Pensjonsordningen for apotekvirksomhet

Annual Report 2011

Contents

Introduction

2011 was a year in which the financial markets were characterized by major fluctuations and uncertainty regarding future economic development. Despite this the Pension Scheme for Pharmacy Sector delivered a satisfactory result on the capital side. Low interest rates and rapidly rising pension liabilities mean that the pension scheme will face considerable challenges in the future.

The financial market continues to pose challenges. Uncertainty related to the economic developments in the Euro zone characterized the market in 2011. For the last few years the interest rate level has been low in Norway while salary growth has been high compared with other countries, and exceptionally high compared to the interest rate level. This combines into a situation in which risk-free returns on capital are low while pension liabilities rise.

A further challenge for all pension providers is that the number of pensioners is increasing and we are living longer. Measures to encourage employees to work until they are older will help to reduce the growth in pension liabilities. The pension reform that was introduced on 1 January 2011 also contains measures to slow the increase in pension costs. It is still too early to say how the pension reform will affect the Pension Scheme for the Pharmacy Sector, because regulations pertaining to year groups born after 1953 have yet to be established.

We see that liabilities are also growing for the Pension Scheme for Pharmacy Sector as a result of additional and more expensive disability cases and more active members on high salaries. As a result of the increased number of disabled pensioners the Board of Directors has voted to strengthen allocations for future disability cases from 2012.

Growth in pension liabilities combined with the challenge of achieving satisfactory returns on the capital side results in decliing equity in the scheme. The Board has therefore had to consider permanent measures to strengthen buffer capital. The premium for the scheme has been unchanged since 2006 but will now rise from 13,6% to 16,1% from 2012 to finance future pension payments. Today the scheme covers the costs of drawing on the contractual pension scheme (AFP) for member organizations through the ordinary premium. From 2012 the costs for drawing on the AFP scheme will be specifically invoiced to the member organization when such drawing takes place, which is standard practice in other pension funds.

The Board will follow developments on both the capital and liability sides closely to assess further necessary adaptations and measures to ensure adequate financial balance for the scheme.

Last year the Pension Scheme for Pharmacy Sector received new administrative regulations. To a great extent this puts the Pension Scheme for Pharmacy Sector on a par with life insurance companies and other pension funds on the market. This will affect capital adequacy requirements in the future.

In the annual report you can also read about other framework conditions including the consequences of the introduction of the Solvency II Directive. The report also provides a summary of the current status and developments on both the capital and liability sides.

Happy reading!

About the pension scheme

The Pension Scheme for the Pharmacy Sector manages the pension entitlements of 16 737 members throughout the pharmacy sector.

The Pension Scheme for Pharmacy Sector was established in 1953 and is a statutory collective pension scheme.

Dispensing pharmacists and permanent employees in pharmacies who work an average of at least 15 hours a week are both entitled to and obliged to become members of the pension scheme.

In addition to the employees at 707 pharmacies the scheme has members from certain other businesses which are closely associated with the pharmacy sector and who have applied for membership.

Members of the pharmacy scheme
The pension scheme has 6 689 members actively employed in qualifying positions. The pension scheme also has 3 803 pensioners and 6 245 members with accrued pension entitlements who are not currently employed in a qualifying position.

The table below shows the distribution of active members in different employment categories.

Position	Men	Women	Total
Dispensing pharmacist	198	366	564
Pharmacist - master of pharmacy	166	609	775
Pharmacist	26	179	205
Prescriptionist	87	1 117	1 204
Laboratory assistant	2	4	6
Prescriptionist	101	3 476	3 577
Office employee	83	115	198
Messenger, driver	6	2	8
Cleaner	2	52	54
Manager	17	54	71
Miscellaneous	10	17	27
Total	**698**	**5 991**	**6 689**

Members in qualifying positions, per employment category (as at 31.12.2011)

Managed by the Norwegian Public Service Pension Fund
According to law the Pension Scheme for the Pharmacy Sector shall be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Ministry of Labour.

The Pension Scheme for the Pharmacy Sector has its own Board of Directors, which is its decision-making body. The board is headed by the CEO of the Norwegian Public Service Pension Fund and has four additional members, each with a personal deputy. The board is appointed by the Ministry of Labour with a four-year mandate following nominations from the employers' associations and the employee unions. Two of the nominated members shall represent employers, while pharmacists and technical staff are each represented by one board member.

During 2011 the Board comprised
- Finn Melbø (chairman), CEO of the Norwegian Public Service Pension Fund
- Kim Nordlie, Senior Advisor in Virke
- Bjørn Myhre, director of Spekter
- Edvin Alten Aarnes, secretary general of the Norwegian Association of Pharmacists
- Kjell Hundven, special adviser to the Norwegian Association of Pharmacy Technicians

The following have served as deputy board members during 2011
- Rune Huse Kristoffersen, personal deputy for Finn Melbø
- Per Helge Engeland, personal deputy for Kim Nordlie
- Stein Gjerding, personal deputy for Bjørn Myhre
- Tove Ytterbø, personal deputy for Edvin Alten Aarnes
- Berit Regland, personal deputy for Kjell Hundven

The value of membership:

This is what the pension scheme offers

A good pension scheme is about more than just a retirement pension. Membership of the Pension Scheme for Pharmacy Sector also includes a contractual pension (AFP), disability pension and dependents' pension. Members can also apply for housing loans. This means security in all phases of life.

Retirement pension
A retirement pension from the Pension Scheme for the Pharmacy Sector is in addition to a retirement pension from the National Insurance Scheme and is a life-long payment. Most members can draw on their retirement pension when they reach the age of 67. The pension scheme's upper age limit for retirement is 70.

The size of the pension depends on the contribution base, qualifying period and percentage of employment.

The contribution base is generally equivalent to the employee's regular salary at the time he or she retires, subject to a limit of 10G (G = the Norwegian National Insurance Scheme's basic amount). The qualifying period is the length of time the employee has been a member of the pension scheme. The full qualifying period is 30 years (360 months).

The pension scheme operates a so-called gross guarantee, which means that the pension benefits will normally make up at least 66% of the contribution base after the completed qualifying period. For part-time employees, or those with a shorter qualifying period than 360 months, the contribution base and subsequently the pension benefits will be reduced correspondingly.

Retirement pensions are adjusted for age from 67 years – i.e. pension payments are related to life expectancy.

Contractual pension
On reaching the age of 62, members of the pension scheme may be entitled to retire on a contractual pension (AFP). AFP is designed to allow older employees to retire before reaching the age limit.

When a member is between 62 and 65 years of age NAV manages the scheme and the pension is always calculated according to National Insurance rules. As a rule, the amount of the pension from 62 years of age will be equivalent to the retirement pension the member would have received from the National Insurance Scheme if he or she had continued to work until reaching 67 years of age, plus an AFP supplement of NOK 1 700 per month.

From age 65 the level of pension benefits is calculated either according to National Insurance Scheme rules or according to the method used by the Pension Scheme for the Pharmacy Sector for calculating retirement pensions. The Pension Scheme for the Pharmacy Sector compares these two calculations and pays the highest benefit. When the member reaches 67 years of age the AFP is changed to a retirement pension.

AFP from the pension scheme cannot be combined with drawing a retirement pension from the National Insurance Scheme. The contractual pension scheme does not apply to dispensing pharmacists who are pharmacy owners.

Disability pension
A disability pension can be paid to members who become unable to work due to illness or injury, and as a result have to reduce their working hours or leave their job. Pension benefits may be paid on a temporary or permanent basis and may be paid in respect of all or elements of the position of employment.

A full disability pension is equivalent to 66% of the member's contribution base. For disability pensions, credit is given for the pension entitlement the member could have accrued if he or she had remained in the qualifying position until retirement

Disability pensions are calculated on the basis of the percentage of employment at the time of disability. Disability pensions are not adjusted for age.

Dependents' pensions
When a member dies, his or her dependents may be entitled to a dependents' pension. The pension shall cover some of the loss of income suffered by the family. There are two types of dependents' pension: spouse pension and children's pension.

With effect from 2001 new rules were introduced for calculating dependents' pensions. The new rules provided for dependents' pensions to be paid on a net basis, instead of the gross basis used for other types of pensions provided by the Pension Scheme for the Pharmacy Sector.

Under the new rules dependents' pensions are calculated as a fixed percentage of the deceased member's contribution base. Dependents' pensions shall be neither means-tested nor co-ordinated with the National Insurance Scheme.

The new rules for net pension benefits do not, however, apply to everyone. Accordingly we will continue to have transitional arrangements in place for a considerable period. These will mean that the old rules, or payment of benefits on a gross basis, will continue to be applied in many cases.

On 01.02.2010 a change in the law came into effect that gave equal status to widows and widowers when calculating dependents' pensions. This entails that a group of widowers in the pension scheme gained the right to a repayment of dependents' pensions. This applied to widowers for whom a dependents' pension started on 01.01.1994 or later, and where the member had their qualifying period after 31.12.1993.

When you leave your job: Deferred pension

Members who leave a qualifying position without retiring are entitled to a future pension from the pension scheme. This is called a deferred pension. Deferred pension benefits are paid when the member reaches the qualifying position's retirement age or upon receipt of a retirement or disability pension from the National Insurance Scheme. A deferred pension cannot be paid until the member reaches the age of 67. To be entitled to a deferred pension the total qualifying period must be at least three years.

Pension transfer agreement

A transfer agreement is an agreement between the majority of public sector pension schemes in Norway. The agreement means that if you have previously accrued pension entitlements in another pension scheme, the accrued entitlement is transferred to the scheme that you belong to on retirement. Pension calculation will be made according to the rules of the final scheme.

From 01.02.2003 the pension transfer agreement ceased to apply in respect of new members of the Pension Scheme for the Pharmacy Sector and members who had left the scheme before that date with a qualifying period shorter than six months. Those who became a member before this date are included in the pension transfer agreement. For those who became a member after 01.02.2003 entitlements earned in the different schemes will be determined in each individual scheme. In other words, the entitlements will not be transferred to the scheme applicable on retirement.

Co-ordination with the National Insurance Scheme

In order to receive a pension from the Pension Scheme for the Pharmacy Sector, it is a condition that the member draws the benefits he or she is entitled to from the National Insurance scheme.

All types of pensions, with the exception of spouse pensions regulated by the net rules, are co-ordinated with benefits from other public sector pension and social security schemes, primarily the National Insurance Scheme.
Changes in rates of National Insurance are therefore very important for determining the level of deductions.

Pension adjustments

If the pension scheme's finances allow, pensions from the Pension Scheme for the Pharmacy Sector can be adjusted in line with decisions by the Board of Directors. The Board considers adjustment in relation to expected salary increases in the pharmacy sector and adjustment of National Insurance Scheme pensions.

It is pensions before coordination with other benefits which are adjusted following a decision by the Board. The coordination deduction is adjusted according to the same rates as for the National Insurance Scheme.

As the basis for adjustment from 1 May 2011 the Board used salary growth in the pharmacy sector of 3,7%. The Pension Scheme for the Pharmacy Sector otherwise follows the same principles for adjustment as the public sector occupational pensions. This entails that adjustment of retirement pensions and AFP, as well as disability and dependents' pensions from 67 years of age is subject to a 0,75% deduction.

The housing loan scheme

All members of the Pension Scheme for the Pharmacy Sector are eligible to benefit from our housing loan scheme. The maximum loan is currently NOK 1 200 000.

All loans must be secured by a mortgage or share in a housing association. Loans may be granted for home purchases or home improvements/extensions as well as for refinancing an existing mortgage.

As at 31.12.2011 the interest rate for housing loans was 3,0%. With the effect from 01.05.2012 the invest rate will be 2,5%

At 2011 year-end there were 308 outstanding loans. This is a decline of 4,3% from 2010.

The loan portfolio comprises the following loans:

	Number of loans	Amount in NOK
Housing loan	293	140 878 353
Government-guaranteed debenture loan	11	5 668 030
Loans for pharmacy premises	4	2 502 000
Total	**308**	**149 048 383**

Pensions have become more complicated

When the pension reform came into effect it resulted in more choice for the individual. At the same time it became more challenging to navigate the pension landscape for employees, employers and pension providers.

