

Topdanmark Interim Report • Q1 2007

22 May 2007 Announcement No. 09/2007

Key features:

- Topdanmark's post-tax profit was DKK 379m in Q1 2007 which exceeded the profit forecast assumed in the 2006 Annual Report (Q1 2006: DKK 418m).
 - Post-tax profit per share was DKK 20.9 (Q1 2006: DKK 21.2).
 - The profit represented an 11.6% pre-tax return on shareholders' equity (54.9% annualised) and an 8.5% post-tax return (38.4% annualised).
 - Premium income increased 0.7% in non-life insurance and 1.0% in life insurance. In 2007 premiums are expected to grow by around 1% in non-life insurance and 5% in life insurance.
 - The expense ratio remained unchanged at 14.7%.
 - The combined ratio for the quarter improved from 88.8% to 86.9%.
 - Given the claims trend in 2007 to date, the combined ratio for 2007 in full is expected to improve from just over 88% to just below 88%.
 - The post-tax profit forecast for 2007 has been upgraded by DKK 100m to DKK 1,300 - 1,400m.
 - The share buy-back programme for 2007 has also been upgraded by DKK 100m and is now expected to be DKK 1,800 representing a "yield" of 10.7%.
 - It is recommended that this interim report is read together with www.topdanmark.com which provides detailed and supplementary information.
- On www.topdanmark.com → [Presentations](#) a webcast is available in which Topdanmark's CEO, Poul Almlund, presents the financial highlights and comments on the forecast.
 - Based on the interim report and the webcast, a conference call will be held today at 15:30 (CET) when Poul Almlund, CEO, and Christian Sagild, Group Managing Director, will be available for questions. The call will be conducted in English.

In order to participate in the conference call, please phone
UK dial in number: +44 (0) 20 7162 0125
US dial in number: +1 334 323 6203
5 - 10 minutes before the conference asking the operator to connect you to the Topdanmark conference call.

Listen to the live transmission of the call:
<http://wcc.webeventservices.com/view/wl/r.htm?e=46900&s=1&k=FEA3E65697B9039714977ABDF6EDF464&cb=genesys>

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Financial highlights

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Premiums earned:			
Non-life insurance	8,805	2,194	2,210
Life insurance	3,154	983	992
	11,959	3,177	3,202
Results:			
Non-life insurance	2,047	520	484
Life insurance	118	36	45
Parent company etc.	58	(6)	(12)
Pre-tax profit	2,223	550	517
Tax	(531)	(132)	(138)
Profit parent company	1,692	418	379
Change in deferred tax on security funds	0	0	0
Profit Group	1,692	418	379
Shareholders' equity of parent company			
at 1 January	3,973	3,973	4,366
Profit	1,692	418	379
Share buy-back	(1,430)	(294)	(553)
Share-based payments	136	71	81
Other movements in shareholders' equity	(5)	(8)	(4)
Shareholders' equity of parent company end of period	4,366	4,160	4,269
Deferred tax on security funds	(389)	(389)	(389)
Shareholders' equity of Group end of period	3,977	3,771	3,880
Total assets, parent company			
	5,048	4,518	5,450
Total assets, Group	43,640	45,924	46,554
Financial ratios (parent company)			
Post-tax profit as a % of shareholders' equity	39.4	10.0	8.5
Post-tax profit per share (DKK)	90.9	21.9	21.5
Post-tax profit per share, diluted (DKK)	88.3	21.2	20.9
Net asset value per share (DKK)	244.0	218.1	243.5
Share buy-back per share (DKK)	74.6	14.9	30.5
Listed share price end of period (DKK)	934	772	1,080
Average number of shares ('000)			
	18,612	19,144	17,636
Average number of shares, diluted ('000)	19,171	19,716	18,126
Number of shares end of period ('000)	17,896	19,071	17,534
Non-life insurance (%)			
Gross loss ratio	67.4	69.8	67.2
Net reinsurance ratio	4.0	4.3	5.0
Claims trend	71.4	74.1	72.2
Gross expense ratio	14.6	14.7	14.7
Combined ratio	86.0	88.8	86.9
Operating ratio	84.8	87.4	85.0

Q1 2007 result

Topdanmark's post-tax profit was DKK 379m in Q1 2007 which exceeded the profit forecast assumed in the 2006 Annual Report (Q1 2006: DKK 418m).

