing with our assessment as to whether the terms of the insurance policy give them the right to payment, decide to approach the independent appeals body of the insurance sector.

As a new feature we have chosen to publish the names of our complaints managers with their e-mails on the website in order to provide our members with a person to whom they can direct their complaint. With this feature we have chosen the personal solution in accordance with the executive order on complaints employees in financial enterprises and have thus deselected the solution of having an administrative division as an official complaints unit.

The Complaints Board settled a total of 53 of the cases against Industriens Pension in 2007. Our decisions were upheld in 44 cases and rejected in 1 case, while in 8 cases we re-evaluated the case after it was brought before the Complaints Board, e.g. due to new health information, and made a decision to the benefit of the member.

Decisions by Industriens Pension were thus upheld for 83 per cent of the complaints submitted in 2007. This number is a little higher than the preceding two years, in which our decisions were upheld in 70 per cent of the cases. Compared with the rest of the life assurance and pension sector, we are 13 percentage points above the average of 70 per cent of cases upheld.

Bonuses and rebates on insurance

The net surplus must go back to members. This is why Industriens Pension gives bonuses and rebates on insurance to members in years that are better than expected, for example higher returns on investments or on insurance risks. Bonuses and premium rebates are thus repayments of net surpluses, used to increase members' pensions and to reduce payments for insurance cover.

Part of this surplus is used to accumulate reserves to provide protection against years in which the return on investments is low. This is to ensure that we can grant bonuses in less good years as well.

In 2007, members received DKK 2.3 billion of the surplus by way of bonuses or rebates on insurance. This was achieved particularly by granting pension savings an annual interest rate of 5 per cent p.a. the first two months of the year and 6.5 per cent p.a. for the rest of 2007.

However, the individual members' payments for disability pensions were reduced by 43 per cent, payments for a lump sum on disability were reduced by 5 per cent, payments for a lump sum on death were reduced by 60 per cent and payments for a lump sum for certain critical illnesses were reduced by 30 per cent. The price reduction means increased savings for individual members' old-age pensions.

Furthermore, part of the surplus on the group life scheme is used to pay for the lump sum on death, on disability, and for certain critical illnesses for members with cover for a period where they are exempt from contributions.

This is due to the collective and joint scheme applying for periods when no pension contribution is paid by a member. This may be due to unemployment or illness. Payment by the collective members of the group life premium for such members will ensure that they will still be covered for disability, death or critical illness. In 2007, an amount of DKK 66 million was used for this purpose.

Administration expenses

Industriens Pension still has one of the lowest cost rates in the sector.

In 2007, the cost rate dropped to 2.1 per cent from 2.5 per cent in 2006 (official key figures).

| Table 3 | Costs | | | | |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|
| <i>Cost key figures</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> |
| Cost rate | 3.0% | 2.8% | 2.6% | 2.5% | 2.1% |
| Costs per person insured (DKK) | 320 | 323 | 315 | 367 | 318 |

If the administration costs are calculated per member, they averaged DKK 318 (official key figure). The official key figure does not include costs pertaining to sickness and accident insurance, averaging in 2007 DKK 55 per member against DKK 49 the year before.

Member companies

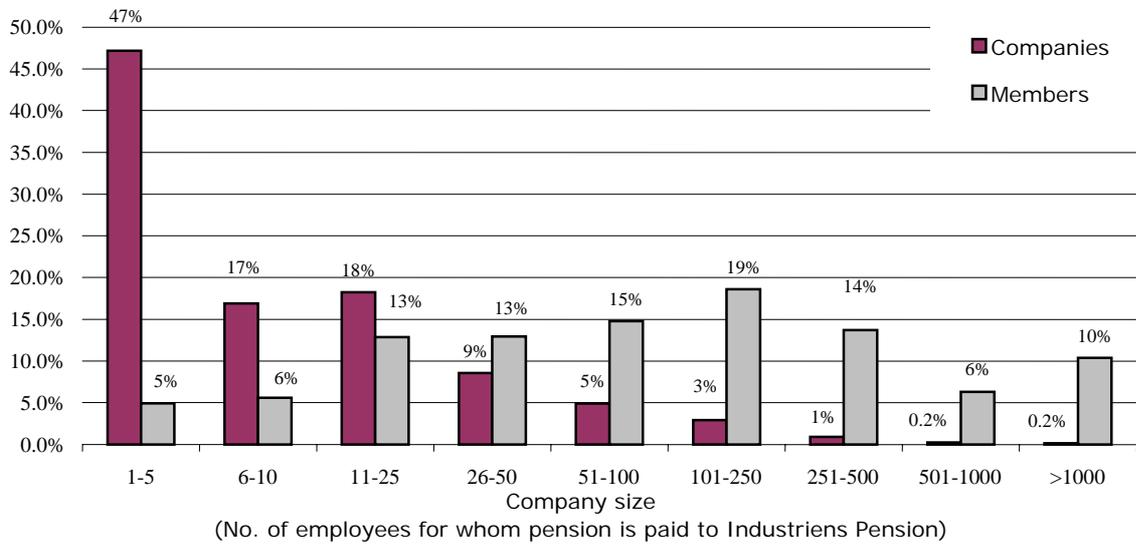
Contributions to members' pensions are made by the companies employing the particular members. In 2007, contribution-paying members were employed by almost 8,000 companies.

About half these companies are small companies paying contributions to Industriens Pension for 1 to 5 employees. Such contributions pertain to 5 per cent of the members of Industriens Pension.

At the opposite end, we have the large companies. Half of members are employed by companies paying pension contributions for more than 100 employees.

12 companies are so big that contributions are made to Industriens Pension for more than 1,000 employees.

Figure 3 Members and companies analysed by company size



Investment Activities

Returns

The result generated by Industriens Pension investment activities consists of the result of the active administration of the investment assets, and of the result of strategic hedging of the interest rate risk on liabilities. Strategic hedging is not managed actively, and returns from this will be determined by developments in the long-term interest rate. The investment results should therefore be viewed on the basis of the result excluding strategic hedging. From 2008 hedging of the interest rate risk on liabilities will be managed actively.

The investment assets, excluding strategic hedging of the interest-rate risk, in 2007 yielded a return of 2.5 per cent before and 2.2 per cent after tax on yields of certain pension-scheme assets. The result is a little lower than the return on the benchmark applied.

Including strategic interest rate hedging, the portfolio yielded a return of 0.6 per cent before and 0.5 per cent after tax on yields of certain pension-scheme assets. Because of the rise in the yield on long-term bonds in 2007, hedging liabilities yielded a negative return.

In the statutory key ratios in the financial statements, the return before as well as after tax on yields of certain pension-scheme assets is 0.2 per cent. There will be minor differences between the official key figures and the calculated investment returns. This is due to differences in calculation methods¹.

¹ Industriens Pension calculates the investment return on listed securities using the time-weighted method, and daily return calculations are made throughout the year. This method is recommended in the international guidelines for calculation of returns – GIPS (Global Investment Performance Standards) - since this method allows particularly for contributions of new funds throughout the year, and will consequently provide the most true and fair view of the investment return attained.

The official key ratios are calculated including direct as well as indirect costs and are calculated on the entire balance sheet (including contribution payments receivable). Furthermore, regular contributions and large price and exchange rate fluctuations through the year may cause the key figures to provide a less accurate picture of the investment return attained.

Figure 4 shows the return on Industriens Pension investments in 2007, as compared to the benchmark returns. Especially unlisted shares generated a high return in 2007, and the return was significantly higher than the benchmark return.

Viewed over the last 5 years, the average return was 9.4 per cent before tax on yields of certain pension-scheme assets, and 8.1 per cent after.

Compared to other Danish life-assurance and pension-insurance companies, the Industriens Pension return over the ten-year period from 1997-2006 has been among the highest.

Figure 4 Return of asset types and their benchmark in 2007

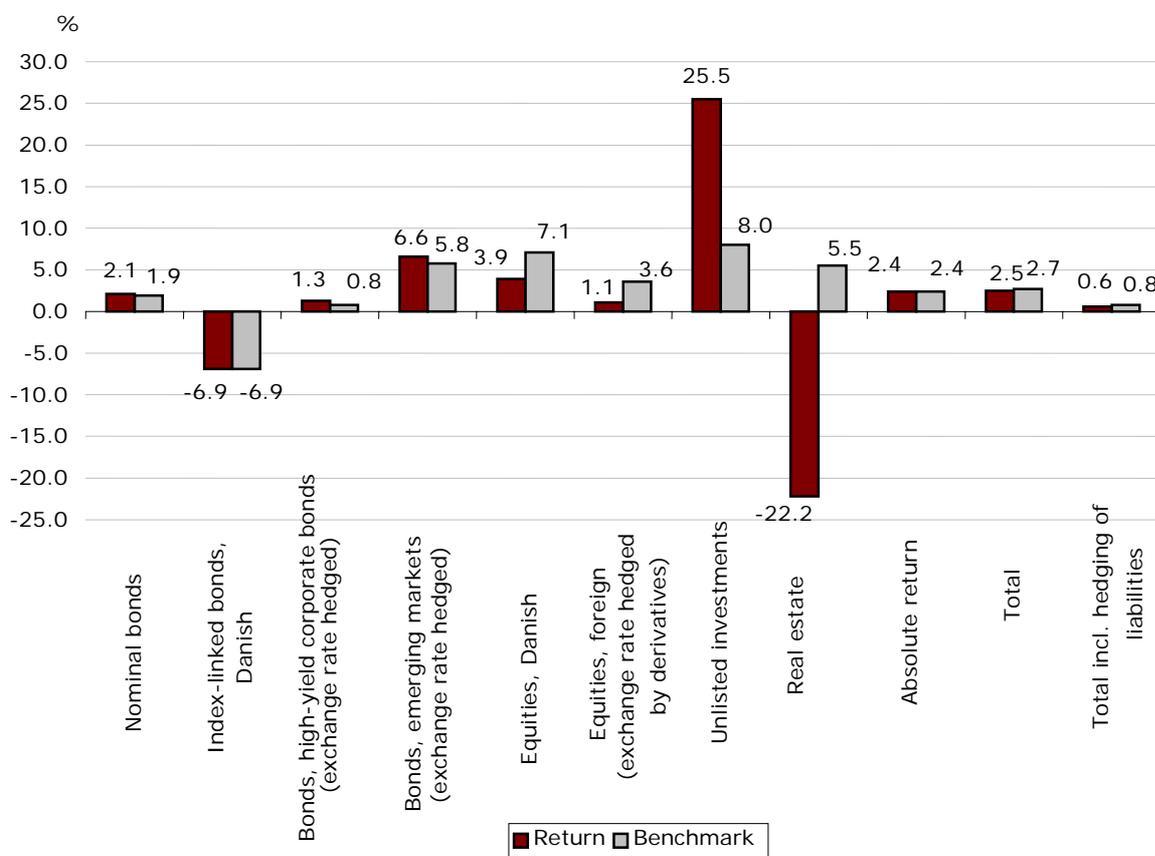
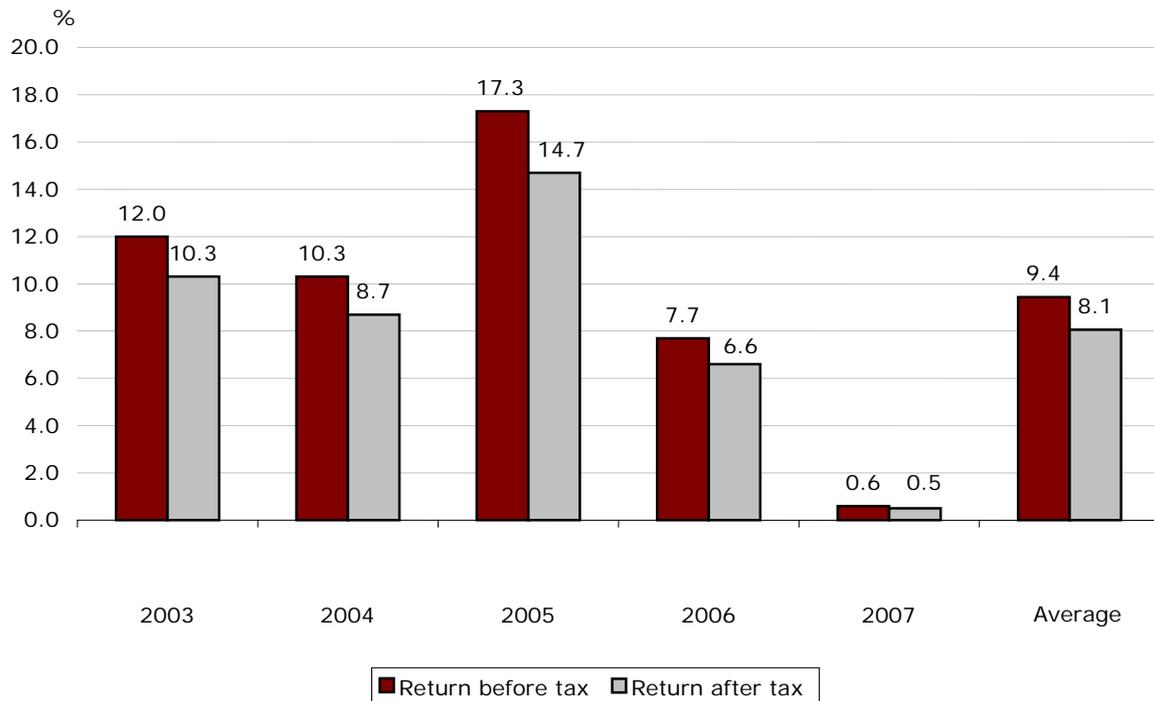


