SKANDIA INSURANCE
A. GROUP OVERVIEW

Results per business segment

	According to IFRS		According to embedded value method			
	Profit before tax		Result of operations1)		Operating result1)	
	2005	2004	2005	2004	2005	2004
SEK million	Q2	Q2	Q2	Q2	Q2	Q2
Unit linked assurance	313	211	1,150	886	2,080	650
Mutual funds	-13	-55	-13	-55	-13	-55
Life assurance	-4	15	-5	11	5	11
Banking	52	167	52	167	52	167
Other businesses	-1,134	-9	-1,134	-9	-1,134	-9
Joint functions 2)	-172	-181	-172	-181	-172	-181
Total	-958	148	-122	819	818	583

	According to IFRS	According to embedded value method	
	Profit before tax	Result of operations1)	Operating result1)

SEK million	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.
Unit linked assurance	895	494	2,320	1,860	3,593	2,105
Mutual funds	-29	-86	-29	-86	-29	-86
Life assurance	-3	45	-5	37	0	37
Banking	148	208	148	208	148	208
Other businesses	-1,110	-4	-1,110	-4	-1,110	-4
Joint functions 2)	-473	-323	-473	-323	-473	-323
Total	-572	334	851	1,692	2,129	1,937

Results per division

	According to IFRS		According to embedded value method			
	Profit before tax		Result of operations1)		Operating result1)	
SEK million	2005 Q2	2004 Q2	2005 Q2	2004 Q2	2005 Q2	2004 Q2
UK, Asia Pacific & Offshore	-1,113	5	-742	275	-416	280
Europe & Latin America	44	9	333	269	417	184
Nordic	262	263	438	404	968	248
Group	-151	-129	-151	-129	-151	-129

functions3)						
Total	-958	148	-122	819	818	583

	According to IFRS		According to embedded value method			
	Profit before tax		Result of operations1)		Operating result1)	
SEK million	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.
UK, Asia Pacific & Offshore	-822	142	-241	801	106	855
Europe & Latin America	218	45	844	438	971	431
Nordic	498	394	714	700	1,518	898
Group functions3)	-466	-247	-466	-247	-466	-247
Total	-572	334	851	1,692	2,129	1,937

1) For definitions please see page 25.
2) Joint functions include joint-group expenses, costs for the divisions that are not distributed among the business segments, and joint-group financial result.
3) Group functions include joint-group expenses, joint-group financial result and unallocated result for business segments.

Second quarter alone

Result according to IFRS

The result for the period was SEK -1,470 million (79) and was affected by two large one-time items. Goodwill in Bankhall was written down by SEK -1,135 million. The result was also charged with costs of SEK -471 million (-1) for discontinued operations. Discontinued operations pertain mainly to a provision for market timing in the USA, totalling SEK -507 million, net after tax and currency hedging. Earnings per share before dilution were SEK -1.44 (0.07).

The result before tax excluding profit/loss items pertaining to discontinued operations, was SEK -958 million (148) for the second quarter. Revenues rose 19%, to SEK 4,073 million (3,422), mainly due to an increase in fee revenue from customers and higher investment returns. Expenses excluding goodwill charges rose 19%, to SEK -3,896 million (-3,274), mainly due to higher costs for sales commissions and higher claim costs from risk insurance.

As previously reported, Bankhall's business plan has been subject to a close review. A new business plan has now been drafted which takes into account lower earnings expectations from certain business lines - particularly mortgages and general insurance - lower margins, and reduced synergy value following delays to depolarisation and more onerous regulations. As a result of these factors taken together, the decision has been made to write down goodwill pertaining to Bankhall by SEK -1,135 million. Following this write-down, goodwill in Bankhall as per 30 June 2005 was SEK 350 million.

Skandia believes that the remaining goodwill is justifiable by an overall estimation of anticipated earnings under the new business plan and the value of the company's strategic position in the UK market for distribution of insurance products. Bankhall is taking active steps to improve profitability. Its regulated network (ISL) has been closed, costs are being reduced and new revenue streams are being developed with multi-tie scheduled for launch during the third quarter of 2005. In addition, management has been realigned with a new CEO, Peter Mann, appointed in August 2005.

Result according to embedded value method

The operating result improved to SEK 818 million (583), despite goodwill charges of SEK -1,135 million. Financial effects made a positive contribution of SEK 930 million (-236) to this total. During the second quarter, fund growth exceeded underlying assumptions due to the strong trend in the stock market. This resulted in positive financial effects of SEK 728 million, compared with SEK 388 million during the first quarter of the year. Changes in financial assumptions, mainly pertaining to fund growth and the discount rate, contributed SEK 202 million, compared with SEK -45 million during the first quarter. However, the group's result of operations decreased due to the goodwill write-down, to SEK -122 million (819).

The profit margin for new sales of unit linked assurance was 14.9%, compared with 17.8% for the second quarter of 2004. The profit margin increased for the Nordic division, while it was unchanged for the UK, Asia Pacific & Offshore division. The Europe & Latin America division showed a narrower margin. The decline for the Europe & Latin America division is attributable to the dramatically changed market conditions in Germany, which had a directly negative impact of 2.5 percentage points on the group's profit margin during the quarter (see also page 13). A shift has occurred in the geographic composition of business, toward markets with lower profit margins.

Skandia's total premiums increased during the period to SEK 32,852 million, compared with SEK 23,427 million during the same period a year ago. Unit linked premiums in local currency rose 44%, to SEK 22,618 million (15,677). New sales of unit linked assurance rose 25% in local currency. The increase is mainly attributable to the UK, Asia Pacific & Offshore division, and to Sweden in the Nordic division. According to preliminary market statistics, Skandia's market share in traditional life and unit linked assurance increased during the second quarter. The Swedish Insurance Federation will be publishing definitive quarterly statistics at the end of August/early September 2005.

First half of the year

Result according to IFRS

The result before tax (excluding the result of discontinued operations) was SEK -572 million (334). The result was hurt by the write-down of goodwill. Profit increased for unit linked assurance business, while for mutual fund savings products as well, profit improved compared with the first half of 2004.

Revenues

Total revenues rose 15% to SEK 7,829 million (6,821). Of this total, fees from customers accounted for SEK 5,336 million (4,423), which means that the rate of growth remains over 20% compared with the corresponding period a year ago. A continued net inflow of funds under management, together with the growth in value of funds, has led to an increase in fund-based fees from both unit linked assurance and mutual funds. Premium-based fee revenue also continues to rise for unit linked assurance business. In certain countries, premium-based fees are charged on multi-year contracts, i.e., contracts in which premiums are paid in periodically over several years.

Premium-based fees already paid in are deferred in their entirety and amortised over the life of the respective contracts. The increase in premium-based fee revenue also resulted in an increase in deferred fee income. Premiums attributable to risk insurance rose 9% to SEK 1,474 million (1,353). Net investment income totalled SEK 870 million (631). 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 increased due to greater volumes, and net interest income was SEK 561 million (497).

Expenses

Total expenses increased due to a write-down of goodwill. Expenses excluding goodwill charges rose 12%, to SEK -7,266 million (-6,487). Life assurance claims incurred rose 21%. This is mainly due to the fact that insurance provisions increase in pace with reductions in market interest rates. In addition, certain retroactive provisions were made for risk insurance business during the second quarter. Insurance commissions paid rose 15%, to SEK -2,914 million (-2,525), mainly due to higher new sales of unit linked assurance, but also to an increase in mutual fund deposits. The change in deferred acquisition costs and accrued commission expense increased as a natural consequence of this, to SEK 1,112 million (999).

