

Annual Report

2009

Table of contents

Introduction	1
Financial and operating data	2
Insurance and pension-related activities	3
Investment activities	8
Risk	13
Corporate Social Responsibility	16
Result for the year	19
Outlook for 2010	21
Statement by management	22
Independent auditor's report	23
Accounting policies	24
Income statement	31
Balance sheet	33
Notes	35
Ownership, management and managerial positions	52

Introduction

In 2009, Industriens Pension obtained one of the best investment results in the history of the company. The return on actively managed investment assets came to 22.4% before tax and funding for future pension liabilities. The basis for the good result was created long before the financial crisis, where timely hedging of the interest-rate risk on our obligations to members ensured that reserves were kept safe during and after the financial crisis.

At the start of 2009, Industriens Pension was thus able to increase its investment risk without risking members' pensions. When the financial markets began developing more positively at the start of the year, Industriens Pension was able to make massive increases in investments in shares and credit bonds. Primarily these assets have contributed to the extraordinarily high return.

The good investment result has meant that reserves increased significantly. This means that Industriens Pension has room to manoeuvre investment risks, while also being able to provide members with the highest account rate in Denmark. In 2010, the account rate is 6% after tax.

The favourable reserve-situation of Industriens Pension means that there are no current considerations to introduce market interest-rate terms on the compulsory scheme. With the required reserves, a collective pension scheme on average interest-rate terms is the best way to ensure members' financial security and the largest pensions.

Membership development is being influenced by growing unemployment in industry. Many of the members have stopped paying contributions to their pension scheme after losing their jobs. In these situations, Industriens Pension has focused on providing

information about the possibilities of transferring the pension scheme in the wake of the many dismissals. The aim is to ensure that members are not suddenly without insurance cover when the partly joint 12 months' cover after dismissal expires.

The slowdown in memberships was partly offset by the merger with pension funds in the food industry. In 2009 Industriens Pension welcomed 44,000 new members and 1,200 enterprises.

In the years to come, there will be continued focus on costs to ensure that administrative costs per member remain the lowest in the pension sector.

In 2009, pension schemes were adjusted to the Danish Welfare Agreement and the increasing life expectancy. Consequently, assumptions about life expectancy when calculating pensions have changed, and insurance cover for critical illness and death has been prolonged to 67 years.

As a new initiative, in 2010, members will have the opportunity to raise or lower their insurance cover and instead save less or more for their pensions. By introducing this type of flexibility, members are given the opportunity to adjust their pension scheme to their own situation, and members will thereby attain the highest possible financial security.

Despite a long period with financial turbulence on the markets, Industriens Pension holds an exceedingly strong position financially. Members of Industriens Pension have good, stable and flexible pension schemes, and Industriens Pension can afford to take the right investment risks without risking members' pensions. In times of great uncertainty, being able to provide members with this financial security is very satisfactory.

Financial and operating data

<i>DKKmill.</i>	2005	2006	2007	2008	2009
Income statement items					
Premiums	4,836	5,856	6,248	6,748	5,963
Investment return	5,597	3,096	212	1,144	8,075
Insurance benefits	-1,215	-1,235	-1,346	-1,703	-2,227
Total change in life-assurance provisions	-7,694	-6,856	-5,000	-5,666	-9,820
Tax on yields of certain pension-scheme assets	-854	-445	3	-176	-1,197
Insurance operating expenses	-124	-146	-134	-162	-162
Profit or loss on sickness and accident insurance	120	133	131	24	62
Other items	-214	-127	-7	-89	-318
Net profit or loss for the year	449	279	103	117	376
Assets					
Investment assets	40,723	47,871	53,485	66,402	74,034
Investment assets linked to market interest-rate contracts	0	0	0	17	53
Other assets	1,022	1,025	1,385	1,483	1,365
Total assets	41,744	48,894	54,871	67,902	75,452
Liabilities					
Total equity	2,788	3,067	3,170	3,287	3,662
Total provisions for insurance and investment contracts	38,517	45,526	50,631	56,934	67,487
Other liabilities	439	301	1,070	7,681	4,303
Total liabilities	41,744	48,894	54,871	67,902	75,452
Calculated solvency requirement of the company	1,468	1,722	1,500	1,801	1,826
Base capital	4,112	4,203	5,025	5,385	6,179
Return before tax on yields of certain pension-schemes					
Industriens Pensionsforsikring	16.2%	7.1%	0.4%	2.0%	13.0%
PNN	15.7%	5.2%	1.4%	-15.9%	
PHI	18.9%	6.5%	3.2%	-15.5%	
Ratio of bonus and excess solvency to provisions					
Industriens Pensionsforsikring	28.3%	29.7%	22.1%	17.0%	23.8%
PNN	8.0%	12.2%	10.6%	4.4%	
PHI	14.0%	20.5%	19.6%	5.6%	
Expenses as a percentage of premiums					
Industriens Pensionsforsikring	2.6%	2.5%	2.1%	2.4%	2.7%
PNN	2.4%	2.4%	2.3%	2.8%	
PHI	3.1%	3.0%	2.8%	3.1%	
Expenses per member					
Industriens Pensionsforsikring	DKK 329	DKK 375	DKK 329	DKK 379	DKK 369
PNN	DKK 315	DKK 367	DKK 318	DKK 365	
PHI	DKK 322	DKK 326	DKK 313	DKK 391	
	DKK 338	DKK 350	DKK 326	DKK 374	
Number of members carried forward					
	359,746	375,522	391,862	406,067	403,496

Insurance and pension-related activities

Merger

Effective from 1 January 2009, Industriens Pension merged with the pension funds of the food industry; PNN PENSION and PHI pension, with Industriens Pension as the continuing company.

With the merger, Industriens Pension attained 43,894 new members, of which 18,759 are paying pension contributions.

Fewer contribution-paying members

At the end of 2009, Industriens Pension had a total of 403,496 members. The number of members, including members from the pension funds of the food industry, has fallen

by 2,571. This slowdown is a direct consequence of growing unemployment in industry.

In 2009, a total of 9,300 enterprises were paying pension contributions to Industriens Pension.

The number of members paying contributions to their own pension scheme rose in 2009, but the group of self-pay members is still quite small.

Pensioned members still make up a small percentage, but their number is rising.

Table 1 Number of members

	2005	2006	2007	2008	2009
Contribution-paying members	197,447	201,318	198,155	193,400	165,143
Self-paying members	6,012	6,076	6,812	5,959	7,552
Members exempt from contributions	41,051	43,845	48,601	53,041	51,119
Total active members	244,510	251,239	253,568	252,400	223,814
Inactive members	105,427	112,553	124,087	136,326	158,954
Pensioned members	9,809	11,730	14,207	17,341	20,728
Total	359,746	375,522	391,862	406,067	403,496

For the years 2005-2007 the number of double memberships is estimated.

Pension contributions were raised

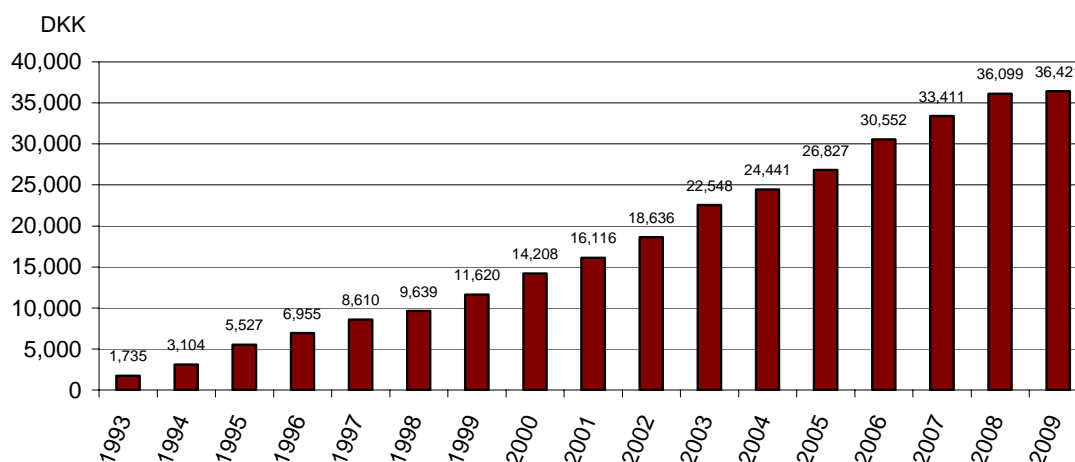
Due to an increase in pension contributions from 1 July 2009, established in the collective agreement, the fall in the number of contribution-paying members only resulted in a drop of DKK 677 million in total payments before social security contributions, from DKK 7,726 million in 2008 to DKK 7,049 million in 2009.

Contributions for sickness and accident insurance before social security contributions

have been recognised in the total contributions by the amount of DKK 556 million in 2009 and DKK 419 million in 2008.

Voluntary contributions for the supplementary savings product Ekstrapension (unit-linked contracts) have been recognised in the total contributions by the amount of DKK 32 million in 2009 against DKK 18 million in 2008.

The average contributions from a member were DKK 3,035 per month in 2009.

Figure 1 Average annual contributions 1993-2009

The average annual pension contributions are calculated for Industriens Pension alone, and are shown before deduction of social security contributions. The figures for PNN and PHI show the same development.

Payments to members

In 2009, Industriens Pension paid a total of DKK 2,230 million to its members. Payments thus rose by nearly DKK 500 million.

The most important reason for this increase

was transfers to other pension companies as members changed jobs, and the average transferred amounts increased. In addition, payments generally rose, as Industriens Pension is a young company with an increasing number of pensioners.

Table 2 Payments

Benefits	DKKmill.
Old-age pensions	372
Loss of ability to work	333
Lump sum on death	271
Lump sum for certain critical illnesses	73
Transfers on change of jobs	1,152
Other payments	29
Total	2,230

Adjustment of insurance cover

On 1 July 2009, a number of changes to the pension scheme were implemented. This was done partly to satisfy wishes from members, and partly to adjust the pension scheme to the Danish Welfare Reform, according to which the state retirement age is raised to 67 years.

Critical illness

- The insurance sum rose from DKK 50,000 to DKK 100,000, and it is tax-free.
- The insurance policy is valid until members reach 67 years or enter into early retirement; previously the age-limit was 60 years.
- The insurance sum may be paid, even if members have had the same illness before. However, they must have been reported fit for duty for a minimum of seven years before contracting the disease again. Members may only have their insurance sum paid out once.

Loss of ability to work

- Members are entitled to have their disability pension paid out until they reach 67 years, provided that they lose at least two-thirds of their ability to work before the age of 60. Previously payments would cease at the age of 65.
- Disability pensions are set at a maximum of DKK 60,000 per annum. This prevents any deductions in the state disability pension.

In the case of death

- The insurance policy is valid until members reach 67 years or enter into early retirement.
- Previously payments would cease at the age of 65.

No offsetting

- The rules on offsetting between payments in the case of critical illness, loss of ability to work and death have been removed.

Child pension abolished

- The child pension in case of loss of ability to work, death and retirement, has been abolished. Members, who have no children under the age of 21, thereby avoid paying

contributions for an insurance policy that they will not benefit from.

