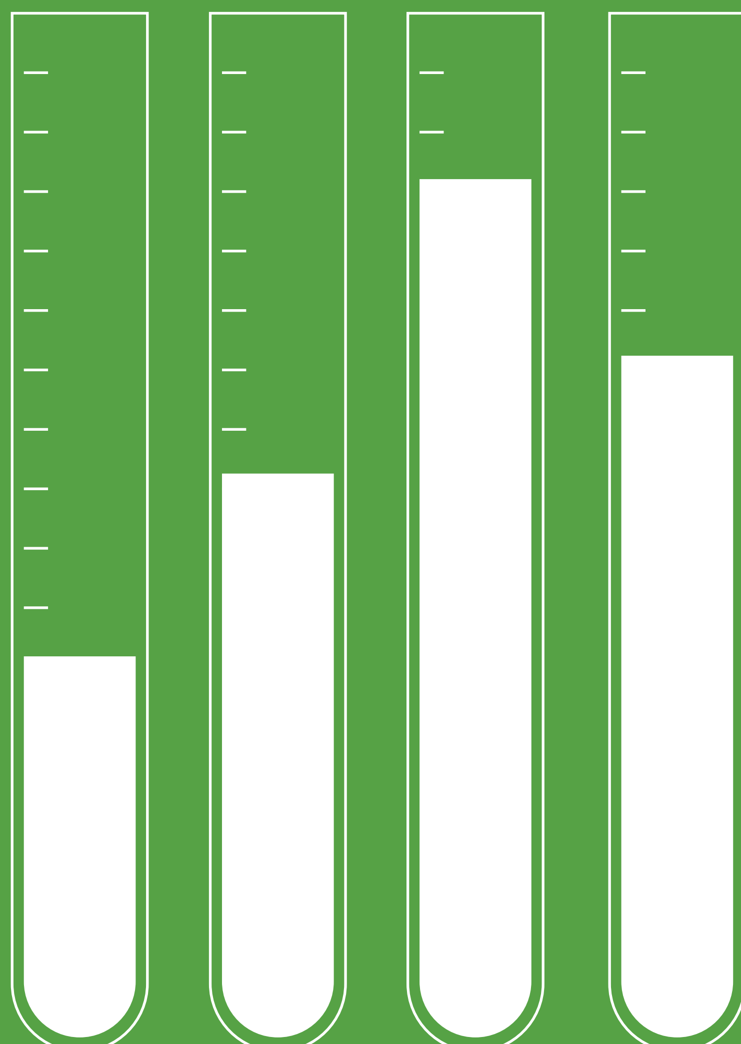
Pensjonsordningen
for apotekvirksomhet



Annual report 2013

Contents

Introduction

In 2013, the Pension Scheme for the Pharmacy Sector achieved value-adjusted returns on investments of 7.6 per cent. Together with measures implemented by the Board, the high returns have helped to improve the scheme's equity situation throughout 2013. Total assets under management increased by some NOK 700 million.

In recent years the pension scheme has experienced a challenging capital situation. Yields on risk-free investments in the financial markets have been low and the scheme's buffer capital has been weakened due to high salary increases, more actively-employed persons with high salaries and more - and increasingly expensive - payments of disability pensions. It was therefore crucial for the Board to take steps to improve a challenging financial situation.

Measures in the form of premium increases as well as a modest adjustment of pensions have previously been implemented in order to strengthen buffer capital. These actions to improve the equity situation has made it possible for the Board to adopt an investment strategy with a moderate risk level in the investment portfolio, in order to increase return expectations. The strategy was a success. Premiums remained unchanged during 2013 while pension benefits were adjusted on the basis of a wage inflation factor of 3.5 per cent.

2013 was a positive year for the stock market. Interest-bearing investments also contributed to overall profits despite low interest rates, due to high returns from credit exposure. We were therefore able to enter 2014 with an improved equity situation for the scheme. The pension scheme's assets under management increased by NOK 714 million throughout 2013, and the scheme now has NOK 6,550 million under management.

Major changes in the pensions market

New pension legislation was introduced in Norway in 2011. "The pension reform" inflicts the entire pensions system. Changes in the National Insurance require adaptations within the occupational pension schemes in both the private and public sectors. A lot of the detail regulations are already in place, but not everything has been clarified yet. You can read more about the changes and how they influence the Pension Scheme for the Pharmacy Sector in the annual report.

Future expectations

Continued strong growth in salaries combined with low interest rates create challenges, and adequate returns will only be achieved by taking on a certain level of risk. Maintaining an investment strategy that combines a well-diversified portfolio with a sound risk level will be important in 2013 and beyond as well.

Increased pension liabilities

Increasing life expectancies and salary levels result in increased pension liabilities, both for the Pension Scheme for the Pharmacy Sector and other pension providers. In recent years, the scheme's liabilities have also been increasing due to a higher incidence of, and more expensive, disability cases. In 2013 the pension scheme has made further provisions to cover the increased pension liabilities resulting from the strengthened incapacity tariff and mortality tariff (increased life expectancy).

As well as increased pension liabilities the introduction of new solvency capital requirements (Solvency II) for the insurance industry and pension funds will create challenges for the the pension scheme's capital situation in the future.

About the pension scheme

The Pension Scheme for the Pharmacy Sector manages the pension entitlements of employees throughout the pharmacy sector.

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

This means that 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 768 pharmacies the scheme has members from certain other businesses which are closely associated with the pharmacy sector and who have applied for membership.

Administration

The Act on the Pension Scheme for the Pharmacy Sector stipulates that the scheme shall be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Ministry of Labour and Social Affairs.

Key figures 2013

Customers and members		**2013**	**2012**	**2011**
Pharmacies in the pension scheme	*Number*	768	738	707
Members	*Number*	18,133	17,655	16,737
Actively-employed members*	*Number*	7,274	7,125	6,689
Pensioners*	*Number*	4,295	4,144	3,803
Persons with entitlements from previous positions**	*Number*	6,564	6,386	6,245
Occupational pensions				
Accrued pension entitlements	*Thousand NOK*	5,947,896	5,412,346	4,966,839
Pension premium	*Thousand NOK*	570,010	482,303	326,730
Pensions paid	*Thousand NOK*	244,425	231,916	227,840
Investment management				
Funds in the Pharmacy scheme	*Million NOK*	6,550	5,809	5,305
Annual return	*Per cent*	7.6	6.8	2.5

** The number stated is the number of policies. A member can have more than one policy. For example, a member who receives a partial disability pension from the pension scheme and works partly in an active position will have two policies which correspond to the two positions respectively.*
*** Members who no longer work in an organisation linked to the Pension Scheme for the Pharmacy Sector, but who have pension entitlements with us (also called deferred pensions).*

The Board of Directors of the Pension Scheme for the Pharmacy Sector is the scheme's 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 and Social Affairs 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.

Board of Directors 2013

- Finn Melbø (chairman), CEO of the Norwegian Public Service Pension Fund
- Stein Gjerding, Chief Economist in Spekter
- Vibeke H. Madsen,CEO of Virke
- Renate Messel Hegre, Norwegian Association of Pharmacy Technicians
- Edvin Alten Aarnes, Secretary General of the Norwegian Association of Pharmacists

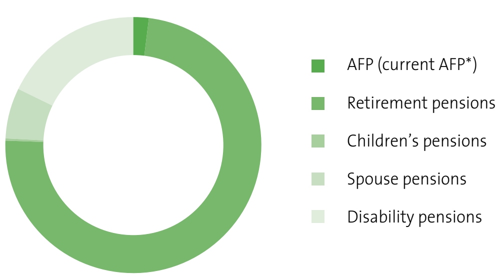
PENSIONS

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), disability pensions and dependents' pensions.

INVESTMENT MANAGEMENT

The assets of the Pension Scheme for the Pharmacy Sector are invested in short-term and long-term bonds, Norwegian shares, real estate, foreign equity funds, hedge funds and loans to members.

Accrued pension entitlements



AFP (current AFP*)	*Thousand NOK*	131,206
Retirement pension	*Thousand NOK*	4,378,817
Children's pensions	*Thousand NOK*	9,358
Spouse pensions	*Thousand NOK*	373,607
Disability pension	*Thousand NOK*	1,054,908
Total		**5,947,896**

** current AFP are contractual pensions currently paid out.*

Accrued pension entitlements in the scheme increased by NOK 536 million from 2012 to 2013. Retirement pensions comprise 74 per cent of the total accrued entitlements of NOK 5,948 million.

Read more on page 13.

Returns over the past 10 years

As at 31.12.2013 the funds totalled approximately NOK 6.6 billion. In 2013, the value-adjusted return on the funds was 7.6 per cent.

Read more on page 15.

The pension system

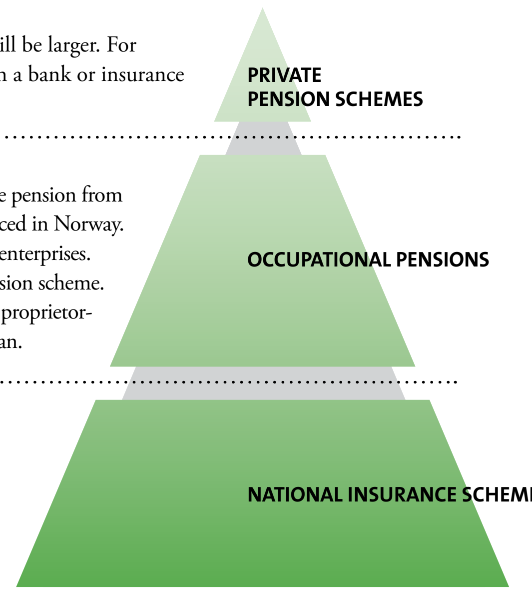
Private or public sector? Defined contribution or defined benefit? Many questions arise for those trying to navigate the Norwegian pension market. A short introduction to this market follows.

The Norwegian pension system is made up of three parts. These are the National Insurance Scheme, various occupational pension schemes, and different forms of personal saving plans specifically constructed for retirement.

Private pension schemes
If you wish you can enter into voluntary savings or pension agreements so that your pension will be larger. For example you can save in a unit trust scheme or enter into an individual pension agreement with a bank or insurance company. Repayment of debt can also be regarded as a form of saving.

Occupational pensions
An occupational pension is accrued while you are in employment and is a supplement to the old-age pension from the National Insurance scheme. In 2006 the Mandatory Occupational Pension (OTP) was introduced in Norway. Before this, occupational pensions had been mandatory in the public sector and optional in private enterprises. This meant that a large proportion of private sector employees were not part of an occupational pension scheme. Today, it is primarily employees who work less than 20 per cent of a full position, employees in sole proprietorships and freelancers without an employment contract who do not have an occupational pension plan.