Figure 5 Industriens Pension return before and after tax on yields of certain pension-scheme assets 2003-2007

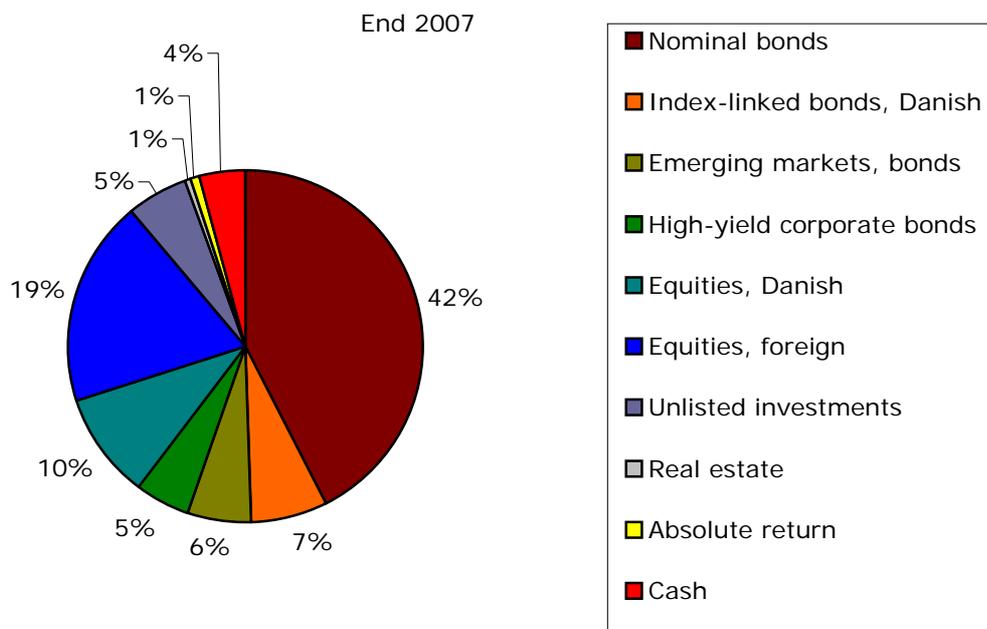
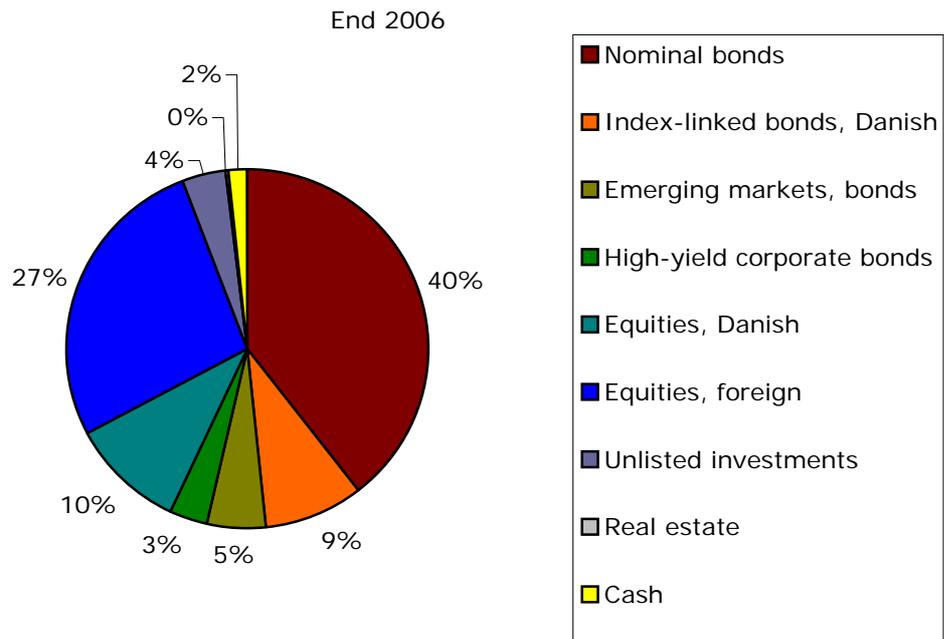


The total investment costs represented 0.32 per cent of the investment assets in 2007.

Investment assets

Figure 6 shows a break-down by asset type. The percentage of foreign shares was reduced significantly in 2007 whereas the percentage of unlisted shares and mortgage bonds was increased. At the end of 2007, the most marked deviations from the benchmark were an underweight of guilt-edged bonds and foreign shares as well as an overweight of liquid assets (which cover both current bank deposits as well as the counterweight of financial instruments).

Figure 6 Break-down of investment assets by asset type end 2006 and 2007



Note: Percentages are stated incl. holdings in futures but excl. the market sensitivity of put options.

Figure 6: The percentage of foreign shares was reduced from approx. 27 per cent in 2006 to approx. 19 per cent in 2007.

Strategy

The Industriens Pension investment strategy aims at making a maximum return after costs and tax on yields of certain pension-scheme assets, while also taking account of the investment risk.

Investment assets are managed on the basis of an active strategy as the additional return from such a strategy is expected to more than offset the additional costs in comparison with the return deriving from a passive strategy which would merely yield the market return. Historically, Industriens Pension has achieved a substantial additional return by active asset management.

Industriens Pension investment activities are of a dual nature: The hedging of the interest rate risk on liabilities and the active administration of investment assets.

Hedging of the interest rate risk on liabilities is conducted by means of interest swaps and swap options. From 2008 the interest rate risk of liabilities will be hedged 100 per cent in principle. Position-taking is, to some extent, made actively in relation to the benchmark. This hedging is to ensure that reserves are not affected unintentionally by significant fluctuations in interest rates.

The investment strategy for the actively managed investment assets is based on an overall fundamental allocation between asset types but with a certain latitude within which the asset types may be overweighted or underweighted. The fundamental allocation framework and latitude of scope are set up on the basis of, amongst other things, total Industriens Pension reserves. An additional return in relation to the fundamental distribution (benchmark) may be achieved by overweighting or underweighting asset types, and by gaining additional returns in relation to benchmarks in the particular asset classes.

The fundamental framework for 2007 and 2008 is illustrated in table 4.

| Table 4 Investment framework and latitude for 2007 and 2008 | | | | |
|--|--|----------------------|--|----------------------|
| <i>Asset type</i> | <i>Fundamental investment framework 2007</i> | <i>Latitude 2007</i> | <i>Fundamental investment framework 2008</i> | <i>Latitude 2008</i> |
| | <i>%</i> | <i>%</i> | <i>%</i> | <i>%</i> |
| Bonds, guilt-edged except Danish index-linked bonds | 42.5 | 17.5-67.5 | 37.5 | 12.5-62.5 |
| Index-linked bonds, guilt-edged | 10 | 0-20 | 7.5 | 0-15 |
| Bonds, foreign, investment grade corporate bonds | 0 | 0-7.5 | 0 | 0-7.5 |
| Bonds, foreign high yield corporate bonds | 5 | 0-10 | 5 | 0-10 |
| Bonds, foreign, emerging markets | 5 | 0-10 | 5 | 0-10 |
| Equities, Danish | 10 | 5-15 | 10 | 5-15 |
| Equities, foreign | 20 | 10-30 | 20 | 10-30 |
| Unlisted equities | 5 | 0-7.5 | 7.5 | 5-10 |
| Real Estate | 2.5 | 0-5 | 2.5 | 0-5 |
| Infrastructure | 0 | - | 2.5 | 0-5 |
| Absolute return investments | 0 | 0-2.5 | 2.5 | 0-5 |
| Cash | 0 | 0-5 | 0 | 0-5 |
| Counter-value of financial instruments | 0 | - | 0 | - |
| Total | 100 | - | 100 | - |

Investment risk management

In 2008, Industriens Pension has implemented a new risk budget model to ensure that the company has a general view of the total Industriens Pension investment risks at all times, and to ensure that these risks are at the level required. This risk budget allows us to assess the overall risk and to compare risk levels across asset classes. Such risk management also includes the interaction between assets and liabilities.

In its continuous monitoring of risks, among other things Industriens Pension has combined Value at Risk key figures and interest-rate risk calculations with the statements of the position in relation to the yellow and red lights. This allows for continuous evaluation of any need to adjust the investment strategy.

In various areas, there are statutory limits for maximum risks. For example, a maximum of 70 per cent of the insurance provisions may be invested in non-gilt-edged assets. Non-gilt-edged assets include items such as shares, corporate bonds, and bonds deriving from the emerging markets. There are also limitations on the amount of permissible investment in any single company, in foreign currency, and in countries outside the OECD area.

To limit investment risks, Industriens Pension has set limits for maximum interest-rate, currency, and counterparty risks which are tighter than those set in the statutory requirements.

The currency risk is limited by statutory congruence rules. Furthermore, Industriens Pension has fixed maximum limits for the total non-hedged position in each currency. The currency risk on foreign bond investments, apart from bonds in Euro, will generally be hedged completely. Investments in bonds issued in Euro are hedged to a varying extent, depending on the prevailing interest and foreign exchange conditions. For foreign equity investments, about 75 per cent of the currency risk deriving from the major currencies will be hedged.

Industriens Pension has a wide margin on the red as well as the yellow lights, and the current risks viewed in relation to the current level of reserves do not give rise to consider adjusting the investment strategy.

Ethics

Industriens Pension has set out the ethical guidelines outlined below:

“Industriens Pension believes that any particular company invested in by Industriens Pension should show its capacity for adapting to developments in attitudes to the environment and ethics on the markets in which the company is operating, this being critical to the success of the company, and thus to the returns earned by Industriens Pension on investing in the company.

Consequently, adaptation by the company to local ethical and environmental standards will form part of investment decisions. It follows that the requirement by Industriens Pension to realize maximum return on investments will, in the long-term, coincide with making ethically and environmentally appropriate investments.

Industriens Pension will not buy shares in companies wilfully breaking rules laid down by national authorities in their countries of operation, or rules set by international organizations of which Denmark is a member.”

Industriens Pension practises full openness on all investments. Current holdings of all investments appear from our website, enabling members and others to monitor in which enterprise investments are made.

Good and Proper Corporate Governance

In 2004 the Danish Pension Market Council published a report on good and proper corporate governance for labour-market pensions.