Changed calculation basis

As part of the Danish Welfare Reform, the state retirement age was raised to 67 years because of an increase in life expectancy. Since 1 July 2009 it has been presupposed that contributions continue until age 67 when calculating expected pensions.

As a consequence of increasing life expectancy, it is now presupposed that members live three years longer on average than previously. Therefore, old-age pensions must be paid over a longer period. Seen in isolation, this means that, in one of the calculation bases, the expected annual retirement of members will be slightly lower than previously expected.

At the same time, assumptions regarding how many members will be losing their ability to work, have changed. The percentage of members losing their ability to work has been reduced by 20%, which means that members' expected pension payments will be slightly higher.

Danish Insurance Complaints Board

Industriens Pension is attached to the Danish Insurance Complaints Board. In 2009, there were 15 complaints against our decisions; the lowest number in five years. At the end of the year, there were 10 cases pending in the Complaints Board.

In particular, members disagreeing with our assessment of the extent of their loss of ability to work decided to approach the independent appeals body of the insurance sector.

The Complaints Board decided 23 of Industriens Pension's cases from 2008 and 2009. Industriens Pension chose to satisfy claims in two cases. One case was dismissed by the Complaints Board. Our decisions were upheld in the remaining 20 cases.

As regards the schemes in PHI pension, one case was decided by the Complaints Board and for PNN PENSION, three cases were decided. Our decisions were upheld in all four cases.

Bonuses and rebates on insurance

The entire net surplus must go back to our members. This is why Industriens Pension gives bonuses and rebates on insurance to members in years that are better than expected.

Part of this surplus is used to accumulate reserves to provide protection against years in which the return on investments is low, thereby ensuring members the highest pensions possible.

In 2009, members received DKK 998 million of the surplus by way of bonuses or rebates on insurance. This was achieved particularly by granting pension savings an annual interest rate of 2.5% per annum in 2009. Furthermore, member disability pension payments were reduced by 13%; payments for a lump sum disability benefit were reduced by 60%; payments for a lump sum on death were reduced by 25%; and payments for a sum in the case of critical illness were reduced by 10% up until 1 July 2009, where the cover for

certain critical illnesses was increased and the age limit raised. For the rest of the year, payments for insurance for certain critical illnesses were reduced by 4%.

The bonus and price reduction means increased savings for individual members' old-age pensions.

Furthermore, part of the surplus on the group life scheme was 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. The reason may be unemployment or illness. Payment by the collective members of the group life premium for such members will ensure that they are still covered for certain critical illnesses, loss of ability to work or death. In 2009, an amount of DKK 108 million was allocated for this purpose.

Administration costs

The cost rate rose to 2.7% from 2.4% in 2008 (official key figures). The increase was solely due to falling premium income from life assurance in 2009.

Table 3 Costs

<i>DKKmill.</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Costs for insurance activities	124	146	134	162	162
Costs for sickness and accident insurance	17	17	20	20	20
Cost rate	2.6%	2.5%	2.1%	2.4%	2.7%
Expenses per member (life assurance)	DKK 329	DKK 375	DKK 329	DKK 379	DKK 369
Expenses per member (sickness and accident insurance)	DKK 45	DKK 49	DKK 55	DKK 53	DKK 46
Total costs	DKK 374	DKK 424	DKK 384	DKK 432	DKK 415

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

Administration costs per member amounted to DKK 369 on average (official key figures). The official key figures and ratios do not include costs pertaining to sickness and accident insurance. In 2009, these costs amounted to DKK 46 per member on average.

Members paid a total of DKK 198 million in costs in 2009, including sickness and accident insurance, to cover administration costs totalling DKK 182 million.

In addition, members have paid a 1% deduction in their contributions, which is to ensure the required build-up of capital. In 2009, an amount of DKK 301 million was

transferred to the members in the form of a special bonus provision.

Administration costs are unchanged compared with 2008, despite expenses for completing the merger with the pension funds of the food industry.

Financial position

The base capital, consisting of equity capital and special bonus provision, is to cover the company's capital requirement.

A capital requirement of DKK 1,826 million and base capital of DKK 6,179 million thus leaves a solvency ratio of 338%.

In 2009 Industriens Pension was given a "green light" in relation to the risk scenarios of the Danish Financial Supervisory Authority.

Table 4 Financial position

	<i>DKKmill.</i>
Equity capital	3,662
Special bonus provision	2,517
Base capital	6,179
Capital requirement	1,826
Solvency ratio	338%
Ratio of excess solvency to provisions	8%
Ratio of bonus potential to provisions	15%

Investment activities

RETURN

The result of investment activities before tax on yields of certain pension-scheme assets was DKK 8,075 million in 2009, compared to DKK 1,144 million in 2008.

In 2009, active management of investment assets yielded a return before tax on yields of certain pension scheme assets of 22.4%. Investment assets, including strategic hedging of the interest-rate risk of liabilities, yielded a return of 13.5% before tax on yields of certain pension scheme assets in 2009. Seen in isolation, the strategic cover of the interest-rate risk of liabilities yielded a negative return in 2009. This is due to the increasing level of long-term interest-rates in Europe, but the interest-rate rise also led to corresponding falls in provisions, meaning that total reserves were, all else being equal, not affected by the increase.

The large positive return on investment assets was primarily due to high returns on listed shares and corporate bonds. International and Danish shares yielded returns of 46.4% and 38.5%, respectively. Corporate bonds with low credit rating (High Yield) gave a return of 48.3%, whereas corporate bonds with high creditworthiness (Investment Grade) yielded a return of 17.3%.

The holding of gilt-edged bonds (government bonds, index-linked bonds and Danish mortgage-credit bonds) yielded a return of 7.7%.

Active investment strategy

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

The investment assets are managed on the basis of an active strategy where the goal is to produce a return that is better than the general market developments. The strategy is associated with higher costs than a passive strategy orchestrated merely to achieve the market return. Historically, Industriens Pension has achieved a substantial additional return by active asset management, after deduction of all the costs.

In 2009, this active investment strategy meant that Industriens Pension achieved a significant additional return compared with the market return for the individual classes of assets. The total additional return in relation to the benchmark reached 4.8%, corresponding to DKK 2.5 billion.

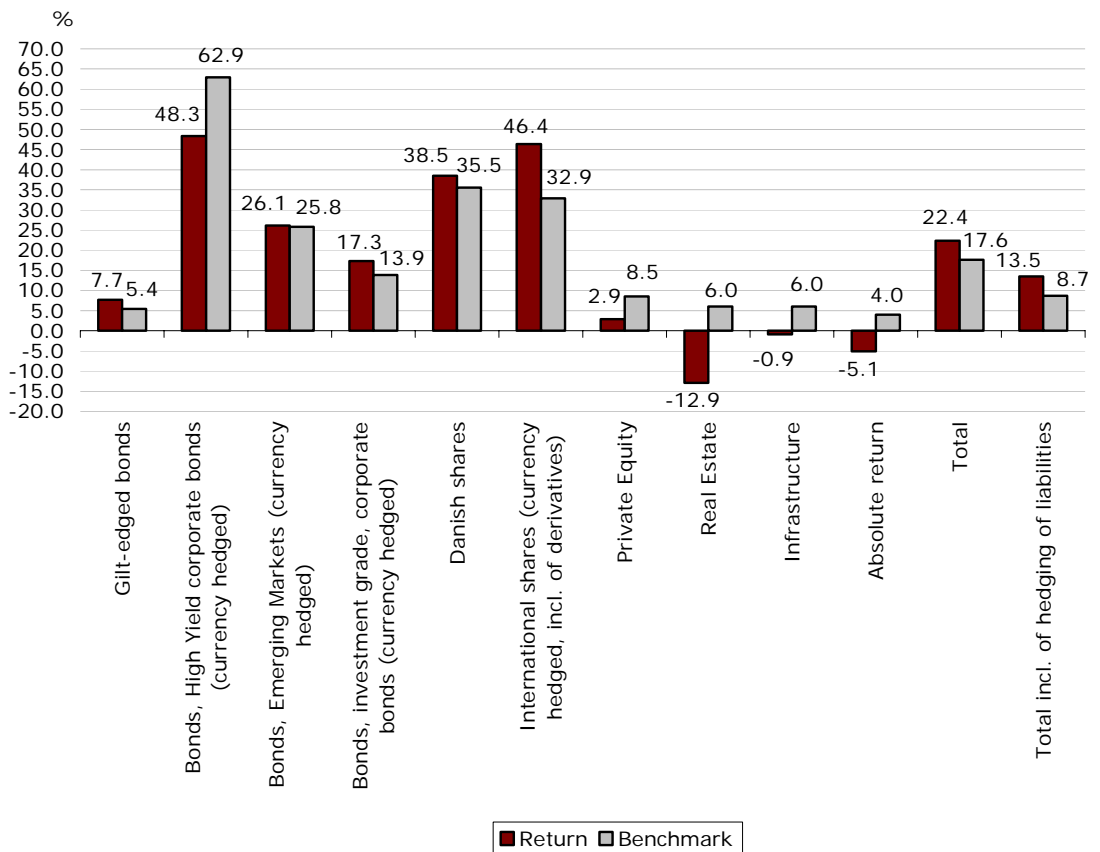
Management of gilt-edged bonds yielded an additional return of 2.3 percentage points in relation to the benchmark.

Other than the additional return on gilt-edged bonds, the total additional return on Industriens Pension investments in 2009 can primarily be attributed to the weighting of bonds and shares in the portfolio. In addition, the portfolio of financial instruments for management of the interest-rate risk generated a significant contribution to the total additional return.

Over the past five years, the investment strategy of Industriens Pension has yielded an average return after cover of future pension liabilities of 8.5% before tax on yields of certain pension scheme assets and 7.3% after tax on yields of certain pension scheme assets.

Compared to other Danish life-assurance and pension-insurance companies, the Industriens Pension return over a number of years has been among the highest.

Figure 2 Return on asset types and their benchmark in 2009



Investment costs represented 0.77% of assets in 2009. All types of costs are included in connection with management of the investment assets in the form of fees for the portfolio managers, costs for depository banks, commissions, remuneration of staff etc.

The level for investment costs generally reflects the investment strategy selected. Low investment cost is thus not a goal in itself. An active strategy with a high percentage of shares and unlisted investments is associated with relatively high costs, but should also result in higher returns than a passive strategy primarily focusing on bonds.

Table 5 Investment costs in 2009 by classes of assets

	<i>DKKmill.</i>	<i>%</i>
Gilt-edged bonds	3	0.01
Investment grade corporate bonds	34	1.50
High Yield corporate bonds	22	0.99
Emerging Markets bonds	26	0.70
Danish listed shares	22	0.48
International listed shares	88	0.93
Private Equity	188	2.05 ^{*)}
Real Estate	25	1.04 ^{*)}
Infrastructure	29	1.63 ^{*)}
Absolute return	12	2.71
Unallocated costs	48	-
Total investment costs	497	0.77

**) Shown in % of average commitments*

INVESTMENT ASSETS

Industriens Pension began 2009 with a large underweight of shares in the portfolio due to the great uncertainty about the duration and scope of the global recession. The percentage of listed shares and corporate bonds increased considerably in the first half of 2009. The increased risk-taking in the portfolio arose because corporate bonds and shares seemed less expensive, and not least because of incipient signs that the world economy and expectations to companies' earnings had hit rock-bottom in the spring.

