

Interim report january-september 2005\*)

THIRD QUARTER:

Strong result improvement

- Strong growth in all divisions.
- Revenues rose 16% and expenses by 12%. Excluding structural and restructuring costs, expenses increased by 7%. In total the result before tax according to IFRS improved to SEK 398 million (235). Structural costs increased to SEK -119 million (-22) as a result of the ongoing bid process.
- The result for mutual fund savings products increased to SEK 20 million (-2).
- The calculated profit margin for unit linked assurance increased to 17.3%, compared with 14.9% for the second quarter, and the present value of new business amounted to SEK 505 million (416).
- The operating result increased to SEK 2,277 million (655). The underlying operational return increased to 10% (7%).
- Operative cash flow was positive, at SEK 0.1 billion (-0.2).
- Net asset value per share increased during the quarter by SEK 1.35, to SEK 32.54.

|                       | According to IFRS |      | According to embedded value method |      |                  |      |
|-----------------------|-------------------|------|------------------------------------|------|------------------|------|
|                       | Result            |      | Result of                          |      | Operating result |      |
|                       | before tax        |      | operations                         |      |                  |      |
| SEK million           | 2005              | 2004 | 2005                               | 2004 | 2005             | 2004 |
|                       | Q3                | Q3   | Q3                                 | Q3   | Q3               | Q3   |
| Unit linked assurance | 511               | 368  | 1,049                              | 851  | 2,401            | 791  |
| Mutual funds          | 20                | -2   | 20                                 | -2   | 20               | -2   |
| Life assurance        | -4                | -40  | -4                                 | -43  | -15              | -43  |
| Banking               | 149               | 108  | 149                                | 108  | 149              | 108  |
| Other                 | -22               | 3    | -22                                | 3    | -22              | 3    |

|                                  |      |      |       |      |       |      |
|----------------------------------|------|------|-------|------|-------|------|
| businesses                       |      |      |       |      |       |      |
| Joint functions                  | -56  | -180 | -56   | -180 | -56   | -180 |
| Total                            |      |      |       |      |       |      |
| underlying result                | 598  | 257  | 1,136 | 737  | 2,477 | 677  |
| Restructuring costs for Bankhall | -81  |      | -81   |      | -81   |      |
| Structural costs                 | -119 | -22  | -119  | -22  | -119  | -22  |
| Total                            | 398  | 235  | 936   | 715  | 2,277 | 655  |

JANUARY - SEPTEMBER:

Improvement of underlying IFRS result

- The result for the period according to IFRS, including the result of discontinued operations and goodwill write-down, was SEK -715 million (1,603). See table on page 9.
- The underlying result before tax improved, to SEK 1,432 million (647).
- Revenues rose 15% to SEK 12,067 million (10,472). Expenses rose 10% - excluding the write-down of goodwill and structural and restructuring costs - and amounted to SEK -10,793 million (9,825).
- Earnings per share before dilution were SEK -0.70 (1.58), of which SEK -0.47 (0.81) pertained to discontinued operations and SEK -1.11 (-) to the goodwill write-down. The return on shareholders' equity was SEK -3% (8%).
- Cash flow from operating activities was SEK -0.1 billion (-1.8).

| SEK million   | According to IFRS |        | According to embedded value method |        |           |        |
|---|-------------------|--------|------------------------------------|--------|-----------|--------|
|   | Result            |        | Result of                          |        | Operating |        |
|   | before tax        |        | operations                         |        | result    |        |
|   | 2005              | 2004   | 2005                               | 2004   | 2005      | 2004   |
|   | 9 mos.            | 9 mos. | 9 mos.                             | 9 mos. | 9 mos.    | 9 mos. |
| Unit linked assurance                                       | 1,406             | 862    | 3,369                              | 2,711  | 5,994     | 2,896  |
| Mutual funds  | -9                | -88    | -9                                 | -88    | -9        | -88    |
| Life assurance  | -7                | 5      | -9                                 | -6     | -15       | -6     |
| Banking   | 297               | 316    | 297                                | 316    | 297       | 316    |
| Other businesses  | 14                | -1     | 14                                 | -1     | 14        | -1     |
| Joint functions   | -269              | -447   | -269                               | -447   | -269      | -447   |
| Total underlying result                                     | 1,432             | 647    | 3,393                              | 2,485  | 6,012     | 2,670  |
| Result according to plan 2005                               | 771               |        | 2,846                              |        | 2,846     |        |
| Write-down of goodwill and restructuring costs for Bankhall | -1,227            |        | -1,227                             |        | -1,227    |        |
| Structural costs  | -221              | -78    | -221                               | -78    | -221      | -78    |
| VAT provision   | -158              |        | -158                               |        | -158      |        |
| Total   | -174              | 569    | 1,787                              | 2,407  | 4,406     | 2,592  |

Continued improvement of embedded value result for unit linked assurance

- The present value of new business (VNB) for unit linked assurance grew by 29% in local currency, to SEK 1,587 million (1,228). VNB for the third quarter alone rose 20% compared with the same period a year ago.
- The calculated profit margin for new sales increased during the period to 18.6% (17.5%).

Strong growth in all divisions

- Premiums and deposits rose 26% in local currency during the first nine months of the year. New sales of unit linked assurance rose 22% in local currency. New sales during the third quarter rose 27%.
- Growth in the UK is strong, especially in the offshore markets.
- The turnaround in the Swedish market continues. During the third quarter, new sales of unit linked assurance rose 38% compared with the same period a year ago.
- The German operation is showing a slight recovery. Premiums and deposits during the first nine months of the year for the operations in France, Spain and Italy have doubled compared with the same period a year ago.
- Funds under management grew by 30% in local currency, to SEK 525,615 million as per 30 September 2005, thanks to a larger inflow and favourable growth in value.

Performance ahead of plan

- The results for the first nine months exceed the group plan.

|      |      |         |         |      |  |
|------|------|---------|---------|------|--|
|      |      |         | 2005    |      |  |
| 2005 | 2005 | 9 month | Outper- | 2005 |  |

| SEK million  | Q3      | 9 mos.  | plan    | formance | plan    |
|--|---------|---------|---------|----------|---------|
| New sales, unit linked                                       | 2,919   | 8,547   | 7,475   | 14%      | 9,966   |
| Underlying result before tax (IFRS)                          | 5981)   | 1,4322) | 7713)   | 86%      | 1,0283) |
| Underlying result of operations (EV)                         | 1,1361) | 3,3932) | 2,8463) | 19%      | 3,7953) |
| Present value of new business for the year, unit linked (EV) | 505     | 1,587   | 1,571   | 1%       | 2,095   |
| Funds under management, SEK billion                          | 525.6   | 525.6   | 438.4   | 20%      | 453.3   |
| Net asset value (EV), SEK billion                            | 33.4    | 33.4    | 32.5    | 3%       | 33.3    |

1) Excluding restructuring costs for Bankhall (SEK -81 million) and structural costs (SEK -119 million).

2) Excluding write-down of Bankhall goodwill (SEK -1,135 million), restructuring costs for Bankhall (SEK -92 million), VAT provision (SEK -158 million) and structural costs (SEK -221 million).

3) According to the group plan published on 19 October 2005, excluding the write-down of Bankhall goodwill (SEK -1,135 million) and structural costs (SEK -60 million as per Dec. 2005 and SEK -45 million as per Sept. 2005).

"Today Skandia is presenting a very strong interim report. All divisions and essentially all business segments are making significant contributions to the strong improvement in underlying results. Results are exceeding all of the group's published forecasts - for sales, funds under management, value of new business, underlying IFRS profit and the result of operations according to the embedded value method, and net asset value.

Our excellent result performance further strengthens our conviction that Skandia as a standalone company is a very attractive investment proposition for our shareholders, and one that is set to continue to outperform its peers in delivering strong growth in its business results."

HANS-ERIK ANDERSSON, PRESIDENT AND CEO

Comments by Hans-Erik Andersson, President and CEO:

Today Skandia is presenting a very strong interim report. No matter what result metric you look at, all divisions and essentially all business segments are making significant contributions to the strong result improvement. What's even more gratifying is that we are growing in a controlled manner. Despite strong growth, cash flow is improving at the same time that Skandia is creating value-added both for our customers and our shareholders. Results are exceeding all our recently published forecasts - for sales, funds under management, value of new business, underlying IFRS profit and the result of operations according to the embedded value method, and net asset value. Many of our businesses are reaching critical mass, which is driving our business results: Our mutual funds business is reaching profitability ahead of plan, and the underlying IFRS result beat our forecasts substantially.

Following a prolonged slump and a difficult point of departure, the Swedish operation has made impressive progress through the adaptation of products and its organisation to the customers' needs, which has led to strong growth in new sales for the fourth consecutive quarter and, even more important, to result improvements and a decline in policy conversions to paid-up status. During the fourth quarter we are carrying out additional improvements in our fund offering in the Swedish market. The integration of SkandiaBanken's Internet platform has been carried out. This is now a major portal for Skandia's entire product offering and is considered to be central to the strategic development of our business in the Nordic region.

In the UK, the restructuring of Bankhall has now been carried out through a decision to discontinue certain unprofitable parts of the business. This gave rise to an earnings charge during the third quarter. At the same time, however, the continuing operations, under new management, are positioned well for the current market scenario, and we look forward to improved performance in 2006. In the UK market we have been steadily improving our market position in unit linked assurance for quite some time. New pension product initiatives have been successful, which strengthens our position ahead of coming changes in the pensions market in 2006. The pricing of certain products has been changed, leading to higher profitability and improved capital utilisation. In the offshore businesses, significant, continued sales successes were achieved.

The Europe & Latin America division has developed to become a profitable and increasingly important part of the group at an impressively rapid pace. The division is showing its ability to adapt to difficult and widely shifting market conditions. What's more, we have made important breakthroughs in new markets in a short period of time. The German market is an example of how Skandia has fully capitalised on local market conditions. Like the market in general, the second quarter was very weak for Skandia's German operation. But already a quarter later we

have succeeded in restoring the profitability of new sales to a satisfactory level, and we have good reason to believe in continued improvements. Another example is the successful entry into the French market, which is otherwise dominated by bancassurance. Our adaptation to radically changed market conditions in Italy is yet another example, as was our sales success in Spain. Initiatives in new markets in the Czech Republic and Hungary are being taken in a collaborative effort between Skandia's German and Austrian operations. By virtue of our business concept, this is being done primarily with the help of existing resources and capital.

We have begun the implementation of the Turbo Plan where possible. For instance, the Europe & Latin America division has recently carried out organisational changes in accordance with the proposed measures laid out in the Turbo Plan. As a step in this direction, the Swiss unit is now organisationally a part of the Europe & Latin America division (with result impact starting in 2006), which will strengthen collaboration with Skandia's units in Germany, Austria and Poland in the Central Europe sub-region. Switzerland is a prime example of collaboration in product development and marketing between our various divisions. The new "kapitalpension" product that was developed in Sweden is the prime factor behind the 77% rise in new sales in Switzerland. We hope to proceed with implementing other elements of our plans during the fourth quarter, depending on our ongoing corporate activity, which continues to divert management attention.

In my view, our strong focus on a business model that is unique in many respects is the key explanation for our success. It is in a cohesive business model that we find the industrial logic that enables us to improve and develop shared platforms and further bring down our costs - where we all speak the same business language and can transfer innovations from one market to another. It is this philosophy that is the core of the Turbo Plan. We are now in the process of formalising this project to enable us to report our progress to the shareholders in

a clear manner.

We have long asserted our positive view of Skandia's future, but it has taken time to leave our legacy issues behind us. Step by step we have made our way back on track to success and profitability. Our strengthened position is a result of a concerted and consistently applied strategy, our focus on a well thought out business model, and a management team that is determined to execute our plans. We are delivering on the ambitious targets that we set for ourselves - and exceeding them. This set of results I believe proves that this management team can deliver on its goals, and I am excited by the opportunities ahead for this strong business in the coming year. Our excellent result performance further strengthens our conviction that Skandia as a standalone company is a very attractive investment proposition for our shareholders.

This interim report is presented in four sections:

- A. Group overview
- B. Results per business segment
- C. Results per division
- D. Other tables

#### A. GROUP OVERVIEW

##### Results per business segment

|             | According to IFRS   |      | According to embedded value method |      |                    |      |
|-------------|---------------------|------|------------------------------------|------|--------------------|------|
|             | Result before tax1) |      | Result of operations2)             |      | Operating result2) |      |
|             | 2005                | 2004 | 2005                               | 2004 | 2005               | 2004 |
| SEK million | Q3                  | Q3   | Q3                                 | Q3   | Q3                 | Q3   |

|                       |      |      |       |      |       |      |
|-----------------------|------|------|-------|------|-------|------|
| Unit linked assurance | 511  | 368  | 1,049 | 851  | 2,401 | 791  |
| Mutual funds          | 20   | -2   | 20    | -2   | 20    | -2   |
| Life assurance        | -4   | -40  | -4    | -43  | -15   | -43  |
| Banking               | 149  | 108  | 149   | 108  | 149   | 108  |
| Other businesses3)    | -103 | 3    | -103  | 3    | -103  | 3    |
| Joint functions 4)    | -175 | -202 | -175  | -202 | -175  | -202 |
| Total                 | 398  | 235  | 936   | 715  | 2,277 | 655  |

| SEK million           | According to IFRS   |                | According to embedded value method |                |                    |                |
|-----------------------|---------------------|----------------|------------------------------------|----------------|--------------------|----------------|
|                       | Result before tax1) |                | Result of operations2)             |                | Operating result2) |                |
|                       | 2005<br>9 mos.      | 2004<br>9 mos. | 2005<br>9 mos.                     | 2004<br>9 mos. | 2005<br>9 mos.     | 2004<br>9 mos. |
| Unit linked assurance | 1,406               | 862            | 3,369                              | 2,711          | 5,994              | 2,896          |
| Mutual funds          | -9                  | -88            | -9                                 | -88            | -9                 | -88            |
| Life assurance        | -7                  | 5              | -9                                 | -6             | -15                | -6             |
| Banking               | 297                 | 316            | 297                                | 316            | 297                | 316            |
| Other businesses3)    | -1,213              | -1             | -1,213                             | -1             | -1,213             | -1             |
| 5)                    |                     |                |                                    |                |                    |                |
| Joint functions 4)    | -648                | -525           | -648                               | -525           | -648               | -525           |
| Total                 | -174                | 569            | 1,787                              | 2,407          | 4,406              | 2,592          |

Results per division

| SEK million                   | According to IFRS   |      | According to embedded value method |      |                    |      |
|-------------------------------|---------------------|------|------------------------------------|------|--------------------|------|
|                               | Result before tax1) |      | Result of operations2)             |      | Operating result2) |      |
|                               | 2005                | 2004 | 2005                               | 2004 | 2005               | 2004 |
|                               | Q3                  | Q3   | Q3                                 | Q3   | Q3                 | Q3   |
| UK, Asia Pacific & Offshore3) | 185                 | 200  | 404                                | 424  | 992                | 482  |
| Europe & Latin America        | 79                  | -13  | 231                                | 212  | 328                | 217  |
| Nordic Group                  | 410                 | 214  | 577                                | 245  | 1,233              | 122  |
| functions6)                   | -276                | -166 | -276                               | -166 | -276               | -166 |
| Total                         | 398                 | 235  | 936                                | 715  | 2,277              | 655  |

| SEK million                   | According to IFRS   |        | According to embedded value method |        |                    |        |
|-------------------------------|---------------------|--------|------------------------------------|--------|--------------------|--------|
|                               | Result before tax1) |        | Result of operations2)             |        | Operating result2) |        |
|                               | 2005                | 2004   | 2005                               | 2004   | 2005               | 2004   |
|                               | 9 mos.              | 9 mos. | 9 mos.                             | 9 mos. | 9 mos.             | 9 mos. |
| UK, Asia Pacific & Offshore3) | -637                | 342    | 163                                | 1,225  | 1,098              | 1,337  |
| Europe & Latin America        | 297                 | 32     | 1,075                              | 650    | 1,299              | 648    |
| Nordic Group                  | 908                 | 608    | 1,291                              | 945    | 2,751              | 1,020  |
| functions6)                   | -742                | -413   | -742                               | -413   | -742               | -413   |

|       |      |     |       |       |       |       |
|-------|------|-----|-------|-------|-------|-------|
| Total | -174 | 569 | 1,787 | 2,407 | 4,406 | 2,592 |
|-------|------|-----|-------|-------|-------|-------|

1) Excluding result of discontinued operations, totalling SEK -485 million as per Sept. 2005, SEK 833 million as per Sept. 2004, SEK -14 million as per Q3 2005, and SEK 1 million as per Q3 2004.