Before the pension reform came into effect pensions were mainly about two choices: You could draw on a retirement pension when you reached 67 years of age or you could take out a full or partial contractual pension (AFP) if you were entitled to one. Now the individual has far more possibilities and it is easier to combine work and pension. For example it is possible to draw different proportions of your pension in combination with work. To put it simply, you have gone from having a choice between white and black to being able to choose between all the colours of the rainbow.

Why so complicated?

The pension reform was introduced because the Norwegian pension system was no longer sustainable. When the National Insurance Scheme was introduced in 1967 there were 3,9 actively employed persons per pensioner. Calculations made then showed that in 2050 the number of actively employed persons per pensioner would only be 1,7. This formula could not work, and an important goal for the reform was to stimulate us to work longer. Additional choices and greater opportunities to combine work and pension are some of the measures to contribute to this.

No simple answer

What is best financially for each individual depends on their year of birth, salary and pension entitlement for both the National Insurance system and occupational pension schemes. An important message to all future pensioners is that it is smart to think long-term: If for example you choose to draw on some of your pension when you are 62 years old, this can make a big difference to the size of your pension when you are 67 years old. How long the individual is to work must therefore be an overall evaluation, based on their life situation, economy and desire to continue working.

Must understand the consequences

The complexity of the new rules is easy to see in a number of news articles in 2011 that cover working after 67 years of age. The rules for public sector occupational pensions, which the Pension Scheme for the Pharmacy Sector is closely related to, are that you receive a larger pension if you simultaneously draw a pension from both the National Insurance Scheme and the public sector occupational pension after you have turned 67. If the pensions are drawn at different times this may result in a reduction of the total pension is reduced. This shows how important it is to seek expert advice and obtain information before making a decision.

Requirements for employers

The many possibilities provided by the pension reform, set greater requirements for the employer's knowledge when guiding their employees. At the same time, flexible solutions make it possible to keep older employees longer and thus also retain valuable experience and competence. An active policy towards older employees is a powerful planning tool for both employer and employee, and can contribute to greater predictability for both parties. This can also make it easier to see new possibilities at the end of a career.

The pension reform is not over

The pension reform in the public sector continues, and several elements remain:

- *The coordination rules for the 1954 generation and later*
  - *The first drawing of pensions for the 1954 generation is in 2016*
- *Disability rules for the public sector*
  - *The first drawing of disability pension from the National Insurance Scheme in accordance with the new rules is in 2015*
- *Possible new rules for dependents' pension*

More rules

So far the coordination rules for public sector occupational pensions have been adopted for those with the old qualification model, i.e. those born in 1953 or earlier. Those born in 1954 or later earn their pension fully or partly according to the new model, (all years rule). Rules covering this must be in place well before 2016 when those from 1954 become 62 years old and can draw a pension. This means that case processing systems must be adapted to several new sets of rules and there will be more information to digest for employees, employers and pension providers. At the same time this means that all generations will be able to understand their future pensions so that it is possible to plan.

Some examples of changes before and after the pension reform

Retirement pension from the National Insurance Shceme and public sector occupational pension	→ 2011	2011 →
Pension choice (Does not consider percentage employment or pension degree)	**3 main alternatives** • Draw retirement pension from the National Insurance Scheme and occupational pension when you are 67 years old • Draw full AFP • Draw partial AFP	**6 main alternatives** • Draw retirement pension from the National Insurance Scheme when you are 62 years old and continue to work - *You can draw 20, 40, 50, 60, 80 or 100 per cent of retirement pension from National Insurance Scheme* - *Percentage employment can vary* • Draw retirement pension from the National Insurance Scheme and stop work when you are 62 years old • Draw full AFP from 62 years old • Draw partial AFP from 62 years old • Work until you leave with retirement pension as 67 year old • Work after you are 67 years old and wait to draw retirement pension
Number of generations who can draw retirement pension from the National Insurance Scheme	**4 generations** • drawing pension from 67-70 years old	**14 generations** • drawing pension from 62-75 years old
Qualification rules in National Insurance Scheme	**1** • All earn their pension as per old rules, best years rule	**2 (3)** • Generation up to an including 1953, earn pension as per old rules • Generation 1954-1962 earn pension partly as per old and partly as per new rules (all years rule) • Generations 1963 and younger earn entire retirement pension as per new rules
Coordination rules	**1 rule** • Same rule for all generations	**2 rules** • Rules for generations until 1953 are adopted • New rules for 1954 and younger not yet ready
Age adjustment	Did not exist	Date and month of birth affects the size of the pension. Two people with the same entitlement can thus have different pensions even if drawing them at the same age.
Adjustment of the National Insurance Scheme	National Insurance basic amount (G)	Different time of drawing pension gives different adjustment.

Pension liabilities

Liabilities in the Pension Scheme for the Pharmacy Sector grew by NOK 446 million 2011. As at 31.12.2011 liabilities are estimated to total NOK 4 967 million.

The calculations of insurance liabilities are based on the assumption that the Pension Scheme for the Pharmacy Sector will continue to operate as long as obligations exist towards its members as at 31.12.2011.

The underwriting result is calculated at NOK -255 million before allocations to the securities adjustment reserve and special allocations. This results in overfunding as at 31.12.2011 of NOK 417 million or 8,4% of the premium reserve for exceptional allocations. The overfunding represents the scheme's equity. This is buffer capital necessary to cover random risks that are not covered by the premium. After the special allocation for widower pensions of NOK 24,4[1] million, the pension scheme's equity is NOK 393 million. Equity has been reduced from NOK 672 million as at 31.12.2010.

Insurance result

The insurance result can be split into the investment result, the risk result and the recognized difference between invoiced and actual pension cost.

Investment result

The investment result is negative. This means that the actual return on assets under management was lower than the basis interest rate of 3%.

Risk result

The risk result is negative and is mainly connected to disability pensions and extraordinary entitlements for widowers. The number of new disabled pension recipients in the pension scheme, and the amount related to these, is significantly higher than expected. This has supported the requirement for a higher disability tariff which was introduced on 01.01.2012. Repayments to widowers resulting from a change in the law in 2010, resulted in increased costs and had a negative effect on the risk result.

As a result of the fact that we are living longer, tariff K1963 was replaced by K2005 with effect from 01.09.2010. The introduction of a new mortality tariff also affects the risk accounts. The tariff with lower mortality reduces the risk premium (dependents' pensions).

Actual and invoiced costs

The difference between the invoiced premium and the premium that should actually have been paid to cover events that occurred in 2011 appears as a separate result in the insurance statement. This result is negative. This means that the invoiced premium does not cover the actual accrued pension costs in 2011. If the year 2011 is representative for the on-going deficiency of the scheme's premium, costs will exceed income by NOK 60 million a year. This is after non-recurring effects are deducted[2]. If one considers the annual non-recurring effects on the security premium, the difference is approx. NOK 85 million.

The financial situation in the scheme is challenging, and measures to strengthen buffer capital have been adopted by the Board of Directors.

1) Reduced from NOK 60 million throughout the year.

2) Non-recurring effects include 1 of 3 year's increase in reserves (approx. NOK 25 million per year for three years) of security premiums related to the mortality tariff K2005.

Investment management

The investment management activities of the Pension Scheme for the Pharmacy Sector are intended to help the scheme meet its long-term commitments without incurring too great fluctuations in the premium. As at 31.12.2011 the funds totalled NOK 5,3 billion. This is an increase of NOK 186 million on the previous year. In a year in which the financial markets have been characterized by uncertainty and fear and in which treasury yields have been historically low, investment management delivered a satisfactory return.

The funds of the Pension Scheme for the Pharmacy Sector are managed by a separate investment management unit. The aim of the investment activities of the Pension Scheme for the Pharmacy Sector is to seek to achieve the highest possible return within the scheme's available risk capacity. Available risk capacity is determined on the basis of the probability of maintaining continued ordinary operations.

The scheme's investment strategy which has been adopted by the Board of Directors of the scheme, stipulates that the chosen investment portfolio must have a risk profile that results in a probability of not meeting the legally-required equity requirement of less than 1 percent at all times. The allocation of the pension scheme's investments currently reflects the goal of achieving a satisfactory long-term return on capital in combination with a high level of diversification – in other words, spreading risk by investing in a range of different assets.

New administrative regulations

At the beginning of 2011 the Pension Scheme for the Pharmacy Sector received new administrative regulations from the Ministry of Labour. The regulations provide guidelines for how the pension scheme is to be administered, including fund management. With the introduction of the new administrative regulations the Pension Scheme for the Pharmacy Sector will be more equal to life insurance companies and pension funds with regard to the rules for investment management than was previously the case. This presents further opportunities to spread risk over different asset classes.

At the same time the Pension Scheme for the Pharmacy Sector must comply with new rules for calculating capital adequacy (Solvency rules). When exercised in full the Solvency rules mean that organizations bound by the rules must have a minimum equity which reflects the risk to which the organizations are exposed in a 'worst-case' scenario. The capital adequacy ratio is calculated by subjecting both assets and liabilities to stress tests, with a supplement for operational risk. The stress tests are based on the scheme being able to tolerate fluctuations in the financial markets which can be expected within a 99,5% certainty. As a stage in the process of adapting to the new rules the Pension Scheme for the Pharmacy Sector has implemented quarterly stress tests on assets in 2011.

The new administrative regulations also stipulate requirements for the design of ethical guidelines for investment management. Against this background new guidelines based on the principles of Folketrygdfondet (the Government Pension Fund – domestic), but which also consider the size and staffing levels of the Pension Scheme for the Pharmacy Sector, were drawn up in 2011. Emphasis has been placed on the guidelines being practical to implement. The new guidelines have been approved by the Board of the pension scheme.

Results and markets

2011 was a year in which the financial markets were characterized by uncertainty regarding future economic development. The debt problems in the Eurozone countries caused turbulence and resulted in major fluctuations, particularly in the last six months of 2011. Both Oslo Stock Exchange and the world index were affected by this and for the year as a whole the return on shares was negative. Interest rates fell further towards the end of the year from already low levels.

Fluctuations in the markets created challenges for the Pension Scheme for the Pharmacy Sector with regard to creating high returns on investments. Total returns ended at 2,46% in 2011. This is lower than budgeted, but somewhat better than the comparable reference index and a little higher than what a risk-free placement would have yielded. In particular, positive contributions to returns in 2011 came from investments in real estate, as well as interest-bearing investments in the hold-to-maturity and available-for-sale portfolios. Falling interest rates over the last six months have contributed to healthy returns from the available-for-sale portfolio. The hold-to maturity portfolio has delivered solid returns. Norwegian and foreign share investments, as well as hedge fund investments have provided negative returns, but nevertheless the result is somewhat better than for the indexes with which the Pension Scheme for the Pharmacy Sector compares itself.

The table below shows returns and reference weighting for investments in the different asset classes:

Asset class:	**Ref. weighting**	**Rate of return**
Interest-bearing investments (available-for-sale)	48,0%	3,64%
Interest-bearing investments (hold-to-maturity)	17,0%	6,51%
Norwegian shares	6,0%	-11,30%
Foreign shares (local currency)*	10,0%	-8,14%
Real estate	8,0%	7,76%
Hedge funds (local currency)*	5,0%	-2,85%
Loans to members	2,5%	2,78%
Bank deposits	3,5%	2,00%

** All foreign exchange exposure was hedged throughout the year. Returns from hedging activities are included in the overall yield.*

Despite the fact that 2011 was characterized by major fluctuations and turbulent markets, the year as a whole was within what is considered to be a normal range for these types of investments included in the Pension Scheme for the Pharmacy Sector's portfolio. As shown in the figure below, returns for the year are well within the fluctuations seen in the last 11 years. The pension scheme's equity should cover any such fluctuations.