In relation to credit bonds, Industriens Pension particularly increased the proportion of corporate bonds with high creditworthiness, as the risk-adjusted return was expected to be higher than for corporate bonds with low creditworthiness.

During the second half year, Industriens Pension moved from neutral weight to overweight of shares as the world economic upswing increasingly gained foothold. The upswing especially sunk its teeth into emerging markets, and to some extent also affected the US, and based on this development, Industriens Pension had an overweight of these countries in its share portfolio at the start of 2010.

At the start of 2009, liquid assets represented 11% of total investments. The large holding of liquid assets covers the majority of state-guaranteed fixed-term deposits in banks, financed through loans on Danish fixed-rate bonds. At the start of 2009 exposures to fixed-rate bonds were thus larger than 42%. The volume of fixed-term deposits was smaller at the end of 2009.

Table 6 Distribution of asset types

%	Year end 2008	Year end 2009
Gilt-edged bonds	41.7	35.0
Danish index-linked bonds	4.9	0.0
Emerging Market bonds	7.1	6.4
High Yield bonds	3.5	5.2
Investment grade bonds	2.3	7.6
Danish listed shares	5.8	8.6
International listed shares	14.9	24.7
Private Equity	6.3	5.1
Real Estate	0.9	1.1
Infrastructure	0.7	1.4
Absolute return	0.9	1.2
Money market	10.8	3.8
Total (%)	100.0	100.0
Total (DKKmill.)	45,695	69,173

Note: Percentages are calculated including positions in financial instruments. Money market includes fixed-term deposits year end 2009 in banks financed through repurchase transactions.

INVESTMENT FRAMEWORK FOR 2010

Industriens Pension investment activities are of a dual nature: Partly, management of the investment assets, and partly hedging of the interest-rate risk on liabilities.

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 are set up on the basis

of total Industriens Pension reserves. As Industriens Pension has large reserves and because the interest-rate risk on liabilities is covered, the fundamental framework includes high percentages of shares and credit bonds.

An additional return in relation to the fundamental allocation (benchmark) may be achieved by overweighting or underweighting asset types, and by gaining additional returns in relation to benchmarks in the particular asset classes.

Table 7 Investment framework and latitude for 2009 and 2010

<i>Asset type</i>	<i>Fundamental investment framework 2009</i> %	<i>Lasitude 2009</i> %	<i>Fundamental investment framework 2010</i> %	<i>Lasitude 2010</i> %
Bonds, gilt-edged	45	20-70	40	15-65
Bonds, international investment grade corporate bonds	0	0-7,5	5	0-10
Bonds, international High Yield corporate bonds	5	0-10	5	0-10
Bonds, international Emerging Markets	5	0-10	5	0-10
Shares, Danish	10	5-15	10	5-15
Shares, international	20	10-30	20	10-30
Commodities	0	-2.5-2.5	0	-2.5-2.5
Private Equity	7.5	5-10	7.5	5-10
Real Estate	2.5	0-5	2.5	0-5
Infrastructure	2.5	0-5	2.5	0-5
Absolute return investments	2.5	0-5	2.5	0-5
Cash	0	0-5	0	0-5
Counter-value of financial instruments	0	-	0	-
Totals	100	-	100	-

Risk

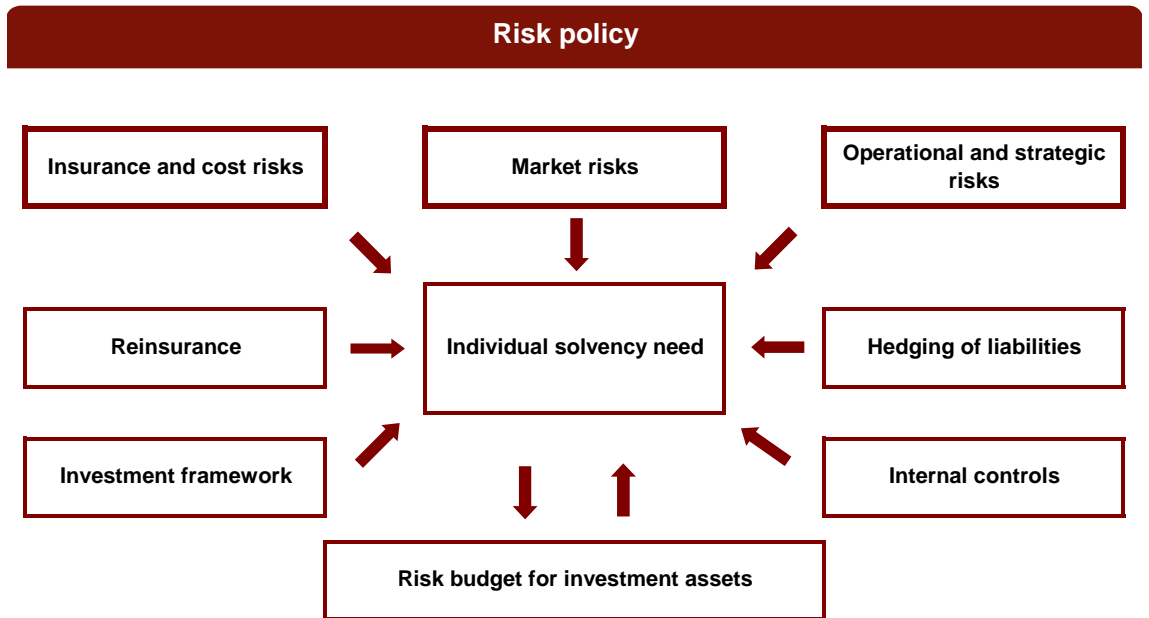
The board of directors determines the risk policy and overall frameworks for the Group's risk management. The most important element of the risk policy is to ensure that all significant risks from the company's activities are identified and managed, to ensure constant high security behind Industriens Pension's obligations to its members.

Through risk management a culture is created, where the board of directors and board of management are able to make well-considered decisions that maximise the relationship between return and risk.

The overall risk is dependent on different exposures.

Industriens Pension carries out tight control of overall risks, and accordingly, individual exposures are calculated as often as is deemed necessary. In relation to particularly sensitive exposures or during especially turbulent times, calculations are made every day.

The practical work on risk management is rooted in the individual departments of the company, whereas the overall coordination of risk is carried out by a special Risk and Finances committee, which is also responsible for preparing regular reports to the board of management.



Insurance and cost risks

Insurance and cost risks comprise the risk of losses because of changes in death rates, loss of ability to work, critical illness and losses incurred from unexpected costs.

Catastrophe risks are also included, as a major catastrophe may cause considerable increases in benefits in the event of death and/or benefits in cases of loss of ability to work. These risks are reduced through reinsurance.

Market risks

Market risks include risks on investment assets both in relation to losses on interest, share prices, currency and property prices. Also the risk of losses as a consequence of credit and counterparty risks, as well as concentration risks, are included.

The frameworks for the risk level are laid down in a risk budget for investment assets. This risk budget allows assessment of the overall risk and makes it possible to compare risk levels across asset classes. The risk budget is determined on the basis of the total reserves of Industriens Pension, less the total loss potential in the calculation of the individual solvency need.

The most important financial risks are linked to the interaction between investment assets and current insurance obligations. The risk relates to whether the return on investment assets is sufficient to cover liabilities on insurance contracts. The interest-rate risk on liabilities is sought to be eliminated by hedging financial instruments.

The currency risk is limited by using derivatives.

The counterparty risk is generally limited by applying the “delivery versus payment” principle in connection with securities trading and by demanding collateralisation for positive fair values, over a certain level, on derivatives.

Operational and strategic risks

Operational risks comprise the risk of losses attributable to internal errors and errors in IT systems, incorrect procedures, incomplete internal controls, fraud, etc.

Strategic risks comprise reputation risks and other risks related to external events and factors.

Industriens Pension applies a risk-management model for overall management of operational and strategic risks. Using a risk-management model, a joint IT tool ensures ongoing identification and assessment of the most important operational and strategic risks.

Individual solvency need

As an insurance company, Industriens Pension must regularly calculate an individual solvency need as a supplement to the solvency regulations. The scope of the individual solvency need depends on the actual risk profile.

The most important financial elements in calculation of the individual solvency need are shown in the table below. In relation to individual risks, the extent to which these affect the individual solvency need of Industriens Pension is indicated, as well as how these set requirements to the base capital of the company.

Table 8 Risk assessment

<i>Risk type</i>	<i>Potential effect of capital requirement</i>	<i>Actual effect of capital requirement</i>
Insurance and cost risks		
Longevity risk	High	Low
Disaster risk	Low	Low
Other insurance and cost risks	Low	Low
Financial risk		
Share-price risks	High	High
Interest-rate risks on assets	High	}
Interest-rate risks on liabilities	High	
Real Estate risk	Moderate	Low
Currency risks after hedging	High	Low
Credit and counterparty risks	High	Low
Liquidity risks	Low	Low
Operational risks	Low	Low
Strategic risks	Moderate	Low

The board of directors approves the methods used to calculate the individual solvency need, as well as the extent of the solvency need.

The internal auditors of the company perform an independent assessment of the calculation and report the result of this assessment to the board of directors.

The individual solvency need is reported to the Danish Financial Supervisory Authority. As mentioned above, the individual solvency need has been reduced by covering liabilities, reinsurance, currency hedging and collateralisation from counterparties.

At the end of 2009, the individual solvency need of Industriens Pension totalled DKK 1,890 million.

Corporate Social Responsibility

Background

With the establishment of Industriens Pension the social partners assumed a great social responsibility. The pension scheme ensures hourly workers in industry a supplement to payments from the public sector, when they retire or if they lose their ability to work. In addition, the pension scheme ensures members payment in the event of certain critical illnesses, and the surviving relatives are ensured payment in the event of the death of a member.

With the establishment of the labour-market pension schemes, the social partners contributed to creating a well-functioning three-pillar Danish pension system:

1. Public benefits
2. Labour-market pension
3. Private pensions savings

The Danish Economic Council characterises the increasing spread of pension schemes on the labour market as a socio-economic advantage, and the economic advisers have determined that the increase in pension contributions is being driven by growth in labour-market pensions.

The increase in pension schemes on the labour market eases the pressure on public benefits. The ongoing tax on returns ensures the Danish state significant revenues, and payments create the basis for additional consumption which not only benefits the individual pensioner but also society as a whole. The increase in pension schemes on the labour market means that Danish economy is not under as much pressure financially from the growing population of elderly people as other countries.

The pension scheme at Industriens Pension is compulsory. Under their collective agreements, approximately 9,000 companies have a right and duty to pay contributions to the pension scheme, and members have a right and duty to take part in the pension scheme and pay part of their salary to Industriens Pension. More than 400,000 current and previous workers in industry are participating in the pension scheme.

Compulsory membership means that Industriens Pension has a special responsibility to manage the pension scheme responsibly and appropriately.