2) For definitions please see page 27.

3) Including restructuring costs for Bankhall, totalling SEK -92 million as per Sept. 2005, SEK 0 million as per Sept. 2004, SEK -81 million as per Q3 2005 and SEK 0 million as per Q3 2004.

4) Joint functions include joint-group expenses, costs for the divisions that are not distributed among the business segments, and joint-group financial result.

5) Includes write-down of Bankhall goodwill, totalling SEK -1,135 million (-) as per Sept. 2005.

6) Group functions include joint-group expenses, joint-group financial result and unallocated result for business segments.

Third quarter alone

Result according to IFRS

Profit for the period (excluding discontinued operations) was SEK 346 million (313), and profit before tax was SEK 398 million (235). The result improvement can be credited to a continued strong net inflow and a 41% rise in funds under management during the last twelve-month period. The earnings base, which consists largely of fees from customers, has thereby improved, entailing a 16% rise in revenues, to SEK 4,238 million (3,653).

Expenses increased at a slower pace, by 12%, to SEK -3,840 million (-3 418). The net cost for sales commissions increased by 22% in Swedish

kronor, to SEK -1,615 million (-1,328), which is associated with the strong sales growth. Administrative expenses rose 15%, to SEK -1,929 million (-1,672). Administrative expenses were negatively affected by higher structural costs and restructuring costs for Bankhall, mainly stemming from the decision to discontinue the unprofitable IFA business conducted under own management. Including these restructuring costs, Bankhall's result was SEK -106 million (-3).

Substantial result improvements were achieved in both unit linked assurance and the banking operation. A positive result of SEK 20 million (-2) was achieved for mutual fund savings products.

Joint-group expenses were charged with higher structural costs, totalling SEK -119 million (-22), mainly associated with the ongoing bid process. Joint functions were positively affected during the third quarter in the amount of approximately SEK 60 million by a better than anticipated outcome for the distribution agreement with Skandia Liv. Earnings per share before dilution were SEK 0.33 (0.32).

Result according to embedded value method

The operating result was SEK 2,277 million (655). Financial effects in unit linked assurance made a positive contribution of SEK 1,352 million (-60), which was associated with fund growth that exceeded underlying assumptions due to continued strong equity markets. The result of operations improved to SEK 936 million (715). Most business areas showed result improvements, with the greatest gains in unit linked assurance.

The calculated profit margin for new sales of unit linked assurance was 17.3%, compared with 14.9% for the second quarter of 2005. The profit margin improved for both the Nordic and UK, Asia Pacific & Offshore divisions compared with the third quarter of 2004. The profit margin for the Europe & Latin America division narrowed due to changed market conditions and a related drop in new sales in Germany. This explains the slight decline in the group's profit margin for the third quarter of

2004, which was 18.3%. However, the profit margin in Germany has risen sharply compared with the second quarter of 2005. The improvement is expected to continue during the fourth quarter.

Skandia's total premiums and deposits rose 34% during the third quarter to SEK 32,433 million, compared with SEK 24,120 million during the same period a year ago. All divisions are contributing to the increase, including a 22% rise in premiums and deposits for the UK, Asia Pacific & Offshore division, a 72% rise for the Europe & Latin America division, and a 29% rise for the Nordic division (all in local currency). Unit linked assurance premiums written increased by 32% in local currency, to SEK 22,790 million (17,146). New sales of unit linked assurance rose 27% in local currency.

#### Nine-month summary

##### Result according to IFRS

The result before tax was SEK -174 million (569), including the SEK -1,135 million (-) write-down of Bankhall goodwill. Result improvements have been achieved primarily in the unit linked assurance business segment, where the result increased by 63%. The result also improved for mutual fund business.

##### Revenues

Total revenues rose 15% to SEK 12,067 million (10,472). Of this total, fees from customers accounted for SEK 8,557 million (6,756), which entails an increase of 27% compared with the same period a year ago. The trend from the first half of the year continues, and a steadily rising net inflow of funds under management, together with growth in the value of funds, has led to higher fund-based fees from both unit linked assurance and mutual fund savings products. Premium-based fees in unit linked assurance have risen by 29%. Premium-

based fees, and in certain countries also fund-based fees, are sometimes charged during the initial years of a contract's term. These fees are deferred and recognised over the entire life of the respective contracts.

The increase primarily in premium-based fee revenue also entails an increase in deferred fee income. Premiums attributable to risk insurance rose 7%, to SEK 2,203 million (2,053). Net investment income increased to SEK 1,184 million (1,000). The increase is mainly attributable to higher returns in life assurance stemming from lower interest rates and higher returns on own investments. Revenues in the banking operation also rose slightly.

#### Expenses

Expenses excluding the goodwill write-down rose 12% to SEK -11,106 million (-9,903). Claims incurred in life assurance and risk insurance were roughly at the same level as a year ago. Due to higher new sales of unit linked assurance and an increase in deposits in mutual funds, commissions rose 18% to SEK -4,529 (-3,853). As a consequence of this, the change in deferred acquisition costs and accrued commission expense increased to SEK 1,676 million (1,532).

Despite the strong increase in sales and certain one-time costs, administrative expenses rose by only 9%. Administrative expenses include a provision of SEK -158 million for Value Added Tax. They also include higher structural costs, totalling SEK -143 million, consisting mainly of costs associated with the ongoing bid process, and restructuring costs in Bankhall, totalling SEK -92 million. Excluding these costs, administrative expenses were essentially unchanged, which can be credited to strict cost control in all divisions.

Result for the period

The result for the period was SEK -715 million (1,603). This figure includes SEK -485 million (833) pertaining to discontinued operations and a goodwill write-down of SEK -1,135 million (-) pertaining to Bankhall. The amount pertaining to discontinued operations includes a net charge of SEK -521 million for market timing sanctions in the USA and supplemental proceeds of SEK 36 million from the sale of Skandia Asset Management. Profit for the preceding year was favourably affected in the amount of SEK 833 million for the sale of the Japanese operation. The underlying return on shareholders' equity increased to 12% (8%). A policyholder tax is charged to policyholders in the form of fees. In the company's income statement this is reported under "Policyholder tax charge". The group's combined tax charge, including the policyholder tax, increased to SEK -1,835 million (-594). The increase is attributable to higher policyholder taxes in the UK.

#### Balance sheet and shareholders' equity

Total assets increased to SEK 518.3 billion, compared with SEK 407.8 billion at the start of the year, mainly due to an increase in unit linked assets, growth in the value of other investments, and continued volume growth in the banking operation.

Shareholders' equity amounted to SEK 11,982 million, compared with SEK 12,384 million at the start of the year. Borrowings, including financial reinsurance, decreased from SEK 4.0 billion at the start of the year to SEK 3.8 billion. The debt-equity ratio, including financial reinsurance, has improved and is now 19%, compared with 21% at the start of the year. According to IFRS, certain fund holdings may need to be consolidated, even though all assets belong to the holders of the fund units. On account of this, the funds' holdings of shares in Skandia Insurance Company Ltd (publ.) are reported as treasury shares, which have been eliminated against shareholders' equity. This adjustment reduced shareholders' equity as per 30 September 2005 by SEK 210 million, even though no economic exposure exists. The corresponding adjustment at the

start of the year was SEK 504 million. Skandia continues to monitor the development of industry practice with regard to this matter.

The group's outstanding defined benefit pension plan obligations are recalculated to new assumptions at the end of each year. In the second-quarter interim report for 2005, it was noted that the effect on shareholders' equity could be negative in the amount of SEK 70-100 million if the current discount rate, return on plan assets and inflation anticipations remained at year-end. A revision of this data to current levels indicates that there will be no significant effect on shareholders' equity.

#### Cash flow

Cash flow from operating activities, excluding changes in deposits and lending in the banking operation, amounted to SEK -0.1 billion (-1.8). Cash flow from operating activities during the third quarter showed an improvement compared with the preceding quarter. This is mainly because funds under management have now attained such size that fees from customers are rising at a faster pace than expenses. Cash flow from operating activities in 2005 has been negatively affected in the amount of approximately SEK -0.1 billion per quarter due to a decrease in financial reinsurance liabilities. Cash flow from operating activities in 2004 was negatively affected in the amount of SEK -0.8 billion by the cash settlement of a distribution agreement with Skandia Liv. Cash flow from investing activities amounted to SEK 1.0 billion (3.2). Cash flow from investing activities in the preceding year was favourably affected in the amount of SEK 1.2 billion by the sale of the Japanese operation, and in the amount of SEK 4.5 billion from the sale of If.

#### Disputes

As reported in the half-year report, Skandia has approved a settlement by American Skandia with the US Securities Exchange Commission and the New York Attorney General's Office totalling USD 95 million for market timing. The parties are still awaiting the drafting of final agreement

documentation and approval by the SEC's board. Skandia has made a provision of SEK -507 million, net after tax and currency hedging, with respect to this settlement

In the first-quarter interim report for 2005, Skandia reported that the National Tax Board has questioned Skandia's treatment of Value Added Taxes on services pertaining to the operation of the group's IT environment. Skandia has now filed an appeal of the advance ruling by the Council on Advance Tax Rulings referred to in the report. A ruling is expected in 2006. As stated in the half-year report, a provision of SEK -158 million has been made for reasons of prudence.

As stated in the half-year report, a consumer organisation in Austria, Verein für Konsumenteninformation ("VKI"), has filed suit against Skandia's subsidiary in Austria, Skandia Leben AG, as well as against several other insurance companies in the Austrian market. VKI has petitioned the court to rule that the general terms and conditions of insurance contracts used by Skandia Leben and the other insurance companies do not contain sufficiently clear stipulations on the calculation of fees and costs. Skandia and the other insurance companies are aggressively contesting VKI's suit. At present it is not possible to judge what financial impact this dispute could have on Skandia Leben, however, it could be material. No provision has been made for this dispute. A ruling is expected in 2006.

The status of other disputes is discussed in the 2004 Annual Report and 2004 year-end report. Aside from what has been already indicated, no material changes have taken place which give rise to any changes in these descriptions. Disputes stemming from historic events are being handled by Björn Björnsson, Vice Chairman of Skandia, on behalf of Skandia's board.

Premiums and deposits

Skandia's total premiums and deposits increased to SEK 92,307 million (72,862) during the first nine months of the year. This represents an increase of 27% in Swedish kronor and 26% in local currency. For unit linked assurance, premiums and deposits rose 30% in local currency, to SEK 64,286 million (49,713). New sales of unit linked assurance increased by 22% in local currency, to SEK 8,547 million (7,009).

Mutual fund deposits increased to SEK 26,122 million (21,633). Premiums and deposits in other operations have increased, mainly pertaining to the expansion in France, where customers can also choose external traditional life funds in addition to unit linked funds in one and the same product. The traditional life part of this business is reported under "Other", since an external party stands for the management and guarantee. A divisional breakdown of performance is commented on in a separate section.

#### Funds under management

Unit linked funds under management continued to develop favourably and increased by 33%, to SEK 392,433 million, compared with SEK 295,473 million at the start of the year. Deposits, together with changes in value, amounted to SEK 114,236 million. Currency effects amounted to SEK 15,870 million. Payments to unit linked policyholders amounted to 12.0% of funds under management on a yearly basis. Surrenders accounted for 10.2% of this total, compared with 7.3% at the start of the year and 7.4% during the corresponding period a year ago. The increase in surrenders is mainly associated with customers' shifts in their savings in connection with changes in legislation.

Funds under management for mutual fund business also increased, to SEK 133,182 million, compared with SEK 98,344 million at the start of the year. Deposits, together with changes in the value, amounted to SEK 35,908 million.

#### Turbo Plan

The Turbo Plan efficiency improvement programme has moved further towards full-scale implementation. A Project Office is being established. A proposal will be put to the Compensation Committee to link compensation of key staff and management to achieve the Turbo Plan. Measurement metrics are being developed to enable accurate follow-up of progress for compensation and external reporting purposes. External parties are being sought to aid implementation.

Implementation of many aspects of the plan is already under way. In the Europe & Latin America division, a structural reorganisation has been rolled out to implement the Turbo Plan philosophy of leveraging internal synergies across a division. The IT, Investment Management, Finance, HR and Legal functions are to be consolidated across the division, while Switzerland will join the Central Europe sub-region as from 2006.

Treasury savings have already been achieved, with SEK 40 million calculated to have been saved since July 2005 for the benefit of both policyholders and earnings. This has been achieved through the centralisation of treasury activities in Stockholm compared with the pricing of transactions at the local subsidiary level.

With the publication of Skandia's year-end results in February 2006, providing corporate activity has ended, we will present in more detail our approach to reporting on the Turbo Plan and the implementation of this project. We estimate that we are less than six months delayed compared to our plans as a result of corporate activity.