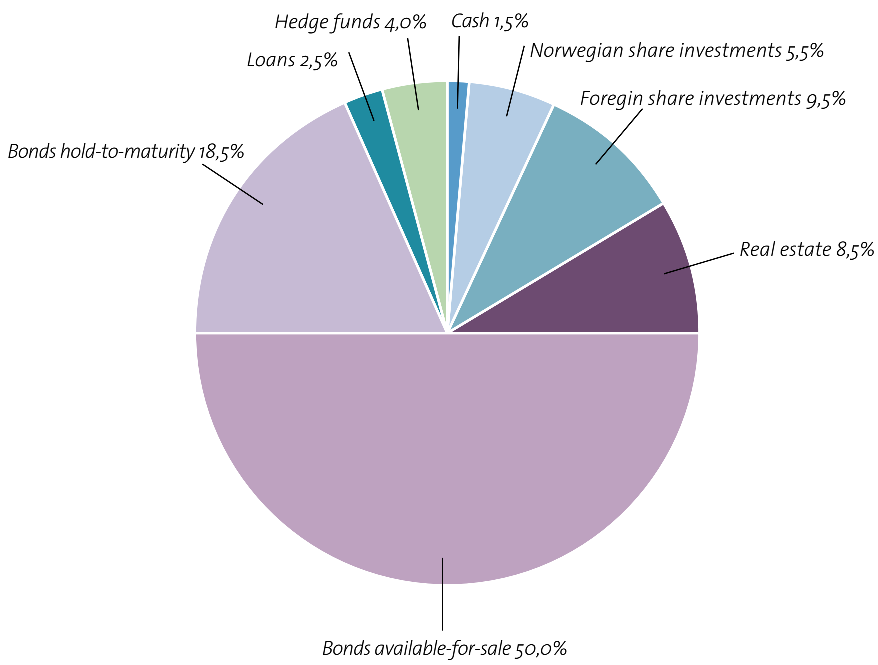
Annual return

Norwegian interest rates have remained low following the financial crisis of 2008. While interest rates are affected by international circumstances to a significant extent, wage levels in Norway are more affected by domestic issues. Wage inflation has therefore been high compared with other countries and unusually high when compared with the interest rate levels. This poses a challenge for the pension funds.

Risk-free returns will remain low in the current situation, and a satisfactory rate of return can only be achieved by taking a degree of risk. At the same time the pension scheme's commitments are growing at a rapid pace as a result of wage inflation and increasing life expectancy, which means that equity, and subsequently risk capacity, decreases. If such a situation prevails over several years, investment management alone will not be able to generate returns that maintain a satisfactory cash balance in the long term without sponsors and members having to contribute to the financing of the growing commitments. Together with the stricter capital adequacy requirements this challenge has been a contributory factor to the increase in the premium from 2012.

Investment allocation in 2012

The strategy for investment allocation in 2012 will be almost the same as at the end of 2011. The portfolio allocation will be based on a distribution of risk over multiple asset classes with different risk profiles and expected returns in order to achieve an overall medium risk profile. The strategy has been chosen because it allows the opportunity to be able to harvest risk premiums in the coming year. Specific consideration is being given to adding new asset classes and investment solutions during the year to achieve a further diversification and potential returns. The figure below shows strategic allocations in the various asset classes at the beginning of 2012.



Board of Directors' report

The Pension Scheme for the Pharmacy Sector is a statutory public service pension scheme for pharmacists and people employed in pharmacies. The scheme was established pursuant to Act no. 11 of 26 June 1953 concerning the Pension Scheme for the Pharmacy Sector. The Ministry of Government Administration and Reform has previously drawn up administrative regulations for the pension scheme. In 2011 the administrative regulations issued by the Ministry of Government Administration and Reform were superseded by a new set of regulations issued by the Ministry of Labour, which came into force on 1 February 2011.

The administrative regulations contain provisions for the Board's responsibilities and authority, asset management requirements and limits for fund allocation. The regulations stipulate that the pension scheme is to be managed as a pension fund subject to the Act on insurance companies, pension companies and their operations etc. (the Insurance Activities Act) with related regulations and the regulations governing life insurance companies' and pension companies' investment management. The new administrative regulations also clarify the division of responsibility between the Ministry and the Board of Directors.

In accordance with the Act the pension scheme shall be managed by the Norwegian Public Service Pension Fund (SPK) in Oslo. With effect from 01.01.2011, three investment managers who were previously employees of the Norwegian Public Service Pension Fund became employees of the Pension Scheme for the Pharmacy Sector. At the end of 2011 the Pension Scheme for the Pharmacy Sector thus has three employees, all of whom are men. The continuous follow-up of work undertaken by the investment managers will continue to be carried out by the Norwegian Public Service Pension Fund.

No discrimination shall occur on the grounds of gender, race, age or ethnic background in the Pension Scheme for the Pharmacy Sector. The annual employee satisfaction survey shows that there is a good working environment in the investment management department.

The pension scheme has previously resolved to adopt ethical guidelines to ensure the socially responsible management of its investments. With respect to shareholding investments, in 2011 the scheme has used KLP's list of excluded companies as the basis for determining which companies not to invest in. In line with the new administrative regulations the Board decided in December 2011 that in future the ethical guidelines shall also be based upon the guidelines for Folketrygdfondet (the Government Pension Fund - domestic).

As at 31.12.11 the board of directors had five members. The Board of Directors is headed by the CEO of the Norwegian Public Service Pension Fund. The other board members represent Virke (the Enterprise Federation of Norway), the Spekter Employers' Association, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy Technicians. During the year the board of the pension scheme held seven board meetings and dealt with 51 items of business.

The pension scheme's operations do not affect the external environment.

Members, contributions and benefit payments

At the 2011 year-end employees at 707 pharmacies were members of the pension scheme. This is an increase of 25 pharmacies from 2010. The pension scheme also includes members who are not pharmacy employees but who work in other positions associated with the pharmacy sector. The scheme had a total of 6 689 actively contributing members, as well as 3 803 current pensioners. During 2011 the scheme received premium income of NOK 321 million, compared with NOK 312 million in 2010. The scheme paid out NOK 228 million in pension benefits, compared with NOK 195 million in 2010. Accrued premium income totalled NOK 87 million at the end of the year.

Premiums have remained unchanged at 13,6% of the contribution base throughout 2011. The premium is split between employees and employers. Employees paid a premium of 2,5% of the contribution base, while employers paid a premium of 11,1%.

In 2011 pensions were adjusted on the basis of increases in salary in the pharmacy sector. In 2011 salary growth was 3,70%. In the same way as for National Insurance Scheme a fixed factor of 0,75% is deducted from the adjustment of the majority of pensions. This resulted in a minimum increase of the total pension of 2,92%.

A ruling by the EFTA Court requires widowers with membership in the Pension Scheme for the Pharmacy Sector and public sector pension schemes dating from before 1 October 1976 to be given equal status to women. Repayments were made for 65 such cases in 2011 which totalled NOK 17,6 million. Cases in which widowers are now deceases, and for which any repayments shall be made to the beneficiaries of the widowers' inheritance, will be processed in 2012. Provisions for repayments for both current pensions and inheritance settlements were recognized in the 2010 accounts.

Financial risk

The Board has adopted an investment strategy that delineates which risks may be taken and which investments may be made. The strategy outlines that capital should be invested with a long-term perspective and with a moderate level of risk. As at 31.12.11 the proportion of shares, equity funds and hedge funds was 18% of the total assets. In the opinion of the board, the scheme's investment strategy and authorisation structure provide a good level of control over the management of the scheme's assets.

New hold-to-maturity bonds have been purchased in 2011 while some hold-to maturity bonds have also matured. The portfolio of hold-to-maturity bonds represents 18% of total assets, approximately the same proportion as last year. Current returns from this portfolio are around 6,5%.

Insurance risk

Risk management on the investment side and risk management in relation to the actuarial provisions reserves are viewed as a whole. The actuarial provisions are commitments with a long timeframe. Generally speaking, capital should therefore be invested with a long-term perspective.

The technical settlement for 2011 is based on the K2005 life expectancy tariff and the disability tariff 2*K1963. With effect from 01.01.2012 the disability tariff was strengthened to 2,5*K1963 as a result of the actual payment of disability pensions in the scheme being higher than that assumed under the current tariff.

Result

The result for the year shows a loss of NOK 94 million. Net profits related to financial assets stood at NOK 130 million, including changes in unrealised gains and losses. Profits from financial assets are mainly related to current returns on securities in the available-for-sale and hold-to-maturity portfolios. Real estate investments have also made a positive contribution in 2011.

Previously unrealized price gains of NOK 126 million, which were allocated to the securities adjustment reserve, have been reversed in 2011. This has resulted in a corresponding improvement of the 2011 net result.

In 2011 a total increase in pension liabilities (the premium reserve) of NOK 446 million was recorded. One reason for this significant growth is the fact that the actual payment of disability pensions has been higher than that previously assumed in allocating funds for the premium reserve.

This year's loss of NOK 94 million will be covered by other retained earnings.

Financial position

As at 31.12.2011 the pension scheme's assets under management totalled NOK 5 443 million, of which approximately 67% were placed in bonds, 18% in shares, equity funds and hedge funds, 8% in property and real estate, 3% in loans, 2% in bank deposits while other items account for 2% of the total.

As at 31.12.2011 other retained earnings totalled NOK 386 million. This is a reduction of NOK 94 million compared to 2010. In accordance with the new administrative regulations, the pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds. As at 31.12.2011 the capital adequacy requirement was calculated at NOK 207 million. The capital adequacy requirement is calculated in accordance with the requirements applicable to private sector pension funds, and the calculated amount will be covered by other retained earnings.

Accordingly, the scheme's free equity, which consists of other retained earnings in excess of the capital adequacy requirement, totalled NOK 179 million at the end of the year. This is buffer capital necessary to cover random risks that are not covered by the premium. The buffer capital is equivalent to 3,3% of total equity.

The pension scheme calculates capital requirements based on the Financial Supervisory Authority of Norway's stress tests in accordance with similar rules which apply to private pension funds. The stress tests demonstrate the scheme's ability to bear losses without this threatening the ordinary operations of the scheme. As at 31.12.2011 the pension scheme does not have buffer capital which meets the capital requirements resulting from the stress tests.

Buffer capital decreased during 2011. One factor contributing to this is the fact that disability cases have been more numerous and more expensive than expected. In addition the turbulence in the capital markets resulted in lower returns from investment management than that predicted at the beginning of the year. As a result of the need to strengthen buffer capital, in 2011 the Board decided to increase premium rates by 2,5% to 16,1% with effect from 01.01.2012, of which employees shall pay a premium of 3,0% of the contribution base while employers shall pay a premium of 13,1%.

The Board of Directors of the pension scheme have decided that the calculated cost of drawing on the contractual pension scheme (AFP) from 2012 shall be charged to member organizations when such drawing occurs, which is the same practice as for other pension funds. This is estimated to be equal to an increase in the premium rate of 2,5%. Until now the costs of drawing on the AFP scheme have been covered from the ordinary premium.

The technical reserves have risen strongly in recent years and projections show continued growth. Reasons for this include increased life expectancy and strengthening of the disability tariff from 2012 to ensure sufficient provisions for disability in the future. Growth in the technical reserves along with the need to strengthen buffer capital will require returns from investment management which exceed that which can be expected, particularly in light of today's low interest rates.

In such a situation buffer capital will be reduced, and will be increasingly inadequate compared to the capital requirements based on the Financial Supervisory Authority of Norway's stress tests. A certain level of buffer capital is required to be able to maintain a specific risk level in the investment portfolio and thereby create satisfactory returns on funds. In 2012 the Board will review the capital situation and decide which measures of a permanent nature are required to ensure an appropriate capital situation for the scheme.

Unrealized price gains from the securities portfolio will be allocated to the securities adjustment reserve. The securities adjustment reserve is to operate as a buffer against possible future falls in market prices. As at 31.12.2011 there are no unrealized price gains in the securities portfolio and there are thus no allocations to the securities adjustment reserve.

Summary

The annual financial statements have been prepared under the going-concern assumption. As at 31.12.11 the pension scheme had set aside technical reserves in accordance with the provisions of Act no. 11 of 26 June 1953 concerning the Pension Scheme for the Pharmacy Sector.

