The ATP Group

Interim report for H1 2018

Highlights

Results	Return and expenses	Net assets and pension benefits
DKK 2.3bn results for the period before life expectancy update and bonus allowance	**3.4 per cent** investment return (before taxand expenses) relative to bonus potential[1]	**DKK 100bn** bonus potential
DKK (20.0)bn life expectancy update	**0.15 per cent** annual expenses in per cent – for H1	**DKK 784bn** ATP member assets
DKK (17.7)bn net results for the period	**2.7 per cent** investment return (after tax and expenses) relative to bonus potential	**DKK 23,600** full ATP Pension for a 65-year-old pensioner

Accumulated results – five-year rolling period

DKK 64.1bn results before life expectancy update and bonus allowance	**DKK (49.2)bn** life expectancy update and bonus allowance	**DKK 14.8bn** results

[1] The investment portfolio pursues a factor (risk-based) investing approach, the focus of which is on risk rather than on the amount of DKK invested. The investment portfolio generally consists of funds from the free reserves – the bonus potential. Funds not tied up in the hedging portfolio as a result of the use of financial derivatives are available for the investment portfolio on market terms. In practice, this means that the investment portfolio can operate with a higher statement of financial position (market value at the end of H1 2018 of DKK 302.1bn) than the bonus potential, but within the same risk budget.

Group financial highlights

DKKm	H1 2018	H1 2017	FY 2017
Investment			
Investment return	4,089	14,675	29,737
Expenses	(438)	(428)	(858)
Tax on pension savings returns and income tax	(472)	(2,160)	(4,399)
Investment activity results	**3,179**	**12,087**	**24,480**
Hedging			
Change in guaranteed pensions due to discount rate and maturity reduction[1]	(16,001)	20,832	10,032
Return in hedging portfolio	18,505	(23,091)	(10,089)
Tax on pension savings returns	(2,831)	3,533	1,544
Results of hedging of guaranteed pensions	**(327)**	**1,274**	**1,487**
Change in guaranteed benefits due to yield curve break[2]	(1,431)	(1,730)	(2,993)
Hedging activity results	**(1,758)**	**(456)**	**(1,506)**
Investment and hedging activity results	**1,421**	**11,631**	**22,974**
Pension			
Contributions	4,899	4,819	9,703
Pension benefits	(8,409)	(7,998)	(16,075)
Change in guaranteed pensions due to contributions and payouts	4,479	4,225	8,289
Administration expenses	(100)	(103)	(191)
Other items	5	5	8
Pension activity results before life expectancy update	**874**	**948**	**1,734**
Business processing, external parties			
Income	1,269	1,034	2,042
Expenses	(1,268)	(1,014)	(2,033)
Income tax	0	0	0
Business processing results, external parties	**1**	**20**	**9**
Results before life expectancy update	**2,296**	**12,599**	**24,717**
Life expectancy update	(20,025)	(1,006)	(1,006)
Bonus allowance	0	0	(6,406)
Net results for the period	**(17,729)**	**11,593**	**17,305**
Guaranteed pensions	683,859	636,476	650,881
Bonus potential	99,919	112,014	117,695
Net assets	**783,778**	**748,490**	**768,576**

[1] Before effect of yield curve break
[2] 'Yield curve break' is the point on the yield curve at 40 years where pension liabilities shift from being discounted by a fixed rate to a market rate.

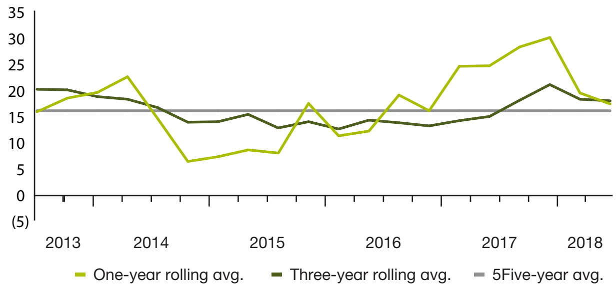
Return ratios

	5 years	3 years	1 year	H1 2018
Investment return (before expenses and tax) relative to bonus potential, per cent	16.1	18.0	17.4	3.4
Results before life expectancy update and bonus allowance relative to guaranteed pensions, per cent	2.1	2.1	2.2	0.3
Risk-adjusted return[1]	0.7	0.7	0.6	0.2

[1]Risk-adjusted return is a Sharpe ratio-based return target, expressing the ratio of realised return to the expected market risk in the portfolio, i.e. a measure of whether the utilisation of risk is effective. The modelling of expected market risk is based on historical observations, dating back to 1 January 2008.

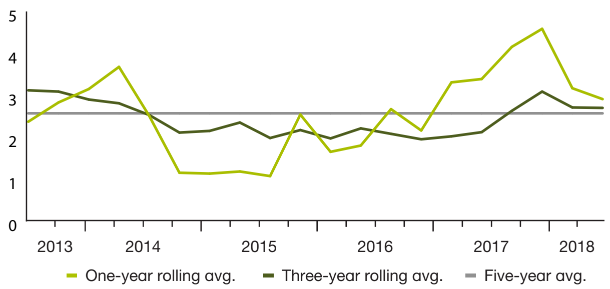
Rolling annual returns in the investment portfolio before expenses and tax relative to the bonus potential

Per cent



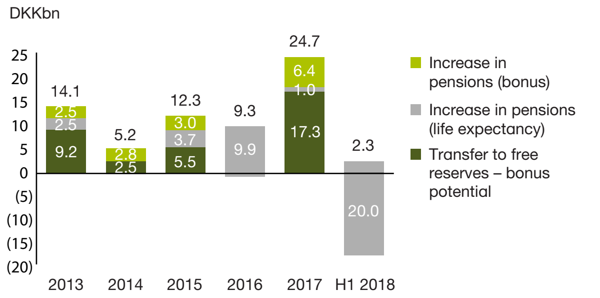
Rolling results before life expectancy update and bonus allowance relative to guaranteed pensions

Per cent

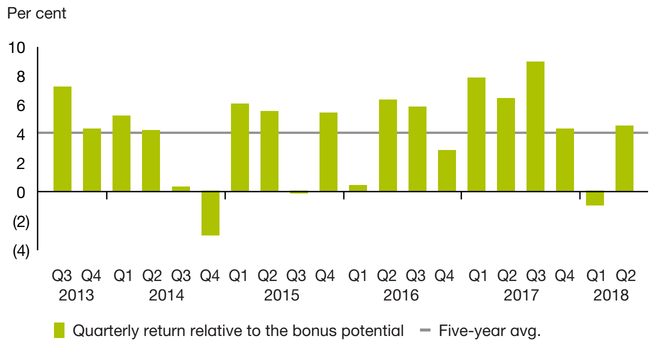


Risk-adjusted returns in the investment portfolio

Use of past five years' results before life expectancy and bonus



Historical quarterly returns in the investment portfolio before expenses and tax relative to the bonus potential



PROFIT AND AGGREGATE ASSETS – HIGHLIGHTS

In H1 2018, the ATP Group achieved a profit of DKK 2.3bn before the life expectancy update. Results were driven by positive returns in the investment portfolio. But, with a high degree of risk diversification, results, as opposed to previous years, were also expectedly impacted by some investment types outperforming others. In H1, private equity investments, infrastructure investments and real estate investments were the primary drivers of the return, while investments in listed international equities were the main detractors from the return.

Over the past five years, returns in the investment portfolio have been positive in 17 out of 20 quarters. The size of the return has varied from one quarter to the next, but as a long-term investor ATP focuses not on quarterly results, but rather on seeking to achieve a high long-term return. The quarter-to-quarter fluctuations show historical stability, which ATP does not expect to continue. Over the past five years, ATP has been generating an average quarterly return in the investment portfolio of 4.0 per cent relative to the bonus potential, equivalent to an average annual return of 16.1 per cent.

The ability to generate high returns relative to the risk assumed, expressed as risk-adjusted return, has averaged 0.7 per year over the past five years.