The recommendations of the Danish Pension Market Council concern:

- The tasks and responsibilities of the board of directors and the board of management, including the general tasks of the board of directors, its financial and administrative tasks and its tasks relating to the benefits and investment, respectively
- Composition of the board of directors, including sharper focus on nomination, and the independence of the board
- Size and educational background of the board of directors as well as the remuneration of the board of directors and the board of management
- Work methods of the board of directors, including information from the board of management to the board of directors as well as rules of procedure
- Openness and transparency, including the annual report
- The "comply or explain" principle in the annual report

Since the release of this report, Industriens Pension has worked systematically with the recommendations and has described them in its annual reports. At the request of the Minister for Economic and Business Affairs, Bendt Bendtsen, and following a recommendation from the Danish Insurance Association, this year we account systematically for our position on the individual recommendations.

Therefore we provide the schematic presentation below, describing for each recommendation whether we follow it or have preferred another solution than that recommended by the Danish Pension Market Council.

The recommendations of "Report on Good and Proper Corporate Governance for Labour-Market Pensions":

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|--|--|---|
| 3.2 | The tasks and responsibilities of the board of directors and management | | |
| 3.2.1 | General tasks of the board of directors | <p>That a policy for IP's core stakeholders is established, which comprises a business concept, fundamental values and objective.</p> <p>That the most appropriate organisation for the completion of tasks is considered when defining strategies.</p> <p>That the above issue is regularly followed up, among other things by benchmarking in relation to costs, returns, service and consultancy.</p> <p>That the board considers options such as outsourcing or collaboration with other institutions, e.g. administrative coordination of joint administrative resources to provide cost synergies.</p> <p>That the board, together with the board of management, ensures ongoing development and follow-up of the required strategies.</p> <p>That the board regularly evaluates its own work, including</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>Explain note 1)</p> |

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|---|---|--|
| | | <ul style="list-style-type: none"> - follow-up of managerial decisions made and their implementation - evaluation of the processes and methods applied - evaluation of the collaboration between the board of management and the board of directors (the chairman of the board of directors bears a special responsibility for this) <p>That the board is evaluated at least once a year.</p> | <p>Explain note 1)</p> |
| 3.2.2 | Financial/administrative tasks of the board of directors | <p>That the board appoints a qualified board of management and lays down the guidelines for its work.</p> <p>That the board appoints a chief actuary.</p> <p>That the board ensures internal and external audits pursuant to regulations and ensures ongoing dialogue with the auditors.</p> <p>That the board is aware of section 70 of the Danish Financial Business Act stipulating that the board of directors is responsible for laying down guidelines for important activities, including the division of duties among the board of directors and the board of management.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |
| 3.2.3 | Tasks of the board of directors regarding benefits | <p>That an assessment of benefits for members is established and performed regularly in cooperation with core stakeholders.</p> <p>That the board of directors considers and analyses the options offered to members.</p> <p>That the board of directors ensures that the board of management is engaged in active dialogue with core stakeholders.</p> <p>That the board of directors focuses on the nature and scope of the risks related to insurance contracts already agreed, with consideration to general risk management.</p> <p>That the board of directors decides upon the insurance risks IP will and should undertake in the future.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |
| 3.2.4 | Tasks of the board of directors regarding investments | <p>That an investment strategy is defined.</p> <p>That the board of directors discusses the investment strategy at every board meeting and that the board is informed about the implementation of the strategy and the result hereof.</p> <p>That the board of directors considers any modifications of the investment strategy on the basis of the above.</p> <p>That the following elements are included in risk management:</p> <ul style="list-style-type: none"> - identification of risks - risk assessment - establishing a risk profile - choice of risk management instruments - reporting on risk management | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|---|--|---|
| | | <p>That the board of directors' investment strategy incorporates the institution's policy on powers of ownership.</p> <p>That the board of directors decides how to react if the company finds itself in a situation that lies beyond the required spectrum, cf. sections 158-169 of the Financial Business Act, the Danish Financial Supervisory Authority's "traffic light" etc.</p> <p>That the board of directors decides which investment risk profile it prefers.</p> <p>That the board of directors lays down the framework for the company's investments in the different asset categories.</p> <p>That the board of management informs the board of directors of the result of compliance with the framework established.</p> <p>That the board of directors decides upon the consequences if investments in accordance with the established framework do not provide the required result.</p> <p>That the board of directors is familiar with and has considered the legal requirements and the Danish Financial Supervisory Authority's requirements as well as the dialogue with the Danish Financial Supervisory Authority on these requirements, in relation to benefits as well as the investments.</p> <p>That focus is on the risks related to societal changes, including modifications of applicable legislation.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |
| 3.3 | Composition of the board of directors | <p>That the board of directors is composed in a way that enables it to undertake its managerial and strategic tasks in an efficient and future-oriented way.</p> <p>That the board of directors may act as a constructive and qualified sparring partner for the board of management, cf. section 64 of the Financial Business Act, according to which the board of directors and the board of management should have adequate experience to perform their jobs.</p> | <p>✓</p> <p>✓</p> |
| 3.3.1 | Sharper focus on nomination of members of the board of directors | <p>That the board of directors prepares a description of the tasks it should handle.</p> <p>That the board of directors prepares a description of the competences and qualifications, of a general as well as specific nature, that should be represented in the board of directors.</p> <p>That the board of directors prepares a description of the formal legal requirements imposed on members of the boards of financial institutions.</p> <p>That it is stated how much time a board position demands.</p> <p>That the board of directors determines whether it</p> | <p>✓</p> <p>Explain Note 2)</p> <p>Explain Note 2)</p> <p>Explain Note 2)</p> |

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|---|--|---|
| | | <p>should define an upper limit for the number of directorships a member can/should hold at the same time.</p> <p>That the board of directors considers whether it should define an upper limit for the age of its members.</p> <p>That the above description is made available for and is discussed at general meetings as well as with nominating organisations.</p> <p>That the nominating organisations consider, on the basis of the above description, whether the entire board of directors can be expected to have the required breadth in relation to desirable competences and qualifications.</p> <p>Prior to nomination of new members of the board of directors, that the nominating organisations discuss with the board a composition that ensures the required breadth without any influence on the nomination right of these organisations.</p> <p>That the board of directors considers the relevance of the following qualification requirements:</p> <ul style="list-style-type: none"> - broad managerial experience - experience with strategic planning - insight into relevant sectoral conditions and collective agreements - insight into accounting matters - insight into financial and investment matters - relevant international experience - knowledge of important legal matters, including legal regulation of relevance to the pension institution - knowledge of important insurance technical matters of relevance to the pension institution - knowledge of IT-related problems <p>That the Danish Pension Market Council is attentive to registered changes in the composition of the board.</p> | <p>Explain Note 2)</p> <p>Explain Note 2)</p> <p>Explain Note 2)</p> <p>Explain Note 2)</p> <p>✓</p> <p>Explain Note 2)</p> |
| 3.3.2 | Independence of the board of directors | That the board of directors operates independently from irrelevant special interests. Observed by virtue of section 8 of the Danish Financial Business Act, which lays down the fundamental and essential procedures on management and organisation of the company. | ✓ |
| 3.4 | Considerations about the size and educational background of the board of directors as well as the remuneration of the board of directors and the board of management | | |
| 3.4.1 | Size | <p>That a board of directors is normally composed of a maximum of five to seven members + employee representatives.</p> <p>That pension institutions with boards of directors consisting of more board members due to historical and organisational reasons consider whether and how they can reduce the number of board members in the long run.</p> | <p>Explain Note 3)</p> <p>Explain Note 3)</p> |
| 3.4.2 | Education | That the board of directors defines the competences and qualifications the entire board | ✓ |

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|---|---|---|
| | | <p>possesses in connection with the description of tasks mentioned in item 3.3.1.</p> <p>That the board of directors considers how to strengthen the qualifications of the board members and to implement the desired initiatives to this end.</p> <p>That a general introductory course to the work of the board of directors is established.</p> <p>That new board members are offered an individual training course.</p> <p>That the board of directors considers the entire board's requests for further training and plans how to meet these in its ongoing evaluation of its work.</p> <p>That the training course offered contains a general introduction to the individual financial institution and its environment as well as an offer for an individually tailored course.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |
| 3.4.3 | Remuneration of the board of directors and the board of management | <p>That the remuneration is fair in relation to the requirements imposed on the board members.</p> <p>That remuneration of the board of management is at a fair and competitive level and reflects its independent efforts.</p> <p>That incentive programmes or performance-related pay are not developed for either the board of directors or the board of management as this may encourage short-term interests.</p> <p>That openness is ensured in relation to severance schemes.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |
| 3.5 | Work methods of the board of directors | <p>That the board of directors' negotiations and all its significant decisions are made in a plenary session.</p> <p>That the objective of board committees is limited to the preparation of decisions and recommendations for the board of directors.</p> <p>That the board lays down procedures for the board of management's reporting to the board of directors as well as for the board of management's other communication.</p> <p>That the rules of procedure are always adapted to the requirements of the institution and that they are regularly reviewed in order to ensure this.</p> | <p>✓</p> <p>Explain Note 4)</p> <p>✓</p> <p>✓</p> |
| 3.6 | Openness and transparency | <p>That the board adopts an information and communication policy.</p> <p>That guidelines are laid down to ensure disclosure of all information of significant importance to the core stakeholders' evaluation of the financial institution, its activities and results.</p> <p>That the management generally ensures comprehensible and adequate communication.</p> <p>That the website of the financial institution is part the process of making information public.</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> |

| No. ref. | Topic | Recommendation of the report | Comply or explain |
|----------|-------|--|-------------------|
| | | That the board of directors has special focus on the information needs related to providing the members of the institution with the option of making individual choices about benefits and investments. | ✓ |
| | | <i>The financial statements</i> That the board of directors publishes an annual report that provides a general impression of the position of the financial institution in connection with the preparation of the financial statements. | ✓ |
| | | That the board of directors accounts for the investment strategy of the financial institution, cf. item 3.2.4, as well as how its has been implemented in the actual investment policy. | ✓ |
| | | That an account is given of the investment policy conducted as well as a description of the changes being considered as a consequence of the result for the year. | ✓ |
| | | That an account is provided of how the financial institution has exercised its power of ownership. | ✓ |
| | | That the annual report lists for each board member his/her position, board and management positions in other companies and relevant organisations, including whether the position is a result of the financial institution's partial ownership of the company in question. | ✓ |
| | | That the annual report also lists for each board member his/her age, duration of the directorship as well as the nominator. | ✓ |
| | | That "comply or explain" appears from the annual report. | ✓ |

Note 1) Evaluation of the work of the board of directors

As regards the Danish Pension Market Council's recommendations about evaluation of the work performed by the board of directors at least once a year, we have decided to assess on an ongoing basis whether our work is being performed well enough, whilst employee representatives and employer representatives regularly review the work of the board of directors so that every aspect of the board work is assessed.

Note 2) Sharper focus on nomination of members of the board of directors

The owner of the company and the social partners ensure that the required competences are available, and that the Danish Pension Market Council's recommendations are observed when nominating new board members. The board of directors' handbook and the extranet for the board of directors etc. ensure an overview of the board's tasks.

Note 3) Size of the board of directors

On several occasions we have assessed the Danish Pension Market Council's recommendation that a board of directors should consist of maximum 5-7 members. However, we believe that we do not see any need to limit the number of directors. On the contrary, we maintain that with our particular group of owners, the board represents the competences necessary to run a modern pension company to the benefit of our customers.

Note 4) Board committees

The Danish Pension Market Council's recommendations that the sole objective of board committees is to prepare the actual board processing is, in our opinion, defined more precisely by the Danish Financial Supervisory Authority, and its guidelines to section 71 of the Danish Financial Business Act, which read as follows:

"Item 45) Therefore, the board of directors cannot legally delegate its decision-making competence to eg. an executive committee. This does not include processing standardised matters which, in accordance with the articles of association or similar must be processed by the board of directors. Matters of this type may be delegated for processing and decision by a sub-committee under the board of directors, provided the full board of directors has stipulated guidelines in advance for processing the matter. These guidelines, as well as the work of the sub-committee on the relevant matters, should be regularly reassessed by the full board of directors. It should be noted that the responsibility for the processing of the matters cannot be delegated."

Within this framework, the board of directors has on some occasions made delegations to the chairmanship and to an Investment Committee and IT Committee appointed by the board. Apart from these delegations, the objective of these committees is limited to the preparation of decisions and recommendations for the board of directors.