#### Consolidated income statement

| SEK million | Note | 2005<br>9 mos. | 2004<br>9 mos. | 2004<br>12 mos. |
|-------------|------|----------------|----------------|-----------------|
| REVENUE     |      |                |                |                 |
| Fee income  |      | 8,557          | 6,756          | 9,182           |
| Change in   |      |                |                |                 |

|  |   |        |        |        |
|--|---|--------|--------|--------|
| deferred fee<br>income (DFI)<br>and fee income<br>receivable<br>(FIR)                    |   | -1,077 | -603   | -869   |
| Net premiums<br>earned   |   | 2,203  | 2,053  | 2,978  |
| Net investment<br>income   |   | 1,184  | 1,000  | 1,424  |
| Net interest<br>income,<br>banking   |   | 798    | 751    | 1,021  |
| Share of<br>profit/loss of<br>associates   |   | -3     | -4     | -3     |
| Other income   |   | 405    | 519    | 693    |
| Total revenue  |   | 12,067 | 10,472 | 14,426 |
| EXPENSES   |   |        |        |        |
| Net claims<br>incurred   |   | -2,098 | -1,959 | -3,138 |
| Commission<br>expenses   |   | -4,529 | -3,853 | -5,707 |
| Change in deferred<br>acquisition costs (DAC) and<br>accrued commission expense<br>(ACE) |   | 1,676  | 1,532  | 2,416  |
| Administrative<br>expenses   | 1 | -5,511 | -5,073 | -7,352 |
| Other expenses   |   | -377   | -277   | -367   |
| Write-down of<br>goodwill  | 2 | -1,135 | -      | -1,092 |
| Financing<br>costs   |   | -267   | -273   | -373   |

|   |   |         |        |         |
|---|---|---------|--------|---------|
| Total expenses  |   | -12,241 | -9,903 | -15,613 |
| Profit/loss<br>before tax   |   | -174    | 569    | -1,187  |
| Policyholder<br>tax charge  |   | 1,779   | 795    | 1,409   |
| Taxes   | 3 | -1,835  | -594   | -859    |
| Profit/loss<br>for the period<br>from<br>continuing<br>operations   |   | -230    | 770    | -637    |
| Profit/loss<br>for the period<br>from<br>discontinued<br>operations | 4 | -485    | 833    | 834     |
| Profit/loss<br>for the period                                       |   | -715    | 1,603  | 197     |
| Attributable<br>to:   |   |         |        |         |
| Equity holders<br>of the parent<br>company                          |   | -722    | 1,618  | 249     |
| Minority<br>interest  |   | 7       | -15    | -52     |
| Earnings per<br>share *):   |   |         |        |         |
| Continuing and  |   |         |        |         |

|  |           |           |           |
|--|-----------|-----------|-----------|
| discontinued operations                      |           |           |           |
| Basic  | -0.70     | 1.58      | 0.24      |
| Diluted                                      | -0.70     | 1.57      | 0.24      |
| Continuing operations                        |           |           |           |
| Basic  | -0.23     | 0.77      | -0.57     |
| Diluted                                      | -0.23     | 0.76      | -0.57     |
| Discontinued operations                      |           |           |           |
| Basic  | -0.47     | 0.81      | 0.81      |
| Diluted                                      | -0.47     | 0.81      | 0.81      |
| Weighted number of shares, thousands*)       |           |           |           |
| Basic  | 1,024,614 | 1,024,002 | 1,024,052 |
| Diluted                                      | 1,030,375 | 1,028,941 | 1,028,636 |
| Number of shares, end of period, thousands*) |           |           |           |
| Basic  | 1,025,041 | 1,024,218 | 1,024,250 |
| Diluted                                      | 1,030,802 | 1,029,157 | 1,028,835 |

\*)For definitions please see page 27.

|                            |  |        |        |
|----------------------------|--|--------|--------|
| 1) Administrative expenses |  |        |        |
| Personnel expenses         |  | -2,930 | -2,743 |
|                            |  |        | -3,775 |

|   |        |        |        |
|---|--------|--------|--------|
| Other administrative expenses   | -2,928 | -2,491 | -3,751 |
| Depreciation  | -212   | -173   | -310   |
| Expense recharges   | 559    | 334    | 484    |
| Total   | -5,511 | -5,073 | -7,352 |
| 2) Includes a write-down of goodwill in Bankhall, totalling SEK -1,135 (-) million as per Sept. 2005 and SEK -1,072 million as per Dec. 2004. |        |        |        |
| 3) Includes current, deferred and policyholder tax.   |        |        |        |
| 4) Profit/loss for the period from discontinued operations  |        |        |        |
| American Skandia market timing *  | -521   | -      | -      |
| Skandia Asset Management (SAM) supplementary purchase price   | 36     | -      | -      |
| Skandia Japan   | -      | 833    | 834    |
| Total   | -485   | 833    | 834    |
| * Of which: Settlement of market timing investigation   | -673   |        |        |
| Legal costs pertaining to market timing   | -36    |        |        |
| Profit/loss before tax  | -709   |        |        |
| Deferred tax pertaining to market timing  | 188    |        |        |
| Profit/loss after tax   | -521   |        |        |

Consolidated income statement - quarterly analysis

| SEK million | 2005<br>Q3 | 2005<br>Q2 | 2005<br>Q1 | 2004<br>Q4 | 2004<br>Q3 |
|-------------|------------|------------|------------|------------|------------|
|-------------|------------|------------|------------|------------|------------|

REVENUE

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Fee income  | 3,221 | 2,708 | 2,628 | 2,427 | 2,333 |
| Change in deferred fee income (DFI) and fee income receivable (FIR) | -414  | -339  | -324  | -266  | -181  |
| Net premiums earned   | 729   | 775   | 699   | 925   | 700   |
| Net investment income   | 314   | 510   | 360   | 426   | 367   |
| Net interest income, banking  | 237   | 304   | 257   | 267   | 257   |
| Share of profit/loss of associates                                  | -4    | -1    | 2     | 0     | -1    |
| Other income  | 155   | 116   | 134   | 174   | 178   |
| Total revenue   | 4,238 | 4,073 | 3,756 | 3,953 | 3,653 |

EXPENSES

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Net claims incurred   | -626   | -887   | -585   | -1,180 | -760   |
| Commission expenses   | -1,615 | -1,541 | -1,373 | -1,854 | -1,328 |
| Change in deferred acquisition costs (DAC) and accrued commission expense (ACE) | 564    | 578    | 534    | 885    | 532    |

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Administrative expenses                                 | -1,929 | -1,829 | -1,753 | -2,278 | -1,672 |
| Other expenses  | -142   | -124   | -111   | -89    | -105   |
| Write-down of goodwill                                  | -      | -1,135 | -      | -1,092 | -      |
| Interest expenses                                       | -92    | -93    | -82    | -100   | -85    |
| Total expenses  | -3,840 | -5,031 | -3,370 | -5,708 | -3,418 |
| Profit/loss before tax                                  | 398    | -958   | 386    | -1,755 | 235    |
| Policyholder tax charge                                 | 787    | 356    | 636    | 615    | 153    |
| Taxes   | -839   | -397   | -599   | -266   | -75    |
| Profit/loss for the period from continuing operations   | 346    | -999   | 423    | -1,406 | 313    |
| Profit/loss for the period from discontinued operations | -14    | -471   | -      | 0      | 1      |
| Profit/loss for the period                              | 332    | -1,470 | 423    | -1,406 | 314    |
| Attributable to:  |        |        |        |        |        |
| Equity holders of the parent                            | 329    | -1,472 | 421    | -1,369 | 327    |
| Minority  |        |        |        |        |        |

|          |   |   |   |     |     |
|----------|---|---|---|-----|-----|
| interest | 3 | 2 | 2 | -37 | -13 |
|----------|---|---|---|-----|-----|

Earnings per share:

Continuing and discontinued operations

|         |      |       |      |       |      |
|---------|------|-------|------|-------|------|
| Basic   | 0.33 | -1.44 | 0.41 | -1.34 | 0.32 |
| Diluted | 0.32 | -1.44 | 0.41 | -1.34 | 0.32 |

Continuing operations

|         |      |       |      |       |      |
|---------|------|-------|------|-------|------|
| Basic   | 0.34 | -0.98 | 0.41 | -1.34 | 0.32 |
| Diluted | 0.33 | -0.98 | 0.41 | -1.34 | 0.32 |

Per-share data 1)

|  | 2005   | 2004   | 2004    | Moving<br>12-month<br>figures<br>2005 |
|--|--------|--------|---------|---------------------------------------|
|  | 9 mos. | 9 mos. | 12 mos. | Sept.                                 |
| Result of operations per share (EV) before dilution, SEK | 1.72   | 2.36   | 1.11    | 0.47                                  |
| Earnings per share before dilution                       | -0.23  | 0.77   | -0.57   | -1.57                                 |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| (IFRS), SEK<br>2)<br>Earnings per<br>share after<br>dilution<br>(IFRS), SEK<br>2) | -0.23 | 0.76  | -0.57 | -1.57 |
| Shareholders'<br>equity per<br>share (IFRS),<br>SEK                               | 11.80 | 13.93 | 12.51 | 11.80 |
| Net asset<br>value per<br>share (EV),<br>SEK                                      | 32.54 | 30.56 | 29.44 | 32.54 |
| Average share<br>price, SEK   | 38.80 | 30.09 | 29.77 | 36.28 |
| Closing share<br>price, SEK   | 40.40 | 28.80 | 33.10 | 40.40 |

Key ratios, IFRS 1)

|  | 2005   | 2004   | 2004    | Moving<br>12-month<br>figures<br>2005 |
|--|--------|--------|---------|---------------------------------------|
|  | 9 mos. | 9 mos. | 12 mos. | Sept.                                 |
| Return on<br>shareholders'<br>equity<br>(IFRS), % 3) | -3     | 8      | -4      | -12                                   |

|  |    |    |    |    |
|--|----|----|----|----|
| Return on capital employed (IFRS), % 3)                | -1 | 6  | -3 | -9 |
| Debt-equity ratio, %                                   | 19 | 22 | 21 | 19 |
| Fixed charge cover, %                                  | 8  | 4  | 1  | 3  |
| Equity ratio, %  | 11 | 14 | 13 | 11 |
| Underlying return on shareholders' equity (IFRS), % 3) | 12 | 8  | 5  | 8  |
| Underlying return on capital employed (IFRS), % 3)     | 10 | 7  | 4  | 7  |

Key ratios, embedded value method 1)

|                                | 2005   | 2004   | 2004    | Moving 12-month figures 2005 |
|--------------------------------|--------|--------|---------|------------------------------|
|                                | 9 mos. | 9 mos. | 12 mos. | Sept.                        |
| Present value of new business, | 1,587  | 1,228  | 1,870   | -                            |

|   |      |      |      |      |
|---|------|------|------|------|
| unit linked,<br>SEK million   |      |      |      |      |
| Growth in<br>present value<br>of new<br>business,<br>unit linked,<br>%4)    | 29   | n.a. | 11   | n.a. |
| Profit margin<br>new sales,<br>unit linked,<br>%                            | 18.6 | 17.5 | 18.8 | -    |
| Operational<br>return on<br>capital<br>employed<br>(EV), % 3)               | 5    | 7    | 3    | 1    |
| Operational<br>return on net<br>asset value<br>(EV), % 3)                   | 5    | 7    | 3    | 1    |
| Return on net<br>asset value<br>(EV), % 3)                                  | 13   | 8    | 3    | 7    |
| Underlying<br>operational<br>return on<br>capital<br>employed<br>(EV), % 3) | 9    | 7    | 5    | 7    |
| Underlying<br>operational<br>return on net<br>asset value                   | 10   | 8    | 6    | 7    |

|               |    |   |   |    |
|---------------|----|---|---|----|
| (EV), % 3)    |    |   |   |    |
| Underlying    |    |   |   |    |
| return on net | 18 | 8 | 7 | 15 |
| asset value   |    |   |   |    |
| (EV), % 3)    |    |   |   |    |

Solvency 1)

|                 | Parent company |         | Group    |         |
|-----------------|----------------|---------|----------|---------|
|                 | 2005           | 2004    | 2005     | 2004    |
| SEK million     | 30 Sept.       | 31 Dec. | 30 Sept. | 31 Dec. |
| Capital base    | 8,002          | 7,651   | 18,459   | 20,505  |
| Solvency margin | 689            | 604     | 3,992    | 3,540   |

1) For definitions please see page 27.

2) Key ratios are calculated excluding discontinued operations.

3) The 9-month key ratios for 2005 and 2004 have been recalculated on a full-year basis.

4) Growth in the present value of new business for 9 months 2005 includes a positive one-time effect of SEK 200 million from the German operation.

B. results per business segment

Result according to IFRS

Unit linked assurance

Profit before tax increased to SEK 1,406 million (862). The improvement can be credited to continued large gains in the most important revenue source - customer fees, at the same time that administrative expenses are being kept under control. Revenues in the form of fees - both premium- and fund-based - rose 24%, to SEK 6,219 million (5,034). All divisions are contributing to the increase in both premium- and fund-based revenues. The largest rise in fee revenue, 40%, was noted in the Europe & Latin America division. Improved net investment income and slightly higher premium income for risk components in unit linked assurance also contributed to the revenue increase.

In association with the 22% rise in new sales, commission expenses also rose. These amounted to SEK -3,935 million (-3,372), an increase of 17%. Administrative expenses rose 7%, to SEK -2,337 million (-2,179).

#### Mutual funds

A continued result improvement was reported for mutual fund business. The result before tax was SEK -9 million (-88). Revenues - mainly in the form of fund-based fees - increased by 48% to SEK 1,666 million (1,127). This is due to the 45% rise in funds under management during the last twelve-month period. Commission expenses rose 28%, to SEK -630 million (-492). Administrative expenses rose 11%, to SEK -776 million (-700).

The result has improved in most businesses in pace with growth in the value of funds under management and the achievement of critical mass.

#### Life assurance

Life assurance premium revenue continued to decline, to SEK 656 million (691). The decrease is mainly attributable to Spain, where operations have now been focused more on unit linked assurance. Investment income increased to SEK 511 million (437), mainly due to higher interest income

and positive changes in value. The result before tax was SEK -7 million (5). Volume increases for life business in Colombia, together with higher investment returns, led to a slight rise in assets under management, which totalled SEK 11,926 million (11,699).

#### Banking

Profit was SEK 297 million (316). Excluding one-time items, profit improved by 26%, to SEK 273 million (216). Profit for the corresponding period a year ago was favourably affected in the amount of approximately SEK 100 million by a number of one-time items, mainly capitalisation of compensation for vehicle financing contracts and repayment of Value Added Tax. Profit for the year was also affected by certain one-time items - mainly a capital gain of SEK 23 million from the sale of 49% of the shares in Lärarfonder AB. The profit improvement is attributable above all to an increase in net interest income derived from higher business volumes.

SkandiaBanken uses interest rate derivatives to reduce interest rate risk in parts of its lending portfolio. The net effect of this hedge accounting resulted in a positive effect of SEK 17 million on third-quarter profit, while profit for the second quarter was negatively affected by SEK -17 million.

Excluding one-time items, operating revenues rose 10%, to SEK 1,064 million (969). Operating expenses, excluding loan losses, increased by 4% to SEK -773 million (-741). The increase pertains mainly to marketing costs.

The share of net doubtful debts in relation to lending volume is 0.09%, compared with 0.08% as per 31 December 2004.

Lending to the general public increased by 14%, to SEK 40.2 billion, compared with SEK 35.4 billion at the start of the year. The greatest

increase was for mortgage loans, totalling SEK 3.6 billion, of which Norway accounted for about half of the increase. Deposits increased by 16% compared with the start of the year, to SEK 46.9 billion. SkandiaBanken's customer base has increased by 36,000 since the start of the year, to 877,000.

#### Other businesses

The "Other businesses" segment includes Bankhall and the Private Healthcare & Group business in the Nordic division. Bankhall reported an operating loss of SEK -124 million (1), mainly due to restructuring costs. In addition, the result was also negatively affected by the write-down of goodwill by SEK -1,135 million (-). For further commentary on Bankhall, see the UK, Asia Pacific & Offshore section.

Profit for Skandia's Private Healthcare & Group business improved to SEK 56 million (11). For comments, see the Nordic section.

#### Joint functions

Joint functions include joint-group expenses, costs for the divisions that are not distributed among the product segments, and the joint-group financial result. The group's management expenses, excluding a provision for Value Added Tax, decreased to SEK -336 million (-446). Structural costs increased to SEK -221 million (-78), mainly due to costs associated with the bid process. Joint functions were positively affected during the third quarter in the amount of approximately SEK 60 million by a better than expected outcome for the distribution agreement with Skandia Liv. Currency effects had a negative result impact.