Following a thorough review of its life expectancy model, ATP has adjusted its long-term forecast of life expectancy, providing a further DKK 20.0bn for increases in life expectancy. Consequently, this amount is transferred from the bonus potential to the guaranteed pensions. 65-year-old members are currently expected to live to an average of 87 years.

Thus, following the life expectancy update in H1 2018, ATP's results were negative by DKK 17.7bn.

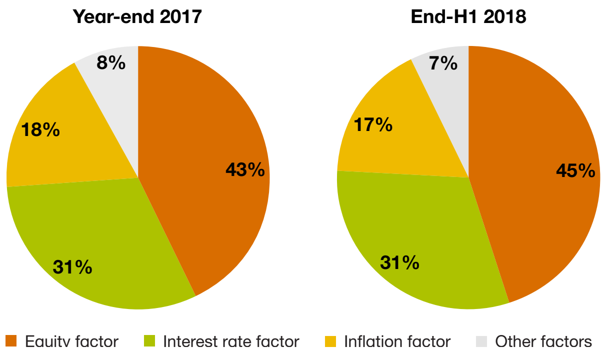
ATP's reserves – its bonus potential – stood at DKK 99.9bn at the end of H1 2018, equivalent to a bonus rate of 14.6 per cent. At the end of H1, the value of the guaranteed benefits totalled DKK 683.9bn, taking aggregate assets to DKK 783.8bn.

INVESTMENT AND HEDGING

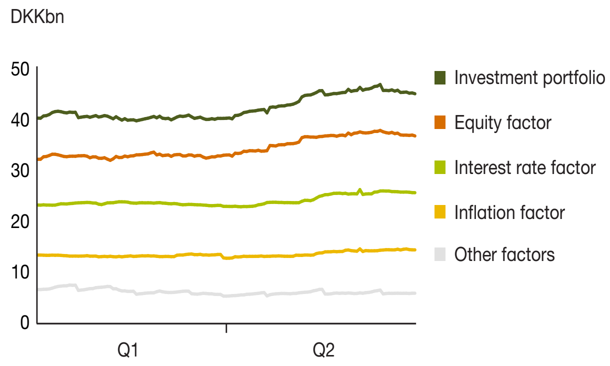
ATP's overall objective is to provide the best possible pensions in the form of a lifelong pension, so that ATP, in combination with the state-funded pension system, provides the basic pension coverage for the Danish population. ATP, in combination with the state-funded pension system, constitutes pillar 1 of the Danish pension system.

ATP has two value creation sources at its disposal: a hedging portfolio and an investment portfolio.

Risk allocation in the investment portfolio



Development in risk in the investment portfolio in H1 2018



The principal objective of the hedging portfolio is to safeguard the guaranteed return and thus ensure ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the market value of the hedging portfolio after tax fluctuates in line with the guaranteed pensions when interest rates change.

The principal objective of the investment portfolio is to generate a return that will allow ATP, in part, to build reserves for unforeseen events such as increased life expectancy to ensure that ATP members receive lifelong pensions and, in part, to raise the guaranteed pensions, thereby preserving the long-term purchasing power of the benefits.

In H1, total investment and hedging activity results were a profit of DKK 1.4bn. The Supervisory Board's long-term performance target for the full year of 2018 is DKK 12.9bn.

Investment

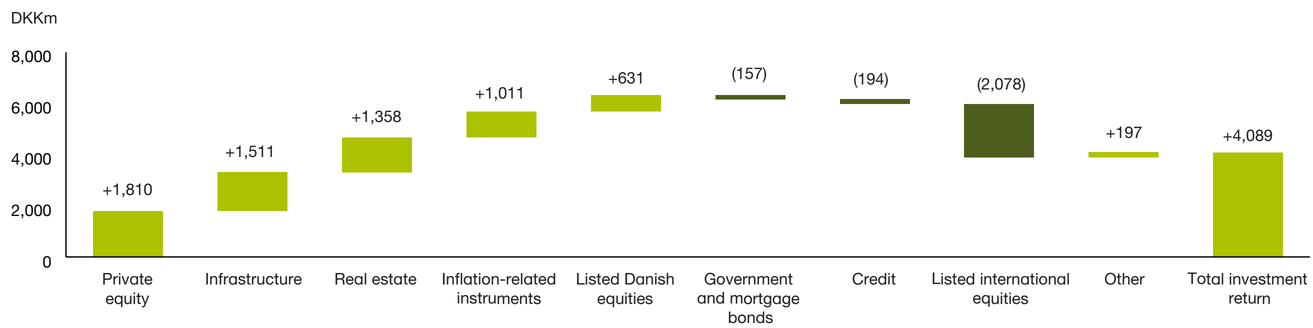
To maintain a robust and diversified investment portfolio with a stable return and the greatest possible independence from cyclical variations, investment decisions are informed by a strategy of risk diversification. In order to measure risk and risk allocation, ATP allocates the risk associated with each investment on the basis of four different risk factors, depending on the types of risk to which the investment is exposed.

The four risk factors are: 'Equity factor', 'Interest rate factor', 'Inflation factor' and 'Other factors'.

The factor framework provides a shared understanding of risk, which enables uniform management of all investment activities and comparability of risk and return across asset classes. The factor investing model produces no absolute truths, but it does create a framework for our efforts to ensure the optimum composition of our investments. In return reporting, ATP refers to the traditional asset classes. You can find more information about the factor investing approach in the article 'Factor investing approach and alternative illiquid investments' in the ATP Group's annual report for 2017.

A key element in ATP's investment strategy is the Supervisory Board's issuance of a guideline for the long-term allocation of the four risk factors in ATP's investment portfolio. The long-term guideline specifies that 35 per cent of the risk is allocated to the Equity factor, 35 per cent to the Interest rate factor, 15 per cent to the Inflation factor and 15 per cent to Other factors. This guideline should be seen as a long-term 'anchor' for risk allocation. Thus, the actual portfolio allocation may deviate from the guideline at any one time due to market conditions and active investment decisions.

Composition of the investment return for H1 2018



The relative risk allocation to the Equity factor increased slightly in H1, while the relative risk allocation to the Inflation factor and Other factors was reduced marginally. At the end of H1, the risk in the Equity factor, in particular, but also in the Inflation factor was higher than the long-term guideline, while the risk in the Interest rate factor and Other factors was lower.

Investment activity results

ATP's investment activity results after expenses and tax totalled DKK 3.2bn.

In H1, the investment portfolio generated a return before tax and expenses of DKK 4.1bn, equivalent to a rate of return of 3.4 per cent relative to the bonus potential at the beginning of the year.

In a well-diversified portfolio with a high degree of risk diversification, some investment types will outperform others. In H1, private equity investments, infrastructure investments and real estate investments were the primary drivers of the return, while investments in listed international equities were the main detractors from the return.

The overall equity portfolio, consisting of listed Danish and international equities and private equity, generated a return of DKK 0.4bn.

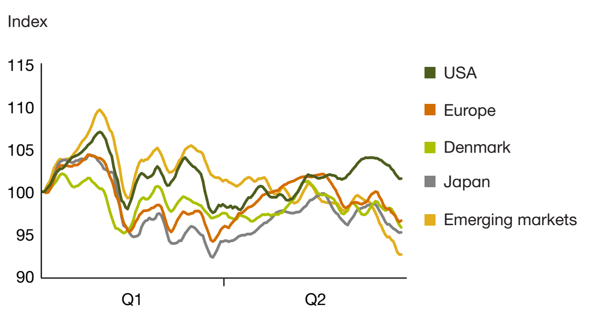
Listed Danish equities posted a return of DKK 0.6bn. Holdings in Rockwool International A/S and Coloplast A/S were the main positive contributors to performance, while holdings in A.P. Møller-Mærsk A/S and Pandora A/S were the main detractors.

Listed international equities, consisting of US, European, Japanese and emerging markets equities, recorded a negative return of DKK 2.1bn. Listed emerging markets equities were the main negative contributors to performance, but equity investments in developed economies also made negative contributions.