The pension scheme must cover members' needs

Generally, responsible management means that Industriens Pension supplies pension and insurance products that cover the needs of members and ensure members the largest possible pensions.

The establishment of the pension scheme began in 1993, and the pension contribution has since been raised gradually so that at the end of 2009 it amounted to 12% of the salary.

Generally, members must be ensured good savings for their old-age; however, as the pension scheme develops, there is also more room to ensure members insurance cover in the event of loss of ability to work, critical illness and death.

The establishment of the pension scheme means that the scheme will have great importance to elderly people in future years. Young members who are now joining the pension scheme will receive more from Industriens Pension when they become

pensioners than they will receive from the public sector, unless the real value of public-sector benefits is considerably raised.

All members should have good cover and the benefits to which they are entitled

Most people find the pension area not that easily accessible and even boring, and only few people have an overview of their own pension conditions and the contents of their pension scheme. Therefore, Industriens Pension makes a point of offering a simple pension scheme which automatically ensures members good cover without having to make any active decisions. Only members, who wish to change their cover or want to save up extra money have to make an active choice.

In the view of the low knowledge about their pension schemes, Industriens Pension aims at notifying members automatically whether they are entitled to receive payments, in order to ensure that everyone is given the benefits to which they are entitled.

Surviving relatives will be automatically notified about payment in the event of death, and throughout recent years, Industriens Pension has focused on creating a political basis for introducing a model to ensure that critically ill people are automatically informed about their insurance policy.

To ensure members the full benefits of their pension scheme and an insight into the contents of their pension scheme, Industriens Pension focuses greatly on enabling members and companies to acquire knowledge about their pension scheme.

Ethical considerations of the investment strategy

Industriens Pension is rightly committed to taking ethical considerations in their investment strategy to ensure that members, companies that pay contributions into the pension scheme, and society as a whole, feel secure about the way in which pension funds are being invested. Ethical considerations

may mean that companies are excluded from the investment universe, even though the return may be attractive.

Activities in 2009

In 2009, Industriens Pension

- adjusted pension schemes to accord with the Danish Welfare Agreement and increasing life expectancy. Consequently, life expectancy assumptions in the calculation of pensions have changed, and insurance-cover in the event of certain critical illnesses and death has been prolonged to 67 years.
- worked to create a political basis for introducing a model to ensure that critically ill people are notified automatically about their insurance policy.
- worked towards making pension schemes easier to understand and towards disseminating knowledge about the schemes, and for instance
 - improved the pension overview, which all members receive upon admission and once a year
 - relaunched all publications and made them more easily accessible and more goal-oriented
 - rewrote a great deal of the texts in correspondence
 - relaunched industrienspension.dk with a new information architecture, new design, new contents and new functionalities
 - provided all members with access to information about the extent of costs paid for membership of the pension scheme.
- acceded to the UN Principles for Responsible Investment (UN PRI), targeted at large institutional investors. Investors, who accede to the UN PRI, are obliged to strengthen their focus on the environment, social conditions and corporate governance in connection with investment. Companies are encouraged to implement these

conditions in the investment process and ensure that these are managed through active ownership.

- contacted all companies that were excluded from the investment universe for ethical reasons. The enquiries were made to partly inform companies about their exclusion from the investment universe, and partly to obtain information about what the companies will do to become part of the investment universe.
- excluded two additional companies from the investment universe. On the other hand, four companies have been included in the investment universe after having reacted to the critique put forward by Industriens Pension, and having changed their activities to live up to the ethical and environmental requirements, which are a prerequisite for being included in the investment universe of Industriens Pension.

Development goals

High return, low costs and pension and insurance products that cover the needs of members, are the basis for Industriens Pension to ensure members the best possible financial security. Therefore, these areas will continue to be emphasised. Industriens Pension will continue to contribute to easing the pressure on public benefits and increasing savings for the benefit of the individual and the Danish economy.

In 2010, Industriens Pension will continue its work on ensuring members a pension scheme that best covers their needs and ensures the largest pensions possible. Members will, for instance, have the opportunity to adjust their insurance cover.

Industriens Pension will continue working to ensure that members are notified automatically about their right to payment, and continue its efforts to disseminate knowledge about their pension schemes, so that members and enterprises obtain the full benefits from this very important welfare benefit. After having succeeded in generating the necessary political backing, Industriens Pension will be implementing a solution where critically ill people will be notified about their insurance policy.

In accordance with the accession to the UN Principles for Responsible Investment (UN PRI), Industriens Pension will be strengthening its focus on the environment, social conditions and corporate governance in connection with investment. This will partly be done in the investment process itself, and partly through active ownership.

More information

More information is available in the report on corporate social responsibility from Industriens Pension, which can be found at www.industrienspension.dk (in Danish).

Result for the year

Table 9 Result for the year

	<i>DKKmill.</i>
Return on equity capital	393
Percentage of return on risk for the period	0
Percentage of result of sickness and accident insurance	40
Percentage of change in capital requirement in relation to group life	0
Profit/loss before tax on yields of certain pension scheme assets	434
Percentage of equity capital of tax on yields of certain pension scheme assets	-58
Result for the year	376

The result for the year shows a profit of DKK 376 million, as against a profit of DKK 133 million in 2008. The result for the year has been transferred to equity capital, which then totalled DKK 3,662 million.

The rules Industriens Pension has laid down for distribution of profit mean that the equity capital bears interest at a rate corresponding to the return on the investment assets in equity capital 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 the result of sickness and accident insurance and a share of the change in the solvency requirement on group life are recognised in the result for the year.

For 2009, the risk return (entrepreneurial supplement) was fixed at 0%.

The realised result is the funds which are to be appropriated between equity capital and special bonus provision on the 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.

Table 10 Realised result on life assurance

	<i>DKKmill.</i>
Insurance-technical result of life assurance	-21
Percentage excluded from the result (group life)	0
Tax on yields of certain pension scheme assets	1,197
Transferred from investment return on life assurance	335
Bonus allocated	582
Change in special bonus provisions	407
Change in collective bonus potential	3,634
Change in applied bonus potential on paid-up policy benefits	1,002
Distribution of special bonus provision	83
Realised result	7,217

The result realised for 2009 was DKK 7,217 million.

Bonuses allocated to members were limited in 2009 in relation to the result, due to the financial stability agreement, which included restraint on bonuses.

In connection with the merger, the utilised bonus potential on paid-up policy benefits brought forward at the beginning of the year was restructured in 2009 and will be included over coming years in a settlement process, agreed on for the activities transferred from PNN PENSION and PHI pension.

Events after the end of the financial year

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

Agreement on financial stability

The agreement on financial stability which the pension sector concluded with the Danish

Ministry of Economic and Business Affairs in the autumn of 2008 meant that when calculating provisions, the basis should be a yield curve adjusted so that the yield spread between the interest rate on government bonds and mortgage-credit bonds does not affect the financial statements of pension companies inappropriately.

In autumn 2009, the parties behind the agreement noted that the prerequisite for the agreement was still relevant. Therefore, the agreement was prolonged until the end of 2010. With the prevailing market conditions at the beginning of 2010, a return to the original discount curve at the expiry of the agreement would lead to a reduction in the total reserves of Industriens Pension of around DKK 60 million.

Using the adjusted yield instead of an interest rate which has not been adjusted only has significance for the distribution of provisions for life assurance and provisions for the collective bonus potential.

Outlook for 2010

New options

In 2010 Industriens Pension will be launching new options for adjusting insurance cover in the event of certain critical illnesses, loss of ability to work and death. All members who pay pension contributions and are covered by the insurance, will be offered the opportunity to raise or lower the amounts that they can be paid through insurance, if anything happens to them. If members want higher insurance cover, they will get less for their pension, and if they wish to save up more for their pensions, it is possible to lower their insurance contributions.

Members can make changes to their policy at the Industriens Pension website. Members' health situation does not need to be assessed when contributions to their insurance policy are raised. To avoid speculation, a waiting period has been introduced before the option enters into force, where no payments are to be made for the "option".

Members and contributions

The number of members of Industriens Pension is expected to remain unchanged in 2010 at about 400,000, and the number of member companies is also expected to be unchanged at about 9,000.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 6.5 billion in 2009. Out of this, DKK 0.5 billion is expected to be paid to the government by way of social security contributions.

In 2010 Industriens Pension will be focusing on reducing costs. In actual figures, Industriens Pension expects a slight fall in administration costs for life assurance as well as for sickness and accident insurance. In

2010 members will be paying a total of DKK 432 to cover administration costs.

Investment costs, which vary with the chosen investment strategy, are expected to increase. However, the cost rate in relation to investment assets is not expected to change significantly.

Investment activities

The investment strategy for 2010 is organised on the basis of the agreed fundamental investment framework. Deviations from the fundamental framework in the adopted latitude will be made to increase returns.

As a general rule, the interest-rate risk on liabilities will continue to be fully hedged. This hedging is to ensure that reserves are not affected unintentionally by significant fluctuations in interest rates.

The return on the company's investment assets in 2010 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 international bond yields and a return on shares of about three percentage points above the bond yield.

The tax on yields of certain pension-scheme assets for 2010 is expected to be approx. DKK 0.5 billion. The total return, including the effect of hedging the interest-rate risk on liabilities, will be affected by developments in interest rates. For instance, as a general rule, a large increase in long-term interest-rates will affect the total return negatively.

Expected result for 2010

For the financial year 2010, a result of DKK 200 million is expected.

Statement by management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2009.

The annual report is presented in accordance with the Financial Business Act.

In our opinion, the annual financial statements provide a true and fair view of the company's

assets and liabilities, and financial position as well as its result.

Furthermore, in our opinion, the management's review provides a true review of the development of the activities and financial situation of the company as well as a description of the most significant risks and uncertainty factors that may influence the company.

We recommend the annual report for adoption at the annual general meeting.

Copenhagen, 23 March 2010

Board of management:

Laila Mortensen
CEO

Board of directors:

Børge Frederiksen
Chairman

Kim Graugaard
Deputy Chairman

Lars Andersen

Erik Bredholt

Lars Hansen

Thorkild E. Jensen

Johannes Madsen-Mygdal

Jette Nielsen

Jens Due Olsen

Bo Stærmose

Bjarne Uldall

Berit Vinther

Ole Wehlast

Carl Chr. Ægidius

Independent auditor's report

TO THE SHAREHOLDERS OF INDUSTRIENS PENSIONSFORSIKRING A/S

We have audited the annual financial statements for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2009, comprising accounting policies, income statement, balance sheet, notes and management's review. The annual financial statements are presented in accordance with the Financial Business Act.

Management's responsibility for the annual financial statements and management's review

The management is responsible for preparing and presenting annual financial statements providing a true and fair view in accordance with the Financial Business Act, and a management's review that provides a true and fair presentation in accordance with the Financial Business Act. This responsibility includes drawing up, implementation, and maintenance of internal controls relevant for preparing and presenting annual financial statements and a management's review without material misstatement and regardless of whether such misstatement 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 financial statements and management's review based on our audit. We have conducted our audit in accordance with Danish auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual financial statements and management's review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the annual financial statements and management's review.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the annual financial statements, 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 annual financial statements by the company providing a true and fair view, and with respect to preparation of a management's review that includes a true and fair presentation, 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 financial statements and the management's review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Conclusion

In our opinion, the annual financial statements and management's review provide a true and fair view of the company's assets, liabilities, and financial position as at 31 December 2009, as well as of the result of the company activities for the financial year 2009 in accordance with the Financial Business Act, and that the management's review contains a true and fair presentation in accordance with the Financial Business Act.