Ownership and Management

Industriens Pensionsforsikring A/S and the company Industriens Pension Service A/S, which was founded on 25 September 2007, are fully owned by IndustriPension Holding A/S and are part of the Industriens Pension group together with the fully owned subsidiary, Industriens Pension IT A/S.

Ownership

Industriens Pension was established by the parties behind the industrial collective agreement: the Confederation of Danish Industries (DI) and the CO-industri unions. Together, they paid up the share capital of DKK 125 million in the parent company, IndustriPension Holding A/S. The Confederation of Danish Industries (DI) owns 35 per cent of the share capital. The CO-industri unions hold 65 per cent, distributed as follows:

| | |
|---|---------|
| The United Federation of Danish Workers (<i>3F</i>): | 37.00 % |
| The Danish Metalworkers' Union (<i>Dansk Metalarbejderforbund</i>): | 21.96 % |
| The Danish Timber Trade Federation (<i>Forbundet Træ-Industri-Byg i Danmark</i>): | 3.80 % |
| The Danish Union of Electricians (<i>Dansk EI-Forbund</i>): | 2.00 % |
| The Painters' Union of Denmark (<i>Malerforbundet i Danmark</i>): | 0.12 % |
| The Danish Union of Plumber and Allied Workers (<i>Blik- og Rørarbejderforbundet i Danmark</i>): | 0.08 % |
| The Danish Federation of Salaried Employees in Service Trades (<i>Dansk Funktionærforbund-Serviceforbundet</i>): | 0.04 % |

The board of directors

The board of directors of Industriens Pensionsforsikring A/S has 12 members: 6 employee members and 6 employer members. Employee members will always take the chair, employer members will always put up the deputy chairman.

The board of directors is composed as shown below:

Børge Frederiksen,
Group chairman of Industrigruppen, 3F, and deputy chairman of CO-industri, is the chairman of the board of directors

Hans Skov Christensen,
CEO of the Confederation of Danish Industries, is the deputy chairman

Other members of the board of directors (in alphabetical order):

Lars Andersen,
Director of the Economic Council of the Labour Movement

Kim Graugaard,
Executive director of the Confederation of Danish Industries

Lars Hansen,
Senior shop steward at Lindøværftet, Odense Staalskibsværft A/S

Thorkild E. Jensen,
Union chairman of the Danish Metalworkers' Union and Chairman of CO-industri

Johannes Madsen-Mygdal,
CEO, InterMail A/S

Jette Nielsen,
Shop steward, Radiometer Medical Aps

Jens Due Olsen,
Executive Director

Bo Stærmose,
CEO, Juliana Drivhuse A/S

Bjarne Uldall,
Shop steward, Aarhus Karlshamn Denmark A/S

Carl Chr. Ægidius,
Executive Director

Daily management

The board of management consists of *CEO Erik Adolphsen* and *Executive Director Laila Mortensen*.

The management includes:

Erik Adolphsen, *CEO*

Laila Mortensen, *Executive director*

Joan Alsing, *Insurance director*

Jan Østergaard, *Investment director*

Chief Actuary is Rikke Sylow Francis, *Deputy Director*.

Links to organisations

Industriens Pension is a member of the sector organisation the Danish Insurance Association, and of the Danish Employers' Association for the Financial Sector, the Insurance Complaints Board, and PensionsInfo.

Outlook for 2008

More options and flexibility

In order to meet the request for more options and flexibility from members and enterprises, in 2008 we intend to continue the development of the new IT platform which was launched on 1 January 2007.

With this new IT landscape we have created a good basis for developing the pension scheme in order to enable our members to compose their pension schemes themselves much more than before.

The members will also be given the opportunity to pay in extra contributions to their pension scheme in 2008. They can do this through the new "Fritvalgs Lønkonto", established with the collective agreement or through individual payments.

Clear and transparent communication

In 2008, we intend to continue the work promoting openness and transparency in accordance with the sector recommendations. However, our objective is to go beyond the sector agreement, which is also in accordance with our traditional practice. With this aim we have e.g. published the costs of sickness and accident insurance at corporate level for several years. In 2008 and 2009 we intend to make visible all the costs related to the member's pension scheme for the individual member.

In 2008 we want to strengthen communication efforts with a view to increasing our customers' knowledge of the pension scheme and thus providing them with easy access to clear, comprehensible and relevant advice and information.

Oral communication with our employees continues to be a cornerstone of this work, but internet-based communication will be enhanced in the future. The aim is, in principle, to enable our customers to manage all aspects of their pensions completely through our website. The increasing use of the internet aims at meeting the communication needs of customers and companies in the best possible way, while improving cost efficiency.

Members and contributions

Industriens Pension members are expected to number about 360,000 in 2008, with about 8,000 member companies.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 6.2 billion in 2008. Out of this, DKK 0.5 billion is expected to be paid to the government by way of social security contributions.

Investment activities

The investment strategy for 2008 is organized on the basis of the agreed fundamental investment framework. Deviations from the fundamental framework may follow due to developments in the global investment markets.

From 2008 we are implementing a new investment risk budget as a supplementary management tool. This risk budget allows us to assess the overall risk and to compare risk levels across asset classes.

An innovation is that we intend to hedge the interest rate risk of liabilities by 100 per cent in principle. This hedging is to ensure that reserves are not affected unintentionally by significant fluctuations in interest rates.

The return on our company investment assets in 2008 is expected to be DKK 2.8 billion before tax on yields of certain pension-scheme assets. This has been budgeted on an assumption of largely unchanged Danish and foreign bond interest rates and a return on shares of about three percentage points above the bond rate of interest. The tax on yields of certain pension-scheme assets for 2008 is expected to be approx. DKK 0.5 billion.

Expected result for 2008

For the financial year 2008, a result of DKK 203 million is expected.

Financial Review and Appropriation of Profit for the Year

Contributions

The total contributions in 2007 before social security contributions were DKK 6,466 million, as against DKK 5,888 million in 2006. The contributions after social security contributions rose from DKK 5,436 million in 2006 to DKK 6,023 million in 2007. Social security contributions amounted to DKK 443 million in 2007.

Contributions for sickness and accident insurance before social security contributions have been recognized in the above figures for 2007 in the amount of DKK 354 million.

Result of investment activities

The result of investment activities before tax on yields of certain pension-scheme assets was DKK 96 million in 2007, as compared to DKK 2,796 million in 2006.

The total result of investment activities after tax on yields of certain pension-scheme assets was DKK 110 million in 2007, in comparison with DKK 2,419 million in 2006. The result for 2007 should be seen in the light of developments in the financial markets over the year.

Costs of investment activities were DKK 150 million in 2007, as compared to DKK 115 million in 2006.

Rate of return on members' savings

Total interest of DKK 1,869 million was credited in 2007 as against 1,253 million in 2006, DKK 616 million more than in 2006. This should be seen in the light of the fact that the rate of return on pension savings was 5 per cent in 2006. In 2007, Industriens Pension yielded a rate of return on pension savings of 5 per cent p.a. in the first two months and 6.5 per cent p.a. in the last 10 months.

Insurance benefits

Industriens Pension paid DKK 1,027 million in benefits on life assurance, and a provision for a further DKK 22 million was made to cover claims pertaining to 2007 or earlier. A further amount of DKK 89 million has been transferred to sickness and accident insurance relating to payments for disability pensions established as sickness and accident insurance.

A total of DKK 187 million of benefits was paid on sickness and accident insurance.

Operating costs of insurance activities

The insurance business operating costs were DKK 117 million.

Compared to the operating costs of 2006, operating costs have gone down by DKK 12 million. This is attributable to the fact that fees are no longer paid to ATP PensionService as all customer service was gathered in Industriens Pension on 1 January 2007. The costs for 2006 were, however, influenced by a major fee to ATP, partly due to various VAT-related aspects, and by extraordinary costs relating to closing the operation with ATP.

Development and operation of the new IT systems is in the fully owned subsidiary, Industriens Pension IT A/S. In connection with closing the year, a valuation of the development of the systems was made at the end of 2007. This valuation resulted in a write-off of DKK 6 million in the subsidiary.

Members paid a total of DKK 405 million to cover costs in 2007, excluding sickness and accident insurances. Actual costs were DKK 117 million. The cost surplus was thus DKK 289 million. Of this, an amount of DKK 264 million was transferred to members by way of a special bonus provision. The cost surplus is recognized in the realized result which is appropriated between the members and the company equity capital.

Risk result

In 2007, Industriens Pension showed a surplus on the risk result excluding sickness and accident insurance of DKK 166 million. This risk surplus was generated as a surplus of DKK 111 million on the individual scheme, i.e. primarily from payments for the right of contribution exemption, and a surplus on the group life scheme of DKK 54 million. This risk surplus was generated because fewer members than expected died, became disabled or critically ill. The risk surplus is, like the cost surplus, recognized in the realised result and appropriated between the members and the company equity capital.

Provisions

At the end of 2007, DKK 34,473 million life assurance provisions had been provided, of which the main part covers savings for members' pensions. A further DKK 2,685 million of outstanding claims provisions was provided to cover claims pertaining to 2007 or earlier.

At the end of 2007, DKK 5,012 million had been provided for collective bonus potential, aiming to secure a stable bonus for members in the years to come. In 2007, due to the modest investment result, an amount of DKK 1,586 in total was transferred from the collective bonus potential to members.

DKK 1,449 million have been provided as a special bonus provision allocated to cover the solvency requirement. This provision represents venture capital, built up by the members and made available to cover the solvency requirement. This provision ranks with equity capital and carries the same interest. The special bonus provisions will be returned to members, at the latest when paying benefits under the scheme.

A further DKK 221 million was provided for bonus and premium discounts on sickness and accident insurance which fall to the policy holders, due to a favourable result for the financial year.

Total provisions for insurance contracts were thus DKK 44,358 million at the end of 2007.

Result for year and appropriation

The result for the year shows a profit of DKK 101 million, as against a profit of DKK 274 million in 2006. The result for the year is transferred to equity capital which then totals DKK 3,071 million as at 31 December 2007.

The result for the year of DKK 101 is made up as follows:

| Table 5 | Profit for the year | DKK mill. |
|----------------|--|------------------|
| | Return on equity | 6 |
| | Share of return on risk for period | 0 |
| | Share of profit on sickness and accident insurance | 94 |
| | Share of change in capital requirement on group life | 0 |
| | Profit before tax on yields of certain pension-scheme assets | 100 |
| | Equity capital share of tax on yields of certain pension-scheme assets | 1 |
| | Profit for the year | 101 |

The rules notified by Industriens Pension to the Danish Financial Supervisory Authority entail that the equity capital bears interest on the actual return before tax on yields of certain pension-scheme assets. Subsequently, an adjustment is made for the equity capital share of tax on yields of certain pension-scheme assets. Further, a share of sickness and accident insurance and a share of the change in the solvency requirement on group life are recognized in the result for the year.

For 2007, the risk return is fixed at 0 %.

The realized result is the funds which are to be appropriated between equity capital and special bonus provision on one hand, and members on the other hand. Calculation of the realised result is before crediting bonuses to members and before payment of tax on yields of certain pension-scheme assets.

The result realized for 2007 was DKK 390 million.

| Table 6 | Realised profit or loss on life assurance | DKK mill. |
|---|--|------------------|
| Technical loss on life assurance | | -38 |
| Share not recognised in profit or loss (group life) | | 0 |
| Tax on yields of certain pension-scheme assets | | -14 |
| Transferred from investment return from life | | 7 |
| Bonus allocated | | 1,716 |
| Change in special bonus provision | | 250 |
| Change in collective bonus potential | | -1,586 |
| Distribution of special bonus provision | | 54 |
| Realised profit | | 390 |

Financial position

The base capital, consisting of equity capital and special bonus provision, is to cover the company's solvency requirement. A solvency requirement of DKK 1,304 million and a base capital of DKK 4,520 million thus leaves a margin of 247 %.