The portfolio of *private equity* consists mainly of ATP Private Equity Partners, investing mainly in private equity funds and companies abroad. Also included in the portfolio, to a lesser extent, are venture investments and direct equity investments. The overall portfolio of private equity generated a return of DKK 1.8bn, with the return in ATP Private Equity Partners accounting for DKK 1.1bn.

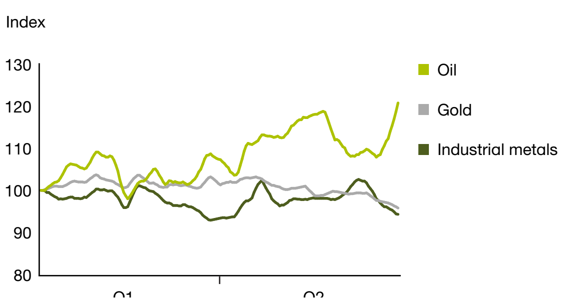
The portfolio of *infrastructure investments*, which includes forestry investments in North America and Australia as well as investments in renewable energy, generated a return of DKK 1.5bn. The return was achieved broadly across the portfolio. *Real estate investments* generated a return of DKK 1.4bn.

Equity price developments in H1 2018



Note: Calculated as a five-day rolling average.

Commodity price developments in H1 2018



Note: Calculated as a five-day rolling average.

These investments are made through direct ownership of real estate, through joint ventures and indirectly through investments in unlisted real estate funds. Direct as well as indirect investments are made both in Denmark and abroad. Direct real estate investments posted a return of DKK 0.9bn, with market value adjustments accounting for DKK 0.2bn. Indirect real estate investments generated a return of DKK 0.5bn, with market value adjustments accounting for DKK 0.3bn. The return for H1 was driven by rising real estate prices, especially in Europe and Denmark and, to a lesser extent, in the USA.

Inflation-related instruments, consisting of commodity-related financial contracts, index-linked bonds, inflation swaps and long-term hedging strategies against inflation increases, produced a return of DKK 1.0bn. Investments in commodity-related financial contracts generated a return of DKK 0.8bn. Positive returns were derived from oil investments, while investments in industrial metals and gold made negative contributions. Inflation swaps generated a return of DKK 0.8bn, driven by rising inflation expectations in Europe and the USA. The portfolio of long-term hedging strategies against inflation increases consists of swaptions to hedge against inflation increases on a relatively simple and effective basis. The portfolio recorded a negative return of DKK 0.7bn, one reason being that long-dated European swap rates ended H1 slightly lower than they started, another reason being falling volatility of long-dated yields in Europe in H1.

Government and mortgage bonds generated a negative return of DKK 0.2bn. Mortgage bonds, consisting exclusively of Danish mortgage bonds, yielded a return of DKK 0.8bn. The portfolio of government bonds, consisting inter alia of European and US government bonds, produced a negative return of DKK 0.9bn.

Credit investments yielded a negative return of DKK 0.2bn. These investments consist, in part, of bonds issued by companies with low credit ratings or by emerging markets and, in part, of financial instruments related to this type of bonds as well as loans to credit institutions and funds. Bonds issued by companies with low credit ratings or by emerging markets and financial instruments generated a negative return of DKK 0.5bn. Loans to credit institutions and funds that invest, among other things, in bank loans, real estate-related loans and corporate loans, yielded a return of DKK 0.3bn.

Other items produced a return of DKK 0.2bn. This portfolio primarily consists of externally managed portfolios. The portfolio also includes interest payments to the hedging portfolio, among other things.

Hedging of guarantees

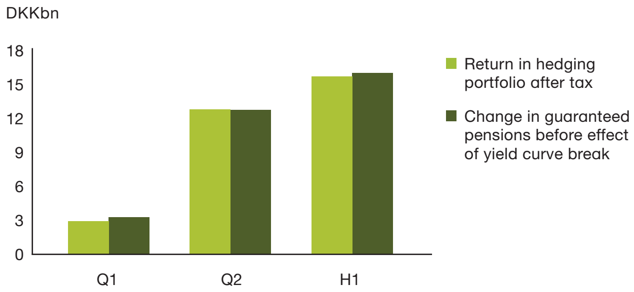
The objective of hedging is to safeguard the guaranteed return and ensure ATP's ability, at all times, to deliver on the guarantees issued. Hedging is planned to ensure that the mar-

Hedging activity results for H1 2018

DKKm	
Change in guaranteed pensions due to change in discount rate[1]	(11,998)
Change in guaranteed pensions due to maturity reduction	(4,003)
Change in guaranteed pensions[1]	**(16,001)**
Return in hedging portfolio	18,505
Tax on pension savings returns	(2,831)
Return in hedging portfolio after tax	**15,674**
Results of hedging of the guaranteed pensions[1]	**(327)**
Change in guaranteed pensions due to yield curve break[2]	(1,431)
Hedging activity results	**(1,758)**

[1] Before effect of 'yield curve break'
[2] 'Yield curve break' is the point on the yield curve at 40 years where the guaranteed pensions shift from being discounted by a fixed rate to being discounted by a market rate.

Hedging of the guaranteed pensions



ket value of the hedging portfolio after tax fluctuates in line with pension liabilities when interest rates change.

The hedging portfolio consists of bonds and interest rate swaps to hedge the interest rate risk on pension liabilities up to 40 years and an internal loan to the investment portfolio equivalent to the value of the pension liabilities extending beyond 40 years. For this loan, the hedging portfolio receives the rate of interest used for discounting pension liabilities more than 40 years into the future. In other words, a long-term rate of 3 per cent is received in the hedging portfolio.

Funds not tied up in the hedging portfolio as a result of the use of interest rate swaps rather than bonds can be lent for investment in the investment portfolio, but within a pre-defined risk budget. A short-term market rate is paid to the hedging portfolio on the funds borrowed by the investment portfolio.

Hedging activity results

Hedging activity results were negative by DKK 1.8bn. The guaranteed pensions reflect the value of ATP's lifelong pension commitments to members. The value of the guaranteed pensions increased by DKK 12.0bn as a result of the decline in interest rates in H1, and increased by DKK 4.0bn because the pensions guaranteed to members at the beginning of the year are six months closer to payout. In H1, the value of the guaranteed pensions thus increased by DKK 16.0bn before the effect of the yield curve break. Similarly, the hedging portfolio generated a positive market return of DKK 18.5bn. Tax on pension savings returns amounted to DKK 2.8bn, and the hedging portfolio thus produced an after-tax return of DKK 15.7bn.

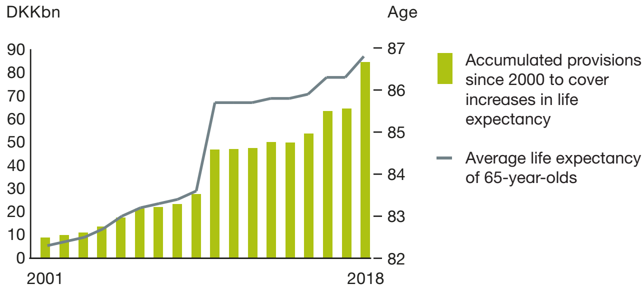
Thus, the overall negative hedging activity results of DKK 1.8bn in H1 were due mainly to the break in the yield curve around the 40-year mark, as the market rate was significantly below 3 per cent in H1.

The break in the yield curve at 40 years means that hedging activities will incur a loss or gain from the valuation of the guarantees which change during the year from a fixed rate of interest of 3 per cent to a market rate, depending on whether the market rate is higher or lower than 3 per cent. In H1, the market-based segment of the yield curve was significantly below 3 per cent. As a result, hedging activities incurred a

Pension activity results for H1 2018

DKKm	
Contributions	4,899
Pension benefits	(8,409)
Change in guaranteed pensions due to ATP contributions and pension benefits etc.	4,479
Expenses	(100)
Other items	5
Pension activity results before life expectancy update	**874**
Life expectancy update	**(20,025)**

Additional provisions due to increases in life expectancy



loss of DKK 1.4bn. The loss means that funds are transferred from the bonus potential to the guaranteed pensions, without this affecting ATP's aggregate assets.

