

Interim Report

January – September 2005



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High return in a changing business environment

The collective agreement parties the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services (PTK) recently announced the commencement of negotiations for a new ITP Plan. The criteria for the new negotiations are a defined contribution plan that is open to competition. If this is the final result, it will mean considerable changes for Alecta and our customers. We will, of course, continue to manage the old ITP Plan for a long time at the same time as taking advantage of the opportunities in a new plan.

A defined contribution plan means that the risk of investment loss is borne by the insured individuals instead of by the companies as in the present plan. When in the future an individual chooses a pension provider, as I see it there are three factors that should be decisive. Firstly, the supplier's financial position, secondly the ability to create returns and thirdly costs. Allow me to describe Alecta's position as regards these three aspects.

We have a strong financial position. Our collective funding ratio amounted to 127 per cent at the end of the third quarter. This was affected positively by the return in the third quarter and negatively by the reduction in the funding base rates carried out in September. Following this reduction, the funding base rates are on a par with market interest rates.

The Swedish Financial Supervisory Authority's draft supervision model for monitoring conformance with the prudential requirements in the new rules for

occupational pension institutions, known as the traffic light model, will not weaken Alecta's ability to create good returns since Alecta has strong finances and since we already apply internal rules that provide a similar control.

Our return for the first nine months of 2005 was 11.5 per cent. In view of our long-term management horizon, it is perhaps more interesting to look at the return over a five-year period. In the past five years we had an average total return of 3.4 per cent, a figure that is still affected by the substantial fall on the stock exchanges in 2002. At 30 June our annual return over the past five years outperformed the industry average by 0.9 percentage points.

A third factor that insured individuals should assess is costs. Comparative figures for the industry in the first three quarters are not yet available, but last year we had the lowest costs in the industry. In relation to assets under management, our total management costs were then 0.24 per cent, of which 0.05 percentage points pertains to asset management.

If the collective agreement parties continue to entrust us with the provision of insurance solutions within the framework of a new ITP Plan, conditions will be such that there will be no better choice for private sector salaried employees than Alecta.

Stockholm, 27 October 2005

Tomas Nicolin
President

January – September 2005

Results

Profit after tax amounted to SEK 26.9 billion (16.3). Investment income accounted for SEK 39.8 billion (19.6) of this result.

Premiums written amounted to SEK 13.2 billion (14.0). Premiums written include bonus for adjustment of paid-up values for ITP pensions for the full year 2005 by 0.54 per cent (1.53), which corresponds to SEK 0.7 billion (1.9).

In September, the Swedish Financial Supervisory Authority reduced the highest permitted interest rate for calculation of life insurance provisions for insurance contracts taken out before 1 May 2003 by 0.25 percentage points to 3.25 per cent. This is the main explanation why the cost item change in other technical provisions was considerably higher than in the previous year, SEK 15.5 billion (7.6).

Operating expenses in the insurance business were SEK 392 million (358).

Investment management

The total return on investments amounted to 11.5 per cent (6.3). Equities were the asset class with the highest return during the period, 23.3 per cent (7.6).

The market value of investments at 30 September amounted to SEK 386.1 billion (331.0).

Collective funding and solvency

Collective funding capital at the end of September amounted to SEK 78.7 billion (65.1) and the collective funding ratio was 127 per cent (126). The funding base rate was reduced twice during the year, by 0.5 percentage points in June and by 0.25 percentage points in September to 3.25 per cent. This interest rate is used for contracts taken out before 1 May 2003. For contracts taken out as from 1 May 2003, the interest rate used is 2.75 per cent. The interest rates applied are thus the same as those used when calculating life insurance provisions.

The solvency ratio amounted to 10.5 (8.2) as of September.