Skandia is continuing its work on controlling costs. Administrative expenses rose 5% and included a provision for Value Added Taxes (see further under "Disputes"). This provision was increased by SEK -53 million during the second quarter and now totals SEK -158 million. Excluding the VAT provision, administrative expenses were essentially unchanged.

Result for the period

The result for the period was SEK -1,047 million (1,290). This figure includes SEK -471 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 -507 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 return on shareholders' equity decreased to -9% (7%). The 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 -996 million (-518).

Balance sheet and shareholders' equity

Total assets increased to SEK 489.6 billion, compared with SEK 407.8 billion at the start of the year, mainly due to an increase in unit linked assurance assets, growth in the value of other investments, and continued volume growth in the banking operation.

Shareholders' equity amounted to SEK 11,408 million, compared with SEK 12,348 million at the start of the year. Borrowings amounted to SEK 4.0 billion, and were thus at the same level as at the start of the year. The debt-equity ratio was unchanged compared with the start of the year, at 21%. 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 June 2005 by SEK 521 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. If the current discount rate and inflation anticipations remain at year-end, Skandia estimates that shareholders' equity could decrease by SEK 70-100 million.

Cash flow

Cash flow from operating activities, excluding changes in deposits and lending in the banking operation, amounted to SEK -0.2 billion (-1.6). The decrease in cash flow from operating activities compared with the first quarter is mainly due to differences in the timing of incoming and outgoing payments of policyholder taxes. Cash flow from operating activities during the first half of 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 0.5 billion (2.5). 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. Cash flow from financing activities in the preceding year was affected in the amount of SEK 1.0 billion in loan repayment. During the second quarter of 2005, SEK 0.4 billion (0.3) was paid out in shareholder dividends.

Disputes

As reported in a press release on 17 June 2005, 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 handling 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. A provision was made for reasons of prudence. This provision was increased by SEK -53 million during the second quarter and now amounts to SEK -158 million.

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 have aggressively contested 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.

The status of other disputes is discussed in the 2004 Annual Report and 2004 year-end report. No material changes have taken place which give rise to any changes in these descriptions. Disputes pertaining to current operations are handled within the respective divisions. Disputes stemming from historic events are being handled by Björn Björnsson, Vice Chairman of Skandia, by direction of Skandia's board.

Premiums and deposits

Skandia's total premiums and deposits increased to SEK 59,874 million (48,742) during the first half of the year. This represents an increase of 23% in Swedish kronor and 24% in local currency. For unit linked assurance, premiums and deposits rose 29% in local currency, to SEK 41,496 million (32,567). New sales of unit linked assurance increased by 20% in local currency, to SEK 5,628 million (4,733). Mutual fund deposits increased to SEK 17,069 million (15,146). Sales of life assurance were down slightly compared with a year ago, which is in line with the strategy for the Spanish operation, where efforts are being focused on unit linked assurance instead of traditional life assurance. The performance by division is commented on in a separate section.

Funds under management

Unit linked funds under management increased by 22%, to SEK 361,258 million, compared with SEK 295,473 million at the start of the year. Deposits, together with changes in value, amounted to SEK 65,459 million. Currency effects amounted to SEK 22,265 million (-4,808). Payments to unit linked policyholders amounted to 11.1% of funds under management on a yearly basis. Surrenders accounted for 9.0% of this total, compared with 7.3% at the start of the year and 7.2% during the corresponding period a year ago. The increase in surrenders is associated with customers' withdrawals in connection with the changed inheritance and gift tax legislation in Sweden.

Funds under management for mutual fund business also increased, to SEK 120,383 million, compared with SEK 95,495 million at the start of the year. Deposits, together with changes in the value of mutual funds, amounted to SEK 21,105 million.

Consolidated income statement

SEK million	Note	2005 6 mos.	2004 6 mos.	2004 12 mos.
REVENUE				
Fee income		5,336	4,423	9,182

Change in deferred fee income (DFI) and fee income receivable (FIR)		-663	-422	-869
Net premiums earned		1,474	1,353	2,978
Net investment income		870	631	1,424
Net interest income, banking		561	497	1,021
Share of profit/loss of associates		1	-2	-3
Other income		250	341	693
Total revenue		7,829	6,821	14,426
EXPENSES				
Net claims incurred		-1,472	-1,198	-3,138
Commission expenses		-2,914	-2,525	-5,707
Change in deferred acquisition costs (DAC) and accrued commission expense (ACE)		1,112	999	2,416
Administrative expenses	1	-3,582	-3,402	-7,352
Other expenses	2	-1,370	-173	-1,459
Interest expenses		-175	-188	-373
Total expenses		-8,401	-6,487	-15,613

Profit/loss before tax		-572	334	-1,187
Policyholder tax charge		992	641	1,409
Taxes	3	-996	-518	-859
Profit / loss for the period from continuing operations		-576	457	-637
Profit / loss for the period from discontinued operations	4	-471	833	834
Profit / loss for the period		-1,047	1,290	197
Attributable to:				
Equity holders of the parent company		-1,051	1,292	249
Minority interest		4	-2	-52
Earnings per share *):				
Continuing and discontinued operations				
Basic		-1.03	1.26	0.24
Diluted		-1.03	1.26	0.24

Continuing operations			
Basic	-0.57	0.45	-0.57
Diluted	-0.57	0.45	-0.57
Discontinued operations			
Basic	-0.46	0.81	0.81
Diluted	-0.46	0.81	0.81
Weighted number of shares, thousands*)			
Basic	1,024,398	1,023,930	1,024,052
Diluted	1,029,933	1,029,192	1,028,636
Number of shares, end of period, thousands*)			
Basic	1,024,551	1,024,172	1,024,250
Diluted	1,030,085	1,029,434	1,028,835

*)For definitions please see page 25.

1) Administrative expenses			
Personnel expenses	-1,935	-1,839	-3,775
Other administrative expenses	-1,873	-1,671	-3,751
Depreciation	-154	-117	-310
Expense recharges	380	225	484

Total	-3,582	-3,402	-7,352

2) Includes a write-down of goodwill in Bankhall, totalling SEK -1,135 (-) million as per June 2005 and SEK -1,072 million as per December 2004.

3) Includes current, deferred and policyholder tax.

4) Profit / loss for the period from discontinued operations

American Skandia market timing *	-507	-	-
Skandia Asset Management (SAM) supplementary purchase price	36	-	-
Skandia Japan	-	833	834
Total	-471	833	834
* Of which: Settlement of market timing investigation	-673		
Legal expenses pertaining to market timing	-22		
Profit / loss before tax	-695		
Deferred tax pertaining to market timing	188		
Profit / loss after tax	-507		

Consolidated Income Statement - quarterly analysis

SEK million	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2
REVENUE					
Fee income	2,708	2,628	2,427	2,332	2,284
Change in					

deferred fee income (DFI) and fee income receivable (FIR)	-339	-324	-266	-181	-189
Net premiums earned	775	699	925	700	705
Net investment income	510	360	426	367	142
Net interest income, banking	304	257	267	257	271
Share of profit/loss of associates	-1	2	0	-1	0
Other income	116	134	174	178	209
Total revenue	4,073	3,756	3,953	3,652	3,422
EXPENSES					
Net claims incurred	-887	-585	-1,180	-760	-475
Commission expenses	-1,541	-1,373	-1,854	-1,328	-1,312
Change in deferred acquisition costs (DAC) and accrued commission expense (ACE)	578	534	885	532	514
Administrative expenses	-1,829	-1,753	-2,278	-1,672	-1,833
Other expenses	-1,259	-111	-1,181	-105	-81

