

Länsförsäkringar Sak
Försäkringsaktiebolag (publ)
Corporate registration number 502010-9681

INTERIM REPORT, JANUARY – JUNE 2007



Länsförsäkringar Sak

The Managing Director of Länsförsäkringar Sak Försäkringsaktiebolag (publ), corporate registration number 502010-9681, hereby presents the interim report for January 1 – June 30 at the request of the Board of Directors.

The consolidated financial statements were not prepared with reference to Chapter 7, Section 2 of the Swedish Annual Accounts Act, since the Company and its subsidiaries are covered by the consolidated financial statements for Länsförsäkringar AB (publ), corporate registration number 556549-7020.

Figures in parentheses for the year earlier period are provided as comparative figures in the comments to this report.

Ownership

The company is wholly owned by Länsförsäkringar AB (publ), which is owned by 24 regional insurance companies and 14 local insurance companies.

Organization

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (Länsförsäkringar Sak) is the Parent Company of Länsförsäkringar Sak Fastighets AB, the limited partnership Utile Dulci 2, Länsförsäkringar Grupplivförsäkringsaktiebolaget (Länsförsäkringar Gruppliv), Länsförsäkringar International AB (publ), and of a dormant company owned jointly with Länsförsäkringar Liv Försäkrings AB.

Significant events

Länsförsäkringar Sak and its subsidiary Länsförsäkringar Gruppliv signed an agreement with Länsförsäkringar Liv Försäkrings AB (life) regarding portfolio transfers on January 1, 2007. The agreement regards the transfer of a portfolio of health and personal accident insurance and group health and personal accident insurance to Länsförsäkringar Sak, and regards the transfer of a portfolio of group life insurance and employment group life insurance to Länsförsäkringar Gruppliv.

The transfer is expected to take place in 2007 when the necessary approval and permission has been granted from Finansinspektionen (Swedish Financial Supervisory Authority).

On February 14, 2007, Länsförsäkringar Sak acquired the company Länsförsäkringar Gruppliv from Wasa Försäkring Run-Off AB. The operations of the acquired company comprise the discontinuation of previously signed insurance for group insurance operations. The acquisition price was SEK 30.5 M, corresponding to the company's shareholders equity.

Excise duty on third-party liability insurance premiums was introduced on July 1, 2007. This tax levy will be financed by raising third-party liability insurance premiums. The extensive work with making the necessary systems adaptations and information activities to customers was completed during the spring.

Earnings

	2007 Jan-June	2006 Jan-June
Technical result of non-life underwriting	76	128
Remaining investment income	799	-480
Income before tax	876	-352

Insurance operations

The technical result from insurance operations for the period amounted to SEK 76 M (128). The change compared with the preceding year is primarily explained by increased operating expenses related to development operations.

Premiums earned after ceded reinsurance amounted to SEK 590 M (576). Premiums earned have risen by approximately 2 percent and are attributable to the health-care and commercial business areas.

Claims payments after ceded reinsurance amounted to SEK 528 M (497). The claims trend remained favorable during the first half of 2007. The increase in claims payments after ceded reinsurance is due to

increased business volumes and to the fact that earnings for the first half of 2006 included settlement gains. The claims ratio amounted to 90 percent compared with 86 in the year earlier period.

Operating expenses rose to SEK 172 M (123) and the expense ratio amounted to 29 (21).

Investment income

Investment income on investment assets in the Länsförsäkringar Sak Group amounted to 7.0 percent (neg: 1.0). The world's stock exchanges rose by an average of approximately 9 per cent during the first six months of 2007. The Stockholm Stock Exchange rose by slightly more than 13 percent. The long-term and short-term interest rates increased during the first six months of 2007, which contributed negatively to returns. The Swedish krona strengthened against the US dollar and other important currencies. Interest-bearing assets generated a yield of 1.2 percent (neg: 1.0). Equity returns amounted to 11.7 percent (neg: 2.5). The property investment class of assets generated a return of 8.5 percent (10.2).

The property assets are reported in the subsidiary Länsförsäkringar Sak Fastighets AB and Utile Dulci 2 HB, which means that the return on investment assets in Länsförsäkringar Sak is slightly weaker than above.