Financial position and key ratios, parent company

Financial position, SEK million	30 Sep 2005	30 Sep 2004	31 Dec 2004
Collective funding capital	78,696	65,104	71,750
Technical provisions ¹	266,892	230,154	232,212
Capital base	119,787	85,978	96,829
Required solvency margin	11,376	10,518	10,667
Collective funding ratio (%)	127	126	128
Solvency ratio	10.5	8.2	9.1
Administrative expense ratio	0.14	0.15	0.15
Management expense ratio ²	0.18	0.19	0.19

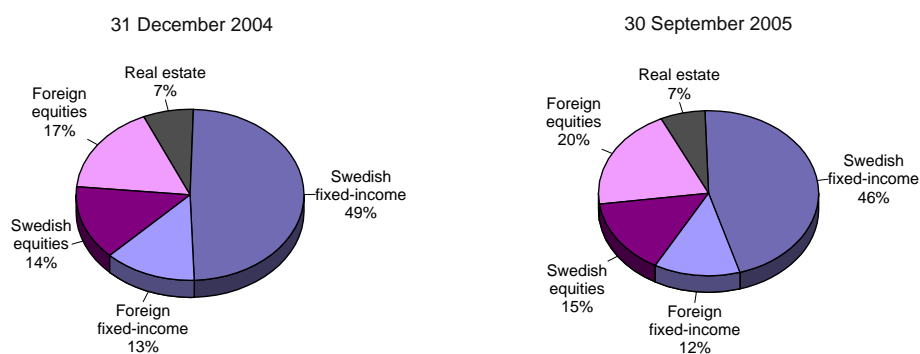
¹ Calculated as technical surrender value.

² Excluding asset management costs.

Investment income

Alecta Group	Market value 31 Dec 2004		Net investm. SEKbn	Change in value		Market value 30 Sep 2005		Total return %		
	SEKbn	%		SEKbn	%	SEKbn	%	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Fixed-income excl. direct loans	214.6	62.2	5.3	5.6	2.6	225.5	58.4	5.7	5.3	8.3
Swedish	169.5	49.1	3.1	5.0	2.9	177.6	46.0	6.0	5.3	8.4
Foreign	45.1	13.1	2.2	0.6	1.4	47.9	12.4	4.4	5.3	7.7
Direct loans	0.5	0.1	0.0	0.0	1.8	0.5	0.1	5.0	3.3	7.0
Equities	108.2	31.3	4.6	22.2	20.6	135.0	35.0	23.3	7.6	13.8
Swedish	49.2	14.2	-0.4	9.2	19.4	58.0	15.0	22.8	13.3	22.4
Foreign	59.0	17.1	5.0	13.0	21.5	77.0	20.0	23.7	2.0	6.0
Real estate	22.0	6.4	1.7	1.4	6.4	25.1	6.5	10.7	9.2	13.6
Swedish	10.0	2.9	1.2	0.4	4.2	11.6	3.0	9.0	5.5	8.0
Foreign	12.0	3.5	0.5	1.0	8.2	13.5	3.5	12.1	12.3	18.5
Borrowing for investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	-2.7	-2.7
Total investments	345.3	100.0	11.6	29.2	8.4	386.1	100.0	11.5	6.3	10.3

Investments



Summary income statement	Alecta Group			Alecta (parent company)		
SEK million	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
TECHNICAL ACCOUNT						
Premiums written	13,243	13,967	18,840	13,243	13,967	18,840
Investment income	39,810	19,570	32,074	39,697	19,528	32,202
Claims incurred	-8,192	-7,863	-9,823	-8,192	-7,863	-9,823
Change in other technical provisions	-15,547	-7,644	-10,391	-15,547	-7,644	-10,391
Operating expenses	-392	-358	-496	-392	-358	-496
Other	-	-	-49	-	-	-49
Balance on the technical account, life insurance business	28,922	17,672	30,155	28,809	17,630	30,283
Balance on the technical account	28,922	17,672	30,155	28,809	17,630	30,283
Other	22	-	-	-	-	-
Tax	-2,045	-1,366	-1,850	-2,035	-1,366	-1,850
Net profit for the period	26,899	16,306	28,305	26,774	16,264	28,433