Copenhagen, 23 March 2010

Deloitte

Statsautoriseret Revisionsaktieselskab

Anders O. Gjelstrup
State-authorised public accountant

Kasper Bruhn Udam
State-authorised public accountant

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 Multi-Employer Occupational Pension Funds (Executive Order on the Presentation of Financial Statements).

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 subsidiaries Industriens Pension IT A/S and Industriens Pension Professional Forening f.m.b.a. are, together with the affiliate Industriens Pension Service A/S, included in the consolidated financial statements of IndustriPension Holding A/S.

Merger

Effective from 1 January 2009, Industriens Pension merged with PNN PENSION and PHI pension, with Industriens Pension as the continuing company.

The social partners behind PNN PENSION and PHI pension decided that from 1 January 2010, premiums are to be paid to the schemes currently offered by Industriens Pension. Existing schemes were thus transferred to inactive schemes as at 31 December 2009. To prevent redistribution between the merged

companies, a settlement has been made, that takes into account the differences between PNN PENSION, PHI pension and Industriens Pension in their abilities to generate bonuses. The settlement model means that the inactive schemes that derive from PNN PENSION and PHI pension will be allocated a lower bonus than other schemes in the company for several years, until the differences have been cancelled.

In the opening balances of the merger, adjustments were made between the guaranteed benefits, the bonus potential on future premiums and bonus potential on paid-up policy benefits. This is due to the effect of existing policies from PNN PENSION and PHI pension being rewritten to paid-up policies, as well as a strengthening of previous PNN PENSION and PHI pension provisions, so that these are calculated on the same technical basis as provisions for previous Industriens Pension schemes. Details are described in the financial statements for the merger, which are available at the website of Industriens Pension (in Danish).

Members of PNN PENSION and PHI pension have previously paid guarantee capital as payment for solvency accumulation. As the continuing company is a limited company, the guarantee capital has been converted to special bonus provisions, type A, which is capital that can be offset in the solvency calculation.

The Danish Financial Supervisory Authority has given permission for the merger to take place in accordance with the amalgamation method. Comparative figures for 2008 have been adjusted as if the merger had been

completed in 2008. In addition, adjustments have been made to the statutory key figures for the period from 2005-2008.

Changes in accounting estimates

On 1 January 2009, Industriens Pension changed its interest-rate used to calculate the present value of provisions for life assurance. From 2009, the adjusted maturity-dependent yield curve, calculated by the Danish Financial Supervisory Authority will be applied, contrary to previously, when the present value of provisions was calculated by use of the 10 year yield. This change only has significance to the part of the provisions that relates to Industriens Pension, as provisions concerning PHI pension and PNN PENSION were previously calculated by using the adjusted maturity-dependent yield curve.

Seen in isolation, this change has increased life assurance provisions and reduced collective bonus potentials by DKK 13 million, whereas equity capital has not been affected by the change.

In addition, a change has been made to the technical basis from 1 July 2009. Previously a cost and security supplement of a half percentage point in the guaranteed interest rates of 2% and 3%, respectively was recognised; this supplement no longer exists as at 1 July 2009. This means that guaranteed interest rates are now 1.5% and 2.5%, respectively. The change has no financial effect as calculations of pension commitments have until now been made without a cost and security supplement.

As at 1 July 2009, the technical basis with guaranteed interest rate of 1.5% was changed to take into account higher life expectancy and lower disability rates. The change was implemented by recalculating the pension commitments affected. This resulted in a shift in the allocation of provisions by DKK 2.9 billion from guaranteed benefits to bonus potentials. To ensure that the pension

payments for old-age pensioners are not reduced, these provisions were strengthened. This strengthening in the amount of DKK 104 million was financed by a collective bonus potential.

Accounting estimates and assessments

Preparation of the annual report requires that management make a number of estimates and assessments regarding future conditions which could significantly influence the carrying amount of assets and liabilities, and thus the result in the current and coming years. The areas where these estimates and assessments have the most important effect on the financial statements are:

- insurance contract liabilities
- fair value of financial instruments.

Insurance contract liabilities

The calculation of insurance contract liabilities is based on a number of actuarial calculations, which use assumptions of e.g. mortality and disability rates and which are determined on the basis of the best estimate. In addition, liabilities are affected by the actual interest-rate level.

Fair value of financial instruments

There are no significant estimates connected with the valuation of financial instruments with listed prices on an active market, or where valuations are based on accepted valuation models with observable market data.

In relation to instruments where valuation is based on observable market data to a lesser extent, valuation will be affected by estimates. This applies to e.g. unlisted equity investments and certain bonds where there is no active market.

Intragroup transactions

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, and 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 Industriens Pension IT A/S on the procurement of IT operating and development services, as well as on the supply of administration services to Industriens Pension Professionel Forening f.m.b.a. Fees for these services are fixed on market terms.

Beyond this, there were no material intra-group transactions.

General principle for recognition and measurement

The income statement recognises all income and expenses as they are earned and incurred.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the company and the value of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is probable that future financial benefits will not accrue to the company, and the value of the liability can be measured reliably.

At initial recognition assets are measured at cost. Measurements after initial recognition take place as described for each item below.

At recognition and measurement, unpredictable risks and losses that arise before the annual report is presented, and which confirm or disconfirm conditions that existed on the reporting date, must be taken into account.

INCOME STATEMENT

Income from insurance activities

Premium income net of reinsurance

Premium income net of reinsurance covers reported premiums until and including 20 January 2010 that pertain to 2009. Premiums reported after 20 January 2010 will be recognised as revenue in 2010. Premiums recognised as revenue, not paid as at 31 December 2009, were included as receivables.

Premium contributions concerning investment contracts with no right to bonus are recognised directly in the balance sheet.

Social security contributions are deducted from premium income according to the guidelines issued by the Danish Financial Supervisory Authority. Gross premiums are adjusted for reinsurance premiums ceded.

Income from investment assets

Income from group undertakings

Income from group undertakings includes Industriens Pension's share of the result in subsidiaries.

Interest income and dividends, etc.

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

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

Administration costs in connection with investment activities

Administration costs 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

The annual tax on yields of certain pension scheme assets covers the tax on yields of certain pension scheme assets for the year as well as a change in deferred tax on yields of certain pension scheme assets, and it is recognised as an expense in the income statement.

Expenses of insurance activities**Insurance benefits paid net of reinsurance.**

Insurance 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. Insurance benefits concerning investment contracts are recognised directly in the balance sheet.

Change in life-assurance provisions

The change in life assurance provisions is the difference between start and end value of the provisions for life assurance. In 2008 the change in the provision furthermore includes the refund recognised as revenue for costs incurred for administration of the PAL compensation.

Change in collective bonus potential

Change in collective bonus potential is the part of the realised 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 bonus provisions for group life scheme

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

Change in special bonus provisions

Change in special bonus provisions (type A and type B) 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.

The change in the special bonus provision (type B) also includes any risk return for the year and previous years, and provisions are added 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.

Change in provisions for unit-linked contracts

Change in provisions for unit-linked contracts includes investment return after tax on yields of certain pension scheme assets and after investment costs that pertain to unit-linked contracts.

Administration costs

Administration costs include costs related to life assurance activities. In 2008 this item also included costs incurred by Industriens Pension for administration of the PAL compensation.

Investment return transferred

Investment return transferred makes up the part of the investment return not included in the insurance technical result.

Investment return transferred covers the investment return on provisions for accident and sickness insurance and investment return on equity.

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.

BALANCE SHEET

Tangible Assets

Equipment

Technical equipment etc. is measured at cost less accumulated depreciation. Straight-line depreciation is made over the expected life of assets.

Registered office property

The registered office property is measured at revalued amount, which is the fair value at the date of revaluation after deduction of accumulated depreciation. Revaluations are recognised directly as part of equity capital, unless the revaluations are a reversal of previous write-downs. Write-downs are recognised in the income statement, unless the write-down is a reversal of previous revaluations.

Investment assets

Holdings in group undertakings

Holdings are recognised at the proportionate share of the equity capital of the companies. Amounts payable are measured at amortised cost.

Financial investment assets

Purchases and sales of financial investment assets are recognised on the settlement date at fair value. Danish and international listed shares and units in investment associations are measured at official closing prices on the reporting date. A calculated rate is used for equity investments and units in investment associations that are not actively traded.

Private Equity and unlisted units in investment associations are measured at fair value using recognised methods.

Bonds are measured at official closing prices on the reporting date. A calculated rate is used for bonds that are not actively traded. Bonds that are sold and repurchased forward (genuine sale and repurchase transactions) are part of the bond portfolio.

Listed derivatives are measured at official closing prices on the reporting date. Futures, purchase and sales options, as well as other derivative financial instruments, are recognised at their current value measured at mid-market prices on the reporting date.

The contract value of traded but not yet settled, financial instruments is recognised in the balance sheet as an addition or deduction in the value of corresponding financial instruments.

Information on prices etc. appearing after the closing date of the financial statements will only be recognised if these are material to the assessment of the annual financial statements.

Investments linked to unit-linked contracts

Investments linked to unit-linked contracts include assets for investment contracts at market value, calculated in accordance with the same principles as corresponding investment assets.

Provisions for insurance and investment contracts

Premium provisions

Premium provisions cover provisions for 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.

Life-assurance provisions

Life-assurance provisions are calculated as the capital value of the total commitments on expected future insurance benefits based on a yield curve and assumptions on insurance risk and costs, fixed at best estimate relative to mortality and disability rates, etc. The statement of the life-assurance provisions recognises a premium relating to the uncertainty of fixing best estimate on insurance risk. For discounting, the adjusted yield stipulated in the agreement between the pension sector and the Danish Ministry of Economic and Business Affairs is used, 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 attached to the pension scheme. 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 are calculated taking into account rewriting of contracts to paid-up policy and surrender. 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 bonuses 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 adjusted yield curve stipulated in the agreement between the pension sector and the Danish Ministry of Economic and Business Affairs, less tax on yields of certain pension scheme assets.

Collective bonus potential

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

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.

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

Special bonus provisions cover both type A and type B. The breakdown into the two types is shown in a note to the annual financial statements.

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

Provision for unit-linked contracts

The provision is the market value of the assets linked to the investment contracts.

Amounts payable

Amounts payable are measured at amortized cost.