Income statement

SEK M	Jan. 1, 2007– June 30, 2007	Jan. 1, 2006– June 30, 2006
Technical report on non-life insurance operations		
Premiums earned after ceded reinsurance	590	576
Investment income transferred from financial operations	182	172
Claims payments after ceded reinsurance	-528	-497
Operating expenses	-172	-123
Other technical revenues and expenses	5	–
Technical results of non-life underwriting	76	128
Non-technical accounting		
Investment income, revenues	954	752
Unrealized changes in value of investment assets	352	-668
Investment income, expenses	-325	-392
Investment income transferred to non-life insurance operations	-182	-172
Remaining investment income	799	-480
Income before tax	876	-352
Tax	-234	76
Net profit for the period	642	-276

Balance sheet

SEK M	June 30, 2007	June 30, 2006
ASSETS		
Other intangible assets	28	26
Investment assets	17,348	16,567
Reinsurers' portion of technical reserves	5,156	4,426
Receivables	538	563
Other assets	417	930
Prepaid expenses and accrued income	237	143
TOTAL ASSETS	23,725	22,654
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Shareholders' equity	2,212	1,720
Untaxed reserves	1,229	1,229
Technical provisions before ceded reinsurance	17,606	16,886
Provisions for other risks and expenses	537	303
Deposits from reinsurers	50	51
Liabilities	1,849	2,287
Accrued expenses and prepaid income	242	178
Total shareholders' equity, provisions and liabilities	23,725	22,654
Change in shareholders' equity (SEK M)		
	June 30, 2007	June 30, 2006
Opening shareholders' equity, according to the balance sheet, December 31 of the year prior to the interim period	1,723	2,517
Adjustment for changed accounting principle	-4	-6
Dividend	-150	-1,251
Net profit/loss for the period	642	-276
SHAREHOLDERS' EQUITY AT END OF THE PERIOD	2,212	984

Financial position

SEK M	Jan. 1, 2007– June 30, 2007	Jan. 1, 2006– June 30, 2006
Premium income after ceded reinsurance	722	684
Investment assets (fair value)	17,348	15,469
Technical reserves after ceded reinsurance	12,450	12,783
Shareholders' equity	2,212	984
Untaxed reserves	1,229	1,229
Deferred tax liabilities	367	-77
Surplus values	1,180	611
Net asset value	4,989	2,748
Solvency margin (%)	442	244
Solvency margin (SEK M)	487	245
Capital Base (SEK M)	4,594	2,484
Key ratios (%)		
Claims ratio	90	86
Expense ratio	29	21
Combined ratio	119	108

Cash-flow statement

SEK M	Jan. 1, 2007– June 30, 2007	Jan. 1, 2006– June 30, 2006
Cash flow from operating activities	-284	1,895
Cash flow from investing activities	14	-4
Cash flow for the period	-270	1,891
Cash and cash equivalents at the beginning of the period	930	678
Cash flow for the period	-270	1,891
Cash and cash equivalents at the end of the period	660	2,569

Other disclosures

1. Changed accounting principles

From the 2007 fiscal year, Swedish insurance companies, with certain exceptions, shall apply legally restricted IFRS to their annual reports and interim reports. This means that International Financial Reporting Standards (IFRS) are applicable with the limitations specified by the Swedish Financial Accounting Standards Council's Recommendation RR 32 Financial Reporting for Legal Entities, and Finansinspektionen's regulations and general guidelines for insurance companies' annual accounts.

This interim report has been prepared in accordance with Finansinspektionen's regulations and general guidelines for insurance companies' annual accounts (FFFS 2006:17), the Swedish Financial Accounting Standards Council's Recommendation RR 32 Financial Reporting for Legal Entities, and IAS 34 Interim Financial Reporting. The transition to legally restricted IFRS has entailed the change of accounting principles that affect the comparative figures in the income statement and balance sheet. The effects of the changed accounting principles are described in Note 2.

2. Effects of changed accounting principles

Insurance agreements are reported in accordance with the principles of IFRS 4, which means that a new definition of what is considered to be insurance in the accounting is applied. For Länsförsäkringar Sak, this new definition has not resulted to the reclassification of any agreements.

Financial instruments are reported in accordance with the principles of IAS 39. Since the investment assets have previously been valued at market value, the effect of the transition to IAS 39 is marginal. IAS 39 also entails that transaction costs are not included in the acquisition value of financial assets reported at fair value in the income statement. Another change is that listed instruments are valued at the current bid without deductions for transaction costs. A total amount of SEK 4 M has been booked in changes in shareholders' equity that are attributable to the restatement of opening amounts for investment assets.

With these new accounting principles for financial instruments, the previous reserve for unrealized gains has been discontinued. Funds reported under Reserve for unrealized gains have been transferred in their entirety to non-restricted shareholders' equity. This has meant that the company's restricted funds have reduced at the same time as non-restricted funds have increased in the corresponding amounts.

This report is unaudited.

Stockholm, August 22, 2007

Ann Sommer
Managing Director