National Insurance Scheme
National Insurance is a mandatory insurance and pension scheme for all persons resident in Norway. The scheme is managed by the Norwegian Labour and Welfare Service (NAV) and is financed on an ongoing basis by grants from the Norwegian Exchequer. National Insurance was introduced in Norway in 1967.



Occupational pensions

Today, approximately 2,230,000 Norwegians have an occupational pension scheme through their employer.

Differentiation is made between private and public sector occupational pensions. Public sector employers offer a defined benefit pension scheme, while private companies have been able to choose between either a defined benefit or a defined contribution pension plan until 2014. With effect from 2014 a new occupational pension product has also been introduced for the private sector which is a type of defined contribution pension.

Private sector
Approximately 1,400,000 employees in the private sector had an occupational pension plan at the end of 2011, according to figures from FAFO and Statistics Norway. Approximately 300,000 of these had a defined benefit pension, and the rest had a defined contribution pension.

Insurance companies are the main actors in the private sector market, with DNB Liv and Storebrand as the two largest.

Public sector
Approximately 830,000 employees who had an occupational pension at the end of 2011 worked in the public sector. This means those working for the government, local authorities, the health service and companies attached to the public sector. The two largest suppliers of occupational pensions in the public sector are the Norwegian Public Service Pension Fund (SPK) and Kommunal Landspensjonskasse (KLP).

Differences between public sector and private sector occupational pension schemes
While the content of private sector occupational pension schemes can differ widely, public sector occupational pension schemes are a more homogeneous product. All public sector schemes are defined benefit gross payment schemes whereby the employer undertakes to pay pension benefits, which together with the National Insurance scheme shall make up 66% of final salary prior to age adjustment.

New pension product for the private sector

In principal the new occupational pension product for the private sector, which was introduced in January 2014, is very similar to a regular defined contribution pension. The biggest difference is that it allows for the individual member's pension holdings to be adjusted on an annual basis during the accrual period. In practice this means that the employee is guaranteed a fixed level of pension entitlement, and this element is similar to defined benefit pensions. This product has therefore been called a hybrid scheme.

Some differences

There are differences between the plans in terms of coverage. The Mandatory Occupational Pension Act stipulates that premiums and deposits are not required in cases of disability and occupational injuries. However, there are no requirements for disability pensions and dependents' pensions, and such supplementary coverage is not widespread in the private defined contribution market.

In addition to retirement pensions, public sector occupational pension schemes also offer disability pensions and dependents' pensions. All employees in Norway, regardless of whether they work in the public or private sectors, are also covered by occupational injury insurance. Public sector employees working for the government and local authorities are also covered by group life insurance as a part of the Basic Agreement.

Comparison of occupational pension schemes

	Defined benefit pension – public sector and private	**New occupational pension – private sector**	**Defined contribution pension – private sector**
What is agreed?	Pension benefit payments	Pension premium payments	Pension premium payments
How is the pension calculated?	Agreed percentage of final salary	Sum total of premium payments paid and adjustment/returns	Sum total of premium payments paid and returns
Qualification	Curtailed for qualifying period of less than 30 years	All years count	All years count
Mortality cross subsidy	Yes	Yes	None
Pension fund adjustment	Adjusted according to individual salary increases	Annual adjustment according to general wage inflation or adjustment according to returns	No guarantee of adjustment - determined according to returns and accumulated funds
Pension adjustments	Public sector: wage inflation -0.75 Private sector: Optional - according to wage inflation or returns	Optional - according to wage inflation or returns	According to returns
Age adjustment	Public sector Yes Private sector: No	Yes	None
Management of pension funds	Collective management	Allows for choice of investment by the company or employees. Otherwise collective management	Individual choice of investment
Guaranteed returns	The provider provides guaranteed returns	The provider provides no guarantee, except in the case of an agreed returns scheme (according to choice of investment)	None
Management and administration costs	The company covers all costs for the entire accumulation and payment term - even if the employee leaves the company	The company covers all costs for the entire accumulation and payment term - even if the employee leaves the company	The company covers the costs until the employee leaves the company. The employee is responsible for covering costs him/herself after this
Balance sheet recognition	Future liabilities must be recorded in the balance sheet	Balance sheet recognition is required - lesser scale than for defined benefit	No requirement for balance sheet recognition

The pension system in transition

New pension rules were introduced in Norway in 2011. The pension reform affects the entire pensions system. Much is already in place, but not all the details have been clarified yet.

The pension reform was introduced because the Norwegian pension system was no longer sustainable. People are living longer, and the number of older citizens in Norway is increasing while the number of young people is decreasing. It was deemed necessary to curb pension costs and establish a new, sustainable pension system.

New National Insurance rules

The rules for the new accrual model and retirement pension from National Insurance entered into force on 1 January 2011. More choices, greater possibilities to combine work and pensions, accrual for all years and age adjustment are measures that encourage us to work longer. The changes to the National Insurance rules require adaptations to the occupational pension schemes in both the private and public sectors. New rules have also been adopted regarding disability pensions and retirement pensions for the disabled.

Other implemented changes

- In the wage negotiation for 2009, it was decided to continue the rules for public sector occupational pensions, but with the necessary adaptations to National Insurance. In the public sector, new regulations regarding occupational pensions have been adopted for year groups up to 1953, which apply to retirement pensions and contractual pensions (AFP).
- New adjustment of current retirement pensions has also been introduced in the public sector.
- Contractual pensions were introduced in the private sector from 01.01.2010. Adaptations to pension legislation and the private pension schemes have also been introduced. Investment options for those holding paid-up policies have been introduced from 01.01.2013
- In January 2014 a new occupational pension product was introduced for the private sector. This is a type of defined contribution pension.
- In March 2014 new rules for public sector disability pensions were adopted by the Norwegian Parliament. The new scheme, which will enter into force on 01.01.2015, is a supplementary model and will not be coordinated with National Insurance disability benefits.

The following remains in the public sector:

- *Retirement pension:* In the public sector, the co-ordination regulations for retirement pensions for citizens born in 1954 or after have not been clarified. The 1954 age group can start drawing their retirement pensions in 2016, and must have access to information well ahead of this time in order to be able to make qualified decisions.
- *Dependents' pensions:* Whether there will be changes to spouse and children's pensions is still unknown.

The following remains in the private sector:

- *Continuation of the defined benefit scheme:* In March 2013 the Ministry of Finance assigned the Banking Legislation Commission to investigate a new model for the defined benefit pension scheme for the private sector. The investigation shall determine whether it is desirable and - if applicable - possible, to establish a new model for the collective defined benefit retirement pension scheme adjusted in accordance with the principles of the new National Insurance accrual model. The time frame for this work is currently unclear.

The Pension Scheme for the Pharmacy Sector in the pensions market

- The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme.
- The scheme is subject to regulations that are closely linked to those covering public sector occupational pensions, and the scheme is managed by the Norwegian Public Service Pension Fund.
- Through the pension reform, changes to public sector occupational pensions have also affected the Pension Scheme for the Pharmacy Sector.
- The pension scheme has 7,274 active members and 4,295 pensioners. At the end of 2013, 768 pharmacies were covered by the scheme. The scheme also covers organisations that are not pharmacies, but which are closely linked to the pharmacy sector. The members of the Pension Scheme for the Pharmacy Sector come from both the private and the public sector.
- The Pension Scheme for the Pharmacy Sector is a defined benefit pension scheme. This means that the maximum total pension from the National Insurance and the Pension scheme for the Pharmacy Sector constitutes 66 per cent of final salary for a member with full accrual (360 months) prior to age adjustment. The contribution base is maximised to 10 times the National Insurance base amount (G).
- The pension is coordinated with National Insurance (gross pension).
- In addition to a retirement pension, members are entitled to a contractual pension (AFP), disability pension and dependents' pension.
- The employer and the employees each pay a percentage of the contribution base (salary) in premiums.

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 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). 1 G was NOK 85,245 kroner as at 01.05.2013. 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. However for part-time employees, or those with a shorter qualifying period than 360 months, 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.

The age adjustment means that the pension can be less than 66 per cent of final salary, even with full accrual. Those who were born in 1958 or earlier receive an individual guarantee which ensures that they will receive 66 per cent of the contribution base after the completed qualifying period when they reach 67 years of age.

Contractual pension

On reaching the age of 62, members of the pension scheme may be entitled to retire on a contractual pension (AFP). Members who are not employees, e.g. pharmacists who own their own pharmacies, are not entitled to a contractual pension. When a member is between 62 and 65 years of age NAV managed 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 without age adjustment 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.

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 coordinated 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.

If 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 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 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 coordinated 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 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 01.05.2013 the Board used salary growth in the pharmacy sector of 3.5%. The Pension Scheme for 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.

Read more about the pension scheme: ***www.spk.no/apotekordningen***
Pension glossary: ***See page 49***

Pension liabilities

The actuarial provisions in the Pension Scheme for the Pharmacy Sector increased by NOK 536 million in 2013. As at 31.12.2013 the pension liabilities are estimated to be NOK 5,948 million.

The actuarial calculations of the pension liabilities are based on the assumption that the Pension Scheme for the Pharmacy Sector will continue to operate as long as liabilities towards its members exist as at 31.12.2013.

The year's underwriting result is calculated to be NOK 207 million before allocations to the securities adjustment reserve and other specified allocations. This results in overfunding as at 31.12.2013 of NOK 754 million or 12.7 per cent of the total premium reserve. The positive effects resulted from increased premium income and high returns from investments. The overfunding represents the scheme's equity. This is a buffer capital for the scheme that is necessary in order to meet future challenges in connection with expected increasing reserves due to coming capital requirements (Solvency II) and to cover random risks that are not covered by the premium.

Insurance result

The insurance result is positive and can be split into the investment result, risk result and other result.

Investment result

The investment result is positive, which means that actual returns on plan assets were higher than the required interest rate of 3 per cent. The expected rate of return used in the calculation of the premium rate for the year was 5 per cent. Actual returns on the pension assets for 2013 were higher than expected.

Risk result

The risk result is positive, which represents a significant improvement from financial year 2012. This improvement can mainly be explained by the reduction in risk expenses resulting from the strengthened disability tariff which was implemented in the system for all members in 2013 and adjustments for children pensions supplements related to members currently receiving disability pensions which led to decrease in provision requirements.

Other result

The difference between the premium invoiced to the pension scheme and the calculated premium required to cover all the events which have occurred in 2013 appears as a separate result in the insurance statement. This entry is negative for 2013, which means that the invoiced premium does not cover the actual accrued pension costs in 2013. Additional provisions made for disability and mortality constitutes a large proportion of the other result. In addition to the effects on reserves after adjustment of provision requirements for those currently receiving disability pensions with child supplements.