PENSION

ATP's members accrue guaranteed lifelong pension rights by paying contributions to the scheme. There is a clear link between the contributions paid and the pension rights accrued by the individual member.

Pension activity results

Pension activity results before the life expectancy update were a profit of DKK 0.9bn in H1, driven primarily by the share of contribution payments transferred to the bonus potential.

In H1, contribution payments totalled DKK 4.9bn. Contribution payments are divided into guarantee contributions and bonus contributions. The guarantee contribution, accounting for 80 per cent of ATP contributions, is earmarked for the acquisition of pension. The bonus contribution, accounting for 20 per cent, is allocated to the bonus potential to be used for potential future increases and extensions of pensions.

In H1, ATP conducted a thorough review of its life expectancy model, causing ATP to revise the model. One result of the review is that the USA has been eliminated from the data material, given that causes of death among Americans deviate significantly from those among Danes. Given that the USA has historically accounted for 40 per cent of the data material, this has a major impact on expected future life expectancies. The review resulted in a transfer from the bonus potential to the guaranteed pensions of DKK 20.0bn, equivalent to 2.9 per cent of the value of the guaranteed pensions. Over the past five years, ATP has made provisions of DKK 34.6bn for increased life expectancy. After the review of the life expectancy model, pension activity results were negative by DKK 19.2bn.

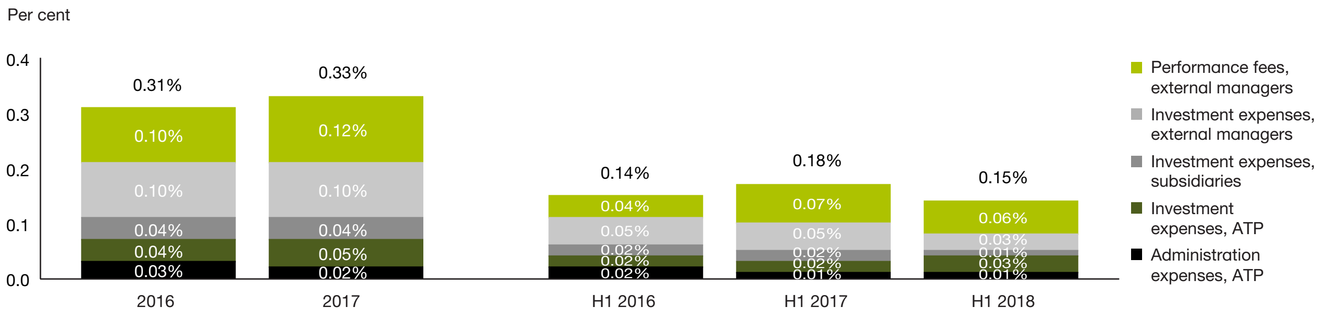
At the end of H1 2018, 1,047,000 pensioners were receiving ATP Livslang Pension (lifelong pension), and pension payouts totalled DKK 8.4bn. Payouts have risen relative to the same period last year, reflecting mainly an increase in the number of pensioners.

The contribution payments for the period increase ATP's guaranteed pensions, while pension payouts reduce the guaranteed pensions. This is reflected in the item Change in guaranteed pensions due to ATP contributions and pension benefits, which totalled DKK 4.5bn.

Continued prudent determination of pension liabilities

ATP's yield curve for valuation of pension liabilities results in

Overall annual expenses in per cent



Note: Expenses have been calculated in accordance with the industry standard.

higher guaranteed pensions than the EIOPA yield curve. Had ATP used the EIOPA yield curve, the guaranteed pensions at the end of H1 would have been DKK 64.1bn lower than the current level of DKK 683.9bn, and the bonus potential would have been correspondingly higher.

ATP's life expectancy model projects higher increases in life expectancy than those envisaged by the Danish Financial Supervisory Authority's (FSA) model[1]. Had ATP used the Danish FSA's life expectancy model, the guaranteed pensions at the end of H1 would have been DKK 3.9bn lower than the current level. And the bonus potential would have been correspondingly higher.

ATP's guaranteed pensions would have been DKK 67.7bn lower and the bonus potential would have been correspondingly higher if the Danish FSA's life expectancy model and the EIOPA yield curve were used.

Low expenses

Low expenses contribute to good pensions. In H1 2018, ATP's administration expenses totalled DKK 100m, equivalent to 0.01 per cent of aggregate assets, or DKK 20 per member, which is in line with the same period of 2017.

ATP's overall direct and indirect investment expenses amounted to DKK 1,037m, equivalent to 0.13 per cent of the aggregate assets managed by ATP in H1 2018, or DKK 202 per member. This represents a decrease on the same period last year due primarily, as expected, to fewer management fees. See the overview of expenses in note 8.

BUSINESS PROCESSING, EXTERNAL PARTIES

Processing Business results were DKK 1m.

In addition to the administration of ATP Livslang Pension, the ATP Group performs business processing tasks on behalf of the social partners, the Danish government and the municipalities.

These tasks are assigned to ATP on a cost-recovery basis – i.e. without profit to ATP and without any risk of expense. Operating expenses are managed based on ambitious objectives of efficient and competitive operations.

ATP's Processing Business incurred expenses of DKK 1,268m in H1, which were re-invoiced primarily on a cost-recovery basis.

The tasks performed by ATP's Processing Business contribute to economies of scale for the benefit of all of the schemes managed.

EVENTS AFTER THE REPORTING DATE

From the reporting date until the date of the presentation of this interim report for H1 2018, no events have occurred that would materially affect the assessment of the report.

[1] Here, the Danish FSA's model, based on a 20-year data period, is used. Also see note 5.

OUTLOOK FOR 2018

The principal objective of the investment portfolio is to generate a return that will allow ATP, in part, to build reserves for unforeseen events such as increased life expectancy to ensure that ATP members receive lifelong pensions and, in part, to raise the guaranteed pensions, thereby preserving the long-term purchasing power of the benefits.

Based on an ambition of preserving the long-term purchasing power of pensions as best as possible, the Supervisory Board has set a long-term performance target for investment and hedging activities after tax and expenses. The performance target has been set at 11 per cent of the bonus potential at the beginning of the year to underpin the objective of preserving the real value of pensions. This is equivalent to DKK 12.9bn for the full year of 2018.

The objective is based on the principles underlying the target of safeguarding members' interests, aiming to preserve the real value of pensions and providing an ambitious target. The objective has also been designed to be realistic given the size of the bonus potential and the risk budget, as well as the long-term risk-adjusted return expectations.

Seen separately, investment and hedging activity results of DKK 1.4bn in H1 are not sufficient to meet the objective. The objective is to be achieved in the long term, but will not necessarily be achieved each year.

For further information on the interim report for H1, please visit www.atp.dk/en.

Hillerød, 29 August 2018

Torben M. Andersen
Chairman of the Supervisory Board

Christian Hyldahl
Chief Executive Officer

Statement by the Supervisory and Executive Boards

The Supervisory and Executive Boards have today considered and adopted the interim report of the ATP Group for the period 1 January to 30 June 2018. The interim report for H1 has not been subject to review or audit.

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (*Bekendtgørelse om finansielle rapporter for Arbejdsmarkedets Tillægspension* – available in Danish only).

The accounting policies applied in this interim report are consistent with those applied in the annual report for 2017. We consider the accounting policies applied to be appropriate and the overall presentation of this interim report to be adequate.

Moreover, in our opinion, the interim report provides a true and fair view of the Group's and ATP's assets, liabilities and financial position as at 30 June 2018 and of the Group's and ATP's financial performance, as well as the Group's cash flows for the period 1 January to 30 June 2018. In our opinion, the management's review also provides a true and fair description of the development in the Group's and ATP's operations and financial position as well as a description of the most significant risks and uncertainties facing the Group and ATP.