Interest expenses	-93	-82	-100	-85	-87
Total expenses	-5,031	-3,370	-5,708	-3,418	-3,274
Profit/loss before tax	-958	386	-1,755	234	148
Policyholder tax charge	356	636	615	153	58
Taxes	-397	-599	-266	-75	-126
Profit/loss for the period from continuing operations	-999	423	-1,406	312	80
Profit/loss for the period from discontinued operations	-471	-	0	1	-1
Profit/loss for the period	-1,470	423	-1,406	313	79
Attributable to:					
Equity holders of the parent	-1,472	421	-1,369	326	73
Minority interest	2	2	-37	-13	6
Earnings per share:					

Continuing and discontinued operations					
Basic	-1.44	0.41	-1.34	0.32	0.07
Diluted	-1.44	0.41	-1.34	0.32	0.07
Continuing operations					
Basic	-0.98	0.41	-1.34	0.32	0.07
Diluted	-0.98	0.41	-1.34	0.32	0.07

Per-share data 1)

	2005	2004	2004	Moving 12-month figures 2005
	6 mos.	6 mos.	12 mos.	June
Result of operations per share (EV) before dilution, SEK	0.83	1.66	1.11	0.28
Earnings per share before dilution (IFRS), SEK 2)	-0.57	0.45	-0.57	-1.58
Earnings per share after dilution	-0.57	0.45	-0.57	-1.58

(IFRS), SEK 2)				
Shareholders' equity per share (IFRS), SEK	11.56	13.71	12.51	-
Net asset value per share (EV), SEK	31.19	30.52	29.44	-
Average share price, SEK	37.01	30.88	29.77	32.75
Closing share price, SEK	42.90	31.20	33.10	-

Key ratios, IFRS 1)

	2005	2004	2004	Moving 12-month figures 2005
	6 mos.	6 mos.	12 mos.	June
Return on shareholders' equity (IFRS), % 3)	-9	7	-4	-12
Return on capital employed (IFRS), % 3)	-6	6	-3	-9
Debt-equity	21	23	21	21

ratio, %				
Fixed charge cover, %	8	4	1	2
Equity ratio, %	11	14	13	11

Key ratios, embedded value method 1)

	2005	2004	2004	Moving 12-month figures 2005
	6 mos.	6 mos.	12 mos.	June
Present value of new business unit linked, SEK million	1,082	812	1,870	-
Growth in present value of new business unit linked, %4)	33	N/A	11	N/A
Profit margin new sales, unit linked, %	19.2	17.2	18.8	-
Operational return on capital employed	4	7	3	1

(EV), % 3)				
Operational return on net asset value (EV), % 3)	4	8	3	1
Return on net asset value (EV), % 3)	9	9	3	3

Solvency 1)

	Parent company	
	2005	2004
SEK million	30 Jun.	31 Dec.
Capital base	7,915	7,651
Solvency margin	649	604

1)For definitions please see page 25.
2)The key ratios are calculated excluding discontinued operations.
3) The 6-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 6 months 2005 includes a positive one-time effect of SEK 200 million.

B. RESULT PER BUSINESS SEGMENT

Result according to IFRS

Unit linked assurance

Profit before tax increased to SEK 895 million (494). This improvement can be credited to a large increase in the most important revenue source - customer fees. Revenues in the form of fees rose 19%, to SEK 3,917 million (3,278). All divisions are contributing to the increase in both premium- and fund-based revenues. Improved net investment income also contributed to the revenue increase.

The increase in new sales led to a 16% rise in commissions paid, to SEK 2,551 million (2,203). Profit experienced a favourable one-time effect of approximately SEK 80 million during the first quarter, attributable to a change in deferred acquisition costs in Germany. Administrative expenses rose 4%, to SEK
-1,521 million (-1,464). Profit during the second quarter was charged with higher costs - partly retroactive - for risk insurance in the UK.

Mutual funds
A continued result improvement was reported for mutual fund business. Several operations are still in the build-up phase, and full cost coverage has therefore not yet been achieved. The result before tax was SEK -29 million
(-86). Thanks to a higher inflow of funds under management, revenues - mainly in the form of fund-based fees - rose to SEK 1,043 million (757), an increase of 38%. Commissions rose 16%, to SEK -395 million (-341). Administrative expenses rose 6%, to SEK
-507 million (-477).

In Australia, mutual fund deposits stabilised during the second quarter, and the deficit is narrowing in pace with higher fund values and fee revenue. In the UK, which has the greatest share of funds under management, the result has improved and is now just under break-even.

Life assurance

Life assurance premiums, primarily in Spain, decreased slightly to SEK 445 million (476). The net result before tax was hurt by lower market interest rates and amounted to SEK -3 million (45). Assets in the life operations increased slightly, mainly due to positive changes in value, and amounted to SEK 12,272 million (11,699).

Banking

Profit before tax for the banking operation was SEK 148 million (208) for the first half of the year. Excluding one-time items in the preceding year, profit improved by 14%, to SEK 148 million (130). Profit for the first half of 2004 was favourably affected in the amount of SEK 78 million by one-time items, mainly capitalisation of compensation for vehicle financing contracts and repayment of Value Added Tax. The profit improvement is mainly attributable to an increase in net interest income derived from higher business volumes.

Measurement of interest rate derivatives at fair value in accordance with IFRS gives rise to certain volatility in the result for 2005. Profit for the second quarter was negatively affected in the amount of SEK -20 million, while profit for the first quarter was positively affected in the amount of SEK 6 million.

Excluding one-time items in the preceding year, operating revenues improved by 12%, to SEK 701 million (627).

Operating expenses rose 11%, to SEK -553 million (-497). The increase pertains mainly to operating and transaction costs associated with the lending and deposit activities, and higher marketing costs.

The share of doubtful debts in relation to lending volume is 0.07%, compared with 0.08% as per 31 December 2004.

Lending increased by 11%, to SEK 40.4 billion, compared with SEK 36.5 billion at the start of the year. Lending to the general public accounts for 97% of total lending and mainly concerns loans in the household market. The remainder concerns short-term lending to credit institutions. SkandiaBanken launched a new mortgage loan "ladder" during the second quarter. The response has been positive, with a marked rise in the number of new credits.

Deposits rose 17%, an increase of SEK 6.9 billion, to SEK 47.4 billion.

Other businesses

The "Other businesses" segment includes Bankhall and the Private Healthcare and Group business in the Nordic division. Bankhall reported an operating loss of SEK
-18 million (4). In addition, goodwill was written down by SEK -1,135 million (-). For further commentary on Bankhall, see the UK, Asia Pacific & Offshore section.

Profit for Skandia's Private Healthcare and Group business improved to SEK 42 million (-3). 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 administrative expenses, excluding a provision for VAT, decreased to SEK -218 million (-284). The result was hurt by lower earnings from fixed-income investments and currency effects.