In the opinion of the Board, the annual financial statements for the Pension Scheme for the Pharmacy Sector provide a satisfactory basis for assessing the results of the pension scheme's operations during 2011 and the scheme's financial position at year-end.

The Board believes that the scheme's finances as at 31.12.2011 are challenging, based on the assumptions applied to the 2011 financial statements. Low interest rates together with the increase in pension commitments will pose a challenge in terms of satisfactorily securing the pension scheme's financial position in 2012 and further ahead.

The Board of Directors is of the opinion that the financial position at the end of the year, along with the adopted investment strategy and the measures being considered by the Board for 2012, provide a satisfactory basis for securing the financial position of the pension scheme. The requirements for the going-concern assumption are accordingly satisfied.

Oslo, 04.05.2012

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Kim Nordlie

Kjell Hundven

Income statement

Income statement 2011

	Note	2011	2010
Technical accounts			
Premium income			
Premium income	17	326 729 881	313 911 768
Net income from investments in the collective portfolio			
Interest income and dividends etc. on financial assets		187 364 103	180 955 691
Net operating income from real estate		23 504 684	15 409 916
Changes in fair value of investments		-143 041 969	132 866 588
Realised gains and losses on investments		54 900 112	-6 170 363
Total net income from investments in the collective portfolio	21	122 726 930	323 061 831
Insurance benefits			
Pension benefits paid	18	227 840 071	195 093 004
Changes in pension liabilities recognised in the income statement			
Change in premium reserve	12	446 087 747	355 270 281
Change in extraordinary commitments	13	-35 600 000	60 000 000
Change in securities adjustment reserve		-125 505 345	118 184 117
Total changes in pension liabilities recognised in the income statement	22	284 982 403	533 454 398
Insurance-related operating costs			
Management costs	19	15 123 782	12 344 283
Insurance-related administrative costs	20	22 139 522	23 219 984
Total insurance-related operating costs		37 263 303	35 564 267
Net result of technical accounts		**-100 628 966**	**-127 138 071**
Non-technical accounts			
Net income from investments in the collective portfolio			
Interest income and dividends etc. from financial assets		11 190 295	14 741 901
Net operating income from real estate		1 403 814	1 255 398
Changes in fair value of investments		-8 543 162	10 824 230
Realised gains and losses on investments		3 278 902	-502 680
Total net income from investments in the company portfolio	21	7 329 849	26 318 849
Other income			
Interest income from bank deposits, operations		415 238	403 301
Management costs and other costs associated with the company portfolio			
Management costs	19	903 266	1 005 651
Result of non-technical accounts		**6 841 821**	**25 716 499**
Overall result		**-93 787 145**	**-101 421 571**
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	14, 15, 22	-93 787 145	-101 421 571
Total allocations		**-93 787 145**	**-101 421 571**

Balance sheet as at 31.12.2011: Assets

	Note	31.12.11	31.12.10
Assets in the company portfolio			
Investments			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	55 309 500	66 551 603
Housing and business loans	3	8 400 194	10 102 553
Total financial assets valued at amortised cost		63 709 693	76 654 156
Financial assets at fair value			
Shares and mutual funds	4, 7	81 807 947	113 134 688
Bonds	5, 7	150 267 156	177 128 411
Financial derivatives	6, 7	0	1 628 100
Bank deposits	8	5 503 167	15 358 914
Total financial assets at fair value		237 578 271	307 250 113
Total investments in the company portfolio		**301 287 964**	**383 904 269**
Receivables			
Accounts receivable	9	87 344 923	82 249 724
Other assets			
Bank deposits operations	8	3 845 043	15 133 955
Prepaid expenses and accrued income not received			
Accrued non-invoiced premium		1 800 000	1 393 682
Accrued dividend		3 600 147	3 359 656
Prepaid expenses		489 168	72 720
Total prepaid expenses and accrued income not received		5 889 315	4 826 058
Total assets in the company portfolio		**398 367 245**	**486 114 006**
Assets in the customer portfolios			
Investments in the collective portfolio			
Financial assets valued at amortised cost			
Bonds classified as held-to-maturity	2	926 071 639	816 915 765
Housing and business loans	3	140 648 189	124 008 050
Total financial assets valued at amortised cost		1 066 719 829	940 923 815
Financial assets at fair value			
Shares and mutual funds	4, 7	1 369 746 976	1 388 719 527
Bonds	5, 7	2 515 990 051	2 174 237 508
Financial derivatives	6, 7	0	19 984 796
Bank deposits	8	92 141 989	188 529 483
Total financial assets at fair value		3 977 879 017	3 771 471 314
Total investments in the collective portfolio		**5 044 598 845**	**4 712 395 129**
Total assets in the customer portfolios		**5 044 598 845**	**4 712 395 129**
Total assets		**5 442 966 090**	**5 198 509 135**

Balance sheet as at 31.12.2011: Equity and liabilities

	Note	31.12.11	31.12.10
Retained earnings			
Risk equalisation fund	10	6 138 569	6 138 569
Other retained earnings	11, 16	386 486 558	480 273 703
Total retained earnings	15	392 625 127	486 412 272
Insurance liabilities			
Premium reserve	12	4 966 838 962	4 520 751 215
Allocation for extraordinary commitments	13	24 400 000	60 000 000
Securities adjustment reserve		0	125 505 345
Total insurance liabilities		4 991 238 962	4 706 256 560
Liabilities in the company portfolio			
Financial liabilities at fair value			
Financial derivatives	6	3 000 273	0
Accrued expenses and deferred income			
Accrued expenses		5 866 823	5 840 303
Liabilities in the customer portfolio			
Financial liabilities at fair value			
Financial derivatives	6	50 234 905	0
Total equity and liabilities		**5 442 966 090**	**5 198 509 135**

Oslo, 4 May 2012

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Kim Nordlie

Kjell Hundven

Cash flow statement 01.01. – 31.12.

	2011	2010
Cash flow from operations		
Contributions from members	321 275 769	311 990 210
Bank interest income	3 013 274	1 658 581
Interest income on loans	4 242 792	3 592 509
Interest income on bonds/certificates	170 900 746	174 162 538
Dividends	20 702 788	16 583 363
Other income	2 278 321	1 764 990
Total	522 413 690	509 752 192
Financial expenses paid	-1 516 606	-1 642 471
Pensions benefits paid	-227 840 071	-195 093 004
Administrative expenses	-36 742 277	-34 953 140
Change in accounts payable	578 583	-541 141
Changes in other debt	-552 065	-113 893 627
Total	-266 072 436	-346 123 383
Total cash flow from operations	**256 341 254**	**163 628 809**
Cash flow from investments		
Net realized price gains on shares/derivatives/hedge funds	57 189 876	108 304 122
Net realized price gains on bonds/certificates	933 852	12 972 320
Net realized yield on real estate	24 964 377	30 760 700
Net change in lending	-14 955 530	-11 485 758
Net loss on loans	-592	-274
Net change in real estate	-40 645 879	-192 541 353
Net change in securities	-405 690 624	-42 940 202
Net change in other receivables	4 331 114	13 138 003
Total cash flow from investments	**-373 873 406**	**-81 792 442**
Cash flow from financing activities		
Paid-up capital	0	0
Total cash flow from financing activities	**0**	**0**
Net cash flow during the accounting period	**-117 532 152**	**81 836 366**
Cash and cash equivalents at 01.01.2010	219 022 352	137 185 986
Cash and cash equivalents at 31.12.2010	101 490 200	219 022 352
Net change in cash and cash equivalents	**-117 532 152**	**81 836 366**

(Amounts stated in whole kroner)

Notes

Notes to the annual financial statements 2011

NOTE 1 ACCOUNTING PRINCIPLES

Wherever possible the annual financial statements have been prepared in accordance with the Regulation of 20.12.2011 on annual financial statements etc. for pension companies and with the Norwegian Accounting Act that came into force on 01.01.1999.

Pension premiums

Pension premiums are recorded as income as they accrue. Pension premiums are paid in each quarter in arrears.

Interest income

Interest is recorded as income as it accrues.

Buildings and other real estate

Investments in real estate are valued at the market value as at 31.12.2011. The market value is based on independent valuations of the properties.

Financial assets valued at amortised cost

Bonds classified as held-to-maturity are valued at cost price, adjusted for recognised premium/discount. The premium/discount at the acquisition date is recognised in the income statement spread over the bond's remaining life. Housing and business loans are recorded at par value as at 31.12.2011.

Financial assets at fair value

Shares and mutual funds

Investments in shares and mutual funds are booked at fair value as at 31.12.2011. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2011, which is based on the last official trade in 2011.

Bonds

Investments in bonds are booked at fair value as at 31.12.2011. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2011, which is equivalent to the tax assessment value for 2011.

Financial derivatives

Foreign currency forward contracts are booked at fair value as at 31.12.2011. Fair value is equivalent to the market value as at 31.12.2011. The value of forward rate agreements (FRAs) is recorded as being equivalent to accrued unrealised gains/losses based on the market value as at 31.12.2011.

Securities that are valued at fair value are considered a single portfolio. The unrealised gain or loss in the portfolio is designated as the difference between the total acquisition cost and the total market value. Any net unrealised gain in the portfolio is allocated to the securities adjustment reserve. Any net unrealised loss in the portfolio is recognised as an expense in the income statement.

Foreign currency

Bank deposits together with receivables and liabilities designated in foreign currencies are recorded using exchange rates as at 31.12.2011.

Insurance liabilities

The calculations are based on the assumption that the pension scheme will continue to operate as long as obligations exist towards its members as at 31.12.2011. Accordingly, account has been taken of all potential pension benefits provided for in the Act concerning the Pension Scheme for the Pharmacy Sector, both current benefits and benefits that may be relevant in the future. Account has also been taken of the contractual pension scheme (AFP) that allows the drawing of a pension from the age of 62, subject to certain criteria.

The cash value of all scheme members' pensions has been calculated on the basis of membership status at the balance sheet date (31.12.2011). This calculation has been carried out using standard actuarial methods for discounting and calculation of risk. The calculations are based on a linear accrual of pension benefits from initial employment until retirement, subject to adjustment for any additional periods during which the member may previously have accrued pension entitlements. The actuarial assumptions of mortality and the dependent probability are based on K2005, while disability probability is based on K1963 and boosted 100%.

Retained earnings
Retained earnings consist of the risk equalisation fund and other retained earnings.

The risk equalisation fund serves as a buffer against unanticipated changes in the level of risk for insurance liabilities.

Other retained earnings comprise the pension scheme's excess capital in relation to the pension scheme's commitments. As a minimum the equity must cover the estimated capital adequacy requirement. The capital adequacy requirement is described in more detail in note 16. Other retained earnings in excess of the capital adequacy requirement are defined as free equity. There are no guidelines limiting the application of free equity in the Pension Scheme for the Pharmacy Sector.

NOTE 2 BONDS CLASSIFIED AS HOLD-TO-MATURITY

Issuer	Face value	Cost price	Book value	Market value	Difference between book and face value
Government-guaranteed	100 000	90 490	91 255	85 550	8 745
Bank/financial institution	689 000	667 524	682 132	715 417	6 868
Municipality/county	50 000	50 125	50 025	52 335	-25
Industry	132 000	132 000	132 000	142 575	0
Total bonds classified as held to maturityt	971 000	940 139	955 412	995 877	15 588
Accrued interest			25 970		
Total book value	**971 000**	**940 139**	**981 382**	**995 877**	**15 588**
Proportion of above in the collective portfolio			926 072		
Proportion of above in the company portfolio			55 310		
Book value as at 01.01.2011	883 467				
Purchases 2011:	140 490				
Disposal 2011:	-49 385				
Amortisation adjustment	4 447				
Change in accrued interest	2 362				
Book value as at 31.12.2011:	**981 382**				

NOK 1.000

All bonds classified as hold-to-maturity are listed on regulated marketplaces. All bonds are issued in NOK. The weighted average effective yield on bonds classified as hold-to-maturity is 6,5%. The actual/effective yield is calculated on the basis of cost price. The average yield is weighted in relation to the relevant security's cost price and added up. The difference between book and par value is recognised in the income statement over the remaining life of the bond.