Assessment of the current financial situation

The financial situation continues to be somewhat challenging but satisfactory as a result of the improved buffer capital in 2013. Three initiatives relating to pension liabilities were implemented during financial year 2013. These were the strengthening of the disability and mortality tariff (K2005) and the financing of these, as well as the additional provisions made related to the new mortality tariff (K2013) for which premium reserve requirements are expected to increase from the current K2005 mortality tariff with specified margins. The initiatives were as follows:

The implementation of the strengthened disability tariff with effect from 01.01.2012 in the system was completed in 2013 with a final effect of approximately NOK 90 million. As a result of the increased excess capital in the scheme it was decided that the original five-year plan to fund the additional provisions would be speeded up and completed in 2013. A total extra provision of NOK 58 million was thus made in 2013.

The mortality tariff was updated in 2010 from K1963 to K2005. The tariff was introduced without the Financial Supervisory Authority of Norway's safety margins of 10% and 15% for women and men respectively. It was decided that the expense for additional provisions related to the strengthening of K2005 would be financed through a three-year plan starting in 2011. A provision of NOK 24 million was made each year in 2011, 2012 and 2013. It was decided in 2013 that an extra provision of approximately NOK 88 million would be recognised in the accounts in order to meet the capital requirements related to the increase in life expectancy.

The Financial Supervisory Authority of Norway has introduced a new mortality tariff (K2013) for collective pension insurance in life insurance companies and pension funds with effect from 01.01.2014. The financial services industry have been given up to 7 years to increase their funding capital, starting in 2014. It has been decided that the Pension Scheme for the Pharmacy Sector shall also make provisions to raise the funding capital to finance the coming K2013. In 2013 a provision of NOK 100 million was made for the new mortality tariff K2013.
The finalized rules and regulations for the new disability pension for public sector pension schemes was adopted by the Norwegian Parliament with effect from 01.01.2015. This will reduce the disability provisions for the scheme from 2015.

Investment management

Investment management delivered a value-adjusted return of some 7.55 per cent in 2013. Funds under management increased by more than NOK 700 million during the year, and totalled NOK 6.55 billion at the end of December

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. The aim of the investment activities of the pension scheme 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 to be able to maintain continued ordinary operations.

The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors of the scheme. The strategy stipulates that the chosen investment portfolio must have a risk profile with a probability of meeting the legally-required equity requirement of at least 99 per cent. The portfolio's funds are invested across a range of different asset classes, in order to achieve a satisfactory long-term return on investments combined with a sound level of diversification.

Solid results

The overall return on the pension scheme's funds for 2013 was 7.55 per cent (value-adjusted). This is significantly better than the return for the comparable reference index, which was 5.01 per cent. The time-weighted return was 7.51 per cent. As shown in the table below all asset classes have contributed positively to the total return for 2013. Both Norwegian and foreign stock markets performed well in 2013 and the share portfolios made a good contribution to the result for the year. Interest-bearing investments also contributed to overall profits despite low interest rates, due to good results from credit exposure in the available-for-sale portfolio. Hold-to-maturity investments continue to produce good percentage returns for the Pension Scheme for the Pharmacy Sector, but the amount invested in this asset class fell significantly throughout the year.

Fluctuations in returns are entirely normal and to be expected for an investment portfolio with a moderate level of risk, such as the Pension Scheme for the Pharmacy Sector. The figure on the next page shows the annual return on the Pension Scheme for the Pharmacy Sector's funds for the past 10 years. As shown in the figure, the Pension Scheme for the Pharmacy Sector has only experienced one single year with a negative return during this period, at the start of the financial crisis in 2008. The average return for the 10-year period is 5.22 per cent. (time-weighted return).

Returns and reference weighting for investments in the different asset classes

Asset class	Ref. weighting	Rate of return
Interest-bearing investments (available-for-sale)	59.0%	4.1%
Interest-bearing investments (hold-to-maturity)	7.6%	6.5%
Norwegian shares	5.1%	23.5%
Foreign shares (local currency)*	10.1%	24.3%
Real estate	9.3%	5.4%
Hedge funds (local currency)*	2.4%	5.7%
Loans to members and bank deposits **	6.6%	3.3%

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

*** Allocation applies to loans and bank deposits together, returns apply to loans to members.*

Annual return

Management of the Pension Scheme for the Pharmacy Sector is carried out in accordance with the the Act on the Pension Scheme for the Pharmacy Sector with related administrative regulations. The current administrative regulations were determined in 2011, and stipulate that as far as possible the management of the Pension Scheme for the Pharmacy Sector shall follow the same rules as equivalent pension schemes, i.e. the Insurance Activities Act with related regulations. Changes to the regulations resulting from the EEA agreement (Solvency), are expected to be implemented into Norwegian law by the start of 2016, which will result in significant changes to the rules for the industry. It is not yet clear how the pension funds will be handled following the implementation of the new regulations. However, in the past year the Financial Supervisory Authority of Norway has gradually increased the reporting requirements linked to stress tests for the pension funds, so that these are now largely the same as the requirements for life insurance companies. The Pension Scheme for the Pharmacy Sector is not obligated to report to the Financial Supervisory Authority, but calculates and reports on stress tests to the Board of Directors on a quarterly basis. The calculation of stress requirements for market risk regarding assets are based on the methodology determined by the Financial Supervisory Authority.

Requirements for the frequency and scope of financial reporting have increased in line with the rising number of pension scheme clients being subject to international accounting standards, For this reason, as well as to meet client demands to keep track of developments in placement and returns for the scheme's funds, the Pension Scheme for the Pharmacy Sector published a client report on capital management in the scheme for the first time at the beginning of the year. The report will be published quarterly going forward.

For many years the Pension Scheme for the Pharmacy Sector has ensured that its investment management activities are implemented in a professional and efficient manner and that as far as possible, administration and control shall meet the requirements laid down by the authorities. Back in 2009 the Pension Scheme for the Pharmacy Sector's investment arm introduced a strategy based on overall risk consideration for the scheme. Thus, the scheme is well equipped to meet future regulatory requirements for the industry. Throughout 2014 the investment management department will continue to adapt to the requirements made on today's pension fund managers.

Challenges facing the pension funds

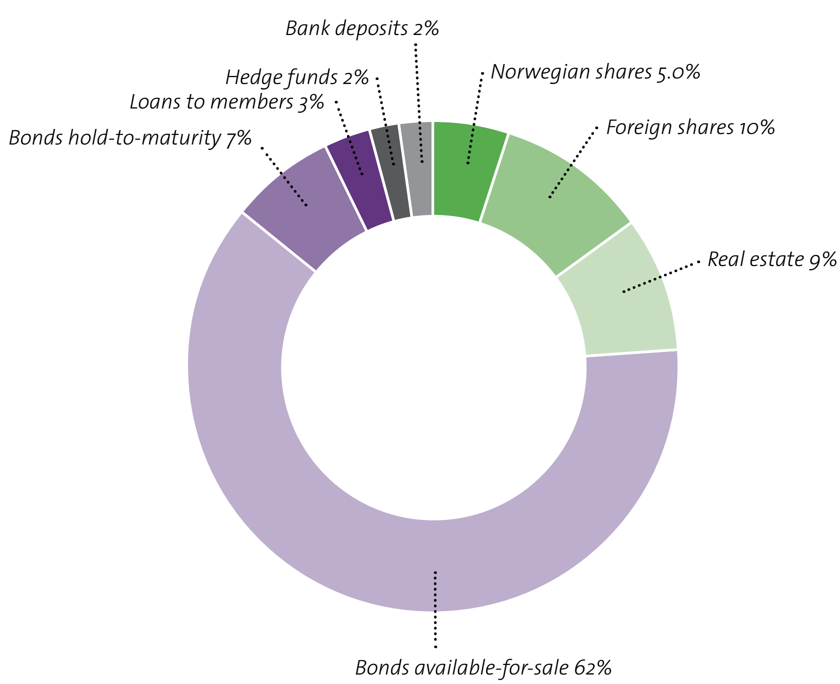
Recent years have been challenging for providers of defined benefit pension schemes in the Norwegian market. Norwegian interest rates have remained low following the financial crisis of 2008. While interest rates are affected by international circumstances to a significant extent, wage levels in Norway are more affected by domestic issues. For many years, Norwegian wage inflation has been high compared with other countries and wage inflation is now unusually high relative to interest rates. This situation has led to pension liabilities growing much faster than pension funds. In order to avoid the depreciation of the equity ratio - and thereby a reduction in the scheme's risk capacity - premiums have had to increase. In the last few years the Pension Scheme for the Pharmacy Sector has weathered a challenging capital situation, but measures related to premium payments combined with favourable returns on pension funds have had a good effect and the equity situation is now satisfactory.

Asset allocation and outlook for 2014

At the end of 2013, the pension scheme managed funds totalling NOK 6,550 million. This is an increase of NOK 741 million throughout the year. Assets under management are still expected to grow throughout 2014 as a result of excess liquidity in the scheme.

The asset allocation strategy for 2014 has been set to maintain an overall medium risk profile for the pension scheme through a portfolio based on diversification over multiple asset classes with different risk levels and expected returns. Investment management has provided excellent returns in recent years, but as low interest rates persist, finding asset classes that provide good returns without excessive risk proves increasingly challenging. As an example, the credit premiums in the Norwegian bond market are now significantly lower than at the beginning of last year. Expectations are therefore of moderate rates of return in the future. Adjustments in portfolio weighting are made on an ongoing basis in order to reap as many risk premium as possible where risk taking returns the highest yields. Considerations is being given to adding certain new asset classes and investment solutions during the year to achieve a higher level of diversification and exploit the full return potential of the level of market risk taken on by the Pension Scheme for the Pharmacy Sector.

The figure below shows strategic allocations in the various asset classes at the beginning of 2014.



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 per member.

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

As at 31.12.2013 the interest rate for housing loans was 3.5%.

At 2013 year-end there were 318 outstanding loans. This is a decline of 13% from 2012.

The loan portfolio comprises the following loans:

	Number of loans	Amount in NOK
Housing loan	307	202,442,969
Government-guaranteed debenture loan	8	3,666,604
Loans for pharmacy premises	3	301,200
Total	**318**	**206,410,773**

Board of Directors' report

Annual report 2013 for the Pension Scheme for the Pharmacy Sector

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 Labour and Social Affairs has drawn up administrative regulations for the pension scheme.

The administrative regulations contain provisions for the Board's responsibilities and authority, capital 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.

In accordance with the Act the pension scheme shall be managed by the Norwegian Public Service Pension Fund (SPK) in Oslo. At the end of 2013 the pension scheme had three male employees. All the employees are investment managers. The continuous follow-up of the employees is 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 Pharmacy Sector.

The pension scheme has guidelines for ethically responsible investments. These guidelines are based on the guidelines for the Folketrygdfondet (Government Pension Fund - domestic). In addition the pension scheme has resolved to use KLP's list of excluded companies as the basis for determining companies in which the pension scheme shall not invest.