Copenhagen, 29 August 2018

Executive Board:

Christian Hyldahl
Chief Executive Officer

/Bo Foged
Chief Financial Officer, CFO and COO

Supervisory Board:

Torben M. Andersen
Chairman of the Supervisory Board

Torben Dalby Larsen Member of the Supervisory Board	Kim Graugaard Member of the Supervisory Board	Lizette Risgaard Member of the Supervisory Board	Arne Grevsen Member of the Supervisory Board
Jacob Holbraad Member of the Supervisory Board	Anne Broeng Member of the Supervisory Board	Jan Walther Andersen Member of the Supervisory Board	Kim Simonsen Member of the Supervisory Board
Anne Jæger Member of the Supervisory Board	Martin Damm Member of the Supervisory Board	Bente Sorgenfrey Member of the Supervisory Board	Lars Qvistgaard Member of the Supervisory Board

The ATP Group – Income statement

DKKm	H1 2018	H1 2017	Q2 2018	Q2 2017
Investment				
Income from associates and joint ventures	1,045	388	825	96
Income from investment properties	527	550	266	283
Interest income and dividends etc. related to investment activities	2,990	2,506	1,436	1,053
Consulting fee and fee income	606	592	338	355
Market value adjustments related to investment activities	307	11,850	2,950	5,646
Interest expenses related to investment activities	(1,386)	(1,211)	(594)	(607)
Investment activity expenses	(438)	(428)	(225)	(220)
Tax on pension savings returns in respect of investment activities	(472)	(2,142)	(684)	(1,002)
Income tax	0	(18)	(11)	(9)
Investment activity results	**3,179**	**12,087**	**4,301**	**5,595**
Hedging				
Interest income related to hedging activities	7,434	8,292	3,539	4,098
Market value adjustments related to hedging activities	11,276	(31,282)	11,600	(14,326)
Interest expenses related to hedging activities	(205)	(101)	(68)	(70)
Tax on pension savings returns in respect of hedging activities	(2,831)	3,533	(2,305)	1,576
Change in guaranteed benefits due to change in discount rate	(13,429)	22,977	(11,518)	10,632
Change in guaranteed benefits due to maturity reduction	(4,003)	(3,875)	(1,972)	(1,940)
Hedging activity results	**(1,758)**	**(456)**	**(724)**	**(30)**
Investment and hedging activity results	**1,421**	**11,631**	**3,577**	**5,565**
Pension				
Contributions	4,899	4,819	2,483	2,433
Benefit payouts	(8,409)	(7,998)	(4,200)	(3,989)
Change in guaranteed benefits due to contributions and pension benefits	4,479	4,225	2,290	2,145
Interest income related to pension activities	7	7	4	4
Interest expenses related to pension activities	(1)	(1)	(1)	0
Pension activity expenses	(100)	(103)	(56)	(49)
Tax on pension savings returns in respect of pension activities	(1)	(1)	(1)	(1)
Pension activity results before change in life expectancy	**874**	**948**	**519**	**543**
Change in guaranteed benefits due to life expectancy update	(20,025)	(1,006)	(20,025)	(1,006)
Pension activity results	**(19,151)**	**(58)**	**(19,506)**	**(463)**
Processing Business				
Other income	1,269	1,034	667	543
Other expenses	(1,268)	(1,014)	(680)	(545)
Income tax in respect of business processing	0	0	0	0
Processing Business results	**1**	**20**	**(13)**	**(2)**
Results before bonus	**(17,729)**	**11,593**	**(15,942)**	**5,100**
Bonus allowance for the period	0	0	0	0
Net results for the period	**(17,729)**	**11,593**	**(15,942)**	**5,100**

The ATP Group – Statement of comprehensive income

DKKm	H1 2018	H1 2017	Q2 2018	Q2 2017
Net results for the period	**(17,729)**	**11,593**	**(15,942)**	**5,100**
Items that may not be reclassified to results:				
Revaluation of owner-occupied properties	3	2	2	1
Total	**3**	**2**	**2**	**1**
Other comprehensive income	**3**	**2**	**2**	**1**
Comprehensive income for the period	**(17,726)**	**11,595**	**(15,940)**	**5,101**
Minority interests' share of total comprehensive income for the period	50	35	23	23
The ATP Group's share of total comprehensive income for the period	(17,776)	11,560	(15,963)	5,078
Allocated comprehensive income	**(17,726)**	**11,595**	**(15,940)**	**5,101**

The ATP Group – Statement of financial position

DKKm	H1 2018	FY 2017
ASSETS		
Cash and demand deposits	4,415	8,492
Bonds	566,481	552,927
Equity investments	125,540	111,814
Financial derivatives	72,694	71,412
Loans	8,379	8,662
Investments in associates and joint ventures	42,732	38,413
Intangible assets	984	885
Investment properties	22,240	21,617
Owner-occupied properties	881	870
Operating equipment	21	24
Tax receivable on pension savings returns and income tax	47	-
Deferred tax on pension savings returns and income tax	1	-
Interest receivable	7,152	3,156
Contributions receivable	2,589	2,594
Receivables from credit institutions	37,561	62,859
Other receivables and other loans	6,273	10,606
Other prepayments	941	938
Total assets	**898,931**	**895,269**
EQUITY AND LIABILITIES		
Financial derivatives	60,780	57,206
Tax payable on pension savings returns and income tax payable	3,366	2,822
Deferred tax on pension savings returns and income tax	195	201
Payables to credit institutions	41,696	53,775
Other payables	8,651	12,263
Total payables	**114,688**	**126,267**
Guaranteed benefits	683,859	650,881
Bonus potential	99,919	117,695
Total pension provisions	**783,778**	**768,576**
Minority interests	465	426
Total equity and liabilities	**898,931**	**895,269**

The ATP Group – Cash flow statement, summary

DKKm	H1 2018	H1 2017
Cash flows from operating activities		
Cash flows from pension activities	(3,192)	(2,954)
Cash flows from investment and hedging activities	7,603	6,615
Cash flows from business processing	(66)	241
Income tax paid and tax paid on pension savings returns	(2,814)	(10,583)
Total	**1,531**	**(6,681)**
Net cash flow from investment activities		
Purchase and sale of investment assets	6,469	2,112
Intangible assets, property, plant and equipment and owner-occupied properties	(67)	(109)
Total	**6,402**	**2,003**
Cash flow from financing activities		
Loans from credit institutions etc.	(12,032)	4,769
Total	**(12,032)**	**4,769**
Change in cash and cash equivalents	**(4,099)**	**91**
Foreign currency translation adjustments	22	(239)
Cash and cash equivalents, beginning of period	8,492	6,798
Cash and cash equivalents, end of period	**4,415**	**6,650**

The ATP Group – Note 1: Accounting policies

Accounting policies

The interim report of the ATP Group and ATP for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with additional Danish disclosure requirements as set out in the 'Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Scheme' (available in Danish only).

Apart from the changes listed below in respect of IFRS 9, the accounting policies are consistent with those applied in the annual report for 2017. Significant risks faced by the Group and ATP and significant accounting estimates made by the Supervisory and Executive Boards which may affect the Group and ATP are described in detail in the annual report for 2017.

Changes in accounting policies

Effective from 1 January 2018, the ATP Group and ATP have implemented the following new or revised standards and interpretations:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers and amendments to IFRS 15
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40, Transfer of Investment Properties
- Annual improvements to IFRS Standards 2014-2016 Cycle

IFRS 9, Financial Instruments
The implementation of IFRS 9 has not had any material impact on the interim report of the ATP Group and ATP for H1. The new provisions for 'classification and measurement of financial assets' have not resulted in any changes, given that ATP's business model continues to be to manage and assess assets and liabilities based on fair value changes in accordance with ATP's risk management strategy. Consequently, most statement of financial position items are still measured at fair value with value adjustment in the income statement.

Up until and including the 2017 annual report, the following assets and liabilities were recognised at fair value in the income statement in accordance with the fair value option of IAS 39. From 1 January 2018, these assets and liabilities are still recognised at fair value in the income statement in accordance with ATP's business model (see above).

- Bonds
- Equity investments, including investments in group subsidiaries and associates as well as joint ventures
- Loans, including loans to group subsidiaries
- Receivables from and payables to credit institutions

Other new provisions of IFRS 9 on 'impairment of financial assets' and 'hedge accounting' are not relevant to ATP.