Contingencies

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

Income statement

Note	2009 DKKmill.	2008 DKKmill.	
1	Gross premiums	5,963	6,748
2	Reinsurance premiums ceded	-1	-2
	Total premium income net of reinsurance	5,961	6,746
	Income from group undertakings	48	-75
3	Interest income and dividends, etc.	2,011	2,134
4	Value adjustments	6,199	-762
	Interest paid	-8	-9
7	Administration costs for investment activities	-174	-144
	Total investment return	8,075	1,144
5	Tax on yields of certain pension-scheme assets	-1,197	-160
	Investment return after tax on yields of certain pension-scheme assets	6,878	984
6	Benefits paid	-2,024	-1,575
	Reinsurance cover received	0	0
	Change in claims provisions	-37	-18
	Transferred to other technical insurance provisions	-165	-109
	Total insurance benefits net of reinsurance	-2,227	-1,703
14	Change in life-assurance provisions	-5,684	-6,349
	Change in reinsurers' share	0	0
	Total change in life-assurance provisions net of reinsurance	-5,684	-6,349
17	Change in bonus provisions for group life scheme	-77	-45
16	Change in collective bonus potential	-3,634	1,017
18	Change in special bonus provision	-421	-290
	Total bonus	-4,131	682
19	Change in provisions for unit-linked contracts	-5	1

Income statement (cont.)

Note	2009 DKKmill.	2008 DKKmill.	
7	Administration costs	-162	-162
	Investment return transferred	-652	-207
	INSURANCE TECHNICAL PROFIT OR LOSS	-21	-9
8	INSURANCE TECHNICAL PROFIT OR LOSS ON SICKNESS AND ACCIDENT INSURANCE	62	24
	Investment return on equity capital	393	118
	PROFIT OR LOSS BEFORE TAX	434	133
	Tax on yields of certain pension-scheme assets for equity	-58	-16
	PROFIT OR LOSS FOR THE YEAR	376	117

Balance sheet

ASSETS	31 Dec.2009	1 Jan.2009	
Note	DKKmill.	DKKmill.	
9	Equipment	1	0
10	Registered office property	68	69
	TOTAL TANGIBLE ASSETS	69	69
11	Holdings in group undertakings	2,541	379
	Loans to group undertakings	50	50
	Total investments in group undertakings	2,591	429
	Holdings	24,263	12,335
	Units in investment associations	9,579	4,863
	Bonds	29,348	35,018
	Deposits with credit institutions	7,652	6,366
12	Other financial investment assets	601	7,391
	Total other financial investment assets	71,444	65,973
	Total investment assets	74,034	66,402
19	Investment assets linked to unit-linked contracts	53	17
	Amounts receivable from policy holders	509	513
	Other amounts receivable	49	36
	TOTAL AMOUNTS RECEIVABLE	559	549
	Current tax assets	329	162
	Deferred tax assets	0	0
	Cash at bank and in hand	13	233
	Total other assets	342	396
	Interest receivable	395	469
	TOTAL ACCRUALS AND DEFERRED INCOME	395	469
	TOTAL ASSETS	75,452	67,902

Balance sheet (cont.)

Note	LIABILITIES	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
	Share capital	110	110
	Reserve for tax-free retained earnings	3,022	2,646
	Retained earnings	531	531
13	TOTAL EQUITY	3,662	3,287
	Premium provisions	90	97
	Guaranteed benefits	7,804	14,500
	Bonus potential on future premiums	29,044	22,832
	Bonus potential on paid-up policies	15,428	9,264
14	Total life-assurance provisions	52,277	46,596
15	Claims provisions	3,396	2,965
16	Collective bonus potential	8,038	4,405
	Provisions for bonus and premium rebates	575	295
17	Provisions for group life scheme	541	464
18	Special bonus provisions	2,517	2,096
19	Provisions for unit-linked contracts	52	17
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	67,487	56,934
	Amounts payable in connection with direct insurance	5	9
	Amounts payable in connection with reinsurance	0	0
	Amounts payable to group undertakings	0	0
	Current tax liabilities	0	141
20	Other debt	4,297	7,530
	TOTAL AMOUNTS PAYABLE	4,303	7,681
	TOTAL LIABILITIES	75,452	67,902
21	Collateral		
22	PAL compensation		
23	Contingencies		
24	Transactions with closely related parties		
25	Accounting Policies		
26	Five-year summary and key figures		
27-28	Specifications for investment assets		
29	Sensitivity information and risks		

Notes

Note	2009 DKKmill.	2008 DKKmill.
1		
Gross premiums		
Current premiums	6,197	6,896
Contributions incl. transfers	296	411
Social security contributions	-498	-541
Total gross premiums	5,995	6,766
Of which premiums concerning investment contracts with no right to bonus	-32	-18
Total gross premiums on insurance contracts	5,963	6,748
Members with collective-agreement-based schemes carried forward for the period	403,496	406,067
Members with group life assurance carried forward for the period	207,103	232,743
Members with investment contracts carried forward for the period	12,588	9,835
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.		
All insurances pertain to direct Danish business.		
2		
Profit or loss on reinsurance		
Reinsurance premiums ceded to other companies - life	-1	-2
Reinsurance premiums ceded to other companies - sickness and accident	0	0
Reinsurance cover received	0	0
Change in reinsurance reserves	0	0
Total profit or loss on ceded business	-1	-2
3		
Interest income and dividends, etc.		
Interest on securities and deposits	1,561	1,541
Index adjustment	44	86
Dividends on holdings	406	507
Total interest income and dividends, etc.	2,011	2,134

Notes (cont.)

Note	2009 DKKmill.	2008 DKKmill.
4 Value adjustments		
Danish listed shares	1,385	-2,840
International listed shares	2,749	-4,110
Private Equity	-84	-995
Investment association shares	1,793	-1,640
Nominal bonds	281	270
International bonds	-438	-313
Index-linked bonds	808	-6
Deposits with credit institutions	-11	-90
Financial instruments	-505	9,386
Forward exchange transactions	221	-424
Total value adjustments	6,199	-762
5 Tax on yields of certain pension-scheme assets		
Tax on yields of certain pension-scheme assets	-1,201	-160
Tax on yields of certain pension-scheme assets concerning last year	4	0
Change in provisions for deferred tax on yields of certain pension-scheme assets	0	0
Total tax on yields of certain pension-scheme assets	-1,197	-160
Exemption fraction, cf. Sections 7, 15, and 16 of PAL (Pension Investment Return Act)	0	0
Reduction for group life assurance recognised in the exemption fraction above.		
6 Benefits paid		
Insurance sums on death	200	162
Insurance sums on disability	106	91
Insurance sums on critical illness	73	46
Pension and interest benefits	449	346
Instalment insurance	7	4
Surrender (disbursement of small inactive accounts)	14	24
Transfers to other labour-market pension schemes	1,146	878
Bonus amounts paid in cash (pensioner bonus)	10	4
Insurance premium for external group life scheme	19	20
Total benefits disbursed	2,024	1,575

Notes (cont.)

Note	2009 DKKmill.	2008 DKKmill.
7 Administration costs		
In the items for administration costs, costs in connection with investment activities, as well as profit and loss of sickness and accident insurance, the expenses specified below have been recognised:		
Staff expenses		
Staff wages and salaries	89	91
Pension contributions	12	10
Other social security expenses	2	2
Payroll tax	7	6
Total staff expenses	110	109
Auditor's fee for external auditor		
Statutory audit	1	1
Other services	0	1
Total fee for audit	2	2
Management and board emoluments		
Board of management	8	9
Board of directors	2	2
Total management and board emoluments	10	11
Average number of full-time employees in the financial period	142	131

Figures for 2009 include remuneration for retired members of the board of management of DKK 5.6 million. No bonus schemes or performance-related pay agreements are linked to employment in the board of management. No managerial remuneration is paid for appointments to the board of directors and the board of management.

Notes (cont.)

Note	2009 DKKmill.	2008 DKKmill.
8 Insurance technical profit or loss on sickness and accident insurance		
<i>Premium income</i>		
Current premiums	556	419
Social security contributions	-44	-33
Transferred from life assurance provisions	165	109
Total gross premiums	677	495
Reinsurance premiums ceded	-2	-2
Change in premium provisions	7	3
Premium income net of reinsurance	682	496
Insurance technical interest	49	45
<i>Costs of claims net of reinsurance</i>		
Benefits paid	-255	-221
Change in gross claims provisions	-365	-191
Costs of claims net of reinsurance	-620	-412
Change in bonus and premium rebates	-280	-75
Insurance operating costs net of reinsurance	-20	-20
Insurance technical profit or loss	-190	35
Investment return	346	85
Return on insurance provisions	-95	-96
Investment return after insurance technical interest	251	-11
Total insurance technical profit or loss from sickness and accident insurance	62	24

With a claims rate of 0.46% (0.32), 989 (743) claims have been paid with an average indemnity of DKK 695,000 in 2009 (DKK 712,000). The figures shown in brackets are the corresponding figures for 2008.

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
9		
Equipment		
Accumulated cost brought forward	3	3
Acquisitions for the period	1	0
Disposals at cost for the period	-1	0
Accumulated cost carried forward	<u>3</u>	<u>3</u>
<i>Depreciation/amortisation</i>		
Accumulated depreciation/amortisation brought forward	2	2
Depreciation/amortisation for the period	0	0
Reversed depreciation/amortisation on assets sold	-1	0
Accumulated depreciation/amortisation carried forward	<u>2</u>	<u>2</u>
Carrying amount carried forward	<u>1</u>	<u>0</u>
10		
Registered office property		
Revalued amount carried forward	<u>68</u>	<u>69</u>
External experts have not been involved in measuring the registered office.		
Rate of return	<u>5.4</u>	<u>5.4</u>

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
11 Holdings in group undertakings		
Accumulated cost brought forward	516	120
Acquisitions for the period	2,150	396
Accumulated cost carried forward	2,666	516
Accumulated value adjustments brought forward	-121	-46
Value adjustments for the period	48	-75
Accumulated value adjustments carried forward	-73	-121
Carrying amount carried forward	2,593	395
Holdings as in the items of the balance sheet		
Holdings in group undertakings	2,541	379
Investment assets linked to unit-linked contracts	52	17
The item holdings in group undertakings consists of:		
Industriens Pension IT A/S. The chief activity of this company is that of running all IT operations in the group IndustriPension Holding A/S group.		
Equity capital according to the latest annual financial statements	77	74
Profit/loss for the year	2	0
Industriens Pension Professionel f.m.b.a. global shares, Industriens Pension Professionel f.m.b.a. gilt-edged bonds and Industriens Pension Professionel f.m.b.a. Global Investment Grade I. The purpose of the associations is to make investments according to the guidelines laid down by Industriens Pension.		
Industriens Pension Professionel f.m.b.a., global shares		
Equity capital according to financial statements 2009	208	164
Profit/loss for the year	44	-82
Industriens Pension Professionel f.m.b.a., global bonds		
Equity capital according to financial statements 2009	164	157
Profit/loss for the year	8	7
Industriens Pension Professionel f.m.b.a., global Investment Grade I		
Equity capital according to financial statements 2009	2,144	-
Profit/loss for the year	-6	-

All companies are domiciled in Copenhagen and fully owned.