As at 31.12.2013 the board of directors had five members. The Board of Directors is led by the CEO of the Norwegian Public Service Pension Fund. The other board members represent the Hovedorganisasjonen Virke, 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 43 items of business.
The pension scheme's operations do not affect the external environment.

Members, contributions and benefit payments
At the 2013 year-end employees at 768 pharmacies were members of the pension scheme. This is an increase of 30 pharmacies from 2012. The pension scheme also includes members who are not pharmacy employees but who work in other positions associated with the pharmacy sector. The fund had a total of 7,274 actively contributing members, as well as 4,295 current pensioners. A total of NOK 559 million was contributed in premiums in 2013, compared to NOK 427 million in 2012. In addition, NOK 244 million was paid in pensions, compared to NOK 232 million in 2012. Invoiced but not paid premiums constituted a total of NOK 150 million at the turn of the year.

The premium rate was 18.1 per cent in 2013. The premium is divided between employees and employers. Employees paid a premium of 3.4% of the contribution base, while employers paid a premium of 14.7%.

In 2013 the pensions were adjusted based on a factor of 3.50 per cent. In the same way as for National Insurance 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 2.72 per cent.

Financial risk

The board has adopted an investment strategy that clearly 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 31.12.2013 the proportion of shares, equity funds and hedge funds was 17 per cent 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.

Some bonds classified as hold-to-maturity matured in 2013. At year-end the portfolio of long-term bonds represents 7 per cent of total assets, which is slightly less than the previous 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 together. The actuarial provisions are commitments with a long time frame. Generally speaking, capital should therefore be invested with a long-term perspective.

The technical settlement for 2013 is based on the K2005 life expectancy tariff with a basic interest rate of 3 per cent. A 15% safety margin supplement for mortality related to the K2005 tariff is included. The assumption for rates of disability was based on K1963, boosted by a factor of 2.5. Additional provisions for this strengthening by a factor of 2,5 were completed in 2013.

Result

The result for the year shows a profit of NOK 42 million. Net profits related to financial assets stood at NOK 452 million, including changes in unrealised gains and losses. All asset classes have contributed positively to the return for 2013 as a whole.

Provisions have been made for unrealised price gains of NOK 165 million to the securities adjustment reserve. This has reduced the profit for 2013 accordingly.
In 2013 a total increase in pension liabilities (the premium reserve) was recorded of NOK 536 million. Reasons for this strong increase include additional provisions for the safety margin for mortality (increased life expectancy) in 2013. Pension liabilities have also increased as a result of the strengthening of the disability tariff in 2013 to ensure sufficient provisions for disability in the future.

This year's profit of NOK 42 million will be allocated to other retained earnings.

Financial position

As at 31.12.2013 the pension scheme's assets under management totalled NOK 6,728 million, of which approximately 65 per cent were placed in bonds and bond funds, 17 per cent in shares, equity funds and hedge funds, 9 per cent in property and real estate, 3 per cent in loans and 4 per cent in bank deposits, while other items account for 2 per cent of the total.

As at 31.12.2013 other retained earnings totalled NOK 463 million. This is an increase of almost NOK 42 million from 2012. The pension scheme calculates capital requirements based on the rules that apply to private pension funds. As at 31.12.2013 the calculated capital adequacy requirement totalled NOK 271 million and will be covered by other retained earnings

The scheme's free equity, which consists of other retained earnings in excess of the capital adequacy requirement, totalled NOK 192 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 2.9% of total equity.

As at As at 31.12.2013, NOK 291 million in net unrealised price gains was allocated to the securities adjustment reserve. The securities adjustment reserve operates as a buffer against possible future falls in market prices.

The pension scheme calculates capital requirements based on the Financial Supervisory Authority of Norway's stress tests on assets 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 the start of 2013 the pension scheme did not have buffer capital which meets the capital requirements resulting from the stress tests Measures previously decided by the Board related to premium payments, together with good returns on investment management combined to strengthen the buffer capital during 2013. The (time-weighted) return of 7.5 per cent in 2013 was better than that which was used in calculations at the beginning of the year and also better than the comparable reference index.

The technical reserves have risen strongly in recent years and show continued growth. The strengthening of the mortality tariff as a result of higher life expectancy will continue to increase reserves in the future.

The growth in technical reserves together with low interest levels makes ensuring satisfactory buffer capital within the scheme a challenging task. However, the measures implemented by the Board have helped to strengthen the buffer capital throughout 2013. The measures also help to ensure an improved capital situation for the scheme going forward.

Summary

The annual financial statements have been prepared under the going-concern assumption. As at 31.12.2013 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 2013 and the scheme's financial position at year-end.

The buffer capital was strengthened during the year and as at 31.12.2013 meets capital requirements based on the Financial Supervisory Authority of Norway's stress tests on assets with moderate stress factors. Low interest rates, together with the growth in pension liabilities create a challenge for the Pension Scheme for the Pharmacy Sector and for the industry in general. This means that it will be challenging to secure a satisfactory financial position for the pension scheme in the future.

The board of directors is of the opinion that the financial position at the end of the year and the adopted investment strategy provide a satisfactory basis for securing the financial position of the pension scheme. The requirements for the going-concern assumption are accordingly satisfied.

Oslo, 10 April 2014

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Vibeke Hammer Madsen

Renate Messel Hegre

Annual financial statements

Financial statements 2013

	Note	2013	2012
Technical account			
Premium income			
Premium income	16	570,009,660	482,303,118
Net income from investments in the collective portfolio			
Interest income and dividends, etc. on financial assets		170,480,629	184,448,549
Net operating income from real estate fund		31,349,827	25,990,470
Value adjustments on investments		163,289,323	133,981,094
Realised gains and losses on investments		62,604,454	7,853,220
Total net income from investments in the collective portfolio	20	427,724,233	352,273,333
Insurance benefits			
Pensions paid	17	244,424,668	231,916,250
Recognised changes in insurance liabilities			
Change in premium reserve	12	535,550,262	445,506,776
Change in exceptional liabilities		0	-24,400,000
Change in securities adjustment reserve		164,984,700	126,325,157
Total recognised changes in insurance liabilities	21	700,534,962	547,431,933
Insurance-related operating costs			
Asset management costs	18	18,640,121	16,766,355
Insurance-related administrative costs	19	15,234,860	26,996,488
Total insurance-related operating costs		33,874,981	43,762,843
Technical result		**18,899,282**	**11,465,425**
Non-technical account			
Net income from investments in company portfolio			
Interest income and dividends, etc. on financial assets		9,673,850	9,017,775
Net operating income from real estate fund		1,778,932	1,270,686
Value adjustments on investments		9,265,783	6,550,398
Realised gains and losses on investments		3,552,463	383,948
Total net income from investments in the company portfolio	20	24,271,028	17,222,807
Other income			
Interest income on bank deposits, operations		90,339	184,894
Administrative costs and other costs linked to the company portfolio			
Administrative costs	18	1,129,756	819,715
Non-technical result		**23,231,612**	**16,587,986**
Total result		**42,130,893**	**28,053,411**
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	13, 14, 21	42,130,893	28,053,411
Total allocations		**42,130,893**	**28,053,411**

Balance sheet as at 31.12.2013: Assets

	Note	31.12.13	31.12.12
Assets in company portfolio			
Investments			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	21,988,364	39,797,864
Housing and business loans	3	9,085,205	10,485,245
Total financial assets valued at amortised cost		31,073,569	50,283,109
Financial assets at fair value			
Shares and mutual funds	4, 7	77,477,825	80,020,052
Bonds	5, 7	170,443,753	136,217,030
Financial derivatives	6, 7	19,776	589,471
Bank deposits	8	9,829,510	3,678,531
Total financial assets at fair value		257,770,864	220,505,084
Total investments in company portfolio		**288,844,433**	**270,788,192**
Receivables			
Accounts receivables	9	150,531,299	126,672,916
Other assets			
Bank deposits, operations	8	5,000,667	8,999,777
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		5,550,000	18,450,000
Accrued dividends		4,596,688	3,626,792
Prepaid expenses		48,820	45,700
Total prepaid expenses and accrued income not received		10,195,508	22,122,492
Total assets in company portfolio		**454,571,907**	**428,583,378**
Assets in client portfolios			
Investments in collective portfolio			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	477,574,967	814,020,983
Housing and business loans	3	197,325,568	214,464,004
Total financial assets valued at amortised cost		674,900,535	1,028,484,987
Financial assets at fair value			
Shares and mutual funds	4, 7	1,682,775,005	1,636,721,048
Bonds	5, 7	3,701,942,918	2,786,167,639
Financial derivatives	6, 7	429,526	12,056,975
Bank deposits	8	213,491,459	75,240,248
Total financial assets at fair value		5,598,638,908	4,510,185,908
Total investments in collective portfolio		**6,273,539,443**	**5,538,670,896**
Total assets in client portfolios		**6,273,539,443**	**5,538,670,896**
Total assets		**6,728,111,350**	**5,967,254,274**

Balance sheet as at 31.12.2013: Equity and liabilities

	Note	31.12.13	31.12.12
Retained earnings			
Risk equalisation fund	10	0	0
Other retained earnings	11, 13	462,809,431	420,678,538
Total retained earnings	11, 14, 15	462,809,431	420,678,538
Insurance liabilities			
Premium reserve	12	5,947,896,000	5,412,345,739
Extraordinary provisions		0	0
Securities adjustment reserve		291,309,857	126,325,157
Total insurance liabilities		6,239,205,857	5,538,670,896
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	6	710,622	0
Accrued expenses and prepaid income			
Accrued expenses		9,951,136	7,904,840
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	6	15,434,304	0
Total equity and liabilities		**6,728,111,350**	**5,967,254,274**

Oslo, 10 April 2014

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Vibeke Hammer Madsen

Renate Messel Hegre

Cash flow statement 01.01. – 31.12.2013

	2013	2012
Cash flow from operations		
Contributions from members	558,889,993	426,564,736
Bank interest	1,872,792	1,648,669
Interest income on loans	7,491,821	5,118,056
Interest on bonds/certificates	156,193,939	173,068,955
Dividends	14,582,073	13,591,512
Other income	583,029	991,510
Total	739,613,647	620,983,439
Financial expenses paid	-2,299,502	-2,316,422
Pensions paid	-244,424,668	-231,916,250
Administrative expenses	-33,849,841	-43,497,309
Change in accounts payable	-2,437,955	-303,149
Changes in other liabilities	4,484,250	2,341,169
Total	-278,527,716	-275,691,960
Total cash flow from operations	**461,085,931**	**345,291,478**
Cash flow from investments		
Net realised losses/gains on shares/derivatives/hedge funds	-10,836,102	-17,295,596
Net realised price gains on bonds/certificates	76,993,019	25,532,833
Net realised returns on real estate fund	33,128,759	27,261,156
Net change in loans	18,775,762	-76,198,621
Net losses on loans	27,442	0
Net change in real estate fund	-97,500,985	-71,792,480
Net change in securities	-349,372,029	-257,734,622
Net change in other receivables	8,101,284	11,364,208
Total cash flow from investments	**-320,682,850**	**-358,863,123**
Cash flow from financing activities		
Paid in capital	0	0
Total cash flow from financing activities	**0**	**0**
Net cash flow for the period	**140,403,081**	**-13,571,645**
Cash and cash equivalents 01.01.	87,918,555	101,490,200
Cash and cash equivalents 31.12.	228,321,636	87,918,555
Net change cash and cash equivalents	**140,403,081**	**-13,571,645**

(Figures in whole NOK)

Notes to the annual financial statements

Notes to the annual financial statements 2013

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.