IFRS 15, Revenue from Contracts with Customers and amendments to IFRS 15
The implementation of IFRS 15 has not had any material impact on the interim report of the ATP Group and ATP for H1. IFRS 15 introduces a single model for revenue recognition. The core principle of IFRS 15 is that the entity must recognise revenue to reflect the transfer of goods or services to customers, measured at the amount to which the entity expects to be entitled in exchange for those goods or services.

The ATP Group and ATP have very limited revenue that is subject to IFRS 15, and the change from a 'risks and rewards' approach to a 'control-based' approach has not had any impact on revenue recognition by the ATP Group and ATP.

All standards and interpretations, including IFRS 9 and IFRS 15, have been implemented without impacting the interim report of the ATP Group and ATP for H1.

The interim report for H1 has not been subject to review or audit.

Presentation of notes and cash flow statement
The cash flow statement (summary) is presented only for the ATP Group.
Notes 2-4 are presented only for the ATP Group. Apart from the size of amounts, these disclosures are identical to those of the ATP parent company.
Notes 5-7 are presented only for the ATP parent company. These disclosures are identical to those of the Group.

The ATP Group – Note 2: Contingent liabilities

DKKm	H1 2018	FY 2017
Collateral		
Collateral in respect of financial derivatives and repo transactions	63,182	72,759
Investment and loan commitments		
Investment commitments, equity investments	11,865	13,644
Investment commitments, real estate funds	792	795
Investment commitments, Danish properties	1,528	279
Investment commitments, infrastructure funds	6,233	7,504
Investment commitments, credit funds	6,395	2,019
Loan commitments, businesses	19,428	19,147
Loan commitments, credit funds	18,552	9,834
Other contingent liabilities		
Rental/lease obligations	768	720
Potential deferred tax related to real estate[1]	274	256
Other contingent liabilities[3]	1,202	1,486

[1] Under certain conditions, the ATP Group is not subject to income tax on the activities of its subsidiary ATP Ejendomme A/S as of and including 2001. If the conditions for tax exemption are not met, provisions are made for both current and deferred tax in the company. In H1 2018, ATP Ejendomme A/S met the conditions for tax exemption.

[2] ATP has joint VAT registration with a number of subsidiaries. These subsidiaries are jointly and severally liable for the payment of VAT and payroll tax included in the joint registration for VAT.

[3] Other contingent liabilities comprise mainly contingent liabilities relating to ATP having issued letters of credit to businesses.

The ATP Group – Note 3: Pension provisions

DKKm	H1 2018	H1 2017
Guaranteed benefits		
Fair value, beginning of period	650,881	658,797
Change in provisions for the period:		
Contributions	4,899	4,819
– of which transferred to bonus potential	(980)	(964)
Pension benefits	(8,409)	(7,998)
Change due to life expectancy update	20,025	1,006
Change due to change in discount rate	13,429	(22,977)
Change due to maturity reduction	4,003	3,875
Bonus allowance for the period	-	-
Other changes	11	(82)
Total change in provisions for the period	**32,978**	**(22,321)**
Fair value, end of period	**683,859**	**636,476**
Bonus potential		
Bonus potential:		
Balance, beginning of period	117,641	100,402
Changes during the period	(17,779)	11,558
Balance, end of period	**99,862**	**111,960**
Revaluation reserve:		
Balance, beginning of period	54	52
Changes during the period	3	2
Balance, end of period	**57**	**54**
Total bonus potential	**99,919**	**112,014**
Total pension provisions	**783,778**	**748,490**

The ATP Group – Note 4: Fair value measurement of financial instruments

Below the fair value determination of various assets and liabilities is described. Disclosure requirements for the ATP Group in relation to assets and liabilities recognised at fair value, levels 2 and 3, are listed below. See the following page for a definition of levels. Most of the Group's financial assets and liabilities are measured at fair value. All fair value measurements disclosed are recurring value measurements.

	Fair value 30.06.2018	Fair value 31.12.2017	Fair value hierarchy	Valuation method used	Observable/ unobservable inputs used	Fair value sensitivity to changes in unobservable inputs
Group	DKKm	DKKm				
Bonds, listed	551,043	535,178	1	Closing rates of relevant stock exchange.	-	-
Bonds, observable input	8,302	9,062	2	Discounting to net present value using a relevant yield curve with the addition of a spread.	Yield curves, spreads.	-
Bonds, unobservable inputs	7,136	8,687	3	Discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.	Investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the fair value changes by DKK (221)m.
Equity investments, listed	72,192	63,400	1	Closing rates of relevant stock exchange.	-	-
Equity investments, unlisted	3,427	1,580	2	Purchase price of recent transactions	-	-
Equity investments, unlisted	45,484	44,632	3	Reported fair value.[1]	-	-
Equity investments, unlisted	1,731	-	3	Discounting of expected future cash flows	Applied discount factor	If the discount factor is increased by 1 percentage point, the market value will change approx. DKK (36)m.
Equity investments, unlisted	2,706	2,202	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are changed by (10) per cent, the fair value changes by DKK (395)m.
Financial derivatives, listed (net)	220	804	1	Closing rates of relevant stock exchange.	-	-
Financial derivatives, unlisted (net)	11,694	13,402	2	Linear financial instruments (e.g. interest rate swaps) are valued using inputs of relevant curves, indices, spreads for calculating future payments and discounting using the relevant yield curve. For non-linear financial instruments, volatilities and methods reflecting applicable market practice for the valuation of these instruments are also used.[2]	Yield curves, spreads.	-
Loans	8,379	8,662	3	Discounting of expected future cash flows to net present value using relevant yield curves and investment-specific credit spread premiums.	Investment-specific credit spread premiums used on yield curves	If investment-specific credit spread premiums increase by 1 percentage point, the market value changes by DKK (170)m.
Investments in associates	14,669	16,700	2	Purchase price of recent transactions	-	-
Investments in associates	25,976	19,595	3	Reported fair value.[1]	-	-
Investments in associates	389	554	3	'Sum-of-the-parts' valuation	Haircuts applied to underlying assets	If the haircut applied to underlying assets increases by 5 per cent, the market value changes by DKK (4)m.
Investments in associates	1,067	1,053	3	Discounting of expected future cash flows	Applied discount factor	If the discount factor is increased by 0.5 per cent, the market value will change approx. DKK (70)m.
Investments in associates	631	511	3	Multiple analysis	Valuation multiples used	If the valuation multiples used are changed by (10) per cent, the fair value changes by DKK (72)m.
Investment properties	22,240	21,617	3	Return-based model.	Required rates of return (4.3) per cent to 8.5 per cent (avg. 4.9 per cent)	If the average required rate of return of 4.9 per cent is increased by 0.25 per cent (25 bps), the fair value of the Group's investment properties changes by DKK (994)m.
Receivables from and payables to credit institutions (net)	(4,045)	9,084	2	Discounting to net present value using relevant yield curve.[2]	Yield curves	-

[1] The fair value is based on reporting by relevant companies in which underlying assets and liabilities are valued at fair value. If the reporting date is different from the Group's statement of financial position date, adjustment is made for significant changes in the market's observable inputs and the quoted prices of underlying assets.

[2] Financial derivatives and Receivables from/Payables to credit institutions are presented net (asset less liability), since disclosures are identical for assets and liabilities apart from amounts.

The ATP Group – Note 4: Fair value measurement of financial instruments, continued

In the determination of fair value, the ATP Group uses a predefined hierarchy in IFRS 13, consisting of three levels of inputs.

Level 1 – quoted prices: The market price of the financial instrument is used if an active market exists. The market price can be in the form of a quoted price or price quotation.

Level 2 – observable inputs. If a financial instrument is listed on a non-active market, the valuation is based on the most recent transaction price. Adjustments are made for subsequent changes in market conditions. For some financial assets and liabilities, no actual market exists. The valuation of these assets and liabilities is made using an estimated value based on recent transactions in similar instruments. For financial derivatives, valuation techniques based on market conditions, e.g. yield curves and exchange rates, are widely used.