Summary balance sheet	Alecta Group			Alecta (parent company)		
SEK million	30 Sep 2005	30 Sep 2004	31 Dec 2004	30 Sep 2005	30 Sep 2004	31 Dec 2004
Intangible assets	248	106	129	248	106	129
Investments	382,292	327,495	341,440	381,968	327,416	341,417
Other assets	12,437	10,741	15,062	11,584	10,586	12,755
Total assets	394,977	338,342	356,631	393,800	338,108	354,301
Funding	120,699	86,567	97,356	120,035	85,978	96,829
Technical provisions	266,892	248,055	250,246	266,892	248,055	250,246
Other liabilities	7,386	3,720	9,029	6,873	4,075	7,226
Total equity, provisions and liabilities	394,977	338,342	356,631	393,800	338,108	354,301

Summary cash flow statement	Alecta Group			Alecta (parent company)		
SEK million	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Cash flow from operating activities	2,856	2,590	3,595	2,933	2,508	3,653
Cash flow from investing activities	-94	-293	-99	-122	-93	-151
Cash flow from financing activities	-2,696	-3,046	-4,099	-2,696	-3,046	-4,099
Cash flow for the period	66	-749	-603	115	-631	-597
Liquid assets, opening balance	587	1,192	1,192	407	1,004	1,004
Exchange rate differences in liquid assets	6	-	-2	-	-	-
Liquid assets, closing balance	659	443	587	522	373	407

Summary of change in funding SEK million	Alecta Group			Alecta (parent company)		
	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Funding, opening balance	97,356	76,142	76,142	96,829	75,557	75,557
Reversionary bonus	-2,701	-3,955	-4,637	-2,701	-3,955	-4,637
Change in client company funds	-774	-1,468	-2,135	-774	-1,468	-2,135
Withdrawals from indexing funds	-425	-406	-547	-425	-406	-547
Other changes	344	-52	228	332	-14	158
Net profit for the period	26,899	16,306	28,305	26,774	16,264	28,433
Funding, closing balance	120,699	86,567	97,356	120,035	85,978	96,829

This interim report has been prepared in accordance with the Swedish Financial Supervisory Authority's instructions and general guidelines. Recognition of intangible assets has been carried out in accordance with RR 15. The interim report has been prepared according to the same accounting principles as the 2004 annual report.

Stockholm, 27 October 2005

Tomas Nicolin
President

Auditors' statement

We have reviewed this interim report in accordance with the recommendation issued by FAR.

A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that the interim report does not comply with the Swedish Financial Supervisory Authority's instructions and general guidelines on annual accounts for insurance companies.

Stockholm, 27 October 2005

Matts Edin
*Authorised Public
Accountant*

Ulla Nordin Buisman
*Authorised Public
Accountant*

Jan Palmqvist
*Authorised Public
Accountant,
appointed by the Swedish
Financial Supervisory
Authority*

Glossary

Collective funding ratio	Distributable assets in relation to commitments to policyholders and insured (guaranteed commitments and allocated bonus).
Solvency ratio	Calculated as the capital base divided by the required solvency margin. The term is used by the Swedish Financial Supervisory Authority in its supervision of life insurance companies. According to law an insurance company must always have a solvency ratio that is at least one (1).
Capital base	The difference between the company's assets (minus financial liabilities and untaxed reserves) and technical provisions.
Required solvency margin	A minimum requirement for the size of the capital base. Somewhat simplified, the solvency margin is determined as certain percentages of technical provisions and the company's insurance risks.
Administrative expense ratio	Operating expenses in the insurance business (adjusted to an annual cost) in relation to average assets under management.
Management expense ratio	Operating expenses in the insurance business and claims management costs (adjusted to an annual cost) in relation to average assets under management.
Investments	Market-valued investment assets and the portion of receivables, other asset and liabilities which are managed by investment management.
Investment assets	Assets which have the character of a capital investment, i.e. fixed income securities, equities and real estate.

Alecta offers the ITP occupational pension – a pension paid for by the employer. Alecta has assets under management of approximately SEK 380 billion. Our customers and owners are 27,000 companies and 1.6 million private individuals. Alecta's assignment comes from the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services (PTK). Our cost-effective solutions and service enable employers to provide their employees with financial security both while they are working and after retirement. Through the disability insurance included in ITP, we can also increase client companies' awareness of the correlation between health and profitability. We offer a financial security benefit that suits most people and we aim to set the standard for high returns and low costs.