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 31.12.2013.

Financial assets at fair value

Shares and mutual funds

Investments in shares and mutual funds are booked at fair value as at 31.12.2013. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2013, which is based on the last official trade in 2013.

Shares in the real estate fund are included in shares and mutual funds. Shares are valued at the market value as at 31.12.2013. The market value is based on independent valuations of the properties.

Bonds

Investments in bonds are booked at fair value as at 31.12.2013. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2013, which is equivalent to the tax assessment value for 2013.

Financial derivatives

Foreign currency forward contracts and options are booked at fair value as at 31.12.2013. Fair value is equivalent to the market value as at 31.12.2013.

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 31.12.2013.

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 31.12.2013. Accordingly, account has been taken of all potential pension benefits provided for in the Act on 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 (31.12.2013). This calculation has been carried out using standardised actuarial principles, and allowance has been made 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, but with the addition of a 15% safety margin for both genders, which is stronger than the recommendation from the Financial Supervisory Authority of Norway for K2005.

The assumption for rates of disability is based on K1963, boosted by a factor of 2. From 2012, the assumption for rates of disability is strengthened further by using a factor of 2.5 of K1963.

Retained earnings

Retained earnings consist of Other retained earnings.

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 15. 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 Pharmacy Sector.

NOTE 2 BONDS CLASSIFIED AS HOLD-TO-MATURITY

Figures in NOK 1,000

Issuer	Par value	Cost price	Book value	Market value	Difference between book and par value
Government-guaranteed	100,000	90,490	93,624	97,230	6,376
Banking/finance	236,000	229,461	234,159	252,953	1,841
Industry	132,000	132,000	132,000	137,645	0
Energy	25,000	25,000	25,000	26,000	0
Bonds classified as hold-to-maturity:	493,000	476,951	484,784	513,828	8,216
Interest earned			14,779		
Total book value	**493,000**	**476,951**	**499,563**	**513,828**	**8,216**
Proportion of above in the collective portfolio			477,575		
Proportion of above in the company portfolio			21,988		

Book value 01.01.2013:	853,819
Additions 2013:	0
Disposals 2013:	-350,000
Accrued premium/discount for the year:	2,661
Change in accrued interest 2013:	-6,917
Book value 31.12.2013:	**499,563**

Figures in NOK 1,000

All bonds classified as hold-to-maturity are listed on regulated marketplaces. All bonds are issued in NOK. The weighted average yield on bonds classified as hold-to-maturity is 6.5%. The average 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 31.12.2013. 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 31.12.2013. Unpaid instalments on this loan totalled NOK 3,845 as at 31.12.2013, while the outstanding balance on the loan was NOK 284,820. 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 31.12.2013, 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 debenture loans	Loans for pharmacy premises	Total
Number	307	8	3	318
Amount	202,442,969	3,666,604	301,200	206,410,773
Proportion of above in the collective portfolio:		197,325,568		
Proportion of above in the company portfolio:		9,085,205		

Interest rates as at 31.12.2013 were 3.50% for housing loans and 4.00% for government-guaranteed loans against promissory notes and loans for pharmacy premises.

Losses etc. on loans	2013	2012	2011	2010	2009
Principal written off	0	0	0	0	0
Principal written off, credit insurance	27,290	0	0	0	705,340
Interest written off	0	0	592	274	0
Interest written off, credit insurance	152	0	0	0	3,153
Previous payments written off	0	0	0	0	0
Total	**27,442**	**0**	**592**	**274**	**708,493**

NOTE 4 SHARES / FUND SHARES

Shares listed on the Oslo Stock Exchange

Company	Cost price	Book value
Aker	1,895,283	2,442,000
Aker Solutions	3,506,319	6,059,018
Atea Asa (Tidl Ementor)	1,860,762	2,016,204
Austevoll Seafood	1,361,718	1,597,500
Block Watne Gruppen	2,094,831	2,012,500
Borregaard Asa	1,468,932	2,114,000
Det Norske Oljeselskap Asa	3,367,165	2,670,201
Dnb Asa	20,873,848	42,831,460
Dno International Asa	2,979,441	4,840,000
Eam Solar Asa	1,200,000	1,080,000
Ekornes Asa	767,834	921,200
Electromagnetic Geoservices	1,641,677	843,664
Fred Olsen Energy	2,602,611	2,715,900
Gjensidige Forsikring Asa	4,993,104	9,256,000
Kongsberg Automotive Holding	4,137,490	3,577,820
Kongsberg Gruppen Asa	1,649,673	2,560,200
Marvine Harvest Asa	5,905,795	8,862,739
Melhus Sparebank	1,199,000	1,286,200
Next Biometrics Group As	1,500,000	1,500,000
Norsk Hydro Asa	13,185,353	12,875,304
Norwegian Air Shuttle	2,177,770	2,597,160
Olav Thon Eiendomselskap	433,727	2,118,600
Opera Software Asa	2,077,679	6,700,369
Orkla Asa	9,810,621	9,612,112
Petroleum Geo Services	4,994,122	5,421,555
Salmar	2,023,289	2,960,000
Schibsted	3,996,699	13,324,253
Sparebanken Midt Norge	671,761	805,090
Statoil Asa	54,209,290	56,668,647
Telenor Asa	15,582,174	40,589,220
Tgs Nopec Geophysical Co	3,047,472	3,428,899
Wilh. Wilhelmsen Asa	1,234,263	2,894,250
Yara International	13,042,194	16,627,527
Total Norwegian shares	**191,491,896**	**275,809,591**

Company	Cost price	Book value
Asetek As	2,956,308	3,403,000
Awilco Drilling Plc	1,408,521	3,844,200
Bakkafrost	1,595,184	2,831,000
Bw Lpg Ltd.	1,955,153	2,021,250
Hoegh Lng Holdings Ltd	2,992,131	2,877,560
Napatech As	1,450,000	1,287,500
Odfjell Drilling Ltd	806,691	726,000
Prosafe Asa	4,635,065	4,241,484
Royal Caribbean Cruises	5,173,728	9,222,330
Seadrill Limited	4,982,749	9,881,964
Siem Offshore Inc	816,419	868,500
Stolt Nilsen Asa	2,072,637	2,672,000
Subsea 7 S.A (Formerly Acergy S.A.)	8,883,709	13,386,330
Vizrt Ltd	1,852,434	1,619,250
Total foreign shares	**41,580,731**	**58,882,368**

Total shares listed on the Oslo Stock Exchange	**233,072,627**	**334,691,959**

Equity funds

Fund	Cost price	Book value
Black Rock World Index Subfund	229,466,126	357,457,043
State Street World Index Plus Fund CTF	253,340,572	304,143,138
Total foreign equity funds	**482,806,698**	**661,600,180**

Hedge funds

Fund	Cost price	Book value
Certificates Credit Suisse Guernsey branch	1,041,834	1,374,396
Gottex Market Neutral Fund (USD Class B)	53,437,232	60,707,027
Gottex Market Neutral Plus Fund (USD Non Leveraged)	55,454,636	59,743,291
Sector Healthcare Fund (Class A NOK)	20,402,707	33,093,114
Total foreign hedge funds	**130,336,409**	**154,917,828**

Real estate funds

Fund		
Aberdeen Eiendomsfond Norge I AS	3,490,828	3,526,109
Aberdeen Eiendomsfond Norge I IS	332,102,791	339,654,843
Pareto Eiendomsfelleskap AS/IS	266,473,508	265,861,911
Total real estate funds	**602,067,127**	**609,042,863**

Total shares and mutual funds	**1,448,282,860**	**1,760,252,830**

Proportion of above in collective portfolio	1,384,536,446	1,682,775,005
Proportion of above in company portfolio	63,746,414	77,477,825

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 external hedge fund managers using different investment strategies. The reference index for the hedge fund investments for 2013 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 31.12.2013. The market value of the investments is based on independent valuations of the properties.

The book value of real estate investments as at 31/12/2013
Figures in NOK 1,000

	2013	2012	2011	2010	2009
Opening balance	514,961	446,935	400,407	207,866	196,447
Purchases during the year at acquisition cost	120,679	78,244	49,523	178,446	13,144
Disposals during the year at disposal cost	-23,179	-6,450	-8,878	0	-963
Adjustments in value during the financial year	-3,418	-3,768	5,883	14,095	-762
Closing balance	**609,043**	**514,961**	**446,935**	**400,407**	**207,866**
Proportion of above in the collective portfolio	582,236	490,958	421,747	370,244	181,549
Proportion of above in the company portfolio	26,807	24,003	25,188	30,163	26,317

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, 54% comprise real estate in Greater Oslo, 18% comprise real estate in Vestfold while 28% comprise real estate in other areas of South-East Norway. 72 of the total investments are in buildings relating to warehousing/logistics, while the remaining investments are in buildings relating to trade The average time remaining on lease agreements for properties in the portfolio fell during 2013 from 9.3 years to 8.9 years. At year-end 2013 gross rents for properties in the portfolio amounted to approximately NOK 73 million.

Aberdeen Eiendomsfond Norge I IS/AS is structured as two companies – Aberdeen Eiendomsfond Norge I IS and Aberdeen Eiendomsfond Norge I AS – with the latter company being the principal shareholder in the former. The investment in Aberdeen Eiendomsfond Norge I IS/AS is viewed as a direct investment in real estate.. Investments have only been made in properties in Norway. Of Aberdeen Eiendomsfond Norge I IS/

AS' total investments, 50% comprise real estate in Oslo. 76% of the total fund is invested in office buildings. The average time remaining on lease agreements for properties in the portfolio at the end of 2013 is 5.5 years, a slight increase compared with the end of 2012 At year-end 2013 gross rents for properties in the portfolio amounted to NOK 388 million. None of the premises is occupied by the Pension Scheme for Pharmacy Sector.