The solvency requirement has decreased in 2007 due to the introduction of a relaxation of the regulations. Concurrently with this relaxation, a requirement for an assessment of the company's individual solvency requirement was introduced. This requirement was assessed at the end of 2007 for the first time.

| Table 7 | Financial position | DKK mill. |
|--|---------------------------|------------------|
| Equity capital | | 3,071 |
| Special bonus provision | | 1,449 |
| Base capital | | 4,520 |
| Solvency requirement | | 1,304 |
| Solvency ratio | | 347% |
| Ratio of excess solvency to provisions | | 9% |
| Ratio of bonus potential to provisions | | 15% |

Throughout 2007, Industriens Pension has been in the green light in relation to the risk scenarios of the Danish Financial Supervisory Authority.

2008 developments

From the accounting date and up to today's date, no matters have occurred which affect the view given in the annual financial statements.

Five-Year Financial Summary

| DKK million | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------|--------|--------|--------|--------|
| Premiums | 3,688 | 3,931 | 4,211 | 5,186 | 5,695 |
| Insurance benefits | 889 | 1,044 | 1,086 | 1,061 | 1,138 |
| Investment return | 1,910 | 2,452 | 4,914 | 2,796 | 96 |
| Insurance operating expenses | 110 | 124 | 108 | 129 | 117 |
| Profit or loss of reinsurance | -2 | 0 | -3 | -3 | -3 |
| Technical profit or loss | 159 | 442 | -1 | -29 | -38 |
| Technical profit or loss of sickness and accident insurance | 236 | 279 | 120 | 133 | 131 |
| Profit or loss for the year | 538 | 861 | 436 | 274 | 101 |
| Provisions for insurance and investment contracts | 21,165 | 26,193 | 33,407 | 39,680 | 44,358 |
| Total equity | 1,750 | 2,147 | 2,696 | 2,970 | 3,071 |
| Total assets | 22,995 | 28,474 | 36,499 | 42,960 | 48,457 |

Key ratios for sickness and accident insurance

| | | | | | |
|---------------------|--------|--------|---------|---------|--------|
| Gross claims ratio | 73.8 % | 72.8 % | 159.8 % | 126.2 % | 86.8 % |
| Gross expense ratio | 6.9 % | 5.8 % | 5.5 % | 5.1 % | 3.8 % |
| Combined ratio | - | 79.8 % | 165.7 % | 131.7 % | 90.9 % |
| Operating ratio | - | 66.4 % | 88.2 % | 90.7 % | 77.5 % |

Key ratios for life assurance

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Return before tax on yields of certain pension-scheme assets | 11.5 % | 10.0 % | 16.4 % | 7.3 % | 0.2 % |
| Return after tax on yields of certain pension-scheme assets | 9.9 % | 8.5 % | 14.1 % | 6.4 % | 0.2 % |
| Expenses as a percentage of premiums | 3.0 % | 2.8 % | 2.6 % | 2.5 % | 2.1 % |
| Expenses as a percentage of provisions | 0.7 % | 0.6 % | 0.5 % | 0.5 % | 0.4 % |
| Expenses per member | DKK 320 | DKK 323 | DKK 315 | DKK 367 | DKK 318 |
| Profit or loss on expenses | 0.86 % | 0.81 % | 0.79 % | 0.78 % | 0.81 % |
| Profit or loss on insurance risk | 0.52 % | 0.52 % | 0.59 % | 0.67 % | 0.35 % |
| Ratio of bonus potential to provisions | 11.5 % | 16.1 % | 22.0 % | 23.1 % | 14.6 % |
| Ratio of customers' funds to provisions | 2.6 % | 3.1 % | 3.8 % | 4.2 % | 4.2 % |
| Ratio of owners' funds to provisions | 10.4 % | 10.8 % | 11.4 % | 10.4 % | 8.9 % |
| Ratio of excess solvency to provisions | 7.2 % | 8.3 % | 9.8 % | 9.3 % | 9.3 % |
| Solvency ratio | 223 % | 250 % | 282 % | 275 % | 347 % |
| Return on equity before tax | 37.6 % | 21.3 % | 19.8 % | 10.6 % | 3.3 % |
| Return on equity after tax | 36.3 % | 20.4 % | 17.6 % | 9.7 % | 3.3 % |
| Return on insurance provisions | 9.5 % | 7.0 % | 15.9 % | 6.4 % | -0.7 % |
| Rate of return on special bonus provisions, type B | 12.3 % | 9.0 % | 19.5 % | 10.0 % | 3.1 % |

Statement of the Board of Directors and Board of Management

The board of management and the board of directors have today considered and adopted the annual report for 2007 for Industriens Pensionsforsikring A/S.

The annual report is presented in accordance with the Financial Business Act. In our opinion, the annual report provides a true and fair view of the company's assets and liabilities, and financial position at 31 December 2007 as well as of the result of the company's activities and cash flows in the period 1 January 2007 – 31 December 2007. Furthermore, we believe that the management review provides a true review of the development of the activities and financial circumstances as well as a description of the most significant risks and uncertainty factors that may influence the company.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 26 March 2008

Board of Management:

Erik Adolphsen
CEO

Laila Mortensen
Executive Director

Board of Directors:

Børge Frederiksen
Chairman

Hans Skov Christensen
Deputy Chairman

Lars Andersen

Kim Graugaard

Lars Hansen

Thorkild E. Jensen

Johannes Madsen-Mygdal

Jette Nielsen

Jens Due Olsen

Bo Stærmose

Bjarne Uldall

Carl Chr. Ægidius

Independent Auditor's Report

To the shareholders of Industriens Pensionsforsikring A/S

We have audited the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January – 31 December 2007, including the management endorsement, management report, accounting policies, income statement, balance sheet, equity statement, cash flow statement, and notes. The annual report is presented in accordance with the Financial Business Act.

Management's responsibility for the annual report

The management is responsible for preparing and presenting an annual report providing a true and fair view in accordance with the Financial Business Act. This responsibility includes drawing up, implementation, and maintenance of internal controls relevant for preparing and presenting an annual report providing a true and fair view without material errors and regardless of whether such errors may be due to fraud or error, as well as choosing and applying appropriate accounting policies and making accounting estimates which are reasonable given the circumstances.

Auditor's responsibility and the audit performed

Our responsibility is to express an opinion on the Annual Report based on our audit. We have conducted our audit in accordance with Danish auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In the risk assessment, the auditor considers the internal controls which are relevant to the preparation and presentation of an annual report by the company providing a true and fair view, with a view to preparing auditing procedures appropriate in the circumstances, though not for the purpose of expressing a conclusion about the effectiveness of the internal controls of the company. An audit further includes determining whether the accounting estimates made by the management are reasonable, as well as an assessment of the overall presentation of the Annual Report.

In our opinion, the audit evidence obtained is adequate and appropriate as a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report provides a true and fair view of the company's assets, liabilities, and financial position as at 31 December 2007, as well as of the result of the company activities and cash flows for the financial year 1 January – 31 December 2007 in accordance with the Financial Business Act.

Copenhagen, 26 March 2008

Deloitte

Statsautoriseret Revisionsaktieselskab

Søren Dinesen
State-authorized public accountant

Kasper Bruhn Udam
State-authorized public accountant

Applied Accounting Policies

General

This annual report has been prepared in accordance with the regulations of the Financial Business Act, as well as the Executive Order from the Danish Financial Supervisory Authority on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds).

This annual report has been presented in accordance with the same accounting policies as applied last year.

All amounts shown in the financial statements are presented in whole million DKK. Each figure is rounded separately so there may be differences between the totals stated and the total of the underlying figures.

No consolidated financial statements are presented for the company. The company and its subsidiary Industriens Pension IT A/S are, together with the affiliate Industriens Pension Service A/S, included in the consolidated financial statements of IndustriPension Holding A/S.

The income statement

Income from insurance

Premium income net of reinsurance

Includes pension contributions for January – November 2007, and contributions regarding December 2007, received in the period 1 January - 19 January 2008. December contributions are stated as receivables from policy holders. Contributions for December paid in after 19 January 2008 are not recognized until the income statement for 2008.

Social security contributions are deducted from premium income according to the directions issued by the Danish Financial Supervisory Authority. The gross premium is adjusted for reinsurance premiums ceded.

Total investment return

Income from associated companies

Includes the share of the result in subsidiaries.

Interest income and dividends etc.

Includes the interest earned and dividends received on securities and liquid assets for the financial year. Furthermore, index adjustments on index-linked bonds are included.

Value adjustments

This item covers realized as well as unrealized gains and losses as well as exchange rate adjustments on investment assets.

Administration expenses in connection with investment activities

Administration expenses in connection with investment activities include fees for external portfolio managers, trading and depositary charges, as well as own costs for administration of investment assets.

Tax on yields of certain pension-scheme assets

Tax on yields of certain pension-scheme assets is expensed by the amount calculated on the calculated tax base for the financial year, as well as the change in the provision for deferred tax on yields of certain pension-scheme assets.

Expenses of insurance activities

Benefits paid net of reinsurance

Benefits net of reinsurance include pension scheme benefits paid in the year, adjusted by the change in claims provisions for the year and after deduction for the reinsurance cover.

Change in bonus provisions for group life scheme

The result of the year on the group life scheme is appropriated to bonus and is used to reduce future premiums.

Change in collective bonus potential

Change in collective bonus potential is the part of the realized result accruing to the insurance portfolio beyond the bonus already allocated. In years with a negative realized result on the insurance portfolio after deduction of bonus already allocated, this item will use the collective bonus potential provided in previous years.

Change in special bonus provision

Change in special bonus provision includes a return on the previous year's provision, including any risk return for the year and previous years, as well as the net amount contributed by the members during the year. Finally, the special bonus provision includes a proportionate share of the result of sickness and accident insurance, as well as any change in the capital requirement of the group life scheme.

Intra-group transactions

These arise from administration for IndustriPension Holding A/S, Industriens Pension IT A/S and Industriens Pension Service A/S, for which administration fees are received. These are calculated according to management agreements on a cost-recovery basis. Further, an agreement has been made with Industriens Pension IT A/S on the purchase of IT operating and development costs on market-based terms. Beyond this, there are no material intra-group transactions.

Investment return transferred

Is calculated as the part of the result of investment activities after tax on yields of certain pension-scheme assets which may be used as return on the company equity capital. Furthermore, a proportionate share of the result of investment activities after tax on yields of certain pension-scheme assets is transferred to return on the insurance provisions on sickness and accident insurance.

Technical profit or loss of sickness and accident insurance net of reinsurance

The result of sickness and accident insurance has been calculated according to the rules of sickness and accident insurance. The result of sickness and accident insurance is specified in the notes.

The balance sheet

Tangible Assets

Equipment

Acquisitions of sundry furniture, office equipment and computer hardware are expensed in the year of acquisition under Other external expenses.

Technical equipment etc. is measured at cost less depreciation. Straight-line depreciation is made over the expected life of assets, which has been fixed at five years.

Registered office property

Registered office property is recognised at revalued amount. Value adjustments are recognised directly in the equity capital.

Investment assets

Holdings in group undertakings

Holdings are recognized at the proportionate share of the equity capital of the companies.

Holdings and units in investment associations

Danish and foreign listed shares and units in investment associations are measured at official closing prices on the balance sheet date.

Unlisted shares and unlisted units in investment associations are measured at fair value using recognized methods, including EVCA standards.

Bonds

Bonds are measured at official closing prices on the balance sheet date.

Derivative financial instruments

Futures, purchase and sales options, as well as other derivative financial instruments, are recognized at their current value measured at mid-market prices on the balance sheet date.

Recognition

Investment assets are recognized in the balance sheet on the settlement date. Information on prices etc. appearing after the closing date of the financial statements will only be recognized if these are material to the assessment of the annual report.

Provisions for insurance and investment contracts

Life-assurance provisions

Life assurance provisions are calculated as the capital value of the total commitments on expected future insurance benefits based on a fixed discount rate as well as assumptions on insurance risk and costs, fixed at best estimate. The statement of the life assurance provisions recognizes a premium relating to the uncertainty of fixing best estimate on insurance risk. A fixed discount rate is used, namely the 10-year rate stated by the Danish Financial Supervisory Authority, less tax on yields of certain pension-scheme assets. Life assurance provisions are made by the company chief actuary based on the technical basis notified to the Danish Financial Supervisory Authority. Life assurance provisions are divided between guaranteed benefits, bonus potential on future premiums, and bonus potential on paid-up policy benefits.