NOTE 3 HOUSING AND BUSINESS LOANS

The pension scheme provides loans to its members. Housing and business loans are recorded at par value as at 31.12.2011. No allowances are made for possible loan losses, since past lending losses have been extremely small. There is one loan in default in the loan portfolio as at 31.12.2011. Unpaid instalments on this loan totalled NOK 10 667 as at 31.12.2011, while the outstanding balance on the loan was NOK 358 808. The risk of a loss on the loan in default is minimal as the pension scheme has preferential security in the property.

Borrowers with housing loans are partially covered by credit insurance for which the pension scheme has self-insurance arrangements. No provisions have been made for potential claims as at 31.12.2011, since the number of claims and the sums relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loan	Government-guaranteed loans against promissory notes	Loans for pharmacy premises	Total
Number	293	11	4	308
Amount	140 878 353	5 668 030	2 502 000	149 048 383
Proportion of above in the collective portfolio:		140 648 189		
Proportion of above in the company portfolio:		8 400 194		

Interest rates as at 31.12.2011 were 3.00% for housing loans and 3.50% for government-guaranteed loans against promissory notes and loans for pharmacy premises.

Losses etc. on loans	**2011**	**2010**	**2009**	**2008**	**2007**
Principal written off	0	0	0	0	0
Principal written off, credit insurance	0	0	705 340	0	0
Interest written off	592	274	0	0	50
Interest written off, credit insurance	0	0	3 153	0	0
Previous payments written off	0	0	0	0	0
Total	**592**	**274**	**708 493**	**0**	**50**

NOTE 4 SHARES / FUND SHARES

Shares listed on the Oslo Stock Exchange

Company	Cost price	Book value
AKER	1 238 472	1 240 000
AKER SOLUTIONS	2 524 380	4 462 840
ALGETA ASA	875 683	1 805 400
ARCHER	2 330 208	1 267 295
ATEA ASA	3 155 855	3 720 000
AUSTEVOLL SEAFOOD	829 656	630 000
CERMAQ ASA	1 443 057	1 670 760
CLAVIS PHARMA ASA	953 879	958 000
DATA RESPONS	1 846 322	852 925
DET NORSKE OLJESELSKAP ASA	155 514	354 904
DNB ASA	20 295 810	23 466 840
EKORNES ASA	767 834	1 097 600
FRED OLSEN ENERGY	1 912 655	2 010 000
GJENSIDIGE FORSIKRING ASA	5 331 962	6 098 400
KONGSBERG AUTOMOTIVE HOLDING	4 137 490	897 550
KONGSBERG GRUPPEN ASA	2 014 376	2 909 280
KVÆRNER ASA	1 122 550	1 373 726
MARVINE HARVEST ASA	4 708 378	2 456 959
NORDIC VLSI	513 024	1 144 000
NORSK HYDRO ASA	9 722 792	10 586 416
NORWEGIAN AIR SHUTTLE	1 685 854	1 038 700
OLAV THON EIENDOMSELSKAP	433 727	1 560 240
OPERA SOFTWARE ASA	2 336 445	2 910 000
ORKLA ASA	14 722 803	15 320 755
PETROLEUM GEO SERVICES	4 065 319	4 900 831
PRONOVA BIOPHARMA ASA	1 920 347	795 760
SCHIBSTED	3 416 326	5 234 580
STATOIL ASA	58 349 301	70 226 404
STATOIL FUEL & REATIL AS-W/I	4 115 022	3 790 150
STOLT NILSEN ASA	2 072 637	1 920 000
STOREBRAND ASA	4 412 321	4 150 451
TELENOR ASA	18 045 389	32 441 670
TGS NOPEC GEOPHYSICAL CO	3 003 107	5 313 250
TOMRA SYSTEMS	2 798 547	2 606 500
WILH. WILHELMSEN ASA	1 597 281	1 887 600
YARA INTERNATIONAL	11 639 032	18 711 840
Total Norwegian shares	**200 493 356**	**241 811 624**

Company	Cost price	Book value
BW OFFSHORE LIMITED	2 594 178	1 653 750
DEEP SEA SUPPLY PLC	710 355	433 079
NORTHERN OFFSHORE	981 960	892 500
PROSAFE ASA	3 524 787	2 977 104
ROYAL CARIBBEAN CRUISES	3 799 925	5 240 430
SEADRILL LIMITED	9 399 950	22 982 200
SONGA OFFSHORE	2 363 827	1 464 000
SUBSEA 7 S.A	8 303 566	13 353 300
VIZRT LTD	1 852 434	1 225 550
Total foreign shares	**33 530 981**	**50 221 913**

Total shares listed on the Oslo Stock Exchange	**234 024 338**	**292 033 537**

Equity funds	Cost price	Book value
Fund		
Black Rock World Index Subfund	204 410 126	215 983 643
State Street World Index Plus Fund CTF	348 190 016	275 648 009
Total foreign equity funds	**552 600 142**	**491 631 652**

Hedge funds	Cost price	Book value
Fund		
Auda Fifth Avenue Sub-Trust class A EUR	0	77 096
Certificates Credit Suisse Guernsey branch	2 793 970	3 269 104
Gottex Market Neutral Fund (USD Class B)	133 529 012	134 025 863
Partners Grp Alt. Beta Strat. (GreenVega)	60 278 647	55 501 318
Sector Congnimetrica Fund	20 402 707	28 080 574
Total foreign hedge funds	**217 004 336**	**220 953 956**

Real estate funds		
Fund		
Aberdeen Eiendomsfond Norge I AS	2 616 006	2 617 613
Aberdeen Eiendomsfond Norge I IS	247 977 656	257 646 488
Pareto Eiendomsfelleskap AS/IS	182 180 000	186 671 678
Total real estate funds	**432 773 662**	**446 935 779**

Total shares and mutual funds	**1 436 402 478**	**1 451 554 924**

Proportion of above in collective portfolio	1 355 448 505	1 369 746 976
Proportion of above in company portfolio	80 953 973	81 807 947

The portfolio of Norwegian individual shares comprises shares that are listed on the Oslo Stock Exchange or that are expected to be listed within six months.

The reference index for this portfolio is the OSE Benchmark Index (OSEBX). Limits have been established on the extent to which the portfolio weighting of a company or sector may deviate from the reference weighting. Limits have also been imposed on the maximum permissible relative risk for equity management. The objective when managing this portfolio is to achieve a better return than the OSEBX. The risk profile for the portfolio both at year-end and throughout the year corresponded to a large extent with the risk profile of the OSEBX.

The Black Rock World Index Subfund and the State Street World Index Plus Fund reflect the MSCI World Index and accordingly have approximately the same risk profile as the latter.

Investments in hedge funds have been diversified by creating a portfolio consisting mainly of fund-of-funds solutions and by the three external hedge fund managers using different investment strategies. The reference index for the hedge fund investments for 2011 has been the Global Hedge Fund Index. The overall risk profile for hedge fund investments is expected to emulate the risk profile for investments in bonds more closely than that for investments in shares.

Real estate investments consist of holdings in Aberdeen Eiendomsfond Norge I IS/AS and Pareto Eiendomsfellesskap AS/IS. These investments are booked at market value as at 31.12.2011. The market value of the investments is based on independent valuations of the properties.

The book value of real estate investments as at 31.12.2011

	2011	2010	2009	2008	2007
Opening balance	400 407	207 866	196 447	246 358	231 754
Purchases during the year at acquisition cost	49 523	178 446	13 144	0	0
Disposals during the year at disposal cost	- 8 878	0	-963	0	0
Adjustments in value during the financial year	5 883	14 095	- 762	- 49 911	14 604
Closing balance	**446 935**	**400 407**	**207 866**	**196 447**	**246 358**
Proportion of above in the collective portfolio	421 747	370 244	181 549	181 301	
Proportion of above in the company portfolio	25 188	30 163	26 317	15 146	

NOK 1.000

Pareto Eiendomsfellesskap AS/IS is structured as two companies – Pareto Eiendomsfellesskap IS and Pareto Eiendomsfellesskap AS – with the latter company being the principal shareholder in the former. The investment in Pareto Eiendomsfellesskap AS/IS is viewed as a direct investment in real estate. Investments have only been made in properties in Norway. Of the total investments made by Pareto Eiendomsfellesskap, 63% comprise real estate in Greater Oslo, while 27% comprise real estate in Vestfold. 77% of the total investments have been made in real estate relating to warehousing/logistics. The average weighted time remaining on the lease agreements for the properties in the portfolio is 9,6 years. At year-end 2011 gross rents for properties in the portfolio amounted to NOK 40,5 million.

Aberdeen Eiendomsfond Norge I IS/AS was formerly structured as a co-ownership. As a result of changes in the asset management regulations with regard to investment in property this co-ownership was reorganized as an IS/AS structure equivalent to that described for Pareto on 10 November 2011. Investments have only been made in properties in Norway. Of Aberdeen Eiendomsfond Norge I IS/AS' total investments, 48% comprise real estate in Oslo. 70% of the total fund is invested in office buildings. The average time remaining on lease agreements for properties in the portfolio fell during 2011 from 5,5 years to 5,3 years. At year-end 2011 gross rents for properties in the portfolio amounted to NOK 420 million.

None of the premises is occupied by the Pension Scheme for the Pharmacy Sector.

NOTE 5 BONDS

Issuer	Cost price	Market value	Unrealized gain
Bank/financial institution	1 360 519 471	1 368 334 200	7 814 729
Municipality/county	433 659 285	448 292 400	14 633 115
Government-guaranteed	469 941 900	476 390 520	6 448 620
Industry	299 035 766	298 909 322	-126 443
Energy	40 106 500	40 232 000	125 500
Total certificates and bonds - current assets	**2 603 262 922**	**2 632 158 443**	**28 895 521**
Accrued interest		34 098 764	
Total	**2 603 262 922**	**2 666 257 207**	

Proportion of above in the collective portfolio		2 515 990 051	
Proportion of above in the company portfolia		150 267 156	

The interest-bearing securities portfolio is classified as a financial current asset and consists of interest-bearing securities listed on the Oslo Stock Exchange and the Oslo ABM, as well as non-listed securities. All interest-bearing securities classified as financial current assets are nominated in NOK, with the exception of two securities nominated in USD. The effective rate of interest is approximately 3,5%. The average effective rate of interest is calculated on the basis of the securities' effective rate of interest in relation to their market value.

NOTE 6 FINANCIAL DERIVATIVES

The purpose of employing derivatives is to increase the effectiveness of the management of fund assets, including the potential to hedge investments. In principle the pension scheme can only invest in listed (standardized) derivatives. The underlying securities must be securities in which the scheme can invest in accordance with applicable guidelines. Non-standardized derivatives ("over-the-counter derivatives"/"OTC derivatives") may only be employed for hedging purposes. However this does not apply to Norwegian FRA.

As at 31.12.11 investments were held in the following derivatives:

	Nominal amount in NOK	Fair value in NOK
Forward currency contracts:		
EUR	-141 199 400	-139 640 015
USD	-492 189 030	-518 672 163
GBP	-46 447 740	-47 387 272
JPY	-53 898 940	-55 228 936
NOK	733 735 110	733 735 110
Total forward currency contracts	**0**	**-27 193 277**
Interest rate derivatives:		
NOK FRA	7 000 000 000	-27 048 400
Total interest rate derivatives	**7 000 000 000**	**-27 048 400**
Stock derivatives:		
EURO STOXX Future	35 738 457	1 006 499
Total stock derivatives	**35 738 457**	**1 006 499**
Total derivatives recognised int the balance sheet	**7 035 738 457**	**-53 235 178**
Proportion of above in the collective portfolio		-50 234 905
Proportion of above in the company portfolia		-3 000 273

During 2011 investments in foreign shares have been hedged for periods of three to six months through the use of options. The last of these hedging options matured in December 2011. Hedging arrangements have been recorded in the financial statements for 2011 with a net loss of around NOK 13 million net. New hedging arrangements were put in place at the beginning of 2012.