Result before tax - Joint functions

	2005	2004

SEK million	6 mos.	6 mos.
Joint-group management expenses	-376	-284
of which provision for VAT	-158	-
Structural costs	-102	-56
Joint functions in Sweden	2	-68
Joint-group financial result	3	85
Total	-473	-323

Income Statement - business segments

	Unit linked assurance		Mutual funds		Life assurance		Banking		Other businesses		Joint functions		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
SEK million	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.
REVENUE																

Fee income	3,917	3,278	1,043	757	27	29	175	193			294	267	-120	-101	5,336	4,423
Change in deferred fee income and fee income receivable	-633	-407	-30	-30		15									-663	-422
Net premiums earned	739	621			445	476			290	256	0				1,474	1,353
Net investment income	413	251	53	34	361	236	-40	-27	41	20	268	862	-226	-745	870	631
Net interest income, banking							561	497							561	497
Share of profit/loss of associates					1	-1				-1					1	-2
Other income	17	-1	3	25	4		5	42	220	227	1	48			250	341
Total revenue	4,453	3,742	1,069	786	838	755	701	705	551	502	563	1,177	-346	-846	7,829	6,821

EXPENSES

Net claims incurred	-488	-363			-792	-652			-192	-183					-	-

1,472 1,198
Commission - - -395 -341 -23 -26 -46 -45 -18 -20
15 119 95 - -
expenses 2,551 2,203
2,914 2,525
Change in
deferred

acquisition
costs (DAC)
and accrued
commission 1,087 965 25 33 1
1,112 999
expense
Administrative - - -507 -477 -25 -30 -437 -428 -310 -302
-717 -707 -65 6 - -
expenses 1,521 1,464
3,582 3,402
Other expenses -12 -89 -216 -83 1 -1 -9 1 -
-1 - -173
1,134
1,370
Interest -73 -94 -5 -4 -2 -1 -61 -25 -7 -2
-319 -807 292 745 -175 -188
expenses
Total expenses - - - -872 -841 -710 -553 -497 - -506
- - 346 846 - -
3,558 3,248 1,098 1,661
1,036 1,500 8,401 6,487

Profit / loss 895 494 -29 -86 -3 45 148 208 - -4
-473 -323 0 0 -572 334
According before tax 1,110

```
 to IFRS

          Change in
          surplus values
          of business in
          force,        2,698 1,611             3   -8
                     2,701 1,603
          including
          financial
          effects
          Operating      3,593 2,105   -29  -86    0   37  148  208      -   -4
-473  -323    0      0 2,129 1,937
          result                                                   1,110
According

   to     Financial          -  -245             -5
                         -  -245
 embedded  effects       1,273
                     1,278
  value-   Result of     2,320 1,860   -29  -86   -5   37  148  208      -   -4
-473  -323    0      0   851 1,692
  method   operations                                              1,110
```

Result according to embedded value method

The group's operating result (including goodwill charges) increased to SEK 2,129 million (1,937), mainly due to large financial effects during the second quarter of 2005, primarily in the Swedish operations. Financial effects refer to the effect on embedded value caused by the fact that changes in the financial markets differ from the underlying assumptions 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 851 million (1,692). The result of operations for unit linked assurance improved to SEK 2,320 million (1,860). The increase is attributable to improvements in all divisions except the Nordic division, where the result was down slightly compared with the first half of 2004.

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

SEK million	2005 6 mos.	2004 6 mos.	2004 12 mos.
Total annualised new sales 1)	5,628	4,733	9,951
Present value of new business for the year	1,082	812	1,870
Return on value of contracts in force from previous years 2)	1,166	1,027	2,114
Outcome compared with operative assumptions	-88	-200	-382
Change in operative assumptions	222	245	-295
Value-added from operations	2,382	1,884	3,307
Business start-ups and other overheads 3)	-39	-26	-80

Restructuring costs	-23	2	-47
Result of operations, unit linked assurance	2,320	1,860	3,180
Financial effects 4)	1,273	245	700
Operating result, unit linked assurance	3,593	2,105	3,880
Profit margin, new sales 5)	19.2%	17.2%	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 -30 million as per June 2005, SEK -21 million as per June 2004 and SEK -41 million as per December 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 3,593 million (2,105). The stock market trend was positive in most countries during the first half of the year, which contributed to a sharp rise in financial effects - especially in the Swedish operations - which totalled SEK 1,273 million (245).

Result of operations

The result of operations, which consists of the operating result excluding financial effects for unit linked assurance, increased to SEK 2,320 million (1,860). During the first half the result was favourably affected by the high level of new sales in Germany stemming from a change in tax legislation at year-end 2004. Royal Skandia and Italy also contributed to the increase in the result of operations.

The result of operations amounted to SEK 1,150 million during the second quarter, which was level with the preceding quarter.

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 1,082 million (812). All divisions contributed to the increase. VNB for the second quarter was SEK 436 million, compared with SEK 416 million for the corresponding period a year ago and SEK 646 million for the preceding quarter.

During the first quarter, VNB experienced a positive one-time effect of approximately SEK 200 million from strong new sales in Germany in late 2004/early 2005. New sales in Germany dropped sharply during the second quarter, at the same time that costs were incurred to realign the operations toward other customer segments. This led to a sharp decline in VNB during the second quarter in Germany.

In Sweden, greater new sales of the "kapitalpension" product - and also occupational pensions - contributed to an increase in VNB compared with the preceding quarter. Operations in the UK also contributed to the increase.

The actions taken in the Swedish operations have begun to yield results in the form of rising new sales and an increase in VNB. Cost-cutting and higher retrocessions from fund companies are also contributing to improved VNB. The present value of new business was negatively affected by the changes in assumptions at year-end 2004 regarding the conversion of policies to paid-up status and the elimination of premium-based fees.

Profit margin, new sales

The calculated profit margin increased to 19.2% (17.2%). The profit margin improved, most notably for the Nordic division, but also for the UK, Asia Pacific & Offshore division. The profit margin for the Europe & Latin America division narrowed slightly due to the changed market conditions in Germany.

During the second quarter, the profit margin for the group fell to 14.9%, compared with 17.8% for the same quarter a year ago. This was mainly attributable to the decline in new sales in the German operation.

Skandia's German operation, like the market as a whole, is currently in a transitional period following the high level of new sales during the preceding quarters. These were driven by exceptional demand ahead of changes in tax legislation after year-end. New sales were halved in Germany compared with the second quarter of 2004 at the same time that marketing costs have risen. The transitional period entails that costs during the second quarter are high in relation to the considerably lower volume of new sales during the second quarter. This had a negative 2.5 percentage point impact on the group's profit margin. The combined cost overrun in Germany that affected VNB and thus the profit margin was SEK 73 million, of which SEK 24 million is attributable to a time-lag in paid commissions. Of the remaining SEK 49 million, approximately a third is directly attributable to investments in new product segments. The goal is to gradually increase new sales in other customer segments and thereby restore balance. While the cost overrun attributable to VNB was high, the German operation has achieved a volume of funds under management that entails significantly positive result effects for the existing book of business. The outcome compared with assumptions was positive at SEK 27 million, and changed assumptions regarding retrocessions from fund companies amounted to SEK 92 million.

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 annually. This amount also includes the return on investments pertaining to unit linked assurance, which increased compared with a year ago, to SEK 1,166 million (1,027).

Outcome compared with operative assumptions

The outcome compared with operative assumptions was negative, but improved to SEK -88 million (-200) compared with a year ago. Surrenders in the Swedish operation, prompted by changes in inheritance and tax legislation and the introduction of the new "kapitalpension" product, are at a high level. The effect of these market changes is expected to subside during the remaining part of the year. Conversion of policies to paid-up status is showing a gradual decline, but still exceeds underlying assumptions. The result for the UK, Asia Pacific & Offshore division was affected by higher - partly retroactive - provisions for risk insurance.

Change in operative assumptions

Changes in assumptions amounted to SEK 222 million (245). Changes in assumptions were mainly attributable to the second quarter of 2005 and pertained primarily to higher retrocessions from fund companies and necessary adjustments in the embedded value model.