Guaranteed benefits include commitments to pay benefits guaranteed on the insurance policy. Guaranteed benefits are calculated as the net present value of the benefits guaranteed on the insurance policy, as well as the net present value of the expected future expenses for administration of the insurance policy less the net present value of the agreed future premiums. Guaranteed benefits contain an estimated amount to cover future benefits originating from insured events occurring in the financial year but not registered at the end of the financial year.

Bonus potential on future premiums covers the net present value of commitments to pay bonuses on agreed premiums not yet due. Bonus potentials on future premiums are made up for the portfolio of the bonus-entitled insurance policies as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits.

Guaranteed paid-up policy benefits are the benefits guaranteed on the insurance policy if the policy is converted into a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the net present value of the guaranteed paid-up policy benefits plus the net present value of the expected future expenses for administration of the paid-up policies.

Bonus potential on paid-up policy benefits covers the net present value of commitments to pay bonuses on premiums already due etc. Bonus potentials on paid-up policy benefits are calculated as the value of policy holder savings less the guaranteed benefits, bonus potentials on future premiums, and the net present value of the future administration results.

Claims provisions

These include insurance benefits due but not yet paid, including bonus as well as other unpaid insurance benefits pertaining to events occurring in the financial year, or earlier.

Claims provisions on sickness and accident insurance include amounts to cover claims arising before the end of the year but not yet paid.

Claims provisions on sickness and accident insurance settled by regular payments have been calculated at their net present value in accordance with actuarial principles by discounting the expected future payments applying the 10-year point on the Danish Financial Supervisory Authority interest-rate curve less tax on yields of certain pension-scheme assets.

Bonus provisions for group life scheme

Pertaining to amounts to be used for reduction of future premiums in the group life scheme for death, disability, and critical illness.

Special bonus provision

The special bonus provision is recognized in the base capital ranking equally with the equity capital. The special bonus provision is venture capital made available by policy holders and constitutes part of the insurance provisions.

Collective bonus potential

Collective bonus potential covers the insurance portfolio share of realized results allocated collectively for equalization of bonus allocation.

Premium provisions

These cover provisions for increasing risk on account of rising age for sickness and accident insurance policies deemed necessary to cover claims and costs in subsequent financial periods for insurance policies in effect on the balance sheet date.

Provisions for bonus and premium rebates

Provisions for bonus and premium rebates are amounts in sickness and accident insurance accruing to policy holders owing to a favourable result in the financial year.

Amounts payable

Amounts payable are measured at amortized cost price.

Contingencies

Commitments regarding guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report.

Cash flow statement

The cash flow statement has been prepared in accordance with the direct method, showing cash flows deriving from operating activities, investments, and financing, as well as the company liquid assets at the beginning and at the end of the year.

Cash flows from operating activities cover cash flows from the insurance activities.

Cash flows from investments cover acquisitions and sales of financial non-current assets, as well as returns on and administration costs of these.

Cash flows from financing include paid-in share capital.

Liquid assets cover solely cash holdings and demand deposits.

Income statement

| Note | | 2007 DKK million | 2006 DKK million |
|------|---|------------------------|------------------------|
| 1 | Gross premiums | 5,695 | 5,186 |
| 2 | Reinsurance premiums ceded | -2 | -2 |
| | Total premium income net of reinsurance | 5,693 | 5,184 |
| | Income from associated undertakings | -13 | -34 |
| 3 | Interest income and dividends, etc. | 1,707 | 1,419 |
| 4 | Value adjustments | -1,443 | 1,526 |
| | Interest paid | -6 | 0 |
| 7 | Administration expenses in connection with investment activities | -150 | -115 |
| | Total investment return | 96 | 2,796 |
| 5 | Tax on yields of certain pension-scheme assets | 14 | -377 |
| | Investment return after tax on yields of certain pension-scheme assets | 110 | 2,419 |
| 6 | Benefits paid | -1,027 | -991 |
| | Reinsurance cover received | 0 | 5 |
| | Change in claims provisions | -22 | -18 |
| | Transferred to sickness and accident insurance | -89 | -52 |
| | Total insurance benefits net of reinsurance | -1,138 | -1,057 |
| 14 | Change in life-assurance provisions | -5,854 | -4,379 |
| | Change in reinsurer's share | 0 | -4 |
| | Total change in life-assurance provisions net of reinsurance | -5,854 | -4,383 |
| 16 | Change in collective bonus potential | 1,586 | -1,372 |
| 17 | Change in bonus provisions for group life scheme | -54 | -72 |
| 18 | Change in special bonus provision | -250 | -294 |
| | Total bonus | 1,281 | -1,739 |

Income Statement (cont.)

| Note | | 2007 DKK million | 2006 DKK million |
|------|--|------------------------|------------------------|
| 7 | <u>Administration expenses</u> | <u>-117</u> | <u>-129</u> |
| | <u>Investment return transferred (-)</u> | <u>-13</u> | <u>-324</u> |
| | TECHNICAL PROFIT OR LOSS | -38 | -29 |
| 8 | TECHNICAL PROFIT OR LOSS FROM SICKNESS AND ACCIDENT INSURANCE | 131 | 133 |
| | <u>Investment return on equity</u> | <u>6</u> | <u>197</u> |
| | PROFIT OR LOSS BEFORE TAX | 100 | 300 |
| | Tax on yields of certain pension-scheme assets for equity capital | 1 | -27 |
| | <u>PROFIT OR LOSS FOR THE YEAR</u> | <u>101</u> | <u>274</u> |

Balance Sheet

| ASSETS | | 2007 | 2006 |
|---------------|--|----------------|----------------|
| Note | | DKK | DKK |
| | | million | million |
| 9 | Equipment | 1 | 1 |
| 10 | Registered office property | 69 | 69 |
| | TOTAL TANGIBLE ASSETS | 69 | 70 |
| 11 | Holdings in group undertakings | 74 | 87 |
| | Loans to group undertakings | 50 | 0 |
| | Holdings in group undertakings | 124 | 87 |
| | Holdings | 17,506 | 17,432 |
| | Units in investment associations | 3,700 | 298 |
| | Bonds | 24,738 | 23,268 |
| | Deposits with credit institutions | 611 | 587 |
| 12 | Other financial investment assets | 424 | 324 |
| | Total other financial investment assets | 46,979 | 41,910 |
| | TOTAL INVESTMENT ASSETS | 47,103 | 41,997 |
| | Amounts receivable from policy holders | 595 | 520 |
| | Other amounts receivable | 14 | 23 |
| | TOTAL AMOUNTS RECEIVABLE | 609 | 543 |
| | Current tax asset | 217 | 0 |
| | Deferred tax asset | 14 | 0 |
| | TOTAL OTHER ASSETS | 230 | 0 |
| | Interest receivable | 446 | 350 |
| | TOTAL ACCRUALS AND DEFERRED INCOME | 446 | 350 |
| | TOTAL ASSETS | 48,457 | 42,960 |

Balance Sheet (cont.)

| LIABILITIES | | 2007 | 2006 |
|--------------------|--|----------------|----------------|
| Note | | DKK | DKK |
| | | million | million |
| | Share Capital | 110 | 110 |
| | Reserve for tax-free retained earnings | 2,430 | 2,329 |
| | Retained earnings | 531 | 531 |
| 13 | TOTAL EQUITY | 3,071 | 2,970 |
| | Premium provisions | 99 | 108 |
| | Guaranteed benefits | -714 | -1,515 |
| | Bonus potential on future premiums | 24,320 | 24,252 |
| | Bonus potential on paid-up policy benefits | 10,868 | 5,882 |
| 14 | Total life-assurance provisions | 34,473 | 28,619 |
| 15 | Claims provisions | 2,685 | 2,465 |
| 16 | Collective bonus potential | 5,012 | 6,598 |
| | Provisions for bonus and premium rebates | 221 | 327 |
| 17 | Bonus provisions for group life scheme | 419 | 365 |
| 18 | Special bonus provisions | 1,449 | 1,199 |
| 19 | TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS | 44,358 | 39,680 |
| | Amounts payable in connection with direct insurance | 15 | 22 |
| | Amounts payable in connection with reinsurance | 0 | 1 |
| | Amounts payable to associated undertakings | 19 | 0 |
| | Current tax liabilities | 0 | 59 |
| 20 | Other amounts payable | 995 | 228 |
| | TOTAL AMOUNTS PAYABLE | 1,029 | 310 |
| | TOTAL LIABILITIES | 48,457 | 42,960 |
| 21 | Contingencies | | |
| 22 | Positions approved by the board of directors | | |
| 23 | Transactions with closely related parties | | |
| 24 | Specification of assets and returns on these | | |
| 25 | Specification of holdings | | |
| 26 | Sensitivity information | | |

Cash Flow Statement

| Note | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| Gross premiums paid | 6,369 | 5,935 |
| Paid on business ceded | -4 | -3 |
| Gross claims paid | -1,218 | -1,162 |
| Group life bonus paid | 0 | -94 |
| Insurance operating costs paid | -151 | -139 |
| Acquisitions and sales of technical equipment etc. | 0 | -1 |
| Cash flows from insurance activities | 4,997 | 4,538 |
| Net payments of interest and dividends etc. | 1,524 | 1,317 |
| Costs paid | -155 | -115 |
| Cash flows from investment activities | 1,369 | 1,202 |
| Social security contributions paid | -457 | -429 |
| Tax on yields of certain pensions-scheme assets paid | -276 | -438 |
| Cash flows from taxes etc. | -733 | -867 |
| Cash flows from total operations | 5,634 | 4,873 |
| 1 Change in financial investment assets | -5,610 | -4,680 |
| Cash flows from investment and sales of investment assets | -5,610 | -4,680 |
| Cash flows from financing | 0 | -50 |
| Change in cash holdings and demand deposits | 24 | 142 |
| Cash holdings and demand deposits brought forward | 587 | 445 |
| Cash holdings and demand deposits carried forward | 611 | 587 |

Note to the Cash Flow Statement

| | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| Note | | |
| 1 Change in financial investment assets | | |
| Net acquisitions (-)/sales | | |
| Danish shares (holdings) | -206 | 192 |
| Foreign shares (holdings) | 840 | -1,315 |
| Unlisted shares | -745 | -818 |
| Danish nominal bonds | -4,942 | -1,551 |
| Units in investment associations | -3,355 | 66 |
| Index-linked bonds | 162 | -341 |
| Foreign bonds | 2,160 | -1,247 |
| Foreign exchange contracts | -1,211 | 29 |
| Financial instruments | 1,688 | 304 |
| Buildings | 0 | 0 |
| Total | -5,610 | -4,680 |

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| 1 Gross premiums | | |
| Current premiums | 5,643 | 4,991 |
| Group risk premiums | 363 | 396 |
| Contributions incl. transfers | 106 | 229 |
| Social security contributions | -417 | -431 |
| Total gross premiums | 5,695 | 5,186 |
| <u>Members with collective agreement-based schemes carried forward</u> | <u>352,004</u> | <u>336,725</u> |
| <u>Members with group life assurance carried forward</u> | <u>234,999</u> | <u>232,129</u> |
| <p>All insurance policies have been taken out with bonus right based on collective agreements, agreements, and similar under which the insurance is a compulsory part of the conditions for employment.</p> <p>All insurances pertain to direct Danish business.</p> | | |
| 2 Profit or loss on reinsurance (life assurance and sickness and accident insurance) | | |
| Reinsurance premiums ceded to other companies | -3 | -4 |
| Reinsurance cover received | 0 | 17 |
| Change in reinsurance reserves | 0 | -16 |
| Total profit or loss on reinsurance | -3 | -3 |
| 3 Interest income and dividends, etc. | | |
| Interest on securities and deposits | 1,211 | 957 |
| Index adjustment | 67 | 79 |
| Dividends on holdings | 429 | 383 |
| Total interest income and dividends etc. | 1,707 | 1,419 |