Level 3 – Unobservable inputs. The valuation of certain financial assets and liabilities is based substantially on unobservable inputs. For a significant portion of the Group's equity investments and a small portion of the Group's bond portfolio, the valuation is based on unobservable inputs.

H1 2018

DKKm	Quoted prices	Observable inputs	Un-observable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Bonds	551,043	8,302	7,136	566,481
Equity investments	72,192	3,427	49,921	125,540
Financial derivatives	1,586	71,108	-	72,694
Loans	-	-	8,379	8,379
Investments in associates	-	14,669	28,063	42,732
Investment properties	-	-	22,240	22,240
Receivables from credit institutions	-	37,561	-	37,561
Total	**624,821**	**135,067**	**115,739**	**875,627**
Liabilities				
Financial derivatives	1,366	59,414	-	60,780
Payables to credit institutions	-	41,696	-	41,696
Total	**1,366**	**101,110**	**-**	**102,476**

For financial instruments measured at fair value using unobservable data (level 3), the movements for the year are as follows:

Assets	**Statement of financial position 01.01.18**	**Realised/unre-alised gains or losses for the period, recognised in results**	**Purchase**	**Sale**	**Reclassifi-cations**	**Transfer into/out of level 3**	**Statement of financial position 30.06.18**	**Losses/gains on assets held**
Bonds	8,687	105	1,863	(3,519)	-	-	7,136	55
Equity investments	46,834	4,578	7,686	(9,155)	(1,602)	1,580	49,921	4,566
Loans	8,662	356	7,240	(7,879)	-	-	8,379	264
Investments in associates	21,713	757	2,217	(768)	1,602	2,542	28,063	752
Investment properties	21,617	132	500	(9)	-	-	22,240	131
Total	**107,513**	**5,928**	**19,506**	**(21,330)**	**-**	**4,122**	**115,739**	**5,768**

The transfer into level 3 represents equity investments and investments in associates that were previously valued at the purchase price of the most recent transactions while, as at 30 June 2018, they are valued based on a valuation model using unobservable inputs.

The ATP Group – Note 4: Fair value measurement of financial instruments, continued

31 December 2017

DKKm	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Bonds	535,178	9,062	8,687	552,927
Equity investments	63,400	1,580	46,834	111,814
Financial derivatives	1,528	69,884	-	71,412
Loans	-	-	8,662	8,662
Investments in associates and joint ventures	-	16,700	21,713	38,413
Investment properties	-	-	21,617	21,617
Receivables from credit institutions	-	62,859	-	62,859
Total	**600,106**	**160,085**	**107,513**	**867,704**
Liabilities				
Financial derivatives	724	56,482	-	57,206
Payables to credit institutions	-	53,775	-	53,775
Total	**724**	**110,257**	**-**	**110,981**

For financial instruments measured at fair value using unobservable data (level 3), the movements for the year are as follows:

Assets	**Statement of financial position 01.01.17**	**Realised/un-realised gains or losses for the period, recognised in results**	**Purchase/ contribu-tion**	**Sale/distri-bution**	**Transfer into level 3**	**Transfer out of level 3**	**Statement of financial position 31.12.17**	**Losses/ gains on as-sets held**
Bonds	5,933	(17)	3,835	(1,064)	-	-	8,687	(120)
Equity investments	58,585	4,742	9,527	(26,020)	-	-	46,834	5,783
Loans	11,879	(611)	13,237	(15,843)	-	-	8,662	(254)
Investments in associates and joint ventures	17,084	1,424	7,013	(3,808)	-	-	21,713	1,280
Investment properties	21,139	244	899	(665)	-	-	21,617	385
Total	**114,620**	**5,782**	**34,511**	**(47,400)**	**-**	**-**	**107,513**	**7,074**

In 2017, there were no transfers into or out of level 3.

Losses and gains related to level 3 are recognised in the income statement in the items ‘Market value adjustments related to investment activities’ and ‘Market value adjustments related to hedging activities’.

ATP – Income statement

DKKm	H1 2018	H1 2017	Q2 2018	Q2 2017
Investment				
Income from group subsidiaries	2,577	2,116	2,070	222
Income from associates and joint ventures	646	234	435	121
Income from investment properties	12	13	7	8
Interest income and dividends etc. related to investment activities	2,911	2,024	1,445	800
Consulting fee and fee income	524	571	283	343
Market value adjustments related to investment activities	(1,461)	10,592	1,431	5,774
Interest expenses related to investment activities	(1,384)	(1,174)	(596)	(602)
Investment activity expenses	(223)	(181)	(112)	(91)
Tax on pension savings returns in respect of investment activities	(473)	(2,142)	(685)	(1,002)
Investment activity results	**3,129**	**12,053**	**4,278**	**5,573**
Hedging				
Interest income related to hedging activities	7,434	8,292	3,539	4,098
Market value adjustments related to hedging activities	11,276	(31,282)	11,600	(14,326)
Interest expenses related to hedging activities	(205)	(101)	(68)	(70)
Tax on pension savings returns in respect of hedging activities	(2,831)	3,533	(2,305)	1,576
Change in guaranteed benefits due to change in discount rate	(13,429)	22,977	(11,518)	10,632
Change in guaranteed benefits due to maturity reduction	(4,003)	(3,875)	(1,972)	(1,940)
Hedging activity results	**(1,758)**	**(456)**	**(724)**	**(30)**
Investment and hedging activity results	**1,371**	**11,597**	**3,554**	**5,543**
Pension				
Contributions	4,899	4,819	2,483	2,433
Benefit payouts	(8,409)	(7,998)	(4,200)	(3,989)
Change in guaranteed benefits due to contributions and pension benefits	4,479	4,225	2,290	2,145
Interest income related to pension activities	7	7	4	4
Interest expenses related to pension activities	(1)	(1)	(1)	0
Pension activity expenses	(100)	(103)	(56)	(49)
Tax on pension savings returns in respect of pension activities	(1)	(1)	(1)	(1)
Pension activity results before change in life expectancy	**874**	**948**	**519**	**543**
Change in guaranteed benefits due to change in life expectancy	(20,025)	(1,006)	(20,025)	(1,006)
Pension activity results	**(19,151)**	**(58)**	**(19,506)**	**(463)**
Processing Business				
Other income	1,277	1,043	671	547
Other expenses	(1,276)	(1,024)	(684)	(550)
Processing Business results	**1**	**19**	**(13)**	**(3)**
Results before bonus	**(17,779)**	**11,558**	**(15,965)**	**5,077**
Bonus allowance for the period	0	0	0	0
Net results for the period	**(17,779)**	**11,558**	**(15,965)**	**5,077**
Danish FSA ratios (per cent)				
Return before tax on pension savings returns – N1	2.9	(1.2)	2.6	(0.5)
Return after tax on pension savings returns	2.5	(1.0)	2.2	(0.4)
Members (number in thousands)	**5,142**	**5,067**	**5,142**	**5,067**
Expenses				
Pension activity expenses per member (DKK)	20	20	11	9
Investment activity expenses per member (DKK)	43	36	21	18

ATP – Statement of comprehensive income

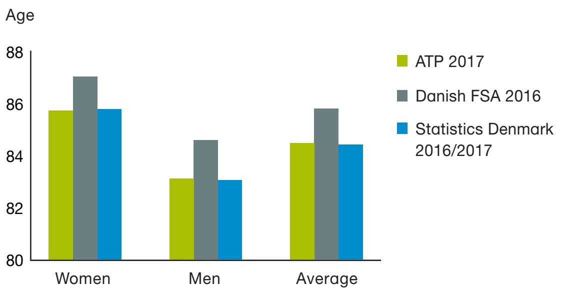
DKKm	H1 2018	H1 2017	Q2 2018	Q2 2017
Net results for the period	**(17,779)**	**11,558**	**(15,965)**	**5,077**
Items that may not be reclassified to results:				
Revaluation of owner-occupied properties	3	2	2	1
Total	**3**	**2**	**2**	**1**
Other comprehensive income	**3**	**2**	**2**	**1**
Comprehensive income for the period	**(17,776)**	**11,560**	**(15,963)**	**5,078**