NOTE 5 BONDS

Issuer	Cost price	Market value	Unrealised gains
Banking and finance	1,902,666,380	1,915,690,552	13,024,171
Municipality/county	329,336,800	329,681,000	344,200
Government-guaranteed	849,277,158	848,238,700	-1,038,458
Industry	490,818,106	465,172,947	-25,645,159
Energy	262,255,000	288,434,519	26,179,519
Total interest-bearing securities classified as financial current assets	**3,834,353,445**	**3,847,217,717**	**12,864,273**
Interest earned		25,168,953	
Total	**3,834,353,445**	**3,872,386,671**	

Proportion of above in the collective portfolio		3,701,942,918	
Proportion of above in the company portfolio		170,443,753	

The interest-bearing securities portfolio classified as a financial current asset 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 current effective rate of interest for variable interest securities is approximately 2.2% and for fixed interest securities 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-standardised derivatives ("over-the-counter derivatives"/"OTC derivatives") may only be employed for hedging purposes. However this does not apply to Norwegian FRA.

As at 31.12.2013 investments were held in the following derivatives:

	Nominal amount in NOK	Fair value in NOK
Forward currency contracts:		
EUR	-301,558,689	-310,849,289
USD	-417,134,828	-422,836,266
GBP	-59,258,472	-60,221,054
SEK	-16,800,150	-16,990,457
NOK	794,752,139	794,752,139
Total forward currency contracts	**0**	**-16,144,926**
Proportion of above in the collective portfolio		-15,434,304
Proportion of above in the company portfolio		-710,622
Equity derivatives:		
S&P put options	-188,219,600	449,302
Total equity derivatives	**-188,219,600**	**449,302**
Proportion of above in the collective portfolio		429,526
Proportion of above in the company portfolio		19,776

During 2013 investments in foreign shares have been hedged through the use of options. Hedging arrangements have been recognised in the financial statements for 2013 at around NOK 12 million net. Parts of the foreign equity exposure was hedged at year end.

In addition to instruments of the types described above, the scheme also traded in share futures and interest rate options during 2013. Derivatives have been used in an effective manner to adjust equity exposure and interest rate terms. Futures have been used effectively to invest in shares within the European healthcare sector.

NOTE 7 FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

In accordance with the Act 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 Act 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 another 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 of financial instruments measured at fair value:

	31.12.2013	Level 1	Level 2	Level 3
Shares and mutual funds	1,760,252,830	334,691,959	816,518,008	609,042,863
Bonds	3,847,217,718		3,847,217,718	0
Financial derivatives	-15,695,624		-15,695,624	0
Total	**5,591,774,924**	**334,691,959**	**4,648,040,102**	**609,042,863**

NOTE 8 BANK DEPOSITS

Of bank deposits related to operations of NOK 5,000,667 as at 31.12.2013, NOK 255,162 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. As at 31.12.2013 there are no such locked-in bank deposits.

NOTE 9 ACCOUNTS RECEIVABLES - LOSSES ON ACCOUNTS RECEIVABLES

Accounts receivables had a book value of NOK 150,531,299 and consisted of:

	31.12.2013	31.12.2012
Accounts receivables related to premium income:	149,700,440	125,680,773
Accounts receivables related to loans:	830,859	992,143
Provision for potential loss:	0	0
Total accounts receivables:	**150,531,299**	**126,672,916**

Accounts receivables are recorded at par value as at 31.12.2013.

Recorded losses on receivables were as follows:

	2013	2012
Realised loss on receivables:	0	53,352
Change in provision for potential loss:	0	0
Recorded loss on receivables:	**0**	**53,352**

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. The risk equalisation fund in the pension scheme has been reversed in its entirety in 2012 to partially cover reserves for security premiums relating to the K2005 tariff.

NOTE 11 OTHER RETAINED EARNINGS

As at 31.12.2013 other retained earnings totalled NOK 463 million and, together with the securities adjustment reserve, made up the pension scheme's excess capital.

The pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds in accordance with the new administrative regulations from the Ministry of Labour and Social Affairs with effect from 2011. The requirement calculated for the guarantee fund as at 31.12.2013 is NOK 270,787 393 (see calculation in Note 15 below).

The capital adequacy requirement must be covered by other retained earnings. Other retained earnings less the capital adequacy requirement, but with the addition of the securities adjustment fund, total NOK 483,331,895 and constitute the scheme's buffer capital.

NOTE 12 PREMIUM RESERVE

The Pension Scheme for 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 is the industry tariff K2005 with a basic interest rate of 3% and the addition of a 15% safety margin for mortality relating to the K2005 tariff.

The assumption for rates of disability is based on K1963, boosted by a factor of 2.5. Additional provisions for this strengthening by a factor of 2,5 were completed in 2013.

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 ALLOCATION OF THE RESULT FOR THE YEAR

This year’s profit of NOK 42,130,893 million will be allocated to other retained earnings.

Other retained earnings total NOK 463 million as at 31.12.2013 and, together with the securities adjustment reserve, make up the scheme’s excess capital.

NOTE 14 SPECIFICATION OF CHANGES IN RETAINED EARNINGS

As at 31.12.2013 retained earnings total NOK 462,809,431. The change in retained earnings in 2013 may be specified as follows:

Retained earnings as at 31.12.2012	420,678,538
+ Net profit for the year allocated to other retained earnings	42,130,893
= Retained earnings as at 31.12.2013	**462,809,431**

NOTE 15 CALCULATION OF CAPITAL ADEQUACY REQUIREMENT

The basis for calculating primary capital as at 31.12.2013 was as follows:

Certificates & Bonds	**Balance**		**Risk weight**		**Risk-weighted balance**	**Risk-weighted assets, 8%**
Government and central bank	952,471,988	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	330,947,721	0.2			66,189,544	5,295,164
Domestic financial institutions and foreign credit institutions	2,163,310,847	0.2			432,662,169	34,612,974
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business activities	925,219,446	1			925,219,446	74,017,556
Total	**4,371,950,002**				**1,424,071,159**	**113,925,693**
Bank deposits	**228,321,635**	0.2			**45,664,327**	**3,653,146**
Share/fund investments	**1,151,209,967**	1			**1,151,209,967**	**92,096,797**
Foreign-exchange contracts	**0**	0			**0**	**0**
Derivatives	**449,302**	0			**0**	**0**
Housing and business loans						
Loans other than housing guaranteed by governments/central banks	3,666,604	0			0	0
Housing loans within 80% of the appraised value	202,341,387	0.35			70,819,485	5,665,559
Other lending other than housing loans	581,622	1			581,622	46,530
Total	**206,589,613**				**71,401,107**	**5,712,089**
Real estate investments	**609,042,863**	1			**609,042,863**	**48,723,429**
Accrued asset items						
Accounts receivables	149,742,744	0.5			74,871,372	5,989,710
Other receivables	0	0.5			0	0
Accrued dividends	4,596,688	0.5			2,298,344	183,868
Accrued interest income	609,715	0.5			304,858	24,389
Accrued premiums	5,550,000	0.5			2,775,000	222,000
Prepaid expenses	48,820	0.5			24,410	1,953
Total	**160,547,967**				**80,273,984**	**6,421,919**
Total calculation base	**6,728,111,350**				**3,381,663,408**	**270,533,073**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	794,752,139	0.02	15,895,043	**0.2**	3,179,009	254,321
Total calculation base including derivatives and off-balance sheet items	**7,522,863,489**				**3,384,842,416**	**270,787,393**

8% of the risk-weighted balance sheet comprises NOK 270,787,393

The basis for calculating primary capital as at 31.12.2012 was as follows:

Certificates & Bonds	Balance		Risk weight		Risk-weighted balance	Risk-weighted assets, 8%
Government and central bank	552,471,273	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	431,803,085	0.2			86,360,617	6,908,849
Domestic financial institutions and foreign credit institutions	2,197,598,740	0.2			439,519,748	35,161,580
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business activities	709,401,486	1			709,401,486	56,752,119
Total	**3,891,274,585**				**1,235,281,851**	**98,822,548**
Bank deposits	**87,918,556**	0.2			**17,583,711**	**1,406,697**
Share/fund investments	**1,086,709,358**	1			**1,086,709,358**	**86,936,749**
Foreign-exchange contracts	**0**	0			**0**	**0**
Derivatives	**12,646,446**	0			**0**	**0**
Housing and business loans						
Loans other than housing guaranteed by governments/central banks	4,614,233	0			0	0
Housing loans within 80% of the appraised value	219,043,388	0.35			76,665,186	6,133,215
Other lending other than housing loans	785,358	1			785,358	62,829
Total	**224,442,979**				**77,450,544**	**6,196,044**
Real estate investments	**514,960,672**	1			**514,960,672**	**41,196,854**
Accrued asset items						
Accounts receivables	126,672,916	0.5			63,336,458	5,066,917
Other receivables	0	0.5			0	0
Accrued dividends	3,626,792	0.5			1,813,396	145,072
Accrued interest income	506,270	0.5			253,135	20,251
Accrued premiums	18,450,000	0.5			9,225,000	738,000
Prepaid expenses	45,700	0.5			22,850	1,828
Total	**149,301,678**				**74,650,839**	**5,972,067**
Total calculation base	**5,967,254,274**				**3,006,636,976**	**240,530,958**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	821,671,397	0.02	16,433,428	**0.2**	3,286,686	262,935
Interest rate contracts with a remaining maturity of < 1 year	1,000,000,000	0.005	5,000,000	**0.2**	1,000,000	80,000
Interest rate contracts with a remaining maturity of 1 year to 5 years	2,000,000,000	0.01	20,000,000	**0.2**	4,000,000	320,000
Equity contracts with a remaining maturity of < 1 year	24,247,656		0		0	0
Total calculation base including derivatives and off-balance sheet items	**9,813,173,327**				**3,014,923,661**	**241,193,893**

8% of the risk-weighted balance sheet comprises NOK 241,193,893

NOTE 16 PREMIUM CONTRIBUTIONS

Members contributed premium income totalling NOK 558,889,993 in 2013. By comparison, the book value of premium income was NOK 570,009,660. In 2012 members contributed NOK 426,564,736 in premiums, while the book value of premium income was NOK 482,303,118. 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 17 PENSIONS

Of the pension costs within the profit and loss account, NOK 1,301,117 represents write-offs of pension benefit overpayments. The corresponding figure for 2012 was NOK 1,403,743.

NOTE 18 ADMINISTRATIVE COSTS

Total administration costs came to NOK 19,769,877. The pension scheme has had three employees throughout 2013. Pay and social expenses for these three investment managers totalled NOK 8,412,030 in 2013 and are included in administrative costs.

NOTE 19 INSURANCE-RELATED ADMINISTRATIVE COSTS

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2013 NOK 14,104,359 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 313,500 was charged against income for audit services, all of which related to standard audit services, as well as NOK 307,905 in remuneration to Board members. Other operating costs totalled NOK 509,096 and comprise miscellaneous costs and reimbursements of expenses. The total insurance-related administrative costs comprise NOK 15,234,860.