In addition to instruments of the types described above, the scheme also traded in bond futures and interest rate futures markets during 2011.

NOTE 7 FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

In accordance with the regulations relating to annual accounts for pension companies, financial instruments valued at fair value must be classified with regard to how fair value is measured. Such classification gives an indication of the relative uncertainty related to measurement of the different levels.

The regulations defines three calculation levels for how fair value is measured:

1. Fair value is measured using listed prices in active markets for identical financial instruments. No adjustment is carried out of these prices.
2. Fair value is measured using other observable input than the listed prices used in level 1, either directly (prices) or indirectly (derived from prices).
3. Fair value is measured using an input which is not based on observable market data (non-observable input).

Fair value hierarchy for financial instruments measured at fair value:

	31.12.11	Level 1	Level 2	Level 3
Stocks and shares	1 451 554 924	292 033 537	712 585 607	446 935 779
Bonds	2 666 257 207		2 666 257 207	0
Financial derivatives	-53 235 178		-53 235 178	0
Total	**4 064 576 952**	**292 033 537**	**3 325 607 636**	**446 935 779**

NOTE 8 BANK DEPOSITS

Of bank deposits related to operations of NOK 3 845 043 as at 31.12.2011, NOK 218 236 are restricted tax deduction funds.

As security for various derivative positions, the pension scheme is obliged to provide collateral in the form of locked-in bank deposits held in margin accounts. There are no such locked-in deposits as at 31.12.2011.

NOTE 9 ACCOUNTS RECEIVABLES - LOSSES ON ACCOUNTS RECEIVABLES

Accounts receivables had a book value of NOK 87 344 923 and consisted of:	**31.12.2011**	**31.12.2010**
Accounts receivables related to premium income:	86 645 744	81 597 950
Accounts receivables related to loans:	699 179	651 774
Provision for potential loss:	0	0
Total accounts receivables:	**87 344 923**	**82 249 724**

Accounts receivables are recorded at par value as at 31.12.2011.

Recorded losses on receivables were as follows:	**2011**	**2010**
Realised loss on receivables:	0	85 227
Change in provision for potential loss:	0	- 96 051
Recorded loss on receivables:	**0**	**- 10 824**

NOTE 10 RISK EQUALISATION FUND

The risk equalisation fund shall act as a buffer against unanticipated changes in the result of insurance operations over the course of time. This type of provision is currently compulsory for private sector pension funds regulated by the new Norwegian Insurance Activity Act that came into force on 1 January 2008. Up to 50% of a positive risk result may be allocated to the risk equalisation fund. No assets have been allocated to the risk equalisation fund in 2011.

NOTE 11 OTHER RETAINED EARNINGS
As at 31.12.2010 other retained earnings totalled NOK 386 million and constitute the scheme's excess capital.

In accordance with the new administrative regulations from the Ministry of Labour with effect from 2011, the pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds. The requirement calculated for the guarantee fund as at 31.12.2011 was NOK 206 754 037 (see calculation in note 16).

The capital adequacy requirement must be covered by other retained earnings. Other retained earnings less the capital adequacy requirement total NOK 179 732 521. This constitutes the scheme's buffer capital.

NOTE 12 PREMIUM RESERVE
The Pension Scheme for the Pharmacy Sector is only obliged to perform a technical calculation of future insurance liabilities every five years. The Board has nonetheless decided to perform such technical calculations annually. The results of these calculations are also used for accounting purposes.

The premium reserve corresponds to the calculated pension liabilities applied as technical reserves. These reserves must cover future pension entitlements accrued at the balance sheet date by the scheme's members. Wherever possible the amount of provision has been calculated in accordance with the guidelines applicable to private sector pension funds. This involves the calculation of the cash value of linearly accrued pension entitlements registered on the balance sheet date for deferred, potential and current benefits in accordance with standard technical insurance principles. The basis for the calculation was the industry tariff K2005 with a basic interest rate of 3%. The assumption for rates of disability was based on K1963, boosted 100%.

The provision for the premium reserve includes provisions to cover future costs relating to the administration of payments of current accrued pension entitlements. The Pension Scheme for the Pharmacy Sector has opted to make provision for these future costs in the order of 4% of calculated pension liabilities. Provision has been made in respect of current pensioners, actively contributing members and former employees with deferred pensions (i.e. employees who have left member-qualifying positions and have earned pension rights).

NOTE 13 PROVISION FOR EXTRAORDINARY COMMITMENTS
The EFTA Court has concluded that the differential treatment of widowers and widows of members of the Pension Scheme for the Pharmacy Sector and public sector pension schemes that took place prior to 1 October 1976, was in breach of the Equality Directive and Article 69 of the EEA Agreement. As a consequence of widowers having to be treated equally, the pension scheme is obliged to recalculate benefits for those affected by the new regulations.

This recalculation will result in increased benefits. NOK 60 million was allocated in the 2010 financial statements, of which NOK 22 million was for retrospective payments to the widowers and NOK 38 million was for additional provisions linked to future payments for this increased benefit. Actual payments to widowers in 2011 totalled NOK 17,6 million and the additional provisions amounted to NOK 18 million.
A number of cases remain to be processed in 2012. There are thus grounds to withhold NOK 24,4 million of the provisions made in 2010 for retrospective payments and additional provisions for future payments.

NOTE 14 ALLOCATION OF THE RESULT FOR THE YEAR
This year's loss of NOK 93 787 145 will be covered by other retained earnings.

Other retained earnings total NOK 386 million as at 31.12.2011 and constitute the scheme's excess capital.

NOTE 15 SPECIFICATION OF CHANGES IN RETAINED EARNINGS
As at 31.12.2011 retained earnings total NOK 392 625 127.
The change in retained earnings in 2011 may be specified as follows:

Retained earnings as at 31.12.2010	486 412 272
- This year's loss covered by other retained earnings	- 93 787 145
= Retained earnings as at 31.12.2011	**392 625 127**

NOTE 16 CALCULATION OF CAPITAL ADEQUACY REQUIREMENT

The basis for calculating primary capital as at 31.12.2011 was as follows:

Certificates & Bonds	Balance sheet	Risk weight-ing			Risk-weighted balance	Risk-weighted calculation basis, 8%
Government and central bank	575 440 211	0			0	0
Investments in state-owned enterprises	0	0,1			0	0
Public sector (except govt. and central bank)	508 285 329	0,2			101 657 066	8 132 565
Domestic financial institutions and foreign credit institutions	2 080 424 915	0,2			416 084 983	33 286 799
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business undertakings	483 487 890	1			483 487 890	38 679 031
Total	**3 647 638 345**				**1 001 229 939**	**80 098 395**
Bank deposits	**101 490 200**	**0,2**			**20 298 040**	**1 623 843**
Investments in share/equity founds	**1 004 619 145**	**1**			**1 004 619 145**	**80 369 532**
Forign exchange contracts	**0**	**0**			**0**	**0**
Derivatives	**0**	**0**			**0**	**0**
Mortgage and business loans						
Loans (except mortgages) guaranteed by governments/ central banks	5 668 030	0			0	0
Mortgages with a loan-to-value ratio not exceeding 80%	141 004 496	0,35			49 351 574	3 948 126
Loans other than mortgages	2 502 000	1			2 502 000	200 160
Total	**149 174 526**				**51 853 574**	**4 148 286**
Real estate investments	**446 935 779**	**1**			**446 935 779**	**35 754 862**
Time-limited assets						
Accounts receivable	86 707 720	0,5			43 353 860	3 468 309
Other receivables	0	0,5			0	0
Accrued dividend	3 600 147	0,5			1 800 073	144 006
Accrued interest income	511 060	0,5			255 530	20 442
Accrued premiums	1 800 000	0,5			900 000	72 000
Prepaid expenses	489 168	0,5			244 584	19 567
Total	**93 108 095**				**46 554 047**	**3 724 324**
Total calculation basis recognized in the balance sheet	**5 442 966 090**				**2 571 490 524**	**205 719 242**
Derivatives and non-balance sheet items						
Foreign-exchange-related contracts with less than one year to maturity	733 735 110	0,02	14 674 702	**0,2**	2 934 940	234 795
Interest-rate-related contracts with less than one year to maturity	4 000 000 000	0,005	20 000 000	**0,2**	4 000 000	320 000
Interest-rate-related contracts with one – five years to maturity	3 000 000 000	0,01	30 000 000	**0,2**	6 000 000	480 000
Total calculation basis including derivatives and non-balance sheet items	**13 176 701 200**				**2 584 425 464**	**206 754 037**

8% of risk-weighted balance comprises NOK 206 754 037

In comparison, the basis for calculating primary capital as at 31.12.2010 was as follows

Certificates & Bonds	Balance sheet	Risk weighting	Risk-weighted balance	Risk-weighted calculation basis, 8%
Government and central bank	409 076 867	0	0	0
Investments in state-owned enterprises	14 946 344	0,1	1 494 634	119 571
Public sector (except govt. and central bank)	650 775 935	0,2	130 155 187	10 412 415
Domestic financial institutions and foreign credit institutions	1 711 835 551	0,2	342 367 110	27 389 369
Book value of primary capital in other financial institutions	0	1	0	0
Investments in industry or other business undertakings	448 198 590	1	448 198 590	35 855 887
Total	**3 234 833 287**		**922 215 522**	**73 777 242**
Bank deposits	**219 022 352**	**0,2**	**43 804 470**	**3 504 358**
Investments in share/equity founds	**1 101 447 253**	**1**	**1 101 447 253**	**88 115 780**
Forign exchange contracts	**27 886 595**	**0**	**0**	**0**
Derivatives	**-6 273 700**	**0**	**0**	**0**
Mortgage and business loans				
Loans (except mortgages) guaranteed by governments/ central banks	6 410 828	0	0	0
Mortgages with a loan-to-value ratio not exceeding 80%	124 313 468	0,35	43 509 714	3 480 777
Loans other than mortgages	2 904 900	1	2 904 900	232 392
Total	**133 629 196**		**46 414 614**	**3 713 169**
Real estate investments	**400 406 963**	**1**	**400 406 963**	**32 032 557**
Time-limited assets				
Accounts receivable	82 249 724	0,5	41 124 862	3 289 989
Other receivables	0	0,5	0	0
Accrued dividend	3 359 656	0,5	1 679 828	134 386
Accrued interest income	481 407	0,5	240 704	19 256
Accrued premiums	1 393 682	0,5	696 841	55 747
Prepaid expenses	72 720	0,5	36 360	2 909
Total	**87 557 189**		**43 778 595**	**3 502 288**
Total calculation basis recognized in the balance sheet	**5 198 509 135**		**2 558 067 416**	**204 645 393**
Derivatives and non-balance sheet items				
Foreign-exchange-related contracts with less than one year to maturity	708 056 186	0,01	7 080 562	566 445
Interest-rate-related contracts with less than one year to maturity	-7 553 700	0	0	0
Interest-rate-related contracts with one – five years to maturity	4 001 280 000	0,005	20 006 400	1 600 512
Total calculation basis including derivatives and non-balance sheet items	**9 900 291 621**		**2 585 154 378**	**206 812 350**

8% of risk-weighted balance comprises NOK 206 754 037

NOTE 17 PREMIUM CONTRIBUTIONS

Members contributed premium income totalling NOK 321 275 769 in 2011. By comparison, the recorded premium income was NOK 326 729 881. In 2010 members contributed NOK 311 990 210 in premiums, while the recorded premium income was NOK 313 911 768. The differential between premium income and premium contributions is attributable to the change in invoiced but unpaid premiums and the application of accrual accounting to premium income.

NOTE 18 PENSIONS

Of the pension costs within the profit and loss account, NOK 464 272 represents write-offs of pension benefit overpayments. The corresponding figure for 2010 was NOK 441 419.

NOTE 19 ADMINISTRATIVE COSTS

Total administrative costs came to NOK 16 027 047. The pension scheme had 3 employees in 2011. Pay and social expenses for these three investment managers totalled NOK 5 864 052 in 2011 and are included in administrative costs.