Life assurance

The result of operations according to the embedded value method was SEK -5 million (37).

C. RESULTS per DIVISION

UK, Asia Pacific & Offshore division

The UK, Asia Pacific & Offshore division includes the operations in the

UK, Royal Skandia, Ir eland, Switzerland, Liechtenstein, Australia and China. The unit linked operations in Norway and Finland are conducted as branches of Skandia UK.

Results - UK, Asia Pacific & Offshore

	According to IFRS		According to the embedded value method			
	Profit before tax		Result of operations 1)		Operating result 1)	
SEK million	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.	2005 6 mos.	2004 6 mos.
Unit linked assurance	353	218	934	877	1281	931
Mutual funds	-22	-80	-22	-80	-22	-80
Life assurance		-				
Banking		-				
Other businesses	-1153	4	-1153	4	-1153	4
Joint functions		-				
Total	-822	142	-241	801	106	855

1) For definitions, please see page 25.
2) Includes a write-down of goodwill in Bankhall, totalling SEK -1 135 (-) million as per June 2005.

Key ratios 1) - UK, Asia Pacific & Offshore

	2005 6 mos.	2004 6 mos.	2004 12 mos.	Moving 12-month figures 2005 Jun.
Premiums and deposits, SEK million	38,517	31,480	65,087	72,124
New sales, unit linked, SEK million	3,569	2,888	5,982	6,663
Present value of new business, unit linked, SEK million	433	346	684	771
Growth in present value of new business, unit linked, %	25	N/A	39	N/A
Profit margin new sales, unit linked, %	12.1	12.0	11.4	-
Capital employed (IFRS), SEK million	8,318	N/A	8,060	-
Return on capital employed (IFRS), % 2)	-17	N/A	-14	-

Capital employed (EV), SEK million	16,445	N/A	15,043	-
Oper. return on capital employed (EV), % 2)	-2	N/A	13	-
Assets under management, SEK billion	345	255	276	-

1) For definitions, please see page 25.
2) The 6-month key ratios for 2005 have been recalculated on a full-year basis.

Products and markets

Premiums and deposits amounted to SEK 38,517 million (31,480) during the first half of the year, an increase of 24% in local currency. Of this, unit linked assurance accounted for SEK 29,466 million (22,356) and mutual funds for SEK 9,051 million (9,124). New sales of unit linked assurance rose 25% in local currency during the first half of the year, to SEK 3,569 million (2,888).

New sales of unit linked bonds in the UK rose 25% in local currency as unit linked multi-manager products continue to gain strength in the market. New sales also rose in the Pensions product area, by 18% in local currency. This growth has been driven by a range of new initiatives ahead of announced changes in the UK pensions market in April 2006. Skandia's new Self Invested Personal Pension (SIPP), launched at the beginning of 2005, has been well-received by the market.

Royal Skandia's new sales rose 38% in local currency. In the UK, increases in inheritance tax liabilities continue to drive demand for compliant offshore tax solutions. Growth was also driven by rising institutional sales via private banks. In addition, there was significant sales growth across the broader offshore markets, especially in South America, the Middle East, and Europe.

New sales in Switzerland rose 62% in local currency, driven by the new "kapitalpension" product.

In Australia, mutual fund deposits decreased by 3% in local currency against high comparative performance in the first half of 2004.

Result according to IFRS

Excluding the goodwill write-down, profit before tax was SEK 313 million (142), mainly due to higher profits from unit linked assurance business in the UK and Royal Skandia. Revenues in the form of fees have increased - both premium- and fund-based revenues. However, profit before tax (excluding the goodwill write-down) was down during the second quarter compared with the first quarter. This is mainly due to certain adjustments in the model for distributing revenues over time according to IFRS. The result including the goodwill write-down of SEK -1,135 million was SEK -822 million (142). The return on capital employed for the division was 9% excluding the goodwill write-down and -17% including the goodwill charge.

Bankhall's earnings deteriorated during the second quarter, and the company reported a loss of SEK -18 million (4) for the first half of the year, excluding goodwill charges. The result was adversely impacted by one-off restructuring costs of approximately SEK 11 million. Revenues were broadly stable, while expenses have risen. In addition, profit was charged with a further goodwill write-down for Bankhall. See also page 5.

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

Result according to embedded value method

The operating result for unit linked assurance increased to SEK 1,281 million (931), of which financial effects accounted for SEK 347 million (54). The result of operations increased to SEK 934 million (877), and the profit margin was 12.1% (12.0%). The increase in the result of operations is mainly attributable to higher VNB and a higher return on the value of contracts in force from previous years. These positive effects were partly offset by one-off restructuring costs and costs for retroactive adjustments of fees and deposits. The profit margin during the second quarter was level with the preceding quarter. The operational return on capital employed according to the embedded value method was 8% excluding the goodwill write-down and -2% including the goodwill charge.

Europe & Latin America division

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

Results - Europe & Latin America

	According to IFRS		According to the embedded value-method			
	Profit before tax		Result of operations 1)		Operating result 1)	
	2005	2004	2005	2004	2005	2004
SEK million	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.

Unit linked assurance	250	40	878	441	1000	434
Mutual funds	-27	-38	-27	-38	-27	-38
Life assurance	-5	44	-7	36	-2	36
Banking	-	-				
Other businesses		-1		-1		-1
Joint functions	-	-				
Total	218	45	844	438	971	431

1) For definitions please see page 25.

Key ratios 1) - Europe & Latin America

	2005 6 mos.	2004 6 mos.	2004 12 mos.	Moving 12-month figures 2005 Jun.
Premiums and deposits, SEK million	13,675	10,615	21,291	24,351
New sales, unit linked, SEK million	1,020	878	2,212	2,354
Present value				

of new business, unit linked, SEK million	354	233	795	916
Growth in present value of new business unit linked, %2)	52	N/A	31	N/A
Profit margin new sales, unit linked, %	34.7	26.5	35.9	-
Capital employed (IFRS), SEK million	3,069	N/A	3,190	-
Return on capital employed (IFRS), % 3)	11	N/A	-4	-
Capital employed (EV), SEK million	6,677	N/A	6,206	-
Oper. return on capital employed (EV), % 3)	19	N/A	10	-
Assets under management, SEK billion	84	65	70	-

1) For definitions

please see
page 25.

2) Growth in the present value of new business for 6 months 2005 includes a positive one-time effect of SEK 200 million.
3) The 6-month key ratios for 2005 have been recalculated on a full-year basis.

Products and markets

Premiums and deposits totalled SEK 13,675 million (10,615), an increase of 27% in local currency. Unit linked premiums rose 16% in local currency, to SEK 6,280 million (5,421). New sales of unit linked assurance increased by 16% in local currency, to SEK 1,020 million (878). Mutual fund deposits totalled SEK 6,457 million (4,502), an increase of 39% in local currency.

The German market is currently in a period of transition to new market conditions following a period of exceptional demand stemming from changes in tax legislation, which had a strongly positive impact on new sales during the fourth quarter of 2004 and first quarter of 2005. Skandia has also felt the effects of this and showed as sharp decline in new sales of unit linked assurance in Germany during the second quarter of the year. However, new sales showed a positive trend on a monthly basis during the second quarter and a higher share of occupational pensions contracts. In addition, distribution via Independent Financial Advisers showed signs of recovery toward the end of the second quarter.

Skandia's strong growth in France continued, and new sales rose 123% in local currency. Capacity has been strengthened both in Skandia's own organisation and in external distribution channels, and after only three years of doing business in France, Skandia has achieved a market share of slightly more than 3% in the IFA segment.