In 2013 the following remuneration was paid to the Board members of the scheme:

Finn Melbø (chairman)	61,888
Kim Nordlie (left the Board)	44,498
Edvin A. Aarnes	61,888
Kjell Hundven (left the Board)	46,032
Stein Gjerding	60,353
Renate Messel Hegre (new)	15,856
Hovedorganisasjonen Virke (new*)	15,856
Per Engeland (deputy)	1,536
Total	**307,905**

* Payment is made to Hovedorganisasjonen Virke in connection with the appointment of a new Board member

NOTE 20 RETURN ON CAPITAL

The estimated yield for the portfolio as a whole is as follows:

Year:	**2013**	**2012**	**2011**	**2010**	**2009**
Return stated as % (value-adjusted):	7.55	6.60	2.47	7.17	10.53
Return stated as % (recorded):	4.63	4.35	5.00	4.61	10.35

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.

The value-adjusted returns for 2012 and 2013 are based on monthly yield calculations, while those for the previous years are based on an annual yield calculation.

NOTE 21 ANALYSIS OF RESULT

Changes in pension plan:	0.00 MNOK
Yield result 1):	286.85 MNOK
Risk result 2):	36.29 MNOK
Other result 3):	- 116.02 MNOK
Administration result:	0.00 MNOK
Insurance result:	207.12 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) Recognised difference between invoiced and actual pension cost. A negative result indicates the receipt of insufficient premium income.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske Revisorforening

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 2013, 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.

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 2013 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, 10 April 2014
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

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

Statistics

Members

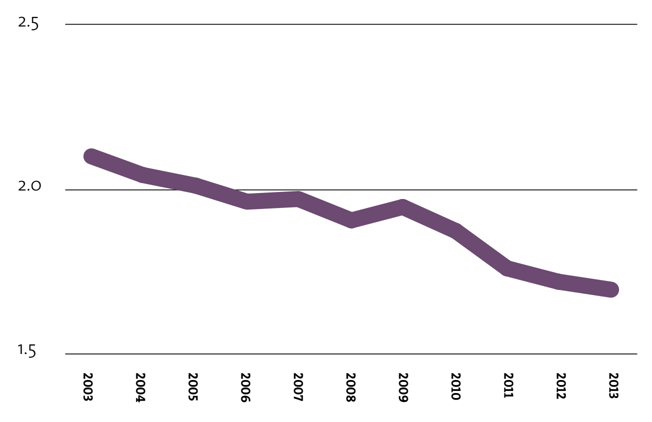
Members	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Active	5,882	5,996	6,049	6,215	6,308	6,515	6,561	6,689	7,125	7,274
Deferred*	5,547	5,642	5,855	6,005	5,673	5,783	6,093	6,245	6,386	6,564
Pensioners	2,877	2,977	3,086	3,152	3,312	3,339	3,499	3,803	4,144	4,295
Contractual pensions (AFP)	146	154	166	175	201	191	267	282	295	312
Retirement pensions	1371	1410	1468	1518	1601	1611	1668	1825	2088	2202
Disability pensions	1035	1078	1113	1135	1163	1185	1217	1367	1401	1422
Spouse pensions	290	300	37	30	323	325	323	306	336	338
Children's pensions	35	35	302	294	24	27	24	23	24	21
Ratio actively-employed members/pensioners	2.044	2.014	1.960	1.972	1.905	1.951	1.875	1.759	1.719	1.694

The figures given are number of policies. A person can have more than one policy. For example, a person can receive partial disability pension and work partly in an active position. The person will then have two policies which correspond to the to positions respectively. The same person may therefore be counted several times.

** If you previously have been employed by an employer with an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. We call this a deferred pension. In the private sector, the term "paid-up policy" is used. The number stated is the number of policies. and not members.*

Ratio actively-employed members/pensioners

The graph shows the development of the ratio of active members to pensioners in the scheme from 2003 to 2013. In 2003 there were 2.1 active members per pensioner in the scheme, while at the end of 2013 the ratio is 1.7 active members per pensioner. A declining trend, as evidenced elsewhere in society where life expectancy is increasing and there are fewer active members to finance future pension costs. For the pension scheme, such a trend where the number of pensioners is increasing at a rate greater than the number of active-employed members, means increasing future costs to finance the coming pensioners.



Active members

Active members by position

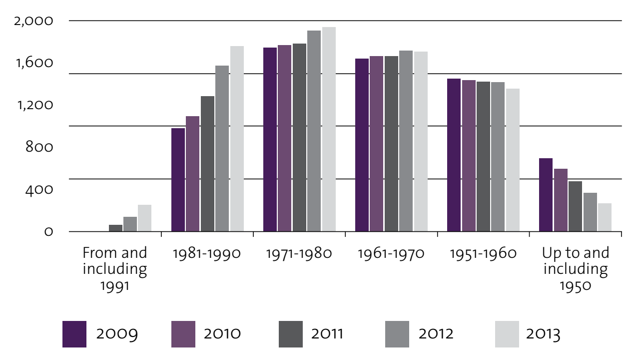
Position	2010	2011	2012	2013 Men	2013 Women	2013 Total	Change (2012–2013)
Dispensing pharmacist	134	169	205	152	91	243	38
Pharmacist – master of pharmacy	741	775	915	696	175	871	-44
Pharmacist	183	205	214	195	28	223	9
Prescriptionist	1,190	1,204	1,274	1,197	96	1,293	19
Laboratory assistant	5	6	6	5	1	6	0
Pharmacy technician	3,564	3,577	3,746	3,725	116	3,841	95
Office employee	188	198	215	137	83	220	5
Messenger, driver	11	8	9	4	7	11	2
Cleaner	57	54	48	37	3	40	-8
Manager	45	71	77	82	26	108	31
Operating consession holder	415	395	391	258	141	399	8
Miscellaneous	28	27	25	12	7	19	-6
Total	**6,561**	**6,689**	**7,125**	**6,500**	**774**	**7,274**	**149**

The table shows the distribution of active members in different positions, specified by gender.

Active members by year of birth

We see how the older groups move out of the scheme, while the younger ones come into the scheme. We see that a number of younger members have joined the scheme in recent years. This development will increase the ratio between active members and pensioners, thus strengthening the funding of the pension scheme.

Active members



Members by year of birth

Active	2009	2010	2011	2012	2013 Men	2013 Women	2013 Total	Change (2012–2013)
From and including 1991	0	0	63	142	15	237	252	110
1981-1990	980	1,095	1,285	1,575	225	1,535	1,760	185
1971-1980	1,746	1,768	1,783	1,904	243	1,695	1,938	34
1961-1970	1,641	1,665	1,663	1,717	137	1,567	1,704	-13
1951-1960	1,451	1,435	1,420	1,418	121	1,233	1,354	-64
Up to and including 1950	695	598	475	369	33	233	266	-103
Total	**6,515**	**6,561**	**6,689**	**7,125**	**774**	**6,500**	**7,274**	**149**

Pensioners

TYPE OF PENSION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CHANGE (2004–2013)
Contractual pension (AFP)	146	154	166	175	201	191	267	282	295	312	114 %
Retirement pension	1371	1410	1468	1518	1601	1611	1668	1825	2088	2202	61 %
Disability pension	1035	1078	1113	1135	1163	1185	1217	1367	1401	1422	37 %
Spouse pension	290	300	302	294	323	325	323	306	336	338	17 %
Children's pension	35	35	37	30	24	27	24	23	24	21	-40 %
Total	**2,877**	**2,977**	**3,086**	**3,152**	**3,312**	**3,339**	**3,499**	**3,803**	**4,144**	**4,295**	

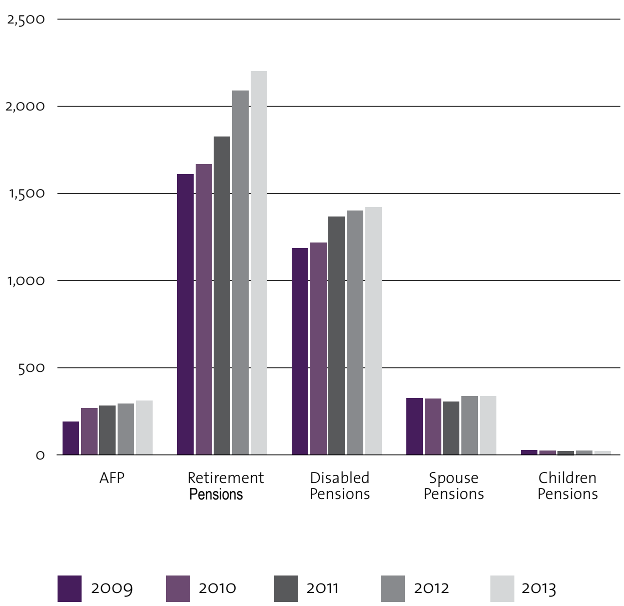
The table shows the development in the number of pensioners from 2004 until today. The *Change* column shows the change from 2004 to 2013.

Pension benefits paid 2013

TYPE OF PENSION		GROSS PAID	%	CO-ORDINATION DEDUCTION	%	NET PAID	%
Retirement pension AFP	Men	69,185,676	11.93%	42,756,084	12.75%	26,429,592	10.81%
	Women	298,744,432	51.52 %	151,362,072	45.13 %	147,382,360	60.30 %
	Total	**367,930,108**	**63.46 %**	**194,118,156**	**57.88 %**	**173,811,952**	**71.11 %**
Disability pension	Men	11,030,388	1.90 %	7,449,120	2.22 %	3,581,268	1.47 %
	Women	167,419,728	28.87 %	116,511,504	34.74 %	50,908,224	20.83 %
	Total	**178,450,116**	**30.78 %**	**123,960,624**	**36.96 %**	**54,489,492**	**22.29 %**
Spouse pension	Men	13,598,580	2.35%	7,290,924	2.17 %	6,307,656	2.58 %
	Women	18,889,836	3.26 %	10,019,436	2.99 %	8,870,400	3.63%
	Total	**32,488,416**	**5.60 %**	**17,310,360**	**5.16 %**	**15,178,056**	**6.21%**
Children's pension	Men	463,980	0.08%	-	0.00%	463,980	0.19%
	Women	481,188	0.08%	-	0.00%	481,188	0.20%
	Total	**945,168**	**0.16%**	**-**	**0.00 %**	**945,168**	**0.39%**
All pensioners	Men	94,278,624	16.26%	57,496,128	17.14 %	36,782,496	15.05 %
	Women	485,535,184	83.74 %	277,893,012	82.86 %	207,642,172	84.95 %
	Total	**579,813,808**	**100.00 %**	**335,389,140**	**100.00 %**	**244,424,668**	**100.00 %**

The table shows the amount of pension benefit payments made in 2013, grouped by type of pension benefit and specified by gender. All amounts are given in NOK. The gross total shows the total amount paid by the National Insurance and the Pension Scheme for the Pharmacy Sector. The net total amount shows the pensions scheme's share, i.e. how much more the members have received than if they had only received their pension from the National Insurance Scheme.