ATP – Statement of financial position

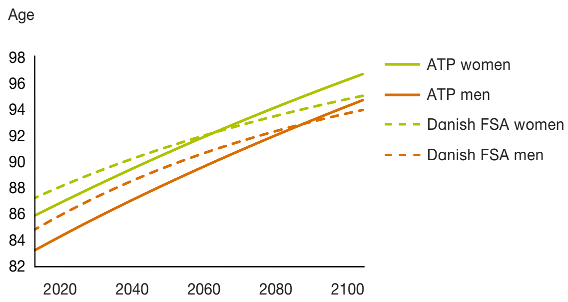
DKKm	H1 2018	FY 2017
ASSETS		
Cash and demand deposits	3,121	7,228
Bonds	558,089	542,906
Equity investments	89,500	80,860
Financial derivatives	73,152	71,435
Loans	6,504	7,003
Loans to group subsidiaries	2,916	2,920
Receivables from group subsidiaries	6	7
Investments in group subsidiaries	74,540	69,958
Investments in associates and joint ventures	33,450	30,663
Intangible assets	937	838
Owner-occupied properties	831	820
Operating equipment	14	17
Interest receivable	7,039	3,006
Contributions receivable	2,589	2,594
Receivables from credit institutions	37,278	62,342
Tax receivable on pension savings returns and income tax	47	0
Other receivables	4,455	9,954
Other prepayments	933	932
Total assets	**895,401**	**893,483**
EQUITY AND LIABILITIES		
Financial derivatives	60,523	57,543
Tax payable on pension savings returns	3,359	2,816
Payables to credit institutions	41,696	53,747
Other payables	6,045	10,801
Total payables	**111,623**	**124,907**
Guaranteed benefits	683,859	650,881
Bonus potential	99,919	117,695
Total pension provisions	**783,778**	**768,576**
Total equity and liabilities	**895,401**	**893,483**

ATP – Note 5: Impact of the Danish FSA's life expectancy model (benchmark) on the determination of ATP's provisions

Life expectancies for 65-year-olds



Expected future increases in life expectancy



Note: Projected life expectancy (65-year-olds) in ATP's life expectancy model and the Danish FSA's benchmark.

The Danish FSA's life expectancy model – to be used for supervision of life insurance companies and pension funds – consists of two elements: a benchmark for observed current life expectancy and a benchmark for expected future increases in life expectancy.

The observed current life expectancy of the ATP population is lower than the FSA's benchmark for observed current life expectancy. However, ATP expects higher future increases in life expectancy than the Danish FSA's benchmark.

Observed current life expectancy

The Danish FSA's benchmark for observed current life expectancy is based on data from a number of Danish life insurance companies and industry-wide pension funds with a total membership of 2.9 million clients. The observed current life expectancy applied by ATP is based on data relating to ATP's 5.1 million members.

The current life expectancy of pension company clients is higher than the current life expectancy of ATP's members. This is in line with international analyses, showing that the life expectancy of insured persons is higher than that of non-insured persons. The difference is shown in the chart above, illustrating life expectancies for 65-year-olds based on the Danish FSA's life expectancy model, the ATP pension population and data from Statistics Denmark.

Expected future increases in life expectancy

The Danish FSA's benchmark for expected future increases in life expectancy is based, from 2018 onwards, on life expectancy developments in Denmark over the past 20 years.

ATP's model for expected future increases in life expectancy is based on comparable data for the period 1970-2014 from 18 OECD countries. Thus, the model is based partly on information about ATP's members, partly on information about approx. 330 million inhabitants in the 18 OECD countries. Please note that, following the 2018 review, the number of inhabitants has decreased by some 40 per cent, given that the USA is no longer included in ATP's model and the data period now starts in 1970 rather than 1950.

Expected future increases in life expectancy are higher according to ATP's model than according to the Danish FSA's benchmark. This difference is attributable, in particular, to the current shorter life expectancy of Danes relative to the average of the 18 OECD countries. ATP's model assumes that Danish life expectancy will eventually approximate the average of the 18 countries.

ATP's guaranteed benefits

In addition to the value of ATP's pension liabilities in the financial statements, ATP also calculates guaranteed benefits based on the current life expectancy of the ATP population in combination with the Danish FSA's benchmark for expected future increases in life expectancy. Using the Danish FSA's model, the value of the guaranteed benefits would be DKK 680.0bn at the end of H1 2018 relative to DKK 683.9bn using ATP's life expectancy model. In other words, ATP's bonus potential would have been DKK 3.9bn higher if ATP had used the Danish FSA's model.

ATP – Note 6: ATP's value creation from guarantees and bonus potential (after tax)

Per cent	H1 2018	H1 2017	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Value creation from guarantees (after tax)	1.8	1.8	3.7	3.7	3.8	3.9	3.9
Value creation from bonus potential (after tax)	1.1	11.6	22.5	7.3	10.9	3.6	14.2
Total value creation (after tax)	**1.6**	**3.7**	**7.3**	**4.4**	**5.2**	**3.8**	**5.9**

The financial statements reflect the annual results of ATP's business, including how net results for the year affect the bonus potential. Hedging of the guarantees is also described in the financial statements, but the return implied by the guarantees is not directly accounted for. In order to improve the description of ATP's overall value creation, ATP calculates three ratios.

Value creation from the guarantees illustrates the average return on the promises ATP has issued to members over time, across age groups. This ratio is calculated based on historical contributions and the associated guarantees.

Value creation from the bonus potential illustrates the return on the bonus potential. This ratio is driven primarily by investment returns, but is for example also impacted by hedging activity results and administration expenses.

Total value creation shows ATP's ability to generate overall value creation. This ratio is the weighted average of the two ratios above.

For more information about the definition of ATP's value creation ratios, see 'Further Information' at www.atp.dk/en/results-and-reports/annual-and-interim-reports/atp-group.

ATP – Note 7: ATP's yield curve

The yield curve for valuation of pension liabilities and actual hedging at end-H1 2018

	Yield curve per cent	Hedging per cent
• Interest rate swaps denominated in Danish kroner	15	14.5
• Interest rate swaps denominated in euros	35	36.2
• Danish government bonds	25	25.8
• German government bonds	25	23.5

The curve is extrapolated after the 30-year mark and has been fixed at 3 per cent after the 40-year mark.

ATP – Note 8: ATP's total expenses in per cent

ATP's total expenses in per cent for H1 2018 and for FY 2017

Expenses of ATP Livslang Pension in H1 2018

	DKKm	DKK per member	Per cent of net assets
Administration expenses	100	20	0.01%
Investment expenses	1,037	202	0.13%
Total	**1,137**	**222**	**0.15%**

Annual expenses in 2017 for ATP Livslang Pension

	DKKm	DKK per member	Per cent of net assets
Administration expenses	191	38	0.02%
Investment expenses	2,326	457	0.31%
Total	**2,517**	**495**	**0.33%**

ATP – Note 9: Market value of ATP's investment portfolio

Market value of ATP's investment portfolio at end-H1 2018

DKKbn	Direct	Funds	Financial derivatives	Total
Listed Danish equities	31.9	0.0	0.0	31.9
Listed international equities	37.9	0.0	(1.1)	36.9
Private equity	7.5	23.0	(0.2)	30.3
Credit	13.5	10.7	0.0	24.2
Government and mortgage bonds	88.3	0.0	1.7	90.0
Inflation-related instruments	3.5	0.0	(4.3)	(0.8)
Infrastructure	25.0	10.4	(0.3)	35.0
Real estate	35.0	11.1	0.0	46.1
Other	8.6	0.0	(0.1)	8.5
Total market value	**251.2**	**55.1**	**(4.2)**	**302.1**

Note: The division of market values into the three columns 'Direct', 'Funds' and 'Financial derivatives' shows how investments in the sub-portfolios are implemented. Financial derivatives include futures, swaps and options. The market value of futures is equal to zero due to daily settlement of losses/gains. For other financial derivatives, the market value may be negative.