#### Result before tax - Joint functions

| SEK million | 2005<br>9 mos. | 2004<br>9 mos. |
|-------------|----------------|----------------|
|-------------|----------------|----------------|

|                                 |      |      |
|---------------------------------|------|------|
| Joint-group management expenses | -494 | -446 |
| of which provision for VAT      | -158 | -    |
| Structural costs                | -221 | -78  |
| Joint functions in Sweden       | 100  | -101 |
| Joint-group financial result    | -33  | 100  |
| Total                           | -648 | -525 |

Income statement - business segments

| Other            |      | Unit linked |      | Mutual funds |      | Life assurance |      | Banking |      |      |
|------------------|------|-------------|------|--------------|------|----------------|------|---------|------|------|
| Joint businesses |      | functions   |      | assurances   |      | Total          |      |         |      |      |
| 2004             | 2005 | 2004        | 2005 | 2005         | 2004 | 2005           | 2004 | 2005    | 2004 | 2005 |
| 9                | 9    | 9           | 9    | 9            | 9    | 9              | 9    | 9       | 9    | 9    |
| mos.             | mos. | mos.        | mos. | mos.         | mos. | mos.           | mos. | mos.    | mos. | mos. |

REVENUE







on fund growth and interest rates, and to changes in financial assumptions.

The group's result of operations (operating result excluding financial effects) was SEK 1,787 million (2,407). Excluding the goodwill write-down, the result improved to SEK 2,922 million (2,407). The result of operations for unit linked assurance improved for all divisions, to SEK 3,369 million (2,711). The underlying operational return on net asset value was 10% (8%).

Trading analysis, unit linked assurance, according to the embedded value method

| SEK million  | 2005<br>9 mos. | 2004<br>9 mos. | 2004<br>12 mos. |
|--|----------------|----------------|-----------------|
| Total annualised new sales 1)                                | 8,547          | 7,009          | 9,951           |
| Present value of new business for the year                   | 1,587          | 1,228          | 1,870           |
| Return on value of contracts in force from previous years 2) | 1,708          | 1,546          | 2,114           |
| Outcome compared with operative assumptions                  | -109           | -232           | -382            |
| Change in operative assumptions                              | 251            | 210            | -295            |
| Value-added from operations                                  | 3,437          | 2,752          | 3,307           |

|   |       |       |       |
|---|-------|-------|-------|
| Business start-ups and other overheads 3)   | -52   | -44   | -80   |
| Restructuring costs                         | -16   | 3     | -47   |
| Result of operations, unit linked assurance | 3,369 | 2,711 | 3,180 |
| Financial effects 4)                        | 2,625 | 185   | 700   |
| Operating result, unit linked assurance     | 5,994 | 2,896 | 3,880 |
| Profit margin, new sales 5)                 | 18.6% | 17.5% | 18.8% |

1) Periodic premiums recalculated to full-year figures plus 1/10 of single premiums during the period.

2) Of which, financing costs SEK -45 million as per Sept. 2005, SEK -31 million as per Sept. 2004 and SEK -41 million as per Dec. 2004.

3) Value of business in force (VBIF) is not calculated on Business start-ups and other overheads.

4) The effect on embedded value attributable to the fact that the change in the financial markets differs from the assumptions on fund growth and interest rate levels.

5) Present value of new business for the year in relation to total annualised new sales.

Trading analysis, unit linked assurance

Operating result

The operating result was SEK 5,994 million (2,896). The stock market

trend - primarily in Sweden and the UK - contributed to a strong increase in financial effects during the first nine months of the year, which totalled SEK 2,625 million (185).

#### Result of operations

The result of operations, which consists of the operating result excluding financial effects for unit linked assurance, increased to SEK 3,369 million (2,711). All divisions contributed to the increase in the result of operations. As previously reported, the first quarter of the year was favourably affected by the high level of new sales in Germany stemming from a change in tax legislation at year-end 2004.

The result of operations for the third quarter amounted to SEK 1,049 million, compared with SEK 851 million in the same quarter a year ago.

The result of operations consists primarily of the following components:

#### Present value of new business for the period

The present value of new business (VNB) increased to SEK 1,587 million (1,228). VNB increased in all divisions. VNB for the third quarter was SEK 505 million, compared with SEK 416 million for the corresponding period a year ago.

During the first quarter of 2005, VNB experienced a positive one-time effect of approximately SEK 200 million from strong new sales in Germany in late 2004/early 2005. Changed market conditions in Germany led to a share decline in VNB during the second quarter in Germany. During the third quarter a recovery took place in Germany. This, together with favourable development in other European countries, led to an increase in VNB for the Europe & Latin America division during the third quarter

compared with the second quarter.

VNB for the Nordic division increased by 32%, to SEK 412 million (311). The rate of growth has accelerated gradually during the course of the year compared with a year earlier. In the UK, Asia Pacific & Offshore division, Royal Skandia is making the largest contribution to VNB, which rose by a total of 37%, to SEK 698 million (510).

Profit margin, new sales

The calculated profit margin for the first nine months of the year increased to 18.6% (17.5%). The profit margin improved compared with a year ago most notably for the Nordic division, but also for the UK, Asia Pacific & Offshore division.

During the third quarter, the profit margin for the group fell to 17.3%, compared with 18.3% for the same quarter a year ago. The profit margin for the Europe & Latin America division was affected by a dramatic change in market conditions in Germany, which affected VNB negatively in 2005. In the planning process, which was updated in May 2005, this sharp market decline was not fully anticipated. The profit margin of 21%, according to plan for 2005, was therefore slightly over-estimated. However, the profit margin in Germany exhibited a strong recovery during the third quarter compared with the second quarter.

Return on value of contracts in force from previous years

The surplus value of unit linked assurance consists of discounted values of anticipated future cash flows from in-force contracts. The present value of in-force contracts thereby increases by one year's interest. This amount also includes the return on investments pertaining to unit linked assurance, which increased compared with a year ago. The total return increased to SEK 1,708 million (1,546).

Outcome compared with operative assumptions

The outcome compared with operative assumptions was negative, but improved to SEK -109 million (-232) compared with a year ago.

Conversions of policies to paid-up status in the Swedish market have slowed significantly during the year, especially during the third quarter. A new product offering, including the "kapitalpension" product in Sweden and new pension products in the UK, has partly offset the effect of surrenders stemming from changed market conditions or changes in legislation. Higher retrocessions from fund companies also helped offset the effect of surrenders.

#### Change in operative assumptions

Changes in assumptions amounted to SEK 251 million (210). Changes in assumptions were mainly attributable to the second quarter of 2005 and pertained primarily to higher retrocessions from fund companies.

Adjustments of retrocession assumptions are made on a regular basis during the year and are updated to actual experience. As previously, other adjustments of operative assumptions are done in connection with the year-end book-closing.

#### Life assurance

The result of operations according to the embedded value method was SEK -9 million (-6).

### C. results per DIVISION

#### UK, Asia Pacific & Offshore

The UK, Asia Pacific & Offshore division includes operations in the UK, Royal Skandia, Ireland, Switzerland, Liechtenstein, Australia and China. The unit linked businesses in Norway and Finland are conducted as branches of Skandia UK.

Results - UK, Asia Pacific & Offshore

| SEK million                    | According to IFRS |            | According to the embedded value method |              |                     |              |
|--------------------------------|-------------------|------------|--|--------------|---------------------|--------------|
|                                | Result before tax |            | Result of operations 1)                |              | Operating result 1) |              |
|                                | 2005              | 2004       | 2005                                   | 2004         | 2005                | 2004         |
| Unit linked assurance          | 9 mos. 632        | 9 mos. 430 | 9 mos. 1,432                           | 9 mos. 1,313 | 9 mos. 2,367        | 9 mos. 1,425 |
| Mutual funds                   | -10               | -89        | -10                                    | -89          | -10                 | -89          |
| Life assurance                 | -                 | -          |  |              |                     |              |
| Banking                        | -                 | -          |  |              |                     |              |
| Other businesses <sup>2)</sup> | -1,259            | 1          | -1,259                                 | 1            | -1,259              | 1            |
| Joint functions                | -                 | -          |  |              |                     |              |
| Total                          | -637              | 342        | 163                                    | 1,225        | 1,098               | 1,337        |

1) For definitions, please see page 27.

2) Includes a write-down of goodwill in Bankhall, totalling SEK -1 135 (-) million as per Sept. 2005.

Key ratios 1) - UK, Asia Pacific & Offshore

|                            | 2005   | 2004   | 2004    | Moving 12-month figures 2005 Sept. |
|----------------------------|--------|--------|---------|------------------------------------|
|                            | 9 mos. | 9 mos. | 12 mos. |                                    |
| Premiums and deposits, SEK |        |        |         |                                    |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| million  | 59,703 | 48,676 | 65,087 | 76,114 |
| New sales,<br>unit linked,<br>SEK million                              | 5,555  | 4,410  | 5,982  | 7,127  |
| Present value<br>of new<br>business,<br>unit linked,<br>SEK million    | 698    | 510    | 684    | 872    |
| Growth in<br>present value<br>of new<br>business,<br>unit linked,<br>% | 37     | n.a.   | 39     | n.a.   |
| Profit margin<br>new sales,<br>unit linked,<br>%                       | 12,6   | 11,6   | 11,4   | -      |
| Capital<br>employed<br>(IFRS), SEK<br>million                          | 8,453  | n.a.   | 8,060  | -      |
| Return on<br>capital<br>employed<br>(IFRS), % 2)                       | -8     | n.a.   | -4     | -      |
| Capital<br>employed<br>(EV), SEK<br>million                            | 16,776 | n.a.   | 15,043 | -      |
| Oper. return<br>on capital<br>employed                                 |        |        |        |        |

|                                     |     |      |     |   |
|-------------------------------------|-----|------|-----|---|
| (EV), % 2)                          | 1   | n.a. | 3   | - |
| Funds under management, SEK billion | 364 | 252  | 270 | - |

1) For definitions, please see page 27.

2) The 9-month key ratios for 2005 have been recalculated on a full-year basis.

#### Products and markets

Premiums and deposits amounted to SEK 59,703 million (48,676) during the first nine months of 2005, an increase of 22% in local currency. Of this, unit linked assurance accounted for SEK 45,853 million (35,393) and mutual funds for SEK 13,850 million (13,283). New sales of unit linked assurance rose 27% in local currency, to SEK 5,555 million (4,410) on an APE sales basis.

Royal Skandia continues to note success from new inheritance tax solutions and the growing distribution channels of institutions and private banks. In addition, sales have grown in the Middle East and South America. New sales for Royal Skandia rose 47% in local currency compared with the same period a year ago.

In the UK, Skandia continues to show strong sales of pension products that have been developed ahead of next year's changes in the pensions market. New sales of pensions increased by 30% in local currency compared with the same period in 2004. Skandia's self-invested personal pension (SIPP) product, launched in early 2005, continues to attract significant business volume. Sales growth in the unit linked bond segment eased to 5%, as expected, following price refinements during the

second quarter to secure improvements in margins and capital efficiency.

In Switzerland, the successes continue for the new "kapitalpension" product. New sales rose 77% in local currency.

In Australia, mutual fund deposits decreased by 5% in local currency during the period January-September, as Skandia's business has matured and the market has become more competitive. Deposits in the UK rose 9% in local currency.

Result according to IFRS

Excluding the write-down of Bankhall goodwill, profit before tax improved to SEK 498 million (342), despite restructuring costs for Bankhall. The improvement in the result reflects a rise in fund-based fees, as assets under management have increased as result of rising inflows and strong equity markets. The return on capital employed for the division was 10% excluding the write-down of Bankhall goodwill and - 8% including the write-down of Bankhall goodwill.

Bankhall's result was SEK -124 million (1) before the goodwill write-down. During the period the decision was made to discontinue the unprofitable IFA business (ISL) conducted under own management. This, together with costs associated with the change in management, gave rise to a result charge of SEK -92 million for the first nine months of the year. The result for continuing operations is developing according to plan for the valuation that formed the base of goodwill on the balance sheet.

The result for mutual fund savings products remains negative, however, an improvement has been noted in both Australia and the UK.

Result according to the embedded value method

The operating result for unit linked assurance increased to SEK 2,367 million (1,425), of which financial effects accounted for SEK 935 million (112). The result of operations rose 9%, to SEK 1,432 million (1,313), and the profit margin was 12.6% (11.6%). The increase in the result of operations is mainly driven by higher value from new business and a higher return on the value of in-force contracts. These positive effects were partly offset by certain negative effects, including the impact of retroactive fee adjustments reported in the first half and an increase in surrenders ahead of pending changes in legislation in the pensions market. The operational return on capital employed according to the embedded value method was 8% excluding the goodwill write-down and 1% including the write-down of Bankhall goodwill.

#### Europe & Latin America division

The Europe & Latin America division includes the operations in Spain, Italy, Germany, Austria, France, Portugal, Poland, Mexico, Colombia, Chile and Global Funds.

#### Results - Europe & Latin America

|                       | According to IFRS |        | According to the embedded value-method |        |                     |        |
|-----------------------|-------------------|--------|--|--------|---------------------|--------|
|                       | Result before tax |        | Result of operations 1)                |        | Operating result 1) |        |
|                       | 2005              | 2004   | 2005                                   | 2004   | 2005                | 2004   |
| SEK million           | 9 mos.            | 9 mos. | 9 mos.                                 | 9 mos. | 9 mos.              | 9 mos. |
| Unit linked assurance | 333               | 76     | 1,113                                  | 705    | 1,343               | 703    |

|                  |     |     |       |     |       |     |
|------------------|-----|-----|-------|-----|-------|-----|
| Mutual funds     | -27 | -48 | -27   | -48 | -27   | -48 |
| Life assurance   | -9  | 4   | -11   | -7  | -17   | -7  |
| Banking          |     |     |       |     |       |     |
| Other businesses |     |     |       |     |       |     |
| Joint functions  |     |     |       |     |       |     |
| Total            | 297 | 32  | 1,075 | 650 | 1,299 | 648 |

1) For definitions please see page 27.

Key ratios 1) - Europe & Latin America

|   | 2005<br>9 mos. | 2004<br>9 mos. | 2004<br>12 mos. | Moving<br>12-month<br>figures<br>2005<br>Sept. |
|---|----------------|----------------|-----------------|--|
| Premiums and deposits, SEK million          | 21,917         | 15,209         | 21,291          | 27,999   |
| New sales, unit linked, SEK million         | 1,509          | 1,302          | 2,212           | 2,419  |
| Present value of new business, unit linked, |                |                |                 |  |

|  |       |      |       |      |
|--|-------|------|-------|------|
| SEK million  | 477   | 407  | 795   | 865  |
| Growth in present value of new business unit linked, %2) | 17    | n.a. | 31    | n.a. |
| Profit margin new sales, unit linked, %                  | 31,6  | 31,3 | 35,9  | -    |
| Capital employed (IFRS), SEK million                     | 3,040 | n.a. | 3 190 | -    |
| Return on capital employed (IFRS), % 3)                  | 11    | n.a. | -4    | -    |
| Capital employed (EV), SEK million                       | 6,787 | n.a. | 6 206 | -    |
| Oper. return on capital employed (EV), % 3)              | 16    | n.a. | 10    | -    |
| Funds under management, SEK billion                      | 75    | 53   | 56    | -    |
| 1) For definitions please see page 27.                   |       |      |       |      |

- 2) Growth in the present value of new business for 9 months 2005 includes a positive one-time effect of SEK 200 million.
- 3) The 9-month key ratios for 2005 have been recalculated on a full-year basis.