NOTE 20 INSURANCE-RELATED ADMINISTRATIVE EXPENSES

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2011 NOK 21 322 227 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs relating to bookkeeping, actuarial services and pensions management. A further NOK 13 250 was charged against income in respect of consultancy services and NOK 273 500 for audit services – all of the latter relating to standard audit services. Other operating costs totalled NOK 530 545, comprising directors' fees and miscellaneous costs.

In 2011 the following remuneration was paid to the Board members of the scheme:

Finn Melbø, chairman	57 510
Kim Nordlie	56 085
Bjørn Myhre	56 085
Edvin A. Aarnes	57 510
Kjell Hundven	57 510
Per Engeland, deputy	1 426
Total	**286 126**

NOTE 21 RETURN ON CAPITAL

Return on the whole portfolio calculated according to Hardy's formula comprises:

Year:	**2011**	**2010**	**2009**	**2008**	**2007**
Return stated as % (value-adjusted):	2,47	7,17	10,53	- 7,89	5,07
Return stated as % (recorded):	5,00	4,61	10,35	-5,74	6,02

The return on capital shown above has been calculated in respect of the whole portfolio: i.e. both the collective and the company portfolios. From 2009 private sector pension funds are required to calculate the return on capital for the collective portfolio as a whole.

NOTE 22 ANALYSIS OF RESULT

Changes in pension plan:	0,00 MNOK
Yield result [1]:	- 42,69 MNOK
Risk result [2]:	- 134,50 MNOK
Recognized difference between invoiced and actual pension cost [3]:	- 77,70 MNOK
Administration result:	0,00 MNOK
Insurance result:	- 254,89 MNOK

1) The yield result is the difference between actual and estimated interest rates (the base rate).
2) The risk result is a comparison of risk income less risk expenses. Risk income comprises received and technically estimated risk premiums for mortality and disability, together with reserves released on the occurrence of risk events. Risk expenses are supplemented by mortality cross-subsidies in the case of non-risk events and by provisions for risk events.
3) A negative result indicates that premiums paid have been insufficient.

ERNST & YOUNG

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To the Board of Directors of
The Pension Scheme for the Pharmacy Sector

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of The Pension Scheme for the Pharmacy Sector, which comprise the balance sheet as at 31 December 2011, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' responsibility for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

ERNST & YOUNG

Opinion

In our opinion, the financial statements of The Pension Scheme for the Pharmacy Sector have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the pension scheme as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors have fulfilled their duty to properly record and document the pension scheme's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 4 May 2012
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Statistics

Number of pensions 31.12.2010

Pension	Men		Women		Total	
Standard retirement pension	204	40,4%	1 621	49,2%	1 825	48,0%
Contractual pension (AFP)	22	4,4%	260	7,9%	282	7,4%
Disability pension	57	11,3%	1 310	39,7%	1 367	35,9%
Spouse pension*	208	41,2%	98	3,0%	306	8,0%
Children's pension*	14	2,8%	9	0,3%	23	0,6%
All pension	**505**	**100,0%**	**3 298**	**100,0%**	**3 803**	**100,0%**

The table shows the number of pensions paid divided by gender. One person can have multiple pensions. The same person can as a result be counted several times. The previous accounting year (2010) was closed in the system in December 2010. As a result, unfortunately, members on disability pensions who changed their level of disability around that time did not complete the full handling process in the system. They were therefore registered as reactivated at the end of 2010, and then as entitled to disability pensions once again in 2011. This means that the registered number of members on disability pensions in 2010 was somewhat too low, and the increase from 2010 to 2011 thus seems larger than it actually is. Nevertheless, there is a significant increase in the number of members on disability pensions even without this correction in the 2010 statement.

**The figures in these two rows show the number of men vs. women receiving spouse pensions and the number of boys vs. girls receiving children's pensions.*

Flow of number of pensioners

Retirement pensioners / early retirees*	Men	Women	Total
Number as at 31.12.2010	211	1 724	1 935
Total new pensioners	21	216	237
Total deaths / No longer eligible	6	59	65
Increase in number of pensioners 2011	15	157	172
Number as at 31.12.2011	226	1 881	2 107

Disability pension	Men	Women	Total
Number as at 31.12.2010	56	1 161	1 217
Total new pensioners	9	248	257
Total deaths / No longer eligible	8	99	107
Increase in number of pensioners 2011	1	149	150
Number as at 31.12.2011	57	1 310	1 367

Spouse pension	Men	Women	Total
Number as at 31.12.2010	193	130	323
Total new pensioners	28	6	34
Total deaths / No longer eligible	13	38	51
Increase in number of pensioners 2011	15	-32	-17
Number as at 31.12.2011	208	98	306

Children's pension	Men	Women	Total
Number as at 31.12.2010	15	9	24
Total new pensioners	2	-	2
Total deaths / No longer eligible	3	-	3
Increase in number of pensioners 2011	-1	-	-1
Number as at 31.12.2011	14	9	23

The table describes the flow of incoming pensioners (31.12.2010) to outgoing pensioners (31.12.2011) for the financial year. The increase is net–incoming less outgoing

**Early retirees includes contractual (AFP) and specific age limits*

Pension benefits paid 2011

Pension type		Gross paid	%	Co-ordination deduction	%	Net paid	%
Retirement and contractual pension (AFP)	Men	62 850 501	12,41%	35 060 669	12,58%	27 789 832	12,20%
	Women	257 523 735	50,85%	120 995 088	43,43%	136 528 647	59,92%
	Total	**320 374 236**	**63,26%**	**156 055 757**	**56,01%**	**164 318 479**	**72,12%**
Disability pension	Men	8 596 413	1,70%	5 598 137	2,01%	2 998 275	1,32%
	Women	145 857 162	28,80%	99 763 063	35,81%	46 094 099	20,23%
	Total	**154 453 574**	**30,50%**	**105 361 200**	**37,81%**	**49 092 374**	**21,55%**
Spouse pension	Men	11 511 548	2,27%	6 722 569	2,41%	4 788 979	2,10%
	Women	19 271 415	3,81%	10 486 677	3,76%	8 784 738	3,86%
	Total	**30 782 963**	**6,08%**	**17 209 246**	**6,18%**	**13 573 717**	**5,96%**
Children's pension	Men	574 380	0,11%	-	0,00%	574 380	0,25%
	Women	281 121	0,06%	-	0,00%	281 121	0,12%
	Total	**855 501**	**0,17%**	**-**	**0,00%**	**855 501**	**0,38%**
All pensions	Men	83 532 841	16,49%	47 381 375	17,01%	36 151 466	15,87%
	Women	422 933 433	83,51%	231 244 828	82,99%	191 688 605	84,13%
	Total	**506 466 274**	**100,00%**	**278 626 203**	**100,00%**	**227 840 071**	**100,00%**

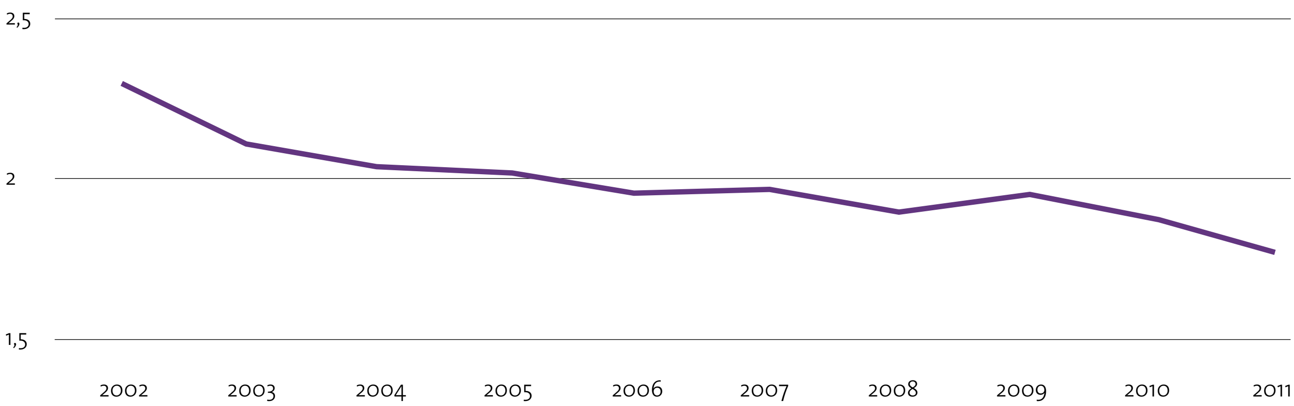
The table shows how much we paid out in 2011, split between the various types of pensions and specified by gender. The amounts are stated in NOK. The gross total shows the total amount paid by the National Insurance Scheme and the pharmacy scheme in combination. The net total shows the pharmacy scheme's share, i.e. how much more the member has been paid than if he/she had only received a pension from the National Insurance Scheme.

Active members relative to pensioners

Members	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Active	5 859	5 743	5 882	5 996	6 049	6 215	6 308	6 515	6 561	6 689
Deferred	5 061	5 273	5 547	5 642	5 855	6 005	5 673	5 783	6 093	6 245
Pensioners	2 551	2 730	2 877	2 977	3 086	3 152	3 312	3 339	3 499	3 803
Active/Pensioner	**2 297**	**2 104**	**2 044**	**2 014**	**1 960**	**1 972**	**1 905**	**1 951**	**1 875**	**1 759**

The table shows the change in the number of pensioners from 2002 until the present day.
The row active/pensioner shows the number of active members having to fund one pensioner.
All member groups have grown from 2010, but the pensionist group had the strongest growth.

Active/Pensioner



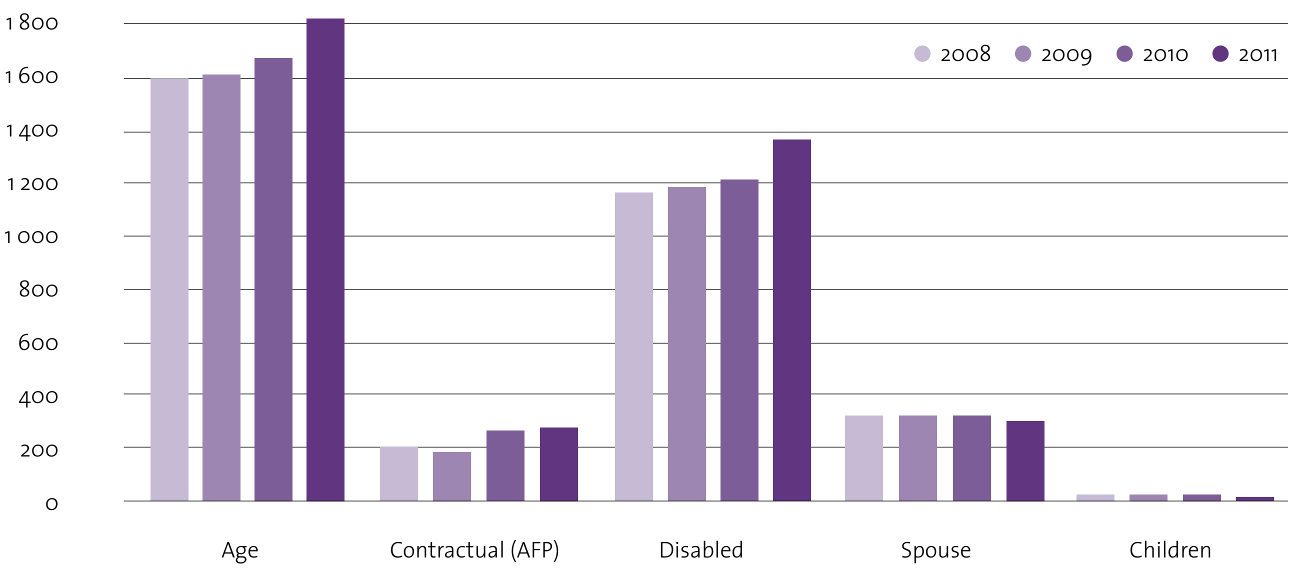
The relative figure active/pensioner shows the number of active members having to fund a pensioner.
The trend is declining, like elsewhere in society. This is one of the elements driving the pension reform.