Italy noted a favourable trend in premiums and deposits during the second quarter. Italy's regulatory authority, ISVAP, has ruled that retrocessions from fund companies are to be credited to customers and not to the product suppliers, which will apply for new contracts written after 1 September 2005. Skandia estimates that the company will be able to compensate for this through price adjustments and that VNB will not be affected by this change in rules.

In Austria, Skandia Leben AG, along with most other insurance companies, has been sued by a consumer organisation in Austria. See also the section on disputes.

The sharp rise in mutual fund deposits is largely attributable to Spain and Colombia. In Spain, two large distributors have begun selling Skandia's fund products, with the greatest contribution during the second quarter. Mutual fund deposits in Spain during the first half of the year increased by SEK 1,533 million, to SEK 3,713 million.

Result according to IFRS

Profit before tax amounted to SEK 218 million (45). The increase is largely attributable to a strong result for unit linked assurance in Germany during the first quarter, which was favourably affected by a deferral of acquisition costs attributable to the high level of new sales in late 2004/early 2005. Several other markets also made a significant contribution to the improved result.

The return on capital employed decreased compared with the first quarter, mainly due to debt repayment in Germany using funds generated from the larger customer base. The return on capital employed was 11%.

Result according to the embedded value method

The operating result for unit linked assurance rose 130%, to SEK 1,000 million (434), of which financial effects accounted for SEK 122 million

(-7). The result of operations was SEK 878 million (441), an increase of 99%. Changes in operative assumptions and the operative outcome compared with assumptions, mainly in Germany and Austria, affected the result of operations favourably in the amount of SEK 313 million during the first half of the year. The value of new business was exceptionally strong during the first quarter, but substantially lower during the second quarter.

The German operation is currently being conducted under entirely different conditions in the wake of the previous exceptional demand. New sales fell sharply during the second quarter at the same time that costs were maintained at first-quarter levels. The reason for the latter is that investments have been made in product development and marketing for continued initiatives in new product segments. This relationship explains the drop in the profit margin, which was 35% for the first half of the year, compared with 52% for the first quarter. However, the underlying profit margins in the German operation are only marginally affected by the shift towards occupational pensions.

The operational return on capital employed according to the embedded value method was 19% for the first half of the year and 23% for the first quarter.

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			
	Profit before tax		Result of operations 1)		Operating result 1)	
	2005	2004	2005	2004	2005	2004
SEK million	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.	6 mos.
Unit linked assurance	284	223	500	529	1304	727
Mutual funds	20	32	20	32	20	32
Life assurance	2	1	2	1	2	1
Banking	148	208	148	208	148	208
Other businesses	42	-3	42	-3	42	-3
Joint functions	2	-67	2	-67	2	-67
Total	498	394	714	700	1518	898

1) For definitions please see page 25.

Key ratios 1) - Nordic

	2005	2004	2004	Moving 12-month figures 2005
	6 mos.	6 mos.	12 mos.	Jun.

Premiums and deposits, SEK million	7,682	6,647	11,653	12,688
New sales, unit linked, SEK million	1,039	967	1,757	1,829
Present value of new business, unit linked, SEK million	295	233	391	453
Growth in present value of new business unit linked, %	27	N/A	-35	N/A
Profit margin new sales, unit linked, %	28.4	24.1	22.3	-
Capital employed (IFRS), SEK million	4,585	N/A	4,698	-
Return on capital employed (IFRS), % 2)	16	N/A	8	-
Capital employed (EV), SEK million	12,965	N/A	12,040	-
Oper. return on capital	8	N/A	2	-

employed (EV), % 2)				
Assets under management, SEK billion 3)	392	359	366	-

1) For definitions please see page 25.

2) The 6-month key ratios for 2005 have been recalculated on a full-year basis.
3) Includes Skandia Liv in the amount of SEK 270 billion (249).

Products and markets
The Nordic division showed strong gains during the second quarter compared with a year ago, both in respect of total premiums and new sales.

Unit linked assurance

Premiums and deposits for the Nordic division rose 16%, to SEK 7,682 million (6,647). Unit linked premiums increased by 20% in local currency. New sales of unit linked assurance in Sweden showed a breakthrough during the second quarter.

New sales of unit linked assurance during the second quarter amounted to SEK 552 million (439), an increase of 26% compared with 2004. New sales increased for the third consecutive quarter, but this is the first time in a long time that new sales exceeded the corresponding year-earlier period. New sales from Private customers rose 75% and can mainly be credited to the new "kapitalpension" product. Accumulated new sales of "kapitalpension" unit linked plans totalled SEK 145 million during the first half of the year. In the key Commercial segment, new sales rose 13%, which is a sign that the completed action programme is beginning to generate results.

During the first half of the year, new sales amounted to SEK 1,039 million, compared with SEK 967 million during the first half of 2004 - an increase of 7%.

In the Private Healthcare and Group business unit, premiums during the first half totalled SEK 0.3 billion, an increase of 10% compared with the same period in 2004.

Result according to IFRS

Profit before tax improved to SEK 498 million (394), mainly due to improved profits in unit linked assurance and Private Healthcare and Group business. Virtually all costs for joint functions have been distributed among the product areas, which did not take place to the same extent a year ago.

Unit linked assurance revenues have increased due to growth in fund-based fees. Premium-based fees were eliminated in the Swedish operation in 2004. Profit also improved for the risk portion of unit linked assurance pertaining to waiver of premium protection.

Profit for the banking operation amounted to SEK 148 million (208). Results of this operation are commented in section B on page 11.

The earnings improvement for Private Healthcare and Group business is explained by higher investment returns and growth in premium revenue. The improvement is mainly attributable to Group business, however, profit for Private Healthcare business also improved - mainly in the Danish branch, where growth in premiums combined with lower claim costs led to an improved result.

The return on capital employed was 16%.

Result according to embedded value method

The operating result for unit linked assurance was SEK 1,304 million (727), of which financial effects accounted for SEK 804 million (198). The result of operations for unit linked assurance decreased slightly, to SEK 500 million (529). The present value of new business for the period has increased. This can be attributed to higher new sales during the period and higher profitability per contract stemming from the actions taken in the Swedish operations.

Higher retrocessions from fund companies, cost-cutting and a slight increase in fixed fees per contract had a positive result impact and have offset the reduction of premium-based fees on customers' existing contracts.

The result was adversely affected by an increase in surrenders attributable to the change in inheritance and gift taxation, in connection with a reallocation of savings assets to "kapitalpension" products. The conversion of policies to paid-up status also hurt the outcome compared with assumptions in the embedded value calculation, even though this effect markedly subsided during the second quarter. Taken together, the outcome compared with operative assumptions was SEK

-175 million (-96), of which SEK -145 million was attributable to surrenders of inheritance- and gift tax-related endowment plans. Change in assumptions during the first half of 2005 amounted to SEK 68 million (73).

The operational return on capital employed according to the embedded value method was 8%.

Group functions

Group functions include joint-group expenses, the joint-group financial result and undistributed results from the business segments. The group's administrative expenses, excluding the provision for VAT, decreased to SEK -218 million, compared with SEK -284 million a year ago.

Result before tax - Group functions

SEK million	2005 6 mos.	2004 6 mos.
Joint-group management expenses	-376	-284
of which provision for VAT	-158	-
Structural costs	-102	-56
Unallocated result, business segment	9	8
Joint-group financial result	3	85

Total	-466	-247

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Stockholm, 22 August 2005
Hans-Erik Andersson
President and CEO

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-June 2005. The interim report is the responsibility of the Company's management. 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.