#### Products and markets

Premiums and deposits totalled SEK 21,917 million (15,209), an increase of 41% in local currency compared with a year ago. Unit linked premiums and deposits rose 34% in local currency, to SEK 10,311 million (7,604). New sales of unit linked assurance increased by 15% in local currency, to SEK 1,509 million (1,302). Mutual fund deposits totalled SEK 10,199 million (6,553), an increase of 49% in local currency

In France, the successes in unit linked assurance continued, and new sales more than doubled compared with the same period a year ago. During the third quarter Skandia continued strengthening the capacity in its own organisation and in external distribution channels. After only three years in France, Skandia has achieved a market share of slightly more than 3% in the IFA segment.

In Germany, new sales were flat during the second quarter, like the market in general. During the third quarter, the company showed a slight recovery, with new sales rising 6% in local currency compared with the second quarter. Unit linked premiums in Germany continued to develop favourably and rose 35% in local currency during the period January-September compared with the same period a year ago. Italy posted a continued favourable trend in new sales, which rose 90% in local currency compared with the same period a year ago. Austria and Poland also showed a positive trend during the third quarter.

Mutual fund deposits rose 49% in local currency during the period January-September, to SEK 10,199 million (6,553), which was largely

attributable to increases in Spain and Colombia. Mutual fund deposits in Spain increased by 131% in local currency during the third quarter compared with the same quarter a year ago. The strong rate of growth in mutual fund deposits during the second and third quarters, via new distributors in Spain, is expected to plane out during the fourth quarter.

Result according to IFRS

Profit before tax improved to SEK 297 million (32). The strong increase is largely attributable to a good result for unit linked assurance in Germany, which was favourably affected to some degree by a deferral of acquisition costs attributable to the high level of new sales in late 2004/early 2005. Several other markets, such as Italy and Austria, also showed significant improvements compared with the same period a year ago. The positive result trend reflects the division's work on controlling costs at the same time that premiums and deposits rose sharply during the same period.

The return on capital employed was 11%.

Result according to the embedded value method

The operating result for unit linked assurance increased by 91%, to SEK 1,343 million (703), of which financial effects accounted for SEK 230 million (-2). The result of operations was SEK 1,113 million (705), an increase of 58%. Changes in operative assumptions and the operative outcome compared with assumptions from the first two quarters of the year, mainly in Germany and Austria, affected the result of operations favourably in the amount of SEK 313 million.

The value of new business was exceptionally strong during the first quarter due to strong new sales in Germany in late 2004/early 2005 in connection with the German pension reform. The German market thereafter entered into a transitional phase, which had a negative impact on new sales at the same time that investments were made in product development and marketing. This resulted in Germany reporting a negative profit

margin for the first quarter of the year. During the third quarter the German market showed signs of recovery, at the same time that administrative expenses decreased compared with the second quarter. As a result, the margin for new business is once again positive. This contributed to an increase in the margin for new business as a whole for the division, to 25.2% during the third quarter alone, compared with 8.8% a quarter earlier. However, the value of new business in Germany during the third quarter was considerably lower than during the same quarter a year ago, but this negative effect on the division was largely compensated by the strong trend in most of the other markets, such as Italy and France. It is reasonable to assume that the margins in the German operation will develop in a positive direction also during the final quarter of the year due to continued cost control and increased business volume. The division's profit margin for unit linked assurance was 31.6% (31.3%).

The operational return on capital employed according to the embedded value method was 16%.

#### Nordic division

The Nordic division includes the operations in Sweden and Denmark, as well as SkandiaBanken's operations in Sweden, Norway and Denmark.

#### Results - Nordic

| According to IFRS |      | According to the embedded value-method |      |                     |      |
|-------------------|------|--|------|---------------------|------|
| Result before tax | tax  | Result of operations 1)                |      | Operating result 1) |      |
| 2005              | 2004 | 2005                                   | 2004 | 2005                | 2004 |

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| SEK<br>million<br>Unit<br>linked<br>assurance<br>Mutual<br>funds<br>Life<br>assurance<br>Banking<br>Other<br>businesses<br>Joint<br>functions<br>Total | 9 mos. |
|  | 425    | 332    | 808    | 669    | 2,268  | 744    |
|  | 28     | 49     | 28     | 49     | 28     | 49     |
|  | 2      | 1      | 2      | 1      | 2      | 1      |
|  | 297    | 316    | 297    | 316    | 297    | 316    |
|  | 56     | 11     | 56     | 11     | 56     | 11     |
|  | 100    | -101   | 100    | -101   | 100    | -101   |
|  | 908    | 608    | 1,291  | 945    | 2,751  | 1,020  |

1) For definitions please see page 27.

Key ratios 1) - Nordic

|  |                |                |                 |  |
|--|----------------|----------------|-----------------|--|
|  | 2005<br>9 mos. | 2004<br>9 mos. | 2004<br>12 mos. | Moving<br>12-month<br>figures<br>2005<br>Sept. |
| Premiums and<br>deposits, SEK<br>million<br>New sales,<br>unit linked, | 10,687         | 8,977          | 11,653          | 13,363   |

|   |        |       |        |       |
|---|--------|-------|--------|-------|
| SEK million   | 1,483  | 1,297 | 1,757  | 1,943 |
| Present value<br>of new<br>business,<br>unit linked,<br>SEK million | 412    | 311   | 391    | 492   |
| Growth in<br>present value<br>of new<br>business unit<br>linked, %  | 32     | n.a.  | -35    | n.a.  |
| Profit margin<br>new sales,<br>unit linked,<br>%                    | 27,8   | 24,0  | 22,3   | -     |
| Capital<br>employed<br>(IFRS), SEK<br>million                       | 5,262  | n.a.  | 4,698  | -     |
| Return on<br>capital<br>employed<br>(IFRS), % 2)                    | 20     | n.a.  | 8      | -     |
| Capital<br>employed<br>(EV), SEK<br>million                         | 14,450 | n.a.  | 12,040 | -     |
| Oper. return<br>on capital<br>employed<br>(EV), % 2)                | 9      | n.a.  | 2      | -     |
| Funds under<br>management,<br>SEK billion                           |        |       |        |       |

3) 87 65 67 -  
1) For  
definitions  
please see  
page 27.

2) The 9-month key ratios for 2005 have been recalculated on a full-year basis.

3) Excludes investments in Skandia Liv in the amount of SEK 278 billion (248).

#### Products and markets

The Nordic division showed a strong gain during the third quarter compared with the same period a year ago, both in respect of new sales and total premiums.

Premiums and deposits for the Nordic division rose 19%, to SEK 10,687 million (8,977). Unit linked premiums increased by 21% in local currency. New sales of unit linked assurance in Sweden increased by 15% during the first nine months of the year, to SEK 1,407 million

New sales of unit linked assurance during the third quarter alone totalled SEK 444 million (329), an increase of 35% compared with 2004. In Sweden, new sales in the key Commercial segment rose 31%. New sales from Private customers rose 68%. Accumulated new sales of "kapitalpension" unit linked assurance solutions totalled SEK 193 million.

The division's product portfolio was expanded with an "All-in-One Gift Trust" offered through SkandiaBanken. The service offers customers a vehicle to give away money to following generations while allowing them to keep full control of their gift until the recipient's 25th birthday.

In addition, the "kapitalpension" product has been further developed and now includes an unrestricted choice of beneficiaries.

In the Private Healthcare & Group business unit, premiums totalled SEK 453 million, an increase of 8% compared with the same period in 2004

SkandiaBanken Denmark was named "Bank of the Year" by the monthly personal finance magazine Penge & Privatøkonomi. This, along with a first place ranking for SkandiaBanken in a survey conducted by the Danish newspaper BT, has accelerated customer growth. The customer base has also increased in Sweden and Norway.

Result according to IFRS

Profit before tax improved strongly to SEK 908 million (608), mainly due to improved profits in unit linked assurance. Profit also improved for Private Healthcare & Group business. Fund-based revenues from unit linked assurance business have risen in pace with growth in funds under management. Profit has also improved for the risk portion of unit linked assurance, i.e., death benefit and waiver of premium cover.

Profit for Private Healthcare & Group business has improved mainly due to higher premium revenue, an improved investment result and a partial dissolution of a reserve for group insurance business attributable to the Tsunami disaster. This dissolution amounted to SEK 20 million.

Joint functions were positively affected during the third quarter in the amount of approximately SEK 60 million by a better than expected outcome pertaining to the distribution agreement with Skandia Liv.

Profit for SkandiaBanken was down slightly due to positive one-time effects in the year-earlier period. Results of this operation are commented on in section B on page 12.

The return on capital employed was 20%.

Result according to embedded value method

The operating result for unit linked assurance was SEK 2,268 million (744), of which financial effects accounted for SEK 1,460 million (75). The result of operations for unit linked assurance increased to SEK 808 million (669). Changes in assumptions made a positive contribution of SEK 74 million (48).

New sales of unit linked assurance continue to increase, which has also led to growth in the present value of new business. In addition, profitability of the underlying business has strengthened compared with a year ago, which can be credited to the actions taken in the Swedish operations. This has led to an increase in the present value of new business from SEK 311 million in 2004 to SEK 412 million in 2005.

The result has been adversely affected during the year by an increase in surrenders attributable to the change in inheritance and gift taxation, in connection with a shift in savings assets to "kapitalpension" products. Conversions of policies to paid-up status have also hurt the outcome compared with assumptions in the embedded value calculation. A sharp decrease in both surrenders and paid-ups was noted during the third quarter. Taken together, the outcome compared with operative assumptions was SEK -135 million (-160).

The operational return on capital employed according to the embedded value method was 9%.

Group functions

Group functions include joint-group expenses, the joint-group financial result and undistributed results from the business segments. The group's management expenses, excluding the provision for VAT, decreased to SEK -336 million, compared with SEK -446 million a year ago. For comments on structural costs and the joint-group financial result, see page 12.

Result before tax - Group functions

| SEK million                          | 2005<br>9 mos. | 2004<br>9 mos. |
|--------------------------------------|----------------|----------------|
| Joint-group management expenses      | -494           | -446           |
| of which provision for VAT           | -158           | -              |
| Structural costs                     | -221           | -78            |
| Unallocated result, business segment | 6              | 11             |
| Joint-group financial result         | -33            | 100            |
| Total                                | -742           | -413           |

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Stockholm, 15 November 2005  
Hans-Erik Andersson  
President and CEO

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Review Report (direct translation of the Swedish Review Report)

We have reviewed the interim report of Skandia Insurance Company Ltd (publ.) for the period January-September 2005. The interim report is the responsibility of the Company's board of directors and president. Our responsibility is to issue a report on the interim report based on our review.

Our review has been conducted in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants. This recommendation requires that we plan and perform the review to obtain moderate assurance as to whether the interim report is free from material misstatement. A review is limited primarily to inquiries of the company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Swedish Securities and Clearing Operations Act, the instructions and general guidelines of the Swedish Financial Supervisory Authority on annual accounts for insurance companies and IAS 34.

Stockholm, 15 November 2005

Svante Forsberg  
Engquist

Authorised Public Accountant  
Accountant

Authorised Public Accountant

Göran  
Anders Engström  
Authorised Public

Appointed by the Swedish

Financial Supervisory Authority

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Public company (publ.), reg. no. 502017-3083

D. OTHER TABLES

CONSOLIDATED BALANCE SHEET

| SEK billion                    | Note | 2005<br>30 Sept. | 2004<br>31 Dec. |
|--------------------------------|------|------------------|-----------------|
| ASSETS                         |      |                  |                 |
| Intangible assets              |      |                  |                 |
| Goodwill                       |      | 0.6              | 1.6             |
| Other intangible assets        |      | 0.2              | 0.2             |
| Reinsurers' share of insurance |      | 0,8              | 0.7             |

|   |   |       |       |
|---|---|-------|-------|
| provisions                                      |   |       |       |
| Deposits held with cedents                      | 2 | 3.7   | 3.5   |
| Deferred acquisition costs                      | 1 | 18.8  | 16.3  |
| Deferred tax                                    |   | 0.6   | 1.0   |
| asset   |   |       |       |
| Surplus in defined benefit pension plans        |   | 0.5   | 0.5   |
| Property and equipment                          |   | 0.5   | 0.5   |
| Investment properties                           | 2 | 0.0   | 0.0   |
| Loans and advances                              | 2 | 51.4  | 45.5  |
| Investments in associates                       | 2 | 0.1   | 0.1   |
| Other investments                               | 2 | 24.2  | 21.4  |
| Investments for the benefit of policyholders    |   | 392.4 | 295.5 |
| Assets, consolidated mutual funds               | 3 | 13.5  | 10.0  |
| Current tax                                     |   | 0.6   | 0.4   |
| asset   |   |       |       |
| Other receivables                               |   | 4.0   | 3.7   |
| Other prepayments and accrued income            |   | 4.7   | 4.9   |
| Cash and  |   | 1.7   | 2.0   |
| bank  |   |       |       |
| TOTAL ASSETS                                    |   | 518.3 | 407.8 |
| <br>  |   |       |       |
| EQUITY AND LIABILITIES                          |   |       |       |
| Equity attributable to equity holders of parent |   | 11.9  | 12.3  |
| Minority interest                               |   | 0.1   | 0.1   |
| Total equity                                    |   | 12.0  | 12.4  |
| <br>  |   |       |       |
| Liabilities                                     |   |       |       |
| Subordinated loans                              | 4 | 0.8   | 0.8   |
| Insurance provisions                            | 5 | 16.2  | 15.5  |
| Liability for linked investment                 |   | 393.8 | 296.8 |

|   |   |       |       |
|---|---|-------|-------|
| contracts                               |   |       |       |
| Liabilities consolidated mutual funds   | 3 | 13.8  | 10.5  |
| Deposits received from reinsurers       |   | 0.1   | 0.1   |
| Provisions for pensions                 |   | 0.3   | 0.3   |
| Deferred tax liability                  |   | 2.5   | 1.9   |
| Deferred fee income                     | 6 | 16.3  | 14.7  |
| Other provisions                        |   | 1.2   | 1.3   |
| Deposits and borrowings from the public |   | 46.9  | 40.5  |
| Other interest bearing liabilities      | 4 | 3.5   | 3.9   |
| Current tax liabilities                 |   | 0.7   | 0.4   |
| Derivative liability                    |   | 0.2   | 0.3   |
| Other payables                          |   | 6.6   | 5.8   |
| Other accruals and deferred income      |   | 3.4   | 2.6   |
| TOTAL EQUITY AND LIABILITIES            |   | 518.3 | 407.8 |

NOTES TO THE BALANCE SHEET

| Note | SEK billion                      | 2005<br>30 Sept. | 2004<br>31 Dec. |
|------|----------------------------------|------------------|-----------------|
| 1    | Deferred acquisition costs (DAC) |                  |                 |
|      | Opening balance                  | 16.3             | 14.3            |
|      | Capitalisation of                |                  | 4.9             |

|   |   |      |      |
|---|---|------|------|
|   | acquisition costs   | 3.5  |      |
|   | Amortisation of<br>deferred<br>acquisition costs          | -1.9 | -2.3 |
|   | Deferred<br>acquisition costs<br>in divested<br>companies | -    | -0.5 |
|   | Impairment of<br>deferred<br>acquisition costs            | 0.0  | 0.0  |
|   | Exchange<br>differences                                   | 0.9  | -0.1 |
|   | Closing balances  | 18.8 | 16.3 |
|   | Of which, unit<br>linked assurance                        | 18.1 | 15.7 |
|   | Of which, mutual<br>funds                                 | 0.7  | 0.6  |
| 2 | Investments   |      |      |
|   | Unit linked<br>assurance                                  | 13.8 | 10.4 |
|   | Mutual funds  | 0.3  | 0.3  |
|   | Life assurance  | 11.6 | 11.1 |
|   | Banking   | 51.4 | 44.5 |
|   | Other businesses<br>and group functions                   | 2.3  | 4.2  |
|   | Total   | 79.4 | 70.5 |