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
12 Other financial investment assets		
Forward exchange transactions	7	17
Swaps	491	7,373
Options and futures	103	0
Total other financial investment assets	601	7,391
13 Equity capital		
Share capital	110	110
Retained earnings	531	531
Reserve for tax-free retained earnings	3,022	2,646
Total equity carried forward	3,662	3,287
<i>Reserve for tax-free retained earnings</i>		
Balance brought forward	2,646	2,529
Net profit or loss for the year	376	117
Balance carried forward	3,022	2,646
The reserve for tax-free retained earnings is subject to special limitations, cf. Section 307 of the Danish Financial Business Act, on labour-marketrelated life assurance companies.		
Calculated solvency margin, life assurance	1,704	1,686
Capital requirement, accident and sickness insurance	122	115
Total calculated solvency margin	1,826	1,801
Equity capital	3,662	3,287
Special bonus provision type A	455	404
Special bonus provision type B	2,062	1,692
Base capital	6,179	5,383

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

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
14 Provisions for life assurance		
Gross life-assurance provisions brought forward	47,598	39,967
Accumulated value adjustment brought forward	-92	-29
Change as a result of transition to yield curve	-13	-
Retrospective provisions brought forward	47,493	39,938
Gross premiums	5,963	6,748
PAL compensation	-2	268
Premiums for group life scheme	-419	-372
Addition of interest	1,204	2,466
Insurance benefits	-1,652	-1,281
Costs supplement after addition of costs bonus	-444	-464
Coverage for handling PAL compensation	-	-4
Repurchase deduction	-6	0
Risk gain after addition of risk bonus	-54	-99
Transferred to other technical insurance provisions	-164	-109
Distribution of special bonus provisions	82	58
Change in strengthening PNN/PHI	63	0
Retrospective provisions carried forward	52,064	47,149
Strengthening of retrospective provisions in connection with merger	-	344
Change as a result of transition to yield curve	-	13
Accumulated value adjustment carried forward	213	74
Change in accumulated value adjustment in connection with merger	-	19
Gross life assurance provisions before use of bonus potential	52,277	47,598
Applied bonus potential on paid-up policy benefits	0	-1,002
Gross life-assurance provisions carried forward	52,277	46,596
Change in gross life-assurance provisions	5,681	6,617
The bonus potential on future premiums has been raised by	3	7
The bonus potential on paid-up policy benefits has been raised by	141	54

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 (cont.)

Note	31 Dec.2009 DKKmill.		1 Jan.2009 DKKmill.	
14	<i>Distribution of life assurance provisions on initial guaranteed interest rates</i>			
cont.	<i>carried forward for 2009</i>			
	1.25%	1.50%	2.50%	Total
Guaranteed benefits	-	-8,754	16,559	7,804
Bonus potential on future premiums	-	18,047	10,997	29,044
Bonus potential on paid-up policy benefits	-	6,325	9,104	15,428
Life-assurance provisions	-	15,618	36,660	52,277
	<i>Distribution of life assurance provisions on initial guaranteed interest rates</i>			
	<i>carried forward for 2008</i>			
	1.25%	1.50%	2.50%	Total
Guaranteed benefits	1,280	-6,837	20,057	14,500
Bonus potential on future premiums	0	14,724	8,108	22,832
Bonus potential on paid-up policy benefits	495	3,234	5,535	9,264
Life-assurance provisions	1,775	11,121	33,700	46,596
Provisions for life assurance with a guaranteed interest rate of 1.25% from PNN PENSION and PHI pension have been converted to the new conversion basis of Industriens Pension with 1.50% interest.				
Adjustment of yield curve				
	Previously applied yield curve		Adjusted yield	
	2009	2008	2009	2008
<i>Income statement items</i>				
Change in life-assurance provisions	-5,671	-6,443	-5,684	-6,434
Change in collective bonus provision	-3,725	603	-3,712	594
Result for the year	-9,396	-5,840	-9,396	-5,840
<i>Balance Sheet</i>				
Guaranteed benefits	8,009	15,301	7,804	14,500
Bonus potential on future premiums	28,901	22,532	29,044	22,832
Bonus potential on paid-up policy	15,368	8,775	15,428	9,264
Total life-assurance provisions	52,277	46,609	52,277	46,596
Collective bonus potential	8,118	4,392	8,118	4,405
Total liabilities	67,487	56,934	67,487	56,934
Total base capital	6,149	5,383	6,149	5,383
Total capital requirement	1,828	1,821	1,826	1,801

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
15		
Claims provisions		
Provisions for insurance sums on death	76	91
Provisions for insurance sums on disability	127	125
Provisions for insurance sums on critical illness	45	20
Provisions for PNN/PHI group life scheme taken over on 31 Dec. 2009	11	0
Provisions for group life scheme	148	122
Claims provisions net of reinsurance concerning total life-assurance activities	406	358
Claims provisions net of reinsurance concerning sickness and accident insurance	2,990	2,607
Claims provisions net of reinsurance	3,396	2,965
16		
Collective bonus potential		
Collective bonus potential brought forward	4,405	5,435
Change as a result of transition to yield curve	-	-13
Change in collective bonus potential	3,634	-1,017
Collective bonus potential carried forward	8,038	4,405
17		
Bonus provisions for group life scheme		
Bonus provisions for group life scheme brought forward	464	419
Change in bonus provisions for group life scheme	77	45
Bonus provisions for group life scheme carried forward	541	464
18		
Special bonus provisions		
Special bonus provisions brought forward	2,096	1,806
Change in provision for the year	421	290
Special bonus provisions carried forward	2,517	2,096
Special bonus provision type A	455	404
Special bonus provision type B	2,062	1,692
Special bonus provisions carried forward	2,517	2,096

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
19 Provisions for unit-linked contracts		
Provisions for unit-linkd contracts brought forward	17	0
Accumulated value adjustment brought forward	0	0
Retrospective provisions brought forward	17	0
Gross premiums	32	18
Addition of interest	5	-1
Insurance benefits	-1	0
Costs supplement after addition of costs bonus	-1	0
Risk gain after addition of risk bonus	0	0
Retroperspective provisions carried forward	52	17
Provisions for unit-linked contracts carried forward	52	17
Change in provisions for unit-linked contracts	5	-1
Shares	25	7
Bonds	28	9
Total investment assets in unit-linked contracts	53	17
PAL payable, unit-linked contracts	1	0
20 Other debt		
Obligation in connection with sale and repurchase transactions	3,899	7,377
Negative market value of financial instruments	232	29
Other debt	167	123
Total other debt	4,297	7,530

Notes (cont.)

Note	31 Dec.2009 DKKmill.	1 Jan.2009 DKKmill.
21 Collateral		
For collateral for technical insurance provisions, shares have been registered at a carrying amount of	68,850	52,891
Bonds for collateral for loans after standard repurchase contracts on Danish mortgage and government bonds at market value	4,115	7,916
Bonds for collateral for market value of derivative financial instruments at market value	184	236
Bonds received as collateral for market value of derivative financial instruments at market value	1,416	5,659
22 PAL compensation		
Received from SKAT	-	297
Of which cost cover for handling payments	-	-4
PAL compensation for members	-	293
Deposited on members' schemes	-2	263
Transferred to other companies	0	3
Payments to members	2	27
Total, for members	0	293
Cost cover for handling payments	0	4

Costs for handling PAL compensation include sending election an information letters, registration and case processing as well as IT costs for identification of payees.

Notes (cont.)

Note**23 Contingent liabilities**

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

At the end of 2009 the company has a leasing obligation of DKK 1.3 million.

At the end of 2009, bonds had been acquired for DKK 2,697.0 million net, for settlement in the first quarter of 2009. At the end of 2009, shares had been sold for DKK 14.1 million net, for settlement in the first quarter of 2010.

At the end of 2009, a commitment has been made for investments of DKK 7.4 billion in private equity and holdings.

24 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, and the affiliate Industriens Pension Service A/S. Fees for these services are fixed on a cost-recovery basis.

Furthermore, an agreement has been made on the procurement of IT operation and development services with the subsidiary. Fees for these services are fixed on market terms.

25 Accounting policies

The accounting policies can be found in a special section on pages 24-30.

Notes (cont.)

Note	2005	2006	2007	2008	2009
26 Five-year financial summary - DKKmill.					
Financial and operating data					
Premiums	4,836	5,856	6,248	6,748	5,963
Insurance benefits	1,215	1,235	1,346	1,703	2,227
Investment return	5,597	3,096	212	1,144	8,075
Insurance operating expenses	124	146	134	162	162
Result of reinsurance	-3	-3	-2	-2	-1
Insurance technical profit or loss	-1	-29	-38	-9	-21
Insurance technical profit or loss og sickness and accident insurance	120	133	131	24	62
Profit/loss for the year	449	279	103	117	376
Provisions for insurance and investment contracts	38,517	45,524	50,631	56,934	67,487
Equity capital	2,788	3,067	3,170	3,287	3,662
Assets	41,744	48,894	54,871	67,901	75,452
Key ratios for sickness and accident					
Gross claims ratio	159.8%	126.2%	86.8%	98.0%	156.2%
Gross expense ratio	5.5%	5.1%	3.8%	4.8%	5.2%
Combined ratio	165.7%	131.7%	90.9%	103.2%	161.7%
Operating ratio	88.2%	90.7%	77.5%	83.4%	129.9%
Relative run-off profit/loss	7.0%	7.6%	19.7%	14.0%	11.3%
Return key figures and ratios					
Total return before tax on yields of certain pension-scheme assets	16.2%	7.1%	0.4%	2.0%	13.0%
Total return after tax on yields of certain pension-scheme assets	13.9%	6.1%	0.4%	1.7%	11.0%
Return before tax on yields of certain pension-schemes assets, members					13.1%
Return after tax on yields of certain pension-schemes assets, members					11.1%
Return before tax on yields of certain pension-schemes assets, equity capital					12.0%
Return after tax on yields of certain pension-schemes assets, equity capital					10.2%
Costs key figures and ratios					
Expenses as a percentage of premiums	2.6%	2.5%	2.1%	2.4%	2.7%
Expenses as a percentage of provisions	0.5%	0.5%	0.4%	0.4%	0.3%
Expenses per member	DKK 329	DKK 375	DKK 329	DKK 379	DKK 369
Profit or loss on expenses	0.84%	0.83%	0.85%	0.71%	0.57%
Risk figures					
Profit or loss on insurance risk	0.24%	0.20%	0.19%	0.14%	0.11%
Consolidating key figures and ratios					
Ratio of bonus potential to provisions	19.4%	21.2%	13.4%	9.4%	15.4%
Ratio of customers' funds to provisions	4.2%	4.5%	4.5%	4.4%	4.8%
Ratio of owners' funds to provisions	9.9%	9.1%	7.8%	7.0%	7.0%
Ratio of excess solvency to provisions	8.9%	8.5%	8.7%	7.6%	8.4%
Solvency ratio	271%	266%	342%	299%	338%
Return key figures and ratios					
Return on equity before tax	20.1%	10.5%	3.3%	4.1%	12.5%
Return on equity after tax	17.9%	9.5%	3.3%	3.6%	10.8%
Return on insurance provisions	14.3%	5.8%	-0.3%	3.8%	10.9%
Return on special bonus provisions, type A	6.0%	3.2%	3.2%	2.6%	3.4%
Return on special bonus provisions, type B	19.5%	10.0%	3.1%	4.9%	13.2%

Notes (cont.)