Göran Engquist Svante
Forsberg Anders Engström
Authorised Public Authorised
Public Authorised Public
Accountant
Accountant Accountant

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 30 Jun.	2004 31 Dec.
ASSETS			
Intangible assets			
Goodwill		0.6	1.6
Other intangible assets		0.1	0.2
Reinsurers' share of insurance provisions		0.8	0.7
Deposits held with cedents	2	3.8	3.5
Deferred acquisition costs	1	18.6	16.3
Deferred tax asset		0.6	1.0
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	51.7	45.5
Investments in associates	2	0.1	0.1
Other investments	2	24.9	21.4
Investments for the benefit of policyholders		361.2	295.5
Assets, consolidated mutual funds	3	14.4	10.0
Current tax		0.5	0.4

asset			
Other receivables		4.5	3.7
Other prepayments and accrued income		5.0	4.9
Cash and cash equivalents		1.8	2.0
TOTAL ASSETS		489.6	407.8
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent		11.3	12.3
Minority interest		0.1	0.1
Total equity		11.4	12.4
Liabilities			
Subordinated loans	4	0.8	0.8
Insurance provisions	5	16.6	15.5
Liability for linked investment contracts		362.7	296.8
Liabilities consolidated mutual funds	3	14.9	10.5
Deposits received from reinsurers		0.1	0.1
Provisions for pensions		0.3	0.3
Deferred tax liability		1.6	1.9
Deferred fee income	6	16.4	14.7
Other provisions		1.3	1.3
Deposits and borrowings from the public		47.4	40.5
Other interest bearing liabilities	4	3.9	3.9
Current tax liabilities		0.8	0.4
Derivative liability		0.9	0.3
Other payables		7.0	5.8
Other accruals and deferred income		3.5	2.6

TOTAL EQUITY AND LIABILITIES	489.6	407.8

NOTES TO THE BALANCE SHEET

Note	SEK billion	2005 30 Jun.	2004 31 Dec.
1	Deferred acquisition costs (DAC)		
	Opening balance	16.3	14.3
	Capitalisation of acquisition costs	2.4	4.9
	Amortisation of deferred acquisition costs	-1.3	-2.3
	Deferred acquisition costs in divested companies	-	-0.5
	Impairment of deferred acquisition costs	0.0	0.0
	Exchange differences	1.2	-0.1
	Closing balances	18.6	16.3
	Of which, unit linked assurance	18.0	15.7
	Of which, mutual funds	0.6	0.6

2	Investments		
	Unit linked assurance	13.3	10.4
	Mutual funds	0.3	0.3
	Life assurance	11.9	11.1
	Banking	51.6	44.5
	Other businesses and group functions	3.4	4.2
	Total	80.5	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 and other interest-bearing liabilities		
	Subordinated loans	0.8	0.8
	Bonds, non-banking	2.4	2.2
	Financial reinsurance	0.8	1.0
	Financing	4.0	4.0
	Bonds in bank	0.0	0.0
	Other financial liabilities	0.7	0.7
	Total	4.7	4.7
	Change in bonds		
	Opening balance	2.2	3.1
	New debt issued	0.3	0.9
	Repurchases and maturities	-0.1	-1.8

	Currency conversion	0.0	0.0
	Closing balances	2.4	2.2
5	Insurance provisions		
	Unit linked assurance	3.7	3.1
	Life assurance	12.0	11.5
	Other businesses	0.9	0.9
	Total	16.6	15.5
6	Deferred fee income (DFI)		
	Opening balance	14.7	13.0
	Capitalisation of fees	1.9	4.2
	Amortisation of deferred fees	-1.3	-2.4
	Exchange differences	1.1	-0.1
	Closing balances	16.4	14.7
	Of which, unit linked assurance	15.7	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	-101
Additional provision	4
Reclassification	-54
Exchange differences	6
Balance per 30 June 2005	246

CHANGE IN EQUITY

SEK million	2005 30 Jun.	2004 30 Jun.	2004 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 policies1)	-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 2)	-362	-307	-307
New issue3)	6	9	13
Change in surplus value of owner-occupied properties	-1	2	-8
Share-based payments	3	5	8
Change in cash-flow hedges	-	-	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)	7	-201	-248
Translation differences	418	213	10
Profit /loss for	-1,047	1,290	197

the period			
Closing balance	11,408	13,703	12,384

1) See also section on IFRS reconciliation.
2) Including dividend to minority of SEK 3 million as at 30 June 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 Jun.	30 Jun.	31 Dec.
Equity	11,408	13,703	12,384
Treasury shares held to cover investment	521	466	504

contracts 1)			
Subordinated loans	849	849	849
Other financing 2)	3,186	3,610	3,357
Capital employed IFRS	15,964	18,628	17,094
Surplus value of business in force after deferred tax	20,116	17,222	17,339
Capital employed embedded value	36,080	35,850	34,433
1) Number of repurchased shares for the benefit of policyholders, thousands	12,144	14,945	15,231
2) Including financial reinsurance, excluding deposits from public			

NET ASSET

VALUE

SEK million	Unit linked 2005 30 Jun.	Unit linked 2004 31 Dec.	Life assurance 2005 30 Jun.	Life assurance 2004 31 Dec.	Total 2005 30 Jun.	Total 2004 31 Dec.
Equity	8,661	7,308	540	533	9,201	7,841
Surplus value of business in force after deferred tax	20,183	17,407	-67	-68	20,116	17,339
Less: minority interests			-43	-43	-43	-43
Embedded value	28,844	24,715	430	422	29,274	25,137
Equity, mutual funds					495	374
Less: minority interests mutual funds					-42	-33
Equity, banking					2,269	2,120
Equity, other businesses					-1,510	-325
Equity,						

group functions	952	2,374
Treasury shares held to cover investment contracts	521	509
Net asset value	31,959	30,151

RECONCILIATION OF NET ASSET VALUE

	According to embedded value method				According to IFRS			
	Unit linked		Life assurance		Other segments		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
SEK million	30 Jun.	31 Dec.	30 Jun.	31 Dec.	30 Jun.	31 Dec.	30 Jun.	31 Dec.
Opening balance	24,715	22,418	422	352	5,014	6,339	30,151	29,109
Profit/loss for the period from continuing operations	805	1,119	0	-5	-1,381	-1,751	-576	-637
Profit / loss for the period from discontinued operations	-507	834			36	0	-471	834
Change in								

surplus value of business in force after deferred tax	1,926	1,553	4	-24	0	0	1,930	1,529
Change in surplus value of business in force in discontinued operations		-405			0	0	0	-405
Transfer of proceeds from discontinued operations	507	-1,222			-507	1,222	0	0
Capital contributions/ New issue	40	548	0	101	-34	-636	6	13
Dividend			-28		-331	-307	-359	-307
Change in surplus value of owner-occupied properties		1	1	-11	-2	2	-1	-8
Share-based payments					3	8	3	8
Change in cash-flow hedges					0	57	0	57
Recognition of actuarial gains and losses					0	-30	0	-30

from post-employment defined benefit plans								
Translation differences	1,358	-131	31	6	-109	61	1,280	-64
Less: minority interests			0	3	-4	49	-4	52
Closing balance	28,844	24,715	430	422	2,685	5,014	31,959	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		
SEK million	2005 6 mos.	2004 6 mos.	2004 12 mos.	2005 6 mos.	2004 6 mos.	2004 12 mos.	2005 6 mos.	2004 6 mos.	2004 12 mos.
UK, Asia Pacific & Offshore 1)	3,569	2,888	5,985	433	346	684	12,1%	12,0%	11,4%
Europe & Latin	1,020	878	2,212	354	233	795	34,7%	26,5%	35,9%