3 Pertains to consolidation of funds in which the ownership exceeds 50%. For additional explanation, please refer to the accounting policies according to IFRS.

|   |  |      |      |
|---|--|------|------|
| 4 | Subordinated loans<br>and other interest-<br>bearing liabilities |      |      |
|   | Subordinated loans   | 0.8  | 0.8  |
|   | Bonds, non-banking<br>Financial                                  | 2.3  | 2.2  |
|   | reinsurance  |      | 1.0  |
|   | Financing  | 0.7  |      |
|   | Bonds in bank  | 3.8  | 4.0  |
|   | Other financial<br>liabilities                                   | 0.0  | 0.0  |
|   | Total  | 0.5  | 0.7  |
|   |  | 4.3  | 4.7  |
|   | Change in bonds  |      |      |
|   | Opening balance  | 2.2  | 3.1  |
|   | New debt issued  | 0.5  | 0.9  |
|   | Repurchases and<br>maturities                                    | -0.4 | -1.8 |
|   | Currency conversion  | 0.0  | 0.0  |
|   | Closing balances   | 2.3  | 2.2  |
| 5 | Insurance<br>provisions  |      |      |
|   | Unit linked<br>assurance   |      | 3.1  |
|   | Life assurance   | 3.6  |      |
|   | Other businesses   | 11.7 | 11.5 |
|   | Total  | 0.9  | 0.9  |
|   |  | 16.2 | 15.5 |
| 6 | Deferred fee income<br>(DFI)                                     |      |      |
|   | Opening balance  | 14.7 | 13.0 |
|   | Capitalisation of<br>fees  |      | 4.2  |
|   |  | 2.8  |      |

|   |                                      |      |      |
|---|--------------------------------------|------|------|
|   | Amortisation of deferred fees        | -2.0 | -2.4 |
|   | Exchange differences                 | 0.8  | -0.1 |
|   | Closing balances                     | 16.3 | 14.7 |
|   | Of which, unit linked assurance      | 15.6 | 14.1 |
|   | Of which, mutual funds               | 0.7  | 0.6  |
| 7 | Restructuring reserves (SEK million) |      |      |
|   | Balance per 31 December 2003         | 311  |      |
|   | Provision for restructuring costs    | 308  |      |
|   | Utilisation of restructuring reserve | -228 |      |
|   | Balance per 31 December 2004         | 391  |      |
|   | Utilisation of restructuring reserve | -134 |      |
|   | Reversed provision                   | -3   |      |
|   | Reclassification                     | -54  |      |
|   | Exchange differences                 | 4    |      |
|   | Balance per 30 September 2005        | 204  |      |

## CHANGE IN EQUITY

| SEK million  | 2005<br>30 Sept. | 2004<br>30 Sept. | 2004<br>31 Dec. |
|--|------------------|------------------|-----------------|
| Opening shareholders' equity according to Swedish GAAP | 15,958           | 15,381           | 15,381          |
| Opening minority interest according to Swedish GAAP    | 73               | 122              | 122             |
| Change in accounting policies <sup>1)</sup>            | -3,688           | -2,811           | -2,811          |
| Translation differences relating to these changes      | 41               | -                | -               |
| Opening shareholders' equity according to IFRS         | 12,384           | 12,692           | 12,692          |
| Dividend <sup>2)</sup>                                 | -362             | -307             | -307            |
| New issue <sup>3)</sup>                                | 16               | 13               | 13              |
| Change in surplus value of owner-occupied properties   | 3                | 10               | -8              |
| Share-based payments                                   | 5                | 7                | 8               |
| Change in cash-  |                  |                  |                 |

|  |        |        |        |
|--|--------|--------|--------|
| flow hedges  | -      | 57     | 57     |
| Recognition of actuarial gains and losses from post-employment defined benefit plans | -      | -      | -30    |
| Sales and purchases of treasury shares held to cover investment contracts 4)         | 313    | -178   | -248   |
| Translation differences  | 338    | 44     | 10     |
| Profit /loss for the period  | -715   | 1,603  | 197    |
| Closing balance  | 11,982 | 13,941 | 12,384 |

1) See also section on IFRS reconciliation.

2) Including dividend to minority of SEK 3 million as at 30 September 2005.

3) New share issue in connection with stock option programme.

4) Certain funds in which Skandia has invested for the benefit of policyholders are consolidated. These funds may have invested in Skandia shares. In such case, these are to be

eliminated against shareholders' equity. The effect of purchases and sales of shares in Skandia that have taken place during the period, together with the changes in the share price, makes up an explanatory item in the change in shareholders' equity.

CAPITAL EMPLOYED

|   | 2005     | 2004     | 2004    |
|---|----------|----------|---------|
| SEK million   | 30 Sept. | 30 Sept. | 31 Dec. |
| Equity  | 11,982   | 13,941   | 12,384  |
| Treasury shares held to cover investment contracts 1)                       | 210      | 439      | 504     |
| Subordinated loans  | 849      | 849      | 849     |
| Other financing 2)  | 2,998    | 3,589    | 3,357   |
| Capital employed IFRS   | 16,039   | 18,818   | 17,094  |
| Surplus value of business in force after deferred tax                       | 21,257   | 17,030   | 17,339  |
| Capital employed embedded value   | 37,296   | 35,848   | 34,433  |
| 1) Number of repurchased shares for the benefit of policyholders, thousands | 5,212    | 15,245   | 15,231  |
| 2) Including  |          |          |         |

financial  
reinsurance,  
excluding  
deposits from  
public

NET ASSET  
VALUE

|   | Unit linked |         | Life assurance |         | Total    |         |
|---|-------------|---------|----------------|---------|----------|---------|
| SEK million   | 2005        | 2004    | 2005           | 2004    | 2005     | 2004    |
|   | 30 Sept.    | 31 Dec. | 30 Sept.       | 31 Dec. | 30 Sept. | 31 Dec. |
| Equity  | 9,206       | 7,308   | 532            | 533     | 9,738    | 7,841   |
| Surplus<br>value of<br>business in<br>force after<br>deferred tax | 21,329      | 17,407  | -72            | -68     | 21,257   | 17,339  |
| Less:<br>minority<br>interests                                    |             |         | -42            | -43     | -42      | -43     |
| Embedded<br>value   | 30,535      | 24,715  | 418            | 422     | 30,953   | 25,137  |
| Equity,<br>mutual funds   |             |         |                |         | 593      | 374     |
| Less:<br>minority<br>interests<br>mutual funds                    |             |         |                |         | -50      | -33     |
| Equity,   |             |         |                |         |          |         |



|   |       |        |     |     |        |        |       |       |
|---|-------|--------|-----|-----|--------|--------|-------|-------|
| continuing operations   | 1,310 | 1,119  | -4  | -5  | -1,536 | -1,751 | -230  | -637  |
| Profit/loss for the period from discontinued operations                 | -521  | 834    | -   | -   | 36     | -      | -485  | 834   |
| Change in surplus value of business in force after deferred tax         | 3,307 | 1,553  | -1  | -24 | -      | -      | 3,306 | 1,529 |
| Change in surplus value of business in force in discontinued operations | -     | -405   | -   | -   | -      | -      | -     | -405  |
| Transfer of proceeds from discontinued operations                       | 521   | -1,222 | -   | -   | -521   | 1,222  |       |       |
| Capital contributions/  |       |        |     |     |        |        |       |       |
| New issue   | 261   | 548    | 0   | 101 | -245   | -636   | 16    | 13    |
| Dividend  | -     | -      | -27 | -   | -332   | -307   | -359  | -307  |
| Change in surplus value of owner-occupied properties                    | -     | 1      | 6   | -11 | -3     | 2      | 3     | -8    |
| Share-based   |       |        |     |     |        |        |       |       |

|  |        |        |     |     |       |       |        |        |
|--|--------|--------|-----|-----|-------|-------|--------|--------|
| payments   | -      | -      | -   | -   | 5     | 8     | 5      | 8      |
| Change in cash-flow hedges   | -      | -      | -   | -   | -     | 57    | -      | 57     |
| Recognition of actuarial gains and losses from post-employment defined benefit plans | -      | -      | -   | -   | -     | -30   | -      | -30    |
| Translation differences  | 942    | -131   | 22  | 6   | -7    | 61    | 957    | -64    |
| Less: minority interests   | -      | -      | 0   | 3   | -7    | 49    | -7     | 52     |
| Closing balance  | 30,535 | 24,715 | 418 | 422 | 2,404 | 5,014 | 33,357 | 30,151 |

NEW SALES AND PROFIT MARGIN, UNIT LINKED ASSURANCE PER GEOGRAPHIC SEGMENT

|                    | Annualised new sales |        |         | Present value of new business for the year |        |         | Profit margin, new sales |        |         |
|--------------------|----------------------|--------|---------|--|--------|---------|--------------------------|--------|---------|
|                    | 2005                 | 2004   | 2004    | 2005                                       | 2004   | 2004    | 2005                     | 2004   | 2004    |
| SEK million        | 9 mos.               | 9 mos. | 12 mos. | 9 mos.                                     | 9 mos. | 12 mos. | 9 mos.                   | 9 mos. | 12 mos. |
| UK, Asia Pacific & | 5,555                | 4,410  | 5,982   | 698  | 510    | 684     | 12.6%                    | 11.6%  | 11.4%   |

|                              |       |       |       |       |       |       |       |       |       |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Offshore                     |       |       |       |       |       |       |       |       |       |
| 1)                           |       |       |       |       |       |       |       |       |       |
| Europe &<br>Latin<br>America | 1,509 | 1,302 | 2,212 | 477   | 407   | 795   | 31.6% | 31.3% | 35.9% |
| Nordic                       | 1,483 | 1,297 | 1,757 | 412   | 311   | 391   | 27.8% | 24.0% | 22.3% |
| 2)                           |       |       |       |       |       |       |       |       |       |
| Total                        | 8,547 | 7,009 | 9,951 | 1,587 | 1,228 | 1,870 | 18.6% | 17.5% | 18.8% |
| 1) Of<br>which,<br>UK        | 5,307 | 4,281 | 5,786 | 662   | 496   | 662   | 12.5% | 11.6% | 11.4% |
| 2) Of<br>which,<br>Sweden    | 1,407 | 1,225 | 1,668 | 397   | 300   | 377   | 28.2% | 24.5% | 22.6% |

STATEMENT OF CASH  
FLOWS

| SEK billion   | 2005<br>9 mos. | 2004<br>9 mos. | 2004<br>12 mos. |
|---|----------------|----------------|-----------------|
| Cash flow from<br>operating<br>activities before<br>changes in<br>lending/deposits<br>to and<br>from the<br>public and<br>investments in<br>banking<br>operations <sup>2)</sup> | -0.1           | -1.8           | -2.2            |
| Change in<br>lending/deposits   |                |                |                 |

|  |      |      |      |
|--|------|------|------|
| to and from the public and investments in banking operations   | -0.5 | -0.8 | -0.7 |
| Cash flow from operating activities  | -0.6 | -2.6 | -2.9 |
| Cash flow from investing activities 3)   | 1.0  | 3.2  | 3.7  |
| Cash flow from financing activities  | -0.8 | -1.2 | -1.3 |
| Net cash flow for the period 1)  | -0.4 | -0.6 | -0.5 |
| Cash and cash equivalents at the start of the period   | 2.0  | 2.5  | 2.5  |
| Exchange rate differences in cash and cash equivalents   | 0.1  | 0.0  | 0.0  |
| Cash and cash equivalents at the end of the period   | 1.7  | 1.9  | 2.0  |
| 1) Net cash flow from discontinued operations:   | 0.0  | -0.3 | -0.3 |
| 2) During the first quarter of 2004, as previously reported, a contractually regulated distribution agreement was settled in cash, |      |      |      |

which affected cash flow from operating activities negatively in the amount of SEK -0.8 billion.

3) During 2004, cash flow from investing activities includes the proceeds from the sale of If, totalling SEK 4.5 billion, and from the Japanese operation, totalling SEK 1.2 billion, net, after deducting for costs.

#### STOCK

##### OPTIONS

In March 2005, 129,600 A options and 42,500 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, the Skandia Umbrella Trust subscribed for 10,650 A options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 3,715 thousand.

In June 2005, 151,200 A options and 100,000 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, the Skandia Umbrella Trust subscribed for 49,031 A options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 6,104 thousand.

In September 2005, 86,400 A options and 160,000 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, the Skandia Umbrella Trust subscribed for 26,703 A options and 34,199 B options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 6,247 thousand.

In May 2005, all of the 984,150 outstanding A options from the 2002 programme expired. At the same time, the remaining 170,700 A options from the 2000 programme and the remaining 182,100 A options from the 2001 programme expired.

For further information on the stock option programmes for the years 2000-2003, please refer to the 2004 Annual Report.

##### EXCHANGE

| RATES        | 2005     | 2005    | 2005    | 2004    | 2004     |
|--------------|----------|---------|---------|---------|----------|
|              | 30 Sept. | 30 Jun. | 31 Mar. | 31 Dec. | 30 Sept. |
| SEK          |          |         |         |         |          |
| EUR          |          |         |         |         |          |
| Closing rate | 9.32     | 9.45    | 9.15    | 9.03    | 9.04     |
| Average rate | 9.22     | 9.16    | 9.09    | 9.13    | 9.16     |
| GBP          |          |         |         |         |          |
| Closing rate | 13.67    | 14.00   | 13.31   | 12.76   | 13.17    |
| Average rate | 13.45    | 13.36   | 13.10   | 13.40   | 13.56    |
| USD          |          |         |         |         |          |
| Closing rate | 7.73     | 7.81    | 7.04    | 6.65    | 7.28     |
| Average rate | 7.29     | 7.12    | 6.87    | 7.32    | 7.47     |

Average rates indicate the average rates for the period 1 January through the respective book-closing dates in 2005 and 2004.

#### Skandia share data

Skandia's share price closed at SEK 40.40 on 30 September 2005, compared with SEK 42.90 on 30 June 2005. This corresponds to a decrease of 5.8% during the third quarter of 2005. During the same period, the Stockholm Stock Exchange SAX index increased by 9.7%. The highest and lowest prices paid during the third quarter were SEK 45.00 and SEK 39.80, respectively. Skandia's shares are listed on the Stockholm Stock Exchange and London Stock Exchange. Trading volume in Skandia's shares

during the third quarter was 940 million shares, and the market capitalisation was SEK 41.4 billion on 30 September 2005.

#### Skandia's largest shareholders as per 31 October 2005

These statistics from VPC show only owners that are directly registered with VPC or whose shares are registered with a Swedish nominee. VPC's statistics do not show shareholders that are registered via a foreign custody bank. Foreign holdings registered via foreign custody banks are indicated to the extent that these owners have publicly announced such holdings. This means that the statistics as per 31 October do not provide a complete picture of ownership in Skandia, but only represent an analysis of 53% of the total number of shares.