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| 4 Value adjustments | | |
| Danish listed shares | 92 | 791 |
| Foreign listed shares | -506 | 901 |
| Unlisted shares | 376 | 142 |
| Units in investment associations | 47 | 8 |
| Nominal bonds | -478 | -273 |
| Foreign bonds | -340 | -336 |
| Index-linked bonds | -399 | -98 |
| Deposits with credit institutions | -25 | -35 |
| Financial instruments | -971 | -318 |
| Forward exchange transactions | 761 | 744 |
| Total value adjustments | 1,443 | 1,526 |
| 5 Tax on yields of certain pension-scheme assets | | |
| Tax on yields of certain pension-scheme assets | 0 | 377 |
| Change in deferred tax assets | -14 | 0 |
| Total tax on yields of certain pension-scheme assets | -14 | 377 |
| Exemption fraction PAL sections 7, 15, and 16 | 0.9 % | 0.8 % |
| Reduction for group life assurance recognized in the exemption fraction above. | | |
| 6 Benefits paid | | |
| Insurance sums on death | 131 | 148 |
| Insurance sums on disability | 77 | 101 |
| Insurance sums on critical illness | 47 | 38 |
| Pension and interest benefits | 195 | 183 |
| Instalment insurance | 44 | 35 |
| Surrender (disbursement of small dormant accounts) | 6 | 4 |
| Transfers to other labour-market pension schemes | 522 | 449 |
| Bonus amounts paid in cash (pensioner bonus) | 5 | 34 |
| Total benefits disbursed | 1,027 | 991 |

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|---|------------------------|------------------------|
| 7 Administration expenses | | |
| In the items for administration expenses, administration expenses in connection with investment activities, as well as profit and loss of sickness and accident insurance, the expenses specified below have been recognized: | | |
| Staff expenses | | |
| Staff wages and salaries | 73 | 53 |
| Pension contributions | 8 | 6 |
| Other social security expenses | 2 | 1 |
| Payroll tax | 6 | 3 |
| <hr/> | | |
| Total staff expenses | 89 | 63 |
| Auditor's fee for external auditor | | |
| Statutory audit | 0.5 | 0.5 |
| Other services | 3.5 | 1.2 |
| <hr/> | | |
| Total fee | 4.0 | 1.7 |
| Management and board emoluments | | |
| Board of management | 4.2 | 2.9 |
| Board of directors | 1.2 | 1.2 |
| <hr/> | | |
| Total management and board emoluments | 5.6 | 4.1 |
| <hr/> | | |
| Average number of full-time employees in financial year | 133 | 83 |

Notes to the Financial Statements

| Note | | 2007 DKK million | 2006 DKK million |
|----------|---|------------------------|------------------------|
| 8 | Technical profit or loss on sickness and accident insurance | | |
| | <i>Premium income</i> | | |
| | Current premiums | 354 | 271 |
| | Social security contributions | -26 | -22 |
| | Transferred from life assurance provisions | 89 | 52 |
| | Total gross premiums | 417 | 302 |
| | Reinsurance premiums ceded | -2 | -2 |
| | Change in premium provisions | 9 | 4 |
| | Total premium income net of reinsurance | 424 | 303 |
| | Technical interest | 44 | 39 |
| | <i>Claims expenses</i> | | |
| | Benefits paid | -187 | -166 |
| | Reinsurance cover received | 0 | 13 |
| | Change in gross claims provisions | -266 | -263 |
| | Change in reinsurance share of claims provisions | 0 | -12 |
| | Total claims expenses net of reinsurance | -454 | -428 |
| | Change in provision for bonus and premium discounts | 106 | 38 |
| | <i>Insurance operating expenses</i> | | |
| | Administration expenses | -20 | -17 |
| | Total insurance operating costs net of reinsurance | -20 | -17 |
| | Technical profit or loss | 100 | -66 |
| | Investment return | 118 | 272 |
| | Return on insurance provisions | -87 | -74 |
| | Investment return after technical interest | 31 | 198 |
| | Total technical profit and loss from sickness and accident insurance | 131 | 133 |

With a claims rate of 0.26 %, in 2007 581 claims have been paid with an average indemnity of DKK 742,000.

Notes to the Financial Statements

| Note | | 2007 DKK million | 2006 DKK million |
|-----------|---|------------------------|------------------------|
| 9 | Equipment | | |
| | Accumulated cost price brought forward | 3 | 4 |
| | Acquisitions during the year | 0 | 0 |
| | Disposals during year at cost | 0 | -1 |
| | <u>Accumulated cost carried forward</u> | <u>2</u> | <u>3</u> |
| | Depreciation | | |
| | Accumulated depreciation brought forward | 2 | 2 |
| | Depreciation for the year | 0 | 0 |
| | Value adjustments on assets sold | 0 | -1 |
| | <u>Accumulated depreciation carried forward</u> | <u>2</u> | <u>2</u> |
| | Net book value carried forward | 1 | 1 |
| 10 | Registered office property | | |
| | Revalued amount brought forward | 69 | 69 |
| | Acquisitions | 0 | 0 |
| | Disposals | 0 | 0 |
| | Depreciation | 0 | 0 |
| | Value adjustments recognized direct in equity | 0 | 0 |
| | Value adjustments recognized in income statement | 0 | 0 |
| | <u>Revalued amount carried forward</u> | <u>69</u> | <u>69</u> |
| | External experts have not been involved in measuring the registered office. | | |
| | Rate of return | 5.4 | 5.5 |
| 11 | Holdings in group undertakings | | |
| | Accumulated cost price brought forward | 120 | 70 |
| | Acquisitions during the year | 0 | 50 |
| | <u>Accumulated cost carried forward</u> | <u>120</u> | <u>120</u> |
| | Accumulated value adjustments brought forward | -33 | 2 |
| | Value adjustments for the year | -13 | -34 |
| | <u>Accumulated value adjustments carried forward</u> | <u>-46</u> | <u>-33</u> |
| | Net book value carried forward | 74 | 87 |

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| 11 Holdings in group undertakings (cont.) | | |
| The item holdings in group undertakings consists of the fully owned subsidiary of Industriens Pension IT A/S. The chief activity of this company is that of running all IT operations in Industriens Pensionsforsikring A/S. The company's registered office is in Copenhagen, Denmark. Equity capital according to the latest annual financial statements | 74 | 87 |
| Profit or loss for the year | -13 | -34 |
| 12 Other financial investment assets | | |
| Forward exchange transactions | 261 | 259 |
| Swaps, swaptions, options and futures (interest and share) | 163 | 66 |
| Total other financial investment assets | 424 | 324 |
| 13 Equity capital | | |
| Share capital | 110 | 110 |
| Retained earnings | 531 | 531 |
| Reserve for tax-free retained earnings | 2,430 | 2,329 |
| Total equity carried forward | 3,071 | 2,970 |
| Reserve for tax-free retained earnings | | |
| Balance brought forward | 2,329 | 2,056 |
| Profit or loss for the year | 101 | 274 |
| Balance carried forward | 2,430 | 2,329 |
| The reserve for tax-free retained earnings is subject to special limitations, cf. section 307 of the Financial Business Act on labour-market related life assurance companies. | | |
| Calculated solvency requirement, life assurance | 1,189 | 1,399 |
| Calculated solvency requirement, sickness and accident insurance | 115 | 115 |
| Total calculated solvency requirement | 1,304 | 1,514 |
| Equity capital | 3,071 | 2,970 |
| Special bonus provision | 1,449 | 1,199 |
| Base capital | 4,520 | 4,169 |

The company share capital of DKK 110 million is issued in shares each of DKK 1,000, or multiples of same.

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|---|------------------------|------------------------|
| 14 Life-assurance provisions | | |
| Gross life-assurance provisions brought forward | 28,619 | 24,241 |
| Accumulated value adjustment brought forward | -84 | -515 |
| Retrospective provisions brought forward | 28,536 | 23,726 |
| Gross premiums | 5,695 | 5,186 |
| Premiums for group life scheme | -363 | -396 |
| Addition of interest | 1,869 | 1,253 |
| Insurance benefits | -771 | -671 |
| Costs supplement after addition of costs bonus | -374 | -334 |
| Risk gain after addition of risk bonus | -111 | -176 |
| Transferred to sickness and accident insurance | -89 | -52 |
| Distribution of special bonus provisions | 54 | 0 |
| Retrospective provisions carried forward | 34,444 | 28,536 |
| Accumulated value adjustment carried forward | 29 | 84 |
| Gross life-assurance provisions carried forward | 34,473 | 28,619 |
| Change in gross life-assurance provisions | 5,854 | 4,379 |
| 3 % basis (original basis for writing insurance) | | |
| Guaranteed benefits | 7,893 | 6,724 |
| Bonus potential on future premiums | 10,916 | 11,903 |
| Bonus potential on paid-up policies | 7,575 | 3,975 |
| Total 3 % basis | 26,384 | 22,602 |
| 2 % basis (original basis for writing insurance) | | |
| Guaranteed benefits | -8,607 | -8,239 |
| Bonus potential on future premiums | 13,404 | 12,349 |
| Bonus potential on paid-up policies | 3,292 | 1,907 |
| Total 2 % basis | 8,089 | 6,017 |
| Gross life-assurance provisions carried forward | 34,473 | 28,619 |
| The bonus potential on future premiums has been raised by | 4 | 9 |
| The bonus potential on paid-up policy benefits has been raised by | 25 | 84 |

The life-assurance provisions have been calculated on the basis of a number of parameters for insurance risk, costs, and discount rates, set using best estimates. The uncertainty relating to identifying best estimates is determined on the basis of the uncertainty of the parameters chosen. This uncertainty is assumed to relate to the death risk only. The risk premiums are calculated as the difference between the life-assurance provisions calculated by applying these alternative parameters for the death risk and the life-assurance provisions calculated on the basis of best estimate for the death risk.

Notes to the Financial Statements

| Note | | 2007 DKK million | 2006 DKK million |
|-----------|---|------------------------|------------------------|
| 15 | Claims provisions | | |
| | Provisions for insurance sums on death | 75 | 25 |
| | Provisions for insurance sums on disability | 140 | 156 |
| | Provisions for insurance sums on critical illness | 20 | 14 |
| | Provisions for group life scheme | 105 | 123 |
| | Total claims provisions on life-assurance activities | 340 | 318 |
| | Total claims provisions on sickness and accident insurance | 2,345 | 2,148 |
| | Total claims provisions | 2,685 | 2,465 |
| 16 | Collective bonus potential | | |
| | Collective bonus potential brought forward | 6,598 | 5,225 |
| | Change in collective bonus potential | -1,586 | 1,372 |
| | Collective bonus potential carried forward | 5,012 | 6,598 |
| 17 | Bonus provisions for group life scheme | | |
| | Bonus provisions for group life scheme brought forward | 365 | 292 |
| | Change in bonus provisions for group life scheme | 54 | 72 |
| | Bonus provisions for group life scheme carried forward | 419 | 365 |
| 18 | Special bonus provisions | | |
| | Provision brought forward | 1,199 | 905 |
| | Change in provision for the year | 250 | 294 |
| | Special bonus provisions carried forward | 1,449 | 1,199 |

Notes to the Financial Statements

| Note | 2007 DKK million | 2006 DKK million |
|--|------------------------|------------------------|
| 19 Provision for insurance and investment contracts | | |
| Registered assets | 45,352 | 39,879 |
| | <hr/> | <hr/> |
| Provision for insurance and investment contracts | 44,358 | 39,680 |
| | <hr/> | <hr/> |
| 20 Other debt | | |
| Other debt | 65 | 85 |
| Negative market value of financial instruments | 930 | 143 |
| | <hr/> | <hr/> |
| Total other debt | 995 | 228 |
| | <hr/> | <hr/> |

21 Contingencies

There are no mortgages, warranties, guarantees or similar commitments beyond what appears from the annual financial statements.

At the end of 2007, bonds had been acquired for DKK 468.8 million net, for settlement in the first quarter of 2008.

At the end of 2007, assets had been sold for DKK 0.4 million net, for settlement in the first quarter of 2008.

At the end of 2007, a commitment has been made for investment of DKK 4.1 billion in unlisted shares and holdings.