America									
Nordic 2)	1,039	967	1,757	295	233	391	28,4%	24,1%	22,3%
Total	5,628	4,733	9,951	1,082	812	1,870	19,2%	17,2%	18,8%
1) Of which, UK	3,404	2,795	5,786	411	333	662	12,1%	11,9%	11,4%
2) Of which, Sweden	984	918	1,668	284	223	377	28,9%	24,3%	22,6%

STATEMENT OF CASH FLOWS

SEK billion	2005 6 mos.	2004 6 mos.	2004 12 mos.
Cash flow from operating activities before changes in lending/ deposits to and from the public and investments in banking operations2)	-0.2	-1.6	-2.2
Change in lending/ deposits to			

and from the public and investments in banking	-0.3	-0.4	-0.7
operations Cash flow from operating activities	-0.5	-2.0	-2.9
Cash flow from investing activities 3)	0.5	2.5	3.7
Cash flow from financing activities	-0.4	-1.2	-1.3
Net cash flow for the period 1)	-0.4	-0.7	-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	0.2	0.1	0.0

equivalents			
Cash and cash equivalents at the end of the period	1.8	1.9	2.0
1) Net cash flow from discontinued operations:	-	-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 first half of 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, 42,500 B options from the 2003 programme were subscribed by Skandia employees.
The subscription price was SEK 20.33 per share, and Skandia thus received SEK 864 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, 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 May 2005, all of the 984,150 outstanding A options in the 2002 programme expired. At the same time, the remaining 170,700 A options in the 2000 programme and the remaining 182,100 A options in 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

SEK	2005 30 Jun.	2005 31 Mar.	2004 31 Dec.	2004 30 Sep.	2004 30 Jun.
EUR Closing rate	9.45	9.15	9.03	9.04	9.16
EUR Average rate	9.16	9.09	9.13	9.16	9.18
GBP Closing rate	14.00	13.31	12.76	13.17	13.66
GBP Average rate	13.36	13.10	13.40	13.56	13.56
USD Closing rate	7.81	7.04	6.65	7.28	7.53
USD					

Average rate	7.12	6.87	7.32	7.47	7.46

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 42.90 on 29 June 2005, compared with SEK 35.90 at the end of March 2005. This corresponds to an increase of 19.5% during the second quarter of 2005. During the same period, the Stockholm Stock Exchange's SAX index gained 6.1%. The highest and lowest prices paid during the second quarter were SEK 44.00 and SEK 33.30, respectively. Skandia's shares are listed on the Stockholm Stock Exchange and London Stock Exchange. Trading volume in Skandia's shares during the second quarter was 805 million shares, and the market capitalisation was SEK 44.0 billion on 29 June 2005.

[REMOVED GRAPHICS]

Skandia's largest shareholders as per 29 July 2005

Name	Share capital and voting rights, %	Number of shares
Fidelity mutual funds	5.0	51,525,466
Burdaras HF	3.6	36,633,500
Nordea mutual funds	3.5	35,701,422
Cevian Capital LP	3.4	34,508,400

Second National Swedish Pension Fund	3.2	32,806,673
SHP/SPP mutual funds	2.6	26,226,192
Robur mutual funds	2.5	26,017,232
SEB mutual funds	2.1	21,787,180
SEB-Trygg Försäkring	1.7	17,434,700
Nordea Bank	1.6	16,577,100
Total, 10 largest shareholders	29.2	299,217,865
Total, others	70.8	725,325,280
Total shares	100.0	1,024,543,145

Glossary

Key ratios

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 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 borrowings in bank 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

SEK million	2004 31 Dec.	2004 30 Sep.	2004 30 June	2004 31 Mar.	2003 31 Dec.
Restatement of deferred acquisition costs	6,560	6,280	6,139	6,026	5,911
Restatement of accrued commission expenses	-1,052	-869	-873	-868	-880
Deferral of fee income	-14,701	-13,842	-13,555	-13,296	-13,022
Restatement of fee income receivable	3,821	3,237	3,140	3,076	3,044
Change in insurance provisions due to more realistic assumptions	695	741	792	751	681
Restatement of investments	500	388	340	481	382

to fair value					
Treasury shares held to cover investment contracts	-504	-436	-459	-400	-258
Goodwill amortisation discontinued	12	131	88	44	-
Surplus in defined-benefit pension plans	-30	-	-	-	315
Cash-flow hedge accounting	58	58	-	-	-
Fair value hedge accounting	11	-	-	-	-
Other adjustments	15	15	1	8	6
Total changes before tax	-4,615	-4,297	-4,387	-4,178	-3,821
Tax effect of the above	927	1,097	1,090	1,089	1,010
Adjustment to equity	-3,688	-3,200	-3,297	-3,089	-2,811
Shareholders' equity under Swedish GAAP	15,958	17,099	17,041	17,222	15,381
Minority	73	88	97	111	122

interest under Swedish GAAP					
Total equity under Swedish GAAP	16,031	17,187	17,138	17,333	15,503
Adjustment to equity	-3,688	-3,200	-3,297	-3,089	-2,811
Translation differences	41	-46	-138	-179	-
Total equity under IFRS	12,384	13,941	13,703	14,065	12,692

RECONCILIATION OF PROFIT/ LOSS FROM SWEDISH GAAP TO IFRS

SEK million	2004 12 mos.	2004 9 mos.	2004 6 mos.	2004 3 mos.	2004 Q2
Restatement of deferred acquisition costs	649	369	227	115	112
Restatement of accrued commission expenses	-172	11	7	12	-5
Deferral of fee income	-1,679	-820	-533	-274	-259
Restatement of fee income receivable	776	193	96	31	65
Change in technical	13	60	111	70	41

provisions due to more realistic assumptions					
Restatement of investments to fair value	118	6	-42	99	-141
Goodwill amortisation discontinued	12	131	88	44	44
Expensing of share-based payments	-8	-7	-5	-2	-3
Fair value hedge accounting	11	-	-	-	-
Policyholder tax	-361	-98	-41	-46	5
Other adjustments	0	-4	-7	3	-10
Total changes before tax	-641	-159	-99	52	-151
Shareholder tax effects on the above	213	100	32	36	-4
Total adjustment of profit/loss	-428	-59	-67	88	-155
Profit/loss attributable to parent	674	1,695	1,384	1,137	247

company's shareholders under Swedish GAAP					
Profit/loss attributable to minority interests under Swedish GAAP	-49	-33	-27	-14	-13
Profit/loss under Swedish GAAP	625	1,662	1,357	1,123	234
Total adjustment of profit/loss	-428	-59	-67	88	-155
Profit/loss under IFRS	197	1,603	1,290	1,211	79

RECONCILIATION OF CASH FLOW FROM SWEDISH GAAP TO IFRS

SEK billion	2004 12 mos.	2004 9 mos.	2004 6 mos.	2004 3 mos.	2004 Q2
Total cash flow under previous GAAP	-0.2	-0.6	-0.6	-0.1	-0.5
Adjustments1)	-0.3	0.0	-0.1	0.0	-0.1
Total cash flow under IFRS	-0.5	-0.6	-0.7	-0.1	-0.6

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.

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 preliminary draft of the new approach of the fair value option during the first 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 26. 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.se

. 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 26.

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".