Number of pensions



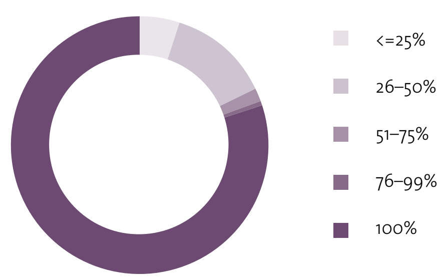
The diagram shows that the development in the number of pensioners has increased for retirement pensions and disability pensions, while the number of pensioners drawing contractual pensions (AFP) has remained reasonably stable from 2010. The number of dependents' pensions has also remained stable in recent years

Disability pensioners' degree of disability

Degree of disability	2011	2012	2013
25%	**72**	**79**	**72**
- 50%	**182**	**199**	**184**
- 75%	**28**	**27**	**23**
- 99%	**5**	**8**	**7**
100 %	**1,080**	**1,088**	**1,136**
Total	**1,367**	**1,401**	**1,422**

The table shows the total number of disability pensioners by degree of disability for 2011, 2012 and 2013.

Degree of disability 2013



The figure shows the disability pensioners' various degrees of disability as a percentage of all disability pensioners. Almost 80% of those who receive a disability pension from the pension scheme have a degree of disability of 100%. Only 2% of those receiving disability pensions have a degree disability of between 50% and 99%, while less than 20% of disability pensioners have a degree of less than 50%. Unlike National Insurance Scheme, the Pension Scheme for the Pharmacy Sector is able to grant disability pensions at a degree of disability of less than 50%.

Retirement pensioners by age limit upon drawing of pension

	2011			2012			2013		
Age limit	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**TOTAL**
65 years	3	253	**256**	1	241	**242**	1	223	**224**
68 years	90	1,262	**1,352**	96	1,399	**1,495**	94	1,405	**1,499**
70 years	133	366	**499**	146	500	**646**	155	636	**791**
Total	**226**	**1,881**	**2,107**	**243**	**2,140**	**2,383**	**250**	**2,264**	**2,514**

The table shows the number of early retirement pensioners and old-age pensioners given the age at which they drew their retirement pension, specified by gender. The age limit is the time at which a member must leave their position and will normally be entitled to a retirement pension. Over time the number of pensioners with an age limit of 65 will be phased out. This follows changes to the legislation, in which the age limit for retirement was gradually increased to 70 for all groups. The last change was made in 2007.

Pension glossary

Age limit
The age limit is set by the position in which you are employed, and is the time at which you must leave your position. Most positions have a age limit of 70. The age limit should not be confused with the pension age, which indicates when you are able to leave your position with a pension.

Accrual for all years
New rules have been introduced for the accrual of National Insurance retirement pensions, known as accrual for all years. The rules entail that all years in which you are in employment or receive other pensionable income, from when you are 13 years of age until you reach 75, count towards the accrual of your pension entitlement.

Gross scheme / gross pension
The term 'gross scheme' is normally used to describe pension schemes that guarantee a future (gross) pension level, regardless of any changes in National Insurance. The most usual level for retirement pensions in gross schemes is 2/3 (66%) of final salary.

National Insurance
National Insurance was established in 1967, and forms the basis for our social and economic support system, and covers everyone who is resident in Norway.

National Insurance base factor (G)
The National Insurance base factor (G) is a key variable in the current pension system. It is used in determining pension benefits and to calculate National Insurance pensions. The National Insurance base factor, which we often refer to as 'G', is adjusted once a year and is NOK 82,122 as at 01.05.2012.

Individual guarantee
(See also gross scheme / gross pension). Age adjustment may result in the payment of less than 66% of the contribution base in pension. Members of public sector occupational pension schemes who were born in 1958 or earlier have an individual guarantee which ensures that they will receive 66% of the contribution base when they reach 67, under certain conditions.

Age adjustment
From 2011, your retirement pension will be allocated based on the number of years you are expected to live. This is called age adjustment. While life expectancy increases, everyone born in a particular year must work longer than people born in the previous year in order to get the same pension.

Net scheme
Pension schemes in which the pension is a supplement to other schemes.
The pension is paid in full, regardless of benefits from National Insurance.

Deferred pension
If you have previously been employed by an employer with an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. We call this a deferred pension. In the private sector, the term 'paid-up policy' is used. There is a qualifying period requirement of at least 3 years for entitlement to a deferred (future) pension.

Qualifying period
The qualifying period is the length of time you have been a member of the Pension Scheme for the Pharmacy Sector. This is normally the period in which pension contributions have been deducted from your salary, regardless of whether you have worked in a full-time or part-time position.

Pension transfer agreement
An agreement regarding the transfer of pension entitlements between public sector occupational pension schemes. The Pension Scheme for the Pharmacy Sector was covered by the agreement in the period 01.04.1996 – 01.02.2003.

Pension age
The pension age is the earliest age at which you can leave your position with a retirement pension. The normal pension age is 67 years. Pension age should not be confused with age limit.

Contribution base
The income from which pension contributions are deducted, and that the pension from the Pension Scheme for the Pharmacy Sector shall be calculated from. As a rule, the contribution base is the salary, i.e. fixed annual salary and any pensionable supplements, which you have when you leave your position. Salary over 10G is not included.

Pension adjustment
The Board can decide to undertake pension adjustments. The Board considers adjustment in relation to expected salary increases in the sector and adjustment of National Insurance scheme pensions.

Co-ordination
The pension from the Pension Scheme for the Pharmacy Sector shall be co-ordinated with benefits from National Insurance. Co-ordination regulates the distribtution of pensions from National Insurance and public sector pension schemes.

The 85-year rule
The 85 year rule states that persons in the public sector with a special age limit can retire up to three years prior to the age limit if the sum of their age and pension-qualifying service period is 85 years or more.

Definitions and phrases, investment management

Share
Ownership stake in a limited company. Shareholders are not personally liable for the company's obligations. All shares (in the same class) provide equal rights within the company. Through the annual general meeting, the shareholders exercise the highest level of authority in the company.

Asset classes
Various types of securities, such as shares and bonds.

Allocation
The allocation function involves allocating the funds that shall be invested in various markets and asset classes. Tactical asset allocation involves choosing other asset or market schemes than in the benchmark portfolio, with the aim of achieving higher returns.

Bonds hold-to-maturity
These bonds are securities that at the time of investment or reclassification are decided to be held in the portfolio until maturity of the bond (hold to maturity). This means that the return on the bond is known for the entire term. Bonds hold-to-maturity are not booked at the current market value, but any premiums or discounts are amortised evenly over the term of the bond. The return is therefore fixed for the entire term.

Buffer capital
A key figure that is used to describe the risk-bearing capacity. Low buffer capital represents low risk-bearing capacity. The buffer capital consists of other retained earnings, excluding the capital adequacy requirement (see below). The securities adjustment reserve is also included in the buffer capital.

Derivative
A financial contract in which the value depends on the value of an underlying variable at a future date. Options and futures contracts are examples of derivatives.

Equity
The equity in the Pension Scheme for the Pharmacy Sector consists of retained earnings. Retained earnings include the risk equalisation fund and other retained earnings.

Assets under management
The total (accounting) value of the funds that the pension scheme has under management.

Hedge fund
A collective term for securities in which hedge fund managers seek to take positions in different directions to avoid one-sided risk exposure in the portfolio. «Hedging» means to insure against risk, but the aim is also to obtain high returns. The management is often based on utilising various types of inefficiencies in the markets. The funds are generally private and closed, and are not offered to the general public. Thus, have they not been subject to the same level of regulation by the authorities as ordinary securities.

Inflation
Sustained growth in the general level of prices. Inflation is usually measured by the consumer price index (CPI).

Capital adequacy
A ratio that indicates the financial soundness of the pension scheme. There are special rules regarding how the capital adequacy shall be calculated. The capital adequacy requirement is calculated based on the scheme's assets. The capital adequacy requirement must be covered by other retained earnings.

Credit exposure
When bonds (see below) are issued by an issuer other than the state, there is a risk that the issuer will not fulfil the obligations of the loan agreement (credit risk). This risk is priced as an interest premium in connection with the issuance of the bonds (spread). If the issuer's creditworthiness changes during the loan period, this is reflected in the market price of the bond. Exposure to this type of risk for bonds other than government bonds is referred to as credit exposure.

Market risk
Market risk is risk associated with fluctuations in market prices, such as share prices and interest rates.

Bonds
Standardised transferable loans with an original maturity of at least one year. The terms of a bond, such as maturity, interest rate, interest payment dates and any provisions regulating interest rates, are agreed when the loan is issued.

Short-term bonds
For most bonds, the question of whether the bond will continue to be part of the portfolio or not (available for sale) is considered on an on-going basis. The market value of short-term bonds is assessed on an on-going basis, as opposed to long-term bonds (see above).

Options
An option is a common type of derivative. A distinction is made between call options and put options. A call option or put option is a right, but not an obligation, to buy or sell an underlying asset at a pre-determined price. Possible underlying assets include shares, currency and commodity prices.

Portfolio
The aggregate amount of the securities that a fund invests in. The portfolio of the Pension Scheme for the Pharmacy Sector consists of shares, bonds, real estate, money market investments and derivatives.

Benchmark portfolio
A benchmark portfolio is a hypothetical portfolio with a specific composition of securities (e.g. based on bond indices or share indices) which the results of an actual portfolio are measured against.

Reference index
The yield on a benchmark portfolio (see above). For a portfolio consisting of a single asset class, the reference index will typically be a single market index, e.g. for Norwegian shares the Oslo Stock Exchange index.

Risk capacity
An expression for the level of risk (in investments) that is acceptable for å pension fund to have. The risk capacity is determined by the size of the buffer capital (see above).

Solvency II
Solvency II is a European regulatory framework for the insurance industry. Under Solvency II, the size of the capital adequacy requirement is determined by the level of risk the company is exposed to as a whole.

Stress test
Test to measure the effect of pre-defined market shocks. Examples of possible stress test scenarios are a 30% drop in share price and 2% increase in interest rate.

Exchange rate
The price of a country's currency relative to other countries' currencies, such as the Norwegian Krone per Euro.

Currency exposure
The pension scheme's currency exposure is the sum of the pension scheme's net position in foreign currency. One can talk about currency exposure in general or exposure to a single currency. For example, the pension scheme's dollar exposure is the sum of all the scheme's assets in dollars, less all liabilities in dollars.

Mutual fund
A fund owned by an undefined group of people, in which the funds are mainly invested in securities.

The Pension Scheme for the Pharmacy Sector
Managed by the Norwegian Public Service Pension Fund

Visitor address: Slemdalsveien 37, Oslo
Postal address: PO Box 5364 Majorstuen, 0304 Oslo
Telephone: 02775
E-mail: bedriftsservice@spk.no

www.spk.no/apotekordningen