Please note that Skandia's published data on the company's largest shareholders is based entirely on information from SIS ägarservice, which in turn obtains its information from VPC. According to the latest statistics from SIS ägarservice and VPC, Burdaras has a holding of 1.6% in Skandia; however, according to information from Burdaras in the media, this holding is 4.58%. However, VPC's statistics do not include holdings in foreign custody banks.

| Name                                    | Share capital and<br>voting rights, % | Number of<br>shares |
|---|---------------------------------------|---------------------|
| Fidelity mutual funds                   | 5.0                                   | 51,525,466          |
| Second National Swedish<br>Pension Fund | 3.5                                   | 36,142,971          |
| Cevian Capital LP                       | 3.4                                   | 34,499,784          |
| Robur mutual funds                      | 2.4                                   | 24,737,750          |
| SHB/SPP mutual funds                    | 2.1                                   | 21,309,377          |

|   |       |               |
|---|-------|---------------|
| Nordea mutual funds                     | 2.0   | 20,497,604    |
| Straumur-Burdaras<br>Investment Bank    | 1.6   | 16,833,500    |
| First National Swedish<br>Pension Fund  | 1.2   | 11,919,834    |
| SEB mutual funds                        | 1.0   | 10,619,100    |
| Fourth National Swedish<br>Pension Fund | 1.0   | 10,161,808    |
| FöreningsSparbanken                     | 0.8   | 8,830,094     |
| SEB-Trygg Försäkring                    | 0.8   | 8,461,700     |
| Third Avenue mutual<br>funds            | 0.8   | 8,063,800     |
| SEB                                     | 0.7   | 7,370,342     |
| Catella mutual funds                    | 0.7   | 6,674,050     |
| Nordea Bank                             | 0.5   | 5,246,724     |
| Länsförsäkringar mutual<br>funds        | 0.5   | 5,212,433     |
| The Merger Fund                         | 0.5   | 5,170,800     |
| Seventh National                        | 0.4   | 4,563,599     |
| Swedish Pension Fund                    |       |               |
| Govt. of Singapore Inv.<br>Corp.        | 0.4   | 3,703,372     |
| Total, 20 largest<br>shareholders       | 29.3  | 301,544,108   |
| Total, others                           | 70.7  | 723,507,070   |
| Total shares                            | 100.0 | 1,025,051,178 |

Source: SIS Ägarservice AB, 31 October 2005.

Breakdown of Skandia's shares as per 31 October 2005

| Ownership breakdown      | Share capital and voting rights, % |
|--------------------------|------------------------------------|
| Owners outside Sweden    | 61.0                               |
| Owners in Sweden         | 39.0                               |
| - of which, institutions | 13.6                               |
| - of which, mutual funds | 10.0                               |
| - of which, individuals  | 15.5                               |

| Geographic breakdown   | Share capital and voting rights, % |
|------------------------|------------------------------------|
| Sweden                 | 39.0                               |
| USA                    | 26.9                               |
| UK                     | 19.3                               |
| Other Nordic countries | 4.1                                |
| Total others           | 10.7                               |

| Number of shares                  | Owners, % | Share capital and voting rights, % |
|-----------------------------------|-----------|------------------------------------|
| 1 - 1,000                         | 73.2      | 2.7                                |
| 1,001 - 1,000,000                 | 26.7      | 24.2                               |
| 1,000,001 - 100,000,000           | 0.1       | 73.0                               |
| Total                             | 100.0     | 100.0                              |
| Total number of owners and shares | 102,227   | 1,025,051,178                      |

Source: SIS Ägarservice AB, 31 October 2005.

Annualised new sales: Periodic premiums recalculated to full-year figures, plus 1/10 of single premiums during the period.

Acquisition costs: Acquisition costs include all costs, internal as well as external, that arise in connection with the sale of unit linked assurance and mutual fund savings products. Acquisition costs are to be capitalised (deferred acquisition costs) and amortised according to a schedule that corresponds to the product's economic life.

Assets under management: The sum of customers' invested assets and the group's own investment assets, including investment assets in Skandia Liv.

Capital base: For a life assurance operation, the capital base consists of shareholders' equity, untaxed reserves and certain subordinated loans, less goodwill and other intangible assets.

Capital employed (IFRS): Equity, reversal of eliminations of treasury shares held for the benefit of policyholders, borrowings, subordinated loans and financial reinsurance.

Capital employed (EV): Capital employed (IFRS) plus surplus values of business in force after deducting deferred tax.

Change in surplus values of business in force, including financial effects: Change in surplus values of business in force, before tax, including revenues and expenses pertaining to policyholder tax.

Change in operative assumptions (EV): Assumptions that have been made are compared regularly with actual experience and adjusted when necessary. A positive result entails that previous assumptions have been conservative.

Embedded value (EV): Embedded value is an alternative method for reporting the value development of long-term savings contracts. For further information, please see Skandia's 2004 Annual Report, pp. 108-111.

Fee income: Revenues derived from the policyholders are charged in the form of fees over the entire lifetime of contracts in force. These fees are charged in various forms - usually based on the value of the underlying funds in the contract (fund-based fees), or initially during the early years of a contract based on the size of the premiums paid in (premium-based fees). Fees paid in to Skandia initially upon the sale of a contract are distributed over a period of time. Such fees are treated as deferred income which is dissolved and recognised as revenue over the life of the contract.

Financial effects (EV): Refers to the deviation of the present value of future revenues from assumptions on fund growth and interest rates, caused by changes in the financial markets.

Funds under management: Customers' invested assets in unit linked assurance and mutual funds.

Net asset value (EV): Equity less minority share as per the balance sheet, reversal of eliminations of treasury shares held for the benefit of policyholders and surplus values of business in force after deducting deferred tax.

Net effect of policyholder tax: The net sum of income and expenses in

the income statement attributable to policyholder tax.

Number of shares outstanding: In calculations of key ratios and information on the number of shares, consideration has not been given to shares that can be considered to have been repurchased due to consolidation of certain fund holdings. As stated in the accounting policies, Skandia consolidates funds in which the company's ownership stake is more than 50%. The shares in Skandia owned by these funds are formally to be considered as treasury shares. Skandia does not treat these shares as treasury shares, since they make up part of the investment assets for which the policyholders bear the investment risk. A technical reduction of the number of shares would not give a true and fair view of the key ratios per share in Skandia. They have therefore not reduced the number of shares outstanding in calculations of key ratios per share. Information on the number of shares in funds that are consolidated is provided in connection with the table showing capital employed. The change in the number of shares outstanding is due to the fact that Skandia issues new shares when employees exercise their stock options to subscribe for new shares.

Operating result (EV): Profit / loss before tax (IFRS) adjusted to include the change in surplus value of business in force (VBIF) including financial effects, and revenues and expenses related to the policyholder tax.

Outcome compared with operative assumptions (EV): Assumptions that have been made are compared regularly with actual experience. A positive result entails that the actual outcome for the period was better compared with previous assumptions for new as well as existing business.

Paid-up policy: Insurance contract with terminated premium contributions but no repurchase of fund value.

Premiums and deposits: Inflows from customers. Pertains to premiums for

insurance contracts and deposits toward financial contracts (unit linked assurance and mutual fund savings products), but not deposits in bank accounts. Corresponds to the previously reported sales figures.

Premiums earned: Written premium attributable to the period, i.e., premiums written less outward reinsurance premiums, adjusted for the unearned portion of premiums.

Present value of new business for the year (EV): Discounted value of revenues and expenses in unit linked assurance during the term of an insurance policy for contracts written during the period.

Profit / loss before tax (IFRS): Profit/loss before company tax, revenues and expenses related to the policyholder tax, and profit/loss from discontinued operations.

Result of operations (EV): The operating result (EV) excluding financial effects.

Solvency margin: The solvency margin is the minimum permissible level of the capital base by law. The solvency margin is calculated based on the nature and scope of business.

Surplus value of business in force (VBIF) (EV): The present value of calculated future surpluses from the annual fees paid by policyholders according to contracts in force. The group's operating result includes the change in these surplus values for the period.

Surrenders: Premature termination of savings due to full repurchase, partial repurchase, premium reduction, conversion to paid-up policy status or transfer

Earnings per share (IFRS): Profit/loss for the period attributable to the parent company's shareholders, divided by the average number of shares outstanding during the period. The dilutive effect is only calculated if the key ratio deteriorates.

Equity ratio (IFRS): Equity in relation to total assets, excluding investments where the policyholders bear the investment risk, liabilities on consolidated funds, and reinsurance assets in unit linked assurance.

Debt-equity ratio (IFRS): Borrowings (excluding bank borrowings) and financial reinsurance in relation to the sum of equity, reversal of eliminations of treasury shares held for the benefit of customers, subordinated loans, borrowings (excluding bank borrowings) and financial reinsurance, less intangible assets.

Fixed charge cover (IFRS): Profit / loss before tax (IFRS) for the period, including reversal of interest expenses for borrowings, subordinated loans, financial reinsurance and write-down of goodwill, in relation to interest expenses for borrowings, subordinated loans and financial reinsurance for the period.

Growth in present value of new business (EV): The present value of new business for the period in relation to the present value of new business for the comparison period.

Operational return on capital employed (EV): The result of operations for the period excluding interest expenses for loans, less standard tax (30%), in relation to average capital employed during the period.

Operational return on net asset value (EV): The result of operations for the period excluding minority share, less standard tax (30%), in

relation to average net asset value during the period.

Operational return per share (EV): Result of operations for the period excluding minority share, divided by the average number of shares outstanding during the period.

Profit margin, new sales (EV): The present value of new business for the period in relation to annualised new sales for the period.

Return on capital employed (IFRS): Profit/loss for the period excluding profit/loss from discontinued operations and interest expenses after standard tax (30%) for borrowings, subordinated loans and financial reinsurance, in relation to average capital employed (IFRS) during the period.

Return on net asset value (EV): Operating result for the period excluding minority share, less current and deferred tax, in relation to average net asset value during the period.

Return on shareholders' equity (IFRS): Profit/loss for the period attributable to the parent company's shareholders, excluding profit/loss from discontinued operations, in relation to average shareholders' equity, excluding minority interests during the period.

#### RECONCILIATION OF EQUITY FROM SWEDISH GAAP TO IFRS

|                                     | 2004    | 2004    | 2004    | 2004    | 2003    |
|-------------------------------------|---------|---------|---------|---------|---------|
| SEK million                         | 31 Dec. | 30 Sep. | 30 June | 31 Mar. | 31 Dec. |
| Restatement of deferred acquisition | 6,560   | 6,280   | 6,139   | 6,026   | 5,911   |

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| costs   |         |         |         |         |         |
| Restatement<br>of accrued<br>commission<br>expenses                             | -1,052  | -869    | -873    | -868    | -880    |
| Deferral of<br>fee income   | -14,701 | -13,842 | -13,555 | -13,296 | -13,022 |
| Restatement<br>of fee income<br>receivable                                      | 3,821   | 3,237   | 3,140   | 3,076   | 3,044   |
| Change in<br>insurance<br>provisions<br>due to more<br>realistic<br>assumptions | 695     | 741     | 792     | 751     | 681     |
| Restatement<br>of<br>investments<br>to fair value                               | 500     | 388     | 340     | 481     | 382     |
| Treasury<br>shares held<br>to cover<br>investment<br>contracts                  | -504    | -436    | -459    | -400    | -258    |
| Goodwill<br>amortisation<br>discontinued  | 12      | 131     | 88      | 44      | -       |
| Surplus in<br>defined-<br>benefit<br>pension plans                              | -30     | -       | -       | -       | 315     |
| Cash-flow<br>hedge  | 58      | 58      | -       | -       | -       |

|               |        |        |        |        |        |
|---------------|--------|--------|--------|--------|--------|
| accounting    |        |        |        |        |        |
| Fair value    |        |        |        |        |        |
| hedge         | 11     | -      | -      | -      | -      |
| accounting    |        |        |        |        |        |
| Other         | 15     | 15     | 1      | 8      | 6      |
| adjustments   |        |        |        |        |        |
| Total changes | -4,615 | -4,297 | -4,387 | -4,178 | -3,821 |
| before tax    |        |        |        |        |        |
| Tax effect of | 927    | 1,097  | 1,090  | 1,089  | 1,010  |
| the above     |        |        |        |        |        |
| Adjustment to | -3,688 | -3,200 | -3,297 | -3,089 | -2,811 |
| equity        |        |        |        |        |        |
| Shareholders' |        |        |        |        |        |
| equity under  | 15,958 | 17,099 | 17,041 | 17,222 | 15,381 |
| Swedish GAAP  |        |        |        |        |        |
| Minority      |        |        |        |        |        |
| interest      | 73     | 88     | 97     | 111    | 122    |
| under Swedish |        |        |        |        |        |
| GAAP          |        |        |        |        |        |
| Total equity  |        |        |        |        |        |
| under Swedish | 16,031 | 17,187 | 17,138 | 17,333 | 15,503 |
| GAAP          |        |        |        |        |        |
| Adjustment to | -3,688 | -3,200 | -3,297 | -3,089 | -2,811 |
| equity        |        |        |        |        |        |
| Translation   | 41     | -46    | -138   | -179   | -      |
| differences   |        |        |        |        |        |
| Total equity  | 12,384 | 13,941 | 13,703 | 14,065 | 12,692 |
| under IFRS    |        |        |        |        |        |

RECONCILIATION OF PROFIT/ LOSS FROM SWEDISH GAAP TO IFRS

| SEK million   | 2004<br>12 mos. | 2004<br>9 mos. | 2004<br>6 mos. | 2004<br>3 mos. | 2004<br>Q3 |
|---|-----------------|----------------|----------------|----------------|------------|
| Restatement<br>of deferred<br>acquisition<br>costs                              | 649             | 369            | 227            | 115            | 142        |
| Restatement<br>of accrued<br>commission<br>expenses                             | -172            | 11             | 7              | 12             | 4          |
| Deferral of<br>fee income   | -1,679          | -820           | -533           | -274           | -287       |
| Restatement<br>of fee income<br>receivable                                      | 776             | 193            | 96             | 31             | 97         |
| Change in<br>technical<br>provisions<br>due to more<br>realistic<br>assumptions | 13              | 60             | 111            | 70             | -51        |
| Restatement<br>of<br>investments<br>to fair value                               | 118             | 6              | -42            | 99             | 48         |
| Goodwill<br>amortisation<br>discontinued  | 12              | 131            | 88             | 44             | 43         |
| Expensing of<br>share-based<br>payments   | -8              | -7             | -5             | -2             | -2         |
| Fair value  |                 |                |                |                |            |

|  |      |       |       |       |     |
|--|------|-------|-------|-------|-----|
| hedge accounting   | 11   | -     | -     | -     | -   |
| Policyholder tax   | -361 | -98   | -41   | -46   | -57 |
| Other adjustments  | 0    | -4    | -7    | 3     | 3   |
| Total changes before tax   | -641 | -159  | -99   | 52    | -60 |
| Shareholder tax effects on the above   | 213  | 100   | 32    | 36    | 68  |
| Total adjustment of profit/loss  | -428 | -59   | -67   | 88    | 8   |
| Profit/loss attributable to parent company's shareholders under Swedish GAAP | 674  | 1,695 | 1,384 | 1,137 | 311 |
| Profit/loss attributable to minority interests under Swedish GAAP            | -49  | -33   | -27   | -14   | -6  |
| Profit/loss under Swedish GAAP   | 625  | 1,662 | 1,357 | 1,123 | 305 |
| Total adjustment of  | -428 | -59   | -67   | 88    | 8   |

|             |     |       |       |       |     |
|-------------|-----|-------|-------|-------|-----|
| profit/loss |     |       |       |       |     |
| Profit/loss | 197 | 1,603 | 1,290 | 1,211 | 313 |
| under IFRS  |     |       |       |       |     |

RECONCILIATION OF CASH FLOW FROM SWEDISH GAAP TO IFRS

| SEK billion               | 2004<br>12 mos. | 2004<br>9 mos. | 2004<br>6 mos. | 2004<br>3 mos. | 2004<br>Q3 |
|---------------------------|-----------------|----------------|----------------|----------------|------------|
| Total cash                |                 |                |                |                |            |
| flow under                | -0.2            | -0.6           | -0.6           | -0.1           | 0.0        |
| previous GAAP             |                 |                |                |                |            |
| Adjustments <sup>1)</sup> | -0.3            | 0.0            | -0.1           | 0.0            | 0.1        |
| Total cash                |                 |                |                |                |            |
| flow under                | -0.5            | -0.6           | -0.7           | -0.1           | 0.1        |
| IFRS                      |                 |                |                |                |            |

1) Adjustments arise on account of the fact that according to IFRS the banking operation is consolidated line by line and there is thereby fully included in the group's cash flow.