Duties and positions held by management approved by the board of directors, cf. section

22 80(1) of the Financial Business Act

Erik Adolphsen, CEO acts as CEO of IndustriPension Holding A/S and the fully owned subsidiary, Industriens Pensionsforsikring A/S.

Chairman of the board of directors of Industriens Pension IT A/S. Member of the board of directors of Borgervennen.

Laila Mortensen, Executive Director acts as executive director of IndustriPension Holding A/S, the fully owned subsidiary, Industriens Pensionsforsikring A/S and its subsidiary, Industriens Pension IT A/S as well as CEO of the fully owned subsidiary Industriens Pension Service A/S.

23 Transactions with closely related parties

The company has concluded agreements on the supply of administration services to the parent company, IndustriPension Holding A/S, as well as to the subsidiary, Industriens Pension IT A/S. A similar agreement was made in 2007 with the affiliate Industriens Pension Service A/S. Fees for these services are fixed on a cost-recovery basis. Furthermore, an agreement has been made with the subsidiary on the procurement of IT operating and development services. Fees for these services are fixed on market terms.

Notes to the Financial Statements

24 Specification of assets and returns on these

| | Book value | | Net investments | Rate of return per year before tax on yields of certain pension-scheme assets* |
|---|-----------------|-----------------|-----------------|--|
| | DKK million | | | |
| | Brought forward | Carried forward | | |
| 1.1 Land and buildings directly owned | 69 | 69 | 0 | 0,0 % |
| 1.2 Property companies | 88 | 293 | 225 | -48.1 % |
| 1. Total land and buildings | 156 | 362 | 225 | -14.0 % |
| 2. Other subsidiaries | 87 | 74 | 0 | - |
| 3.1 Listed Danish holdings | 4,370 | 4,668 | 206 | 3.9 % |
| 3.2 Unlisted Danish holdings | 611 | 731 | 16 | 22.4 % |
| 3.3 Listed foreign holdings | 11,496 | 10,335 | -840 | 1.1 % |
| 3.4 Unlisted foreign holdings | 1,029 | 1,832 | 504 | 29.0 % |
| 3. Total other holdings | 17,506 | 17,566 | -114 | 4.3 % |
| 4.1 Government bonds (Zone A) | 4,802 | 2,298 | 597 | 2.2 % |
| 4.2 Mortgage bonds | 11,890 | 17,828 | 2,185 | 2.0 % |
| 4.3 Index-linked bonds | 3,703 | 3,247 | -162 | -6.9 % |
| 4.4 Investment grade mortgage bonds | 0 | 0 | 0 | 0.0 % |
| 4.5 Non-investment grade mortgage bonds | 3,269 | 5,134 | 3,355 | 4.7 % |
| 4.6 Other bonds | 0 | 0 | 0 | 0.0 % |
| 4. Total bonds | 23,664 | 28,507 | 5,975 | -1.9 % |
| 5. Mortgage loans | - | - | - | - |
| 6. Other financial investment assets | 587 | 594 | - | - |
| 7. Derivative financial instruments | 66 | -920 | -477 | - |

*The calculated returns on the particular investment assets as well as total investment assets have been calculated using the time-weighted method, i.e. daily return calculations are made throughout the year. This method is recommended in the worldwide guide for calculation of returns - GIPS (Global Investment Performance Standards), introduced in 1999.

Notes to the Financial Statements

25 Specification of holdings in percent

| | Denmark | Other | North | South | Japan | Other | Other | Not | Total |
|-------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | | European | America | America | | Far East | countries | distrib- | |
| | | countries | | | | Countries | | uted | |
| Energy | 0.7 % | 3.3 % | 10.0 % | 14.3 % | 1.3 % | 13.3 % | 4.4 % | 0.0 % | 4.8 % |
| Materials | 1.3 % | 2.7 % | 3.7 % | 12.0 % | 13.0 % | 7.6 % | 26.1 % | 0.0 % | 4.6 % |
| Industry | 36.1 % | 5.6 % | 8.3 % | 10.2 % | 20.7 % | 10.0 % | 10.1 % | 0.0 % | 15.2 % |
| Consumer products | 2.3 % | 2.9 % | 7.5 % | 17.4 % | 19.6 % | 7.7 % | 6.6 % | 0.0 % | 5.7 % |
| Consumer goods | 5.9 % | 1.4 % | 6.3 % | 7.3 % | 4.8 % | 5.9 % | 12.8 % | 0.0 % | 4.5 % |
| Healthcare | 9.9 % | 1.9 % | 10.3 % | 1.2 % | 5.1 % | 1.4 % | 3.1 % | 0.0 % | 5.7 % |
| Finance | 15.9 % | 10.1 % | 11.7 % | 25.5 % | 16.3 % | 33.2 % | 34.4 % | 0.0 % | 15.0 % |
| IT | 1.4 % | 1.2 % | 13.9 % | 2.0 % | 13.3 % | 8.3 % | 0.0 % | 0.0 % | 5.0 % |
| Telecommunication | 0.0 % | 2.0 % | 3.2 % | 7.4 % | 2.6 % | 10.6 % | 2.5 % | 0.0 % | 2.5 % |
| Supply | 0.0 % | 1.4 % | 2.0 % | 1.9 % | 3.3 % | 1.7 % | 0.0 % | 0.0 % | 1.3 % |
| Not analysed | 26.5 % | 67.5 % | 23.0 % | 0.9 % | 0.0 % | 0.2 % | 0.0 % | 0.0 % | 35.7 % |
| Total | 24.5 % | 36.7 % | 19.1 % | 2.7 % | 7.3 % | 6.6 % | 3.1 % | 0.0 % | 100 % |

Notes to the Financial Statements

26 Sensitivity information

| Event | Minimum effect on base capital | Maximum effect on collective bonus potential | Maximum effect on bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits | Maximum effect on applied bonus potential on paid-up policy benefits |
|---|--------------------------------|--|--|--|
| Interest rate rise of 0.7 percentage points | -545 | -2,709 | 2,744 | 0 |
| Interest rate drop of 0.7 percentage points | 638 | 3,145 | -3,183 | 0 |
| Share price drop of 12 % | -241 | -1,201 | 0 | 0 |
| Property price drop of 8 % | -3 | -17 | 0 | 0 |
| Exchange rate risk (VaR 99.5 %) | -52 | -260 | 0 | 0 |
| Loss on counterparties of 8 % | -88 | -437 | 0 | 0 |
| Drop in mortality intensity of 10 % | 0 | -11 | -792 | 0 |
| Rise in mortality intensity of 10 % | 0 | 4 | 731 | 0 |
| Rise in disability intensity of 10 % | 0 | -7 | -15 | 0 |

Managerial Positions

Board of management

Erik Adolphsen (born 1947)

CEO of IndustriPension Holding A/S,

and the fully owned subsidiary Industriens Pensionsforsikring A/S.

Chairman of the board of directors of Industriens Pension IT A/S.

Member of the board of directors of Industriens Pension Service A/S.

Member of the board of directors of Borgervennen.

Laila Mortensen (born 1965)

Executive Director of IndustriPension Holding A/S,

and the fully owned subsidiary Industriens Pensionsforsikring A/S.

CEO of Industriens Pension IT A/S.

Managing Director of Industriens Pension Service A/S.

Board of Directors

Børge Frederiksen (born 1949)

Group chairman of Industrigruppen, 3F,

and deputy chairman of CO-industri.

Chairman of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 27 November 2001.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- IndustriPension Holding A/S, chairman of the board of directors
- Industriens Pension Service A/S, chairman of the board of directors
- Selvstændighedsfonden and Young Enterprise, member of the board of directors
- Laugesens Have, Kursuscenter A/S, member of the board of directors

Hans Skov Christensen (born 1945)

CEO of the Confederation of Danish Industries (DI)

Deputy chairman of Industriens Pensionsforsikring A/S

Date of taking office: 1 December 1992.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- IndustriPension Holding A/S, deputy chairman
- Industriens Pension Service A/S, deputy chairman
- Tivoli A/S, member of the board of directors
- FIH Erhvervsbank A/S, chairman of the board of directors
- Aktieselskabet Kristeligt Dagblad, chairman of the board of directors

Kim Graugaard (born 1961)

Executive Director of the Confederation of Danish Industries (DI)
Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 April 2005.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- IndustriPension Holding A/S, member of the board of directors
- Industriens Pension Service A/S, member of the board of directors
- ATP, member of committee of representatives
- Confederation of Danish Employers (DA), member of the board of directors
- Statistics Denmark, board member

Lars Hansen (born 1955)

Senior stop steward at Lindøværftet,
Odense Staalskibsværft A/S.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 May 2003.

Appointed by the CO-Industri unions.

Other board of directors and board of management positions:

- None

Thorkild E. Jensen (born 1950)

Union Chairman of the Danish Metalworkers' Union,
and Chairman of CO-industri.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 April 2004.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- IndustriPension Holding A/S, member of the board of directors
- Industriens Pension Service A/S, member of the board of directors
- Selvstændighedsfonden and Young Enterprise, member of the board of directors
- Aktieselskabet A-Pressen – Fagbevægelsens Presse, member of the board of directors
- Aktieselskabet Arbejdernes Landsbank, member of the board of directors

Lars Andersen (born 1958)

Director of Arbejderbevægelsens Erhvervsråd.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 April 2005.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- IndustriPension Holding A/S, member of the board of directors
- DSB, member of the board of directors
- Naesborg A/S, member of the board of directors
- Industrialisation Fund for Developing Countries, member of the board of directors
- Investment Fund for Central and Eastern Europe, member of the board of directors
- The Investment Fund for Emerging Markets, member of the board of directors
- Næstved Gymnasium og HF, member of the board of directors

Johannes Madsen-Mygdal (born 1951)

CEO of InterMail A/S.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 31 May 2001.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- InterMail A/S, member of the board of directors
- Jansson Et Bjelke AS, Oslo, member of the board of directors
- Lettershop Scandinavia AB, Stockholm, member of the board of directors
- OP Kuvert AB, Oskarshamn, chairman
- Monberg Sørensen A/S, chairman
- EmballageIndustrien, member of the board of directors
- StroedeRalton AB, Stockholm, chairman
- Turun Kirjekuoritehdas OY, Åbo, chairman

Jette M. Nielsen (born 1957)

Shop Steward of Radiometer Medical ApS.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 27 February 2006.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- Radiometer Medical ApS, ME member of the board of directors
- 3F Industri og Service, member of the board of directors

Jens Due Olsen (born 1963)

Executive Director

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 May 2002.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- Cryptomatic A/S, member of the board of directors
- NKT Holding A/S, member of the board of directors
- Hungarian Telephone and Cable Corp., member of the board of directors and member of the audit committee

Bo Stærmose (born 1948)

CEO, Juliana Drivhuse A/S.

Deputy chairman of by the Confederation of Danish Industries (DI).

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 27 February 2006.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- IndustriPension Holding A/S, member of the board of directors
- Fionia Bank A/S, chairman of the board of directors
- Juliana Holding A/S, chairman of the board of directors
- A2SEA A/S, member of the board of directors
- Forretningsudvalget for Kong Frederik IX's hæderspris for dansk eksport
- The Danish Export Council (Danish Ministry of Foreign Affairs), member of the board of directors
- Provinsindustriens Arbejdsgiverforening, deputy chairman
- Fionia Banks Aktiefond, chairman
- International Chamber of Commerce, member of the board of directors

Bjarne Uldall (born 1948)

Senior shop steward at AarhusKarlshamn Denmark A/S.

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 May 2002.

Appointed by the CO-industri unions.

Other board of directors and board of management positions:

- Aarhus United A/S, member of the board of directors
- AarhusKarlshamn Denmark A/S, member of the board of directors

Carl Chr. Ægidius (born 1944)

Executive Director

Member of the board of directors of Industriens Pensionsforsikring A/S.

Date of taking office: 28 April 2004.

Appointed by the Confederation of Danish Industries (DI).

Other board of directors and board of management positions:

- Simcorp A/S, member of the board of directors
- M. Goldschmidt Holding A/S, member of the board of directors

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