Note

27 Specification of assets and returns on these

<i>DKKmill.</i>		Market value		Net investment	Return in % before PAL
		Brought forward	Carried forward		
1.1	Land and buildings directly owned	69	69	0	5.5%
1.2	Property companies	760	1,695	1,021	-7.9%
1.	Total land and buildings	829	1,763	1,021	-7.5%
2.	Other subsidiaries	74	76	0	-
3.1	Listed Danish shares	2,670	5,950	1,830	37.2%
3.2	Unlisted Danish shares	643	805	98	8.1%
3.3	Listed international holdings	6,118	13,247	2,964	47.1%
3.4	Unlisted international holdings	2,233	2,748	471	1.5%
3.	Total other holdings	11,664	22,750	5,363	36.0%
4.1	Government bonds (Zone A)	3,032	3,977	811	6.2%
4.2	Mortgage-credit bonds	19,703	19,660	-1,857	9.6%
4.3	Index-linked bonds	3,147	0	-3,150	1.6%
4.4	Credit bonds, investment grade	1,127	5,234	3,440	17.4%
4.5	Credit bonds, non-investment grade	4,926	7,963	1,348	32.9%
4.6	Other bonds	9	0	-9	0.0%
4.	Total bonds	31,943	36,835	584	11.3%
5.	Loans secured by mortgages	0	0	0	-
6.	Other financial investment assets	7,208	8,149	800	-
7.	Derivative financial instruments	7,347	399	-5,105	-

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 (cont.)

Note

28 Specification of holdings in %

	Denmark	Other Europe	North America	South America	Japan	Other FarEast	Other countries	Not analysed	Total
Energy	0.0%	1.2%	1.9%	0.5%	0.1%	0.4%	0.2%	0.0%	4.2%
Materials	0.7%	0.6%	0.8%	0.4%	0.4%	0.3%	0.8%	0.0%	3.9%
Industry	9.2%	1.0%	1.7%	0.3%	0.9%	0.3%	0.3%	0.0%	13.6%
Consumer goods	0.2%	0.8%	2.7%	0.6%	1.0%	0.6%	0.2%	0.0%	6.0%
Goods for consumption	2.1%	1.2%	2.6%	0.3%	0.3%	0.4%	0.3%	0.0%	7.3%
Health care	7.5%	0.9%	3.0%	0.1%	0.3%	0.2%	0.2%	0.0%	12.1%
Finance	4.4%	2.7%	2.9%	0.9%	1.0%	1.9%	1.2%	0.0%	14.9%
IT	0.2%	0.3%	4.8%	0.2%	0.7%	1.0%	0.0%	0.0%	7.0%
Telecommunication	0.2%	0.7%	0.7%	0.1%	0.2%	0.4%	0.1%	0.0%	2.3%
Utilities	0.0%	0.5%	0.8%	0.0%	0.3%	0.0%	0.0%	0.0%	1.7%
Not analysed	3.5%	11.5%	9.2%	0.5%	0.0%	1.4%	0.2%	0.7%	26.9%
Total	27.8%	21.3%	31.2%	3.7%	5.0%	6.8%	3.5%	0.7%	100.0%

Notes (cont.)

Note				
29 Sensitivity information and risks				
Incident	Maximum effect on base capital	Maximum effect on collective bonus	Maximum effect on bonus potential on paid-up policies before change in applied bonus potential on paid-up policies	Maximum effect on applied bonus potential on paid-up policies
<i>DKKmill.</i>				
Interest rate rise of 0.7 percent	-76	-4,981	4,261	0
Interest rate drop of 0.7 percent	76	4,982	-4,836	0
Fall in share prices of 12%	-463	-2,478	0	0
Fall in property prices of 8%	-18	-97	0	0
Exchange-rate risk (VaR 99.5%)	-92	-493	0	0
Loss on counterparties of 8%	-175	-938	0	0
Mortality rate intensity:				
- drop of 10%	0	-79	-1,098	0
- increase of 10%	0	40	1,024	0
Disability intensity:				
- increase 10%	0	-2	-5	0

Note: Positive figures mean that the company benefits from the mentioned risk process whereas negative figures means the company's reserves are eaten into.

Further description of company risks and management of these can be found in the review on page 13.

Ownership, management and managerial positions

OWNERSHIP

Industriens Pensionsforsikring A/S and the company Industriens Pension Service A/S are wholly owned by IndustriPension Holding A/S and are part of the Industriens Pension group together with the wholly owned subsidiary, Industriens Pension IT A/S and Industriens Pension Professionel Forening f.m.b.a. in the group Industriens Pension.

Industriens Pension was established by the parties behind the industrial collective agreement: the Confederation of Danish Industries (DI) and the CO-industry 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% of the share capital.

The CO-industry unions hold 65%, distributed as follows:

The United Federation of Danish Workers (3F)	37.00%
The Danish Metalworkers' Union	21.96%
The Danish Timber Trade Federation	3.80%
The Danish Electrical Union	2.00%
The Painters' Union in Denmark	0.12%
The Plumber and Pipeline Union in Denmark	0.08%
Dansk Funktionærforbund -Serviceforbundet	0.04%

COMPANY INFORMATION

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1364 Copenhagen K

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Telefax +45 33 66 80 90

kundeservice@industrienspension.dk
www.industrienspension.dk

CVR no. 16 61 41 30

BOARD OF MANAGEMENT

Laila Mortensen (born 1965)
CEO of IndustriPension Holding A/S, and the fully owned subsidiary Industriens Pensionsforsikring A/S.

Other board of directors and board of management positions:

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

- . Chief Executive Officer of Industriens Pension Service A/S.
- . Expert representative in insurance matters in Vinnukærunevndini on the Faroe Islands.
- . Member of board of directors in Danish Insurance Association.

Duties and positions held by management approved by the board of directors, cf. section 80(1) of the Financial Business Act.

SENIOR MANAGEMENT

After 15 years as CEO, Erik Adolphsen retired in 2009. Laila Mortensen was appointed new CEO by the board of directors. She was first employed at Industriens Pension in 1997 and entered the board of management in 2007.

Lis Skovbjerg from PNN PENSION and PHI pension was first employed in autumn 2008 and retired in connection with the approval of the merger on 30 November 2009.

The management:

Laila Mortensen, CEO
Joan Alsing, Insurance director
Jan Østergaard, Investment director

The chief actuary:

Rikke Sylow Francis, Deputy director

Good corporate governance

For more information on good corporate governance, please refer to our website: www.industrienspension.dk

Organisational links

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

BOARD OF DIRECTORS

The board of directors of Industriens Pensionsforsikring A/S has 14 members: 7 employee members and 7 employer members. Employee members will always take the chair, employer members will always put up the deputy chairman.

The 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

- . Industriens Uddannelses- og Samarbejdsfond, member of the board of directors
- . Industriens Kompetenceudviklingsfond, member of the board of directors
- . Laugesens Have, Kursuscenter A/S, member of the board of directors

Kim Graugaard (born 1961)
CEO of the Confederation of Danish Industries - organisation for businesses
Deputy chairman of Industriens Pensionsforsikring A/S

Date of taking office: 28 April 2005.
Appointed by the Confederation of Danish Industries.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, deputy chairman
- . Industriens Pension Service A/S, deputy chairman

- . Industriens Uddannelses- og Samarbejdsfond, member of the board of directors
- . Industriens Kompetenceudviklingsfond, member of the board of directors
- . Arbejdsmarkedets Tillægspension, member of the board of directors and member of the board of representatives
- . Confederation of Danish Employers (DA), member of the board of directors
- . Statistics Denmark, board member

Lars Andersen (born 1958)

Executive 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
- . IUF/IØ/IFV-fondene, member of the board of directors
- . Aktieselskabet Arbejdernes Landsbank, member of the board of directors

Erik Bredholt (born 1966)

Executive Director in EMB Holding ApS

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

Date of taking office: 30 November 2009.
Appointed by employers in the merged pension funds PHI pension and PNN PENSION.

Other board of directors and board of management positions:

- . DANISH CROWN amba, member of board of directors
- . Tulip UK Ltd., member of board of directors
- . Plumrose USA inc., member of board of directors
- . Friland A/S, member of board of directors

- . Livlande Holding a/s, member of board of directors
- . Slagteriernes Gruppeliv, member of board of directors
- . Executive committee of the Confederation of Danish Industries
- . Landbrug & Fødevarer, member of board of directors

Lars Hansen (born 1955)

Department chairman Metal Odense

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:

- . Syddansk Erhvervsskole, member of board of directors

Thorkild E. Jensen (born 1950)

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
- . Industriens Uddannelses- og Samarbejdsfond, deputy chairman
- . Industriens Kompetenceudviklingsfond, chairman
- . Aktieselskabet A-Pressen – Fagbevægelsens Presse, member of board of directors
- . Aktieselskabet Arbejdernes Landsbank, member of the board of directors
- . The Danish Confederation of Trade Unions, member of executive committee and day-to-day management

- . The Employees' Capital Pension Fund, member of the board of directors
- . The Economic Council of Labour Movement, Board of directors and council
- . Arbejdsmarkedets Tillægspension, member of committee of representatives

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.

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
- . Monberg Sørensen A/S, chairman
- . EmballageIndustrien, member of the board of directors
- . Lodberg & Co. A/S

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)

CEO

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.

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 and chairman for the Audit Committee
- . Invitel A/S, member of board of directors and chairman for the Audit Committee
- . AtchikRealtime A/S, chairman
- . EG A/S, member of the board of directors
- . Dtechnet A/S, member of the board of directors

Bo Stærmose (born 1948)

CEO, Juliana Drivhuse A/S.

Deputy chairman of the Confederation of Danish Industries.

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.

Other board of directors and board of management positions:

- . IndustriPension Holding A/S, member of the board of directors
- . Fionia Holding A/S, chairman
- . Juliana Holding A/S, chairman
- . Provinsindustriens Arbejdsgiverforening, chairman
- . Fionia fond, chairman
- . International Chamber of Commerce, member of the board of directors
- . Juliana A/S, chairman
- . Argentum A/S, chairman
- . Juliana Ejendomme A/S, chairman

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

Berit Vinther (born 1961)

Deputy director general of the Confederation of Danish Industries.

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

Date of taking office: 22 April 2009.

Appointed by the Confederation of Danish Industries.

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
- . FunktionærPension, member of the board of directors
- . Arbejdsmarkedets Tillægspension, member of committee of representatives
- . Industriens Uddannelses- og samarbejdsfond, chairman
- . Industriens Kompetenceudviklingsfond, deputy chairman
- . PFA's kunderåd

Ole Wehlast (born 1959)

Trade Union President Fødevareforbundet NNF.

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

Date of taking office: 30 September 2009.

Appointed by employees in the merged pension funds PHI pension and PNN PENSION.

Other board of directors and board of management positions:

- . Aktieselskabet Arbejdernes Landsbank, member of the board of directors
- . The Employees' Capital Pension Fund, member of the board of directors
- . Arbejdsmarkedets Tillægspension, member of committee of representatives
- . Esbjerg Højskole, chairman of the board of directors

Carl Chr. Ægidius (born 1944)

CEO

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.

Other board of directors and board of management positions:

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