Accounting policies (IFRS)

1. Basis of preparation

Up to and including 31 December 2004, Skandia has prepared its primary financial statements in conformity with the Swedish Annual Accounts Act for Insurance companies, the guidelines of the Swedish Financial Supervisory Authority, and to the extent that no conflict has arisen in this context, also in accordance with the recommendations from the Swedish Financial Accounting Standards Council (SFASC).

From 1 January 2005, the consolidated financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Commission. The report has been prepared in conformity with the guidelines in IFRS 34 Interim Financial Reporting. The consolidated financial statements have also been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies, chapter 7, and the guidelines of the Swedish Financial Supervisory Authority FFFS 2004:21, chapters 7 and 8. In addition to this, SFASC recommendations RR 30 - "Complementary reporting standards for groups" and RR 31 - "Interim financial reporting for groups" have been applied in preparation of the consolidated financial statements. Statement URA 46 of the SFASC emerging issues task force "IFRS 2 and social security charges", has been applied in this report.

EC Regulation 1606/2002 requires companies incorporated in a member state with securities admitted to a regulated market to prepare their accounts in accordance with IFRS as adopted by the Commission. The Commission has adopted almost all extant standards. However, in preparing these accounts, Skandia has made the following assumptions about future adoption:

- Although not yet considered by the Commission, that it will adopt the amendments issued by the IASB in December 2004 to IAS 19 Employee Benefits, in due course; and

- The Commission has adopted a modified version of IAS 39 which differs from that issued by the IASB. The so-called 'carve-out' makes two changes:

- it broadens the range of situations in which hedge accounting is permitted. Skandia has not taken advantage of these provisions; and

- it removes the option to measure financial liabilities at fair value in situations not already allowed by the EC's own accounting directives. In the case of Skandia, however, the only liabilities that have been measured at fair value are those permitted by Swedish law and the Insurance Accounts Directive.

- The IASB issued a draft of the new approach of the fair value option

during the second quarter 2005. Skandia is monitoring the development of these changes, as they are expected to be implemented and endorsed by the EU in autumn 2005, with potential effect as from 1 January 2006. In Skandia's opinion, the proposal from IASB pertaining to the restricted fair value option in IAS 39 will not change the valuation of Skandia's financial instruments compared with what is presented in this report. The transition to IFRS will be accounted for in accordance with IFRS 1 First-Time Adoption of International Financial Reporting Standards, with 1 January 2004 as the date of transition. The disclosures required by IFRS 1 concerning the transition from Swedish GAAP to IFRS are given on page 28. The main changes in accounting policies as a consequence of the transition from Swedish GAAP to IFRS are described below in section 2. A full set of accounting policies is available at

[www.skandia.com](http://www.skandia.com)

. The explanations and reconciliations in this report relate to the consolidated accounts for Skandia.

#### Outstanding issues

One issue for the industry as a whole, including Skandia, concerns the reporting of certain fund holdings. A consequence of IAS 27 is that funds controlled by Skandia are to be consolidated, even though all of the assets belong to the owners of the fund units. Policyholders choose to invest in various funds; in practice this is done in such way that Skandia's unit linked company buys units in the fund chosen by the customer. Skandia can thereby - on behalf of its customers - be classified as the owner of a majority stake in the fund. Even though Skandia does not have any controlling influence over these investments, Skandia can be forced to consolidate the funds in which its ownership stake exceeds 50%. If this takes place, the fund's holdings of stock in Skandia Insurance Company Ltd can be considered as repurchased equity capital instruments (treasury shares). In such case, these are to be eliminated against shareholders' equity. Such an adjustment would give

rise to a reduction of equity in the accounting, even though there is no economic exposure. In this interim report, Skandia has chosen to consolidate these funds. Consequently, shares held by the funds in Skandia are considered to be treasury shares and are eliminated against equity. The amounts are disclosed in the Swedish GAAP - IFRS reconciliations on page 28.

Changes in the value of unit linked funds and the corresponding change in unit linked liabilities are offset on the face of the income statement. The substance of the transaction is that the changes in value belong solely to the policyholders. Therefore Skandia believes that including these changes in value separately on the face of the income statement would detract from users' ability to understand the transactions and assess Skandia's performance and future cash flows. Skandia believes that that offsetting is the best presentation.

Skandia is monitoring developments within the industry with the intention of taking a conclusive stance on these outstanding issues in 2005.

## 2. Significant changes in Skandia's accounting policies

### 2.1 Transitional arrangements

The rules for first time application of IFRS are set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". In general, a company is required to determine its accounting policies in accordance with IFRS and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows several optional exemptions to the requirements for retrospective implementation. Skandia has opted to take advantage of the following exemptions:

#### a) IFRS 3 Business Combinations

Skandia has chosen not to apply IFRS 3 retrospectively to its past business combinations. Instead the standard will be applied prospectively from 1 January 2004. The consequences of this will be as

follows:

- the classification of former business combinations will be maintained;
- there will be no re-measurement of original "fair values" as determined at the time of the business combination; and
- the carrying amount of goodwill in the opening IFRS balance sheet will be equal to the carrying amount under previous GAAP. From the date of transition goodwill will no longer be amortised, but will be tested for impairment at the date of transition.

b) IAS 21 Effects of Changes in Foreign Exchange Rates

Any translation differences on translation of foreign operations that arise from 1 January 2004, the date of transition to IFRS, will be presented as a separate component of equity. According to IFRS 1, translation differences that existed at the date of transition did not need to be reported separately. Skandia therefore is reporting only translation differences that arose after 1 January 2004 separately.

c) IFRS 2 Share-Based Payment

The exemption in IFRS 1 will be applied. Skandia will apply IFRS 2 to all stock options granted after 7 November 2002 and which were not vested as per 1 January 2005 (the effective date of IFRS 2).

d) IAS 19 Employee Benefits

With effect from 1 January 2004, Skandia will apply the Swedish Financial Accounting Standards Council's new recommendation RR 29, which is based on IAS 19. The key change relates to the recognition on the balance sheet of a defined benefit asset and liability which represents the difference between the defined benefit obligation and the fair value of plan assets. The calculation of the defined benefit obligation is based on the defined benefit structure as at 31 December 2003. The standard will not be used retrospectively. Instead, the exemption in IFRS 1 is applied. This means that all cumulative actuarial gains and

losses at the date of transition 1 January 2004 are recognised.

e) IAS 39 Financial Instruments: Recognition and Measurement  
Certain assets are designated as "fair value through profit and loss" at the date of transition as allowed by IFRS 1.

In addition, IFRS 1 has a number of mandatory exceptions to the requirement for retrospective application. The following exceptions will affect Skandia:

#### Hedge accounting

Hedging relationships that were designated as hedges under previous GAAP, but which did not qualify for hedge accounting under IAS 39, will be treated in accordance with the requirements of IAS 39 relating to the discontinuance of hedge accounting. The hedge and the underlying items are measured in accordance with these principles for financial instruments.

#### Accounting estimates

Accounting estimates recognised under IFRS that were made under previous GAAP are not adjusted except for changes in accounting policies or if there is objective evidence of an error.

## 2.2 Insurance and investment contracts

The main changes in Skandia's financial statements result from the consequences of application of IFRS 4, "Insurance contracts" to unit linked assurance (or savings) contracts and mutual funds. The most significant changes are set out below and relate to the unbundling of unit linked savings contracts into insurance contract components and investment components, where the latter comprise a financial instrument and an investment management service contract. Below is a further description of this unbundling of contracts and other effects arising from application of IFRS 4.

a) Classification of contracts and unbundling

According to IFRS 4, an insurer should classify all its contracts individually as either insurance contracts or investment contracts. Contracts with insignificant transfer of insurance risk from the policyholder to the company are classified as investment contracts and should be accounted for as financial instruments under IAS 39 Financial Instruments: Recognition and Measurement and IAS 18 Revenue. Contracts that contain significant insurance risk are classified as insurance contracts.

The insurer has the option to unbundle certain contracts, if those contracts contain both insurance components and investment components, and the investment component can be measured independently from the insurance component. For its unit linked contracts, Skandia has decided to apply this approach. The unbundled components are separately classified and accounted for as insurance contracts and investment contracts. Under Swedish GAAP, all contracts are accounted for as insurance contracts, following the definition of an insurance contract under Swedish GAAP, and no unbundling is done.

b) Insurance contracts

Insurance contracts comprise the unbundled insurance component in unit linked contracts, health & protection business and traditional life business with or without discretionary participating features. In accordance with IFRS 4, current Swedish GAAP accounting will be used, with a few exceptions. These exceptions include:

- Excessively prudent provisions will be released, which will reduce the technical provisions.
- For traditional life contracts, the liability will be discounted using market interest rates. Under previous GAAP, the discount rate was established by the local regulator.

Incremental costs directly attributable to securing the insurance contracts will be capitalised as a deferred acquisition cost asset (DAC) and will be amortised as an expense over the life of the contract. The same DAC methodology is used for the insurance contracts and for the

investment contracts. More detail has been provided in section c) on DAC and DFI.

Any embedded derivative that forms part of an insurance contract and is itself an insurance contract will not be separated from the host contract and will thus not be separately valued.

c) Investment contracts

As noted above, investment contracts are accounted for under IAS 39 and IAS 18. The accounting for these unbundled unit linked contracts is as follows:

On inception of such contracts, amounts received from and payable to the holders of the contracts are accounted for as deposits received under investments for the benefit of policyholders and as balances payable in respect of liability for linked investment contracts, and are not included in premiums and claims in the income statement. Upon disposal, amounts paid are accounted for as decrease of unit linked liabilities in the balance sheet.

Embedded derivatives in investment contracts will be separated and measured at fair value.

The pattern of recognising front-end fee income will differ to previous GAAP. Fees charged for managing investment contracts will be recognised as revenue as the investment management services are provided, following the explicit guidance in IAS 18. Front-end fees will be deferred through the creation of a new balance sheet item called deferred fee income (DFI), and this will be released to income as the services are provided. This means that fees and charges that are taken initially and in addition to regular fund charges are deferred.

Incremental costs directly attributable to securing contracts will be recognised as an asset, deferred acquisition costs (DAC). DAC exists

under current GAAP, but only for insurance contracts and has a broader definition in terms of costs that can be deferred. In contrast to current GAAP, the definition of DAC under IFRS excludes non-incremental acquisition costs.

Under IFRS, the asset is amortised as an expense as the services are provided. Skandia generally assumes equal service provision over the lifetime of the contract and as such, DFI and DAC will be amortised linearly over the expected life of the contract. The previous practice followed by Skandia was to limit DAC amortisation period to maximum 10 years. The IFRS conversion will lead to an increase in DAC due to the longer amortisation period.

There will also be a change in the accounting for mutual funds. The accounting should be consistent with the method for the savings part of the unit linked contracts, which entails an increase of DFI and DAC on these contracts.

In cases where it is clear that for a certain portfolio of investment contracts, the expected future revenue is lower than the expected variable future costs of meeting the obligations under the contract, a provision for onerous contracts will be established as required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### 2.3 Investments at fair value

#### a) Fair value of bonds

Under previous GAAP, bonds were valued at amortised cost. Under IFRS, most bonds will be measured at fair value, leading to an increase in equity upon conversion. Skandia has chosen to classify some bonds in the banking business as "Held to maturity", and these will be valued at amortised cost.

#### b) Fair value of derivatives

In some cases, Skandia will not fulfil the requirements for hedge

accounting under IFRS. The derivatives previously accounted for under hedge accounting will be valued at fair value and hedge accounting will be discontinued as required under IAS 39.

#### 2.4 Goodwill

Under IFRS, goodwill will no longer be amortised. Instead, goodwill will be tested for impairment annually. This change in policy has no impact on opening equity, as goodwill in the opening balance sheet is fixed at the amount recognised under previous GAAP, subject to a mandatory impairment test on first-time adoption.

#### 2.5 Share-based payment

Skandia offered stock option programmes to employees on four different occasions during 2000-2003. In accordance with IFRS 2 Share-Based Payment, only programmes issued after 7 November 2002 must be accounted for in accordance with IFRS, if they had not been vested before 1 January 2005. Skandia offered one programme in February 2003. This programme included two types of options, of which one type (B-options) had not been vested by 1 January 2005. These options are the only ones to be accounted for under IFRS 2.

Under previous GAAP, stock options were not expensed. Instead there were extensive disclosure requirements covering all effects of the stock options. In accordance with the requirements of IFRS 2, stock options will be expensed. The expense is calculated as the market value of the options at issue date. The expense will be recognised over the vesting period. The vesting period is the period that the employees have to remain in the service of Skandia in order to be allowed to exercise the options. The expense will be adjusted for the actual number of outstanding options.

IFRS 2 has no effect on opening equity since the expense is only an adjustment between net income and restricted equity.

## 2.6 Consolidated accounting

As stated in section 1, Skandia consolidates funds in which the company's ownership stake is more than 50%. These fund holdings are consolidated like other investments for the benefit of policyholders on a separate line, called "Assets in consolidated mutual funds". The liability to minority interests in funds is reported under the heading "Liabilities in consolidated mutual funds". The imbalance that arises between these two lines pertains to the elimination of the shares that the consolidated funds own Skandia, i.e., treasury shares.

As before, the consolidated accounts do not include the wholly owned company Livförsäkringsaktiebolaget Skandia (Skandia Liv) and its subsidiaries. Skandia Liv's operation is run on a mutual basis and its result is returned in its entirety to the policyholders of Skandia Liv. Skandia cannot exercise control over Skandia Liv due to restrictions in Swedish legislation. Consequently, Skandia Liv is not consolidated.

## 2.7 Cash flow

The banking operation is now consolidated line by line instead of on separate lines as previously. As a result of this consolidation, the definition of cash flow has changed. In connection with the transition to IFRS, changes in investments in the operations have also been classified as part of cash flow from operating activities instead of as a part of cash flow from investing activities as previously. Investments in investment assets are an integral part of operations, as inflows in both the insurance and banking operations must in large part be invested in accordance with the operating rules. Changes in investment assets in the group, which are not used directly in the group's operations, are reported under the heading "Cash flow from investing activities".