Number of pensioners

Pension type	2008	2009	2010	2011	Endring
Age	1 601	1 611	1 668	1 825	157
Contractual (AFP)	201	191	267	282	15
Disabled	1 163	1 185	1 217	1 367	150
Spouse	323	325	323	306	-17
Children	24	27	24	23	-1
Total	**3 312**	**3 339**	**3 499**	**3 803**	**304**

The table shows the development in the number of pensionsers from 2008 until today. The Change column shows the change from 2010 to 2011.

Number of pensioners



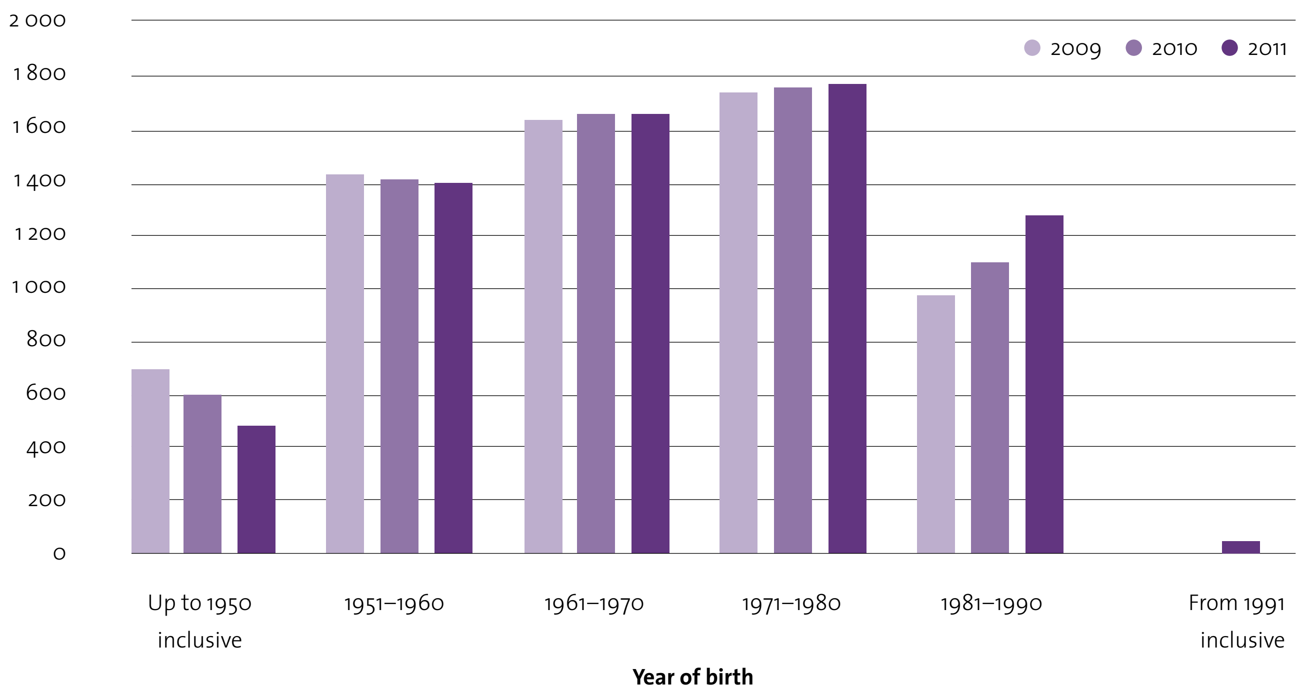
The figure shows the development in the number of pensioners from 2008 to the present day. The number of pensioners appears to be rising somewhat for retirement pensions and the disabled, while the figures for contractual pension (AFP) remain stable from 2010. The number of dependents' pensions has remained stable in recent years.

Active members

Birth year	2009	2010	2011	Change
Up to 1950 inclusive	695	598	475	-123
1951-1960	1 451	1 435	1 420	-15
1961-1970	1 641	1 665	1 663	-2
1971-1980	1 746	1 768	1 783	15
1981-1990	980	1 095	1 285	190
From 1991 inclusive	-	-	63	63

The table shows the development in the number of active members by birth year.
The Change column shows the change from 2010 to 2011.

Active members



The figure illustrates how older cohorts are falling in numbers while younger cohorts are added.

Miscellaneous statistics

Members of the pension Scheme for the Phamacy Sector

	Men	Women	Total
Active members	698	5 991	6 689
Deffered with/without entitlement	793	5 452	6 245
Pensioners	505	3 298	3 803
Total members	1 996	14 741	16 737

The table shows the distribution of members in the main categories active, deferred or retired, male or female.

Active members

Position	2010	2011	Change
Dispensing pharmacist	549	564	15
Pharmacist - master of pharmacy	741	775	34
Pharmacist	183	205	22
Prescriptionsist	1 190	1 204	14
Laboratory assistant	5	6	1
Pharmacy technician	3 564	3 577	13
Office employee	188	198	10
Messenger, driver	11	8	-3
Cleaner	57	54	-3
Manager	45	71	26
Miscellaneous	28	27	-1
Total	6 561	6 689	128

The table gives descriptions of the active members' positions, specified by gender.

Disability pensions

Degree of disability	Men	Women	Total
<=25%	2	70	72
26 – 50%	14	168	182
51 – 75%	1	27	28
76 – 99%	1	4	5
100%	39	1 041	1 080
Total	57	1 310	1 367

The table shows the degree of disability for disability pensioners in the scheme divided by gender. Degree of disability is defined in combination with capacity for work, i.e. the degree to which a person is able to fully or partially continue working following illness or disability.

Unlike the National Insurance Scheme, the pension fund can approve degrees lower than 50%.

Retirement pensioners by age

Age limits	Men	Women	Total
65 years	3	253	256
68 years	90	1 262	1 352
70 years	133	366	499
Total	226	1 881	2 107

The table gives the number of early retirees / old-age pensioners from positions of employment with associated age limits, specified by gender.

The age limit is the age at which an employee must leave his/her position. The person will then normally be entitled to a retirement pension.

Changes to the number of disabled

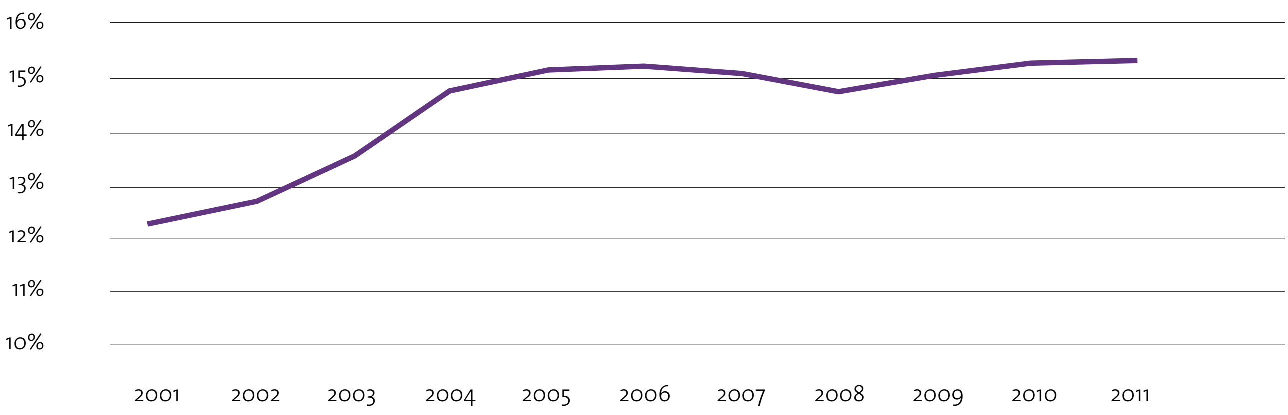
The proportion of disabled members is currently around 16 per cent.
The graph shows the changes in the number of disabled members as a proportion of the total members[1] in the Pension Scheme for the Pharmacy Sector who are under 70 years old. During the 2001-2005 period there was a significant increase in the proportion of disabled members[2]. During this period the annual growth in the number of disabled members varied between 5 and 10 per cent, while growth in the total members less than 70 years of age varied from 1 to 2 per cent. From 2005 to the present day the share of disabled members has flattened out and is now around 16%. This means that the annual percentage growth in the number of disabled members and in the total number of members has been almost identical in this period.

While it is positive that the increase in the number of disabled has slowed down, a percentage of 16% disabled members is still a high figure. Having this many disabled members results in high costs, adding up from a one-time amount when the disability occurs, the annual adjustments the benefit is subject to and that the fact that the member is exempt from premiums.

The figures also change retrospectively
Normally there will be delays in drawing on disability pensions due to case processing times and restrictions that mean that a number of decisions are adopted with retrospective effect. Thus, the number of disabled members will also change for past years. With regard to the number of active members the figure will also change as there is always a lag in reporting from the employer.

These figures will therefore be adjusted somewhat in coming years.

Number of disabled members as a proportion of the total number of members of the Pension Scheme for Pharmacy Sector under 70 years of age 2001-2011



1) The total number of members in the Pension Scheme for the Pharmacy Sector less than 70 years old is the number of persons who are pensioners or active members under 70 years of age. Spouse and children's pensions are not included in the total. Persons who are both active and pensioners are only counted once. In the 2010 annual report these persons were counted twice because all pensioners and all active members under 70 years of age were added together. This means that the proportion of disabled members is marginally higher for all previous years.

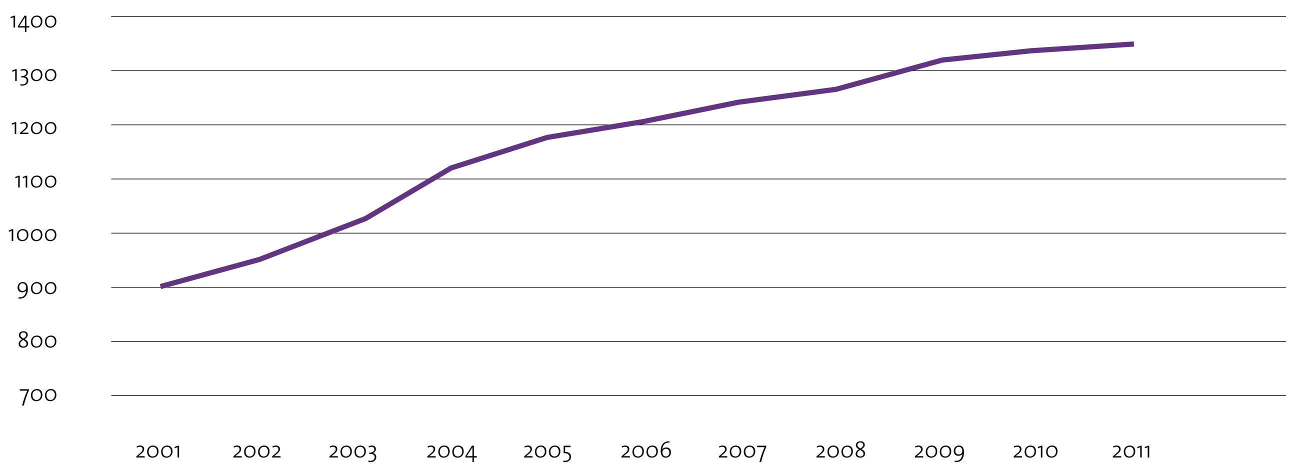
2) In the case that the annual increase in the number of disabled members equals the percentage increase in the total number of members, the relative proportion of members who are disabled will not grow. The figure above shows an example of this for 2006 until the present day.

Annual percentage growth in the number of disabled members and total members under 70 years of age 2002-2011

The number of disabled members has grown by around 450 persons over the last 10 years

In 2001, slightly less than 900 persons were fully or partially disabled in the Pension Scheme for Pharmacy Sector. There has been an increase in the number of disabled members for the entire period from 2001 up until today when the number is around 1 350 persons. Experience shows that disability cases make up a large proportion of the cases for which there is a large backlog. This means that we expect the number of disabled members for 2011 in particular to be adjusted upward during 2012 and 2013.

Number of disabled members in the 2001-2011 period



The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Fund (SPK) in Oslo

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