Compared with the profit for the first quarter of 2006, this interim result benefited from an improvement in the combined ratio from 88.8% to 86.9% but this was partly offset by the investment result for the Group, excluding life insurance, being lower than in Q1 2006 primarily due to the highly favourable equity markets in the same period the previous year.

Given the trend in 2007 to date, the profit forecast for 2007 is being upgraded by DKK100m to DKK 1,300 - 1,400m, see "[Prospects](#)".

This interim report is unaudited and has not been subjected to a review.

Non-life insurance

In the first quarter of 2007 non-life insurance made a profit of DKK 484m (Q1 2006: DKK 520m). As compared with the same quarter last year the result for Q1 2007 benefited from an improvement in the combined ratio (DKK 46m) but was adversely affected by lower investment income (DKK 100m).

Premiums earned of DKK 2,210m in Q1 2007 were 0.7% up on the same period the previous year. As described in the 2006 Annual Report, 2007 is a transition year in terms of premium growth due to Topdanmark having invested in improving its competitiveness by reducing the prices of motor and workers' compensation insurance, the most significant products for personal customers and businesses respectively. Overall these price reductions will lower premium income by DKK 300m when the effect is fully reflected, while in 2007 the effect will be around DKK 250m corresponding to a 2.8 percentage point adverse impact on premium growth. Furthermore competition has increased in the industrial market and in the workers' compensation market in particular. As a result of these factors premium growth in 2007 was forecasted in the 2006 Annual Report to be around 1%.

In Q1 2007, the change to the new motor insurance rates resulted in a greater loss of those customers driving substantial distances than originally expected. However, a new Danish Act on workers' compensation insurance with effect from 1 July 2007 is expected to cause premium increases corresponding to premium growth of 0.6 percentage points in 2007. In the light of this, premium growth is still expected to be around 1% in 2007.

The loss ratio improved from 69.8% in Q1 2006 to 67.2% this quarter due to a generally favourable claims trend which included the effect of a limited number of large-scale commercial and industrial claims. In particular the improved trend in workers' compensation and illness / accident insurance, sold as part of corporate pension schemes, helped improve the loss ratio. On the other hand weather-related claims, such as storm and cloudburst claims accounted for DKK 35m in Q1 2007 as opposed to a very modest amount in Q1 2006. As compared with Q1 2006, the loss ratio also benefited from the generally higher level of interest rates. As all provisions for outstanding claims are discounted to present value by the zero-coupon interest rate, a higher level of interest rates reduces the loss ratio: this effect led to an improvement in the Q1 2007 loss ratio by 1.0 percentage point from the Q1 2006 level.

Due to there being only a few large-scale claims, Topdanmark's reimbursement from the reinsurers was smaller this quarter than in Q1 2006, resulting in the net reinsurance ratio increasing from 4.3% to 5.0%.

The claims trend, representing claims paid to customers and the reinsurance result as a percentage of premiums earned, declined from 74.1% to 72.2%.

The expense ratio remained unchanged at 14.7%. As in Q1 2006, recognising the full annual cost of Topdanmark's warrant scheme in the Q1 results had a detrimental effect on the expense ratio: 0.7 percentage points in Q1 2007 (Q1 2006: 0.4 percentage points).

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) declined from 88.8% in Q1 2006 to 86.9% this quarter. The combined ratios for workers' compensation insurance and those illness / accident

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insurance policies sold as part of corporate pension schemes were reduced to around 95%.

The combined ratio benefited 1.6 percentage points from DKK 35m gains on the claims provisions.

Financial highlights - Non-life insurance

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Premiums earned	8,805	2,194	2,210
Technical interest	126	35	49
Claims incurred	(5,937)	(1,532)	(1,485)
Net reinsurance	(352)	(94)	(110)
Expenses	(1,283)	(323)	(324)
Technical result	1,359	280	340
Other items	12	0	4
Investment return	676	240	140
Profit on non-life insurance	2,047	520	484
Gross loss ratio (%)	67.4	69.8	67.2
Net reinsurance ratio (%)	4.0	4.3	5.0
Claims trend (%)	71.4	74.1	72.2
Gross expense ratio (%)	14.6	14.7	14.7
Combined ratio (%)	86.0	88.8	86.9
Operating ratio (%)	84.8	87.4	85.0

Life insurance

The activities of the life insurance group made a profit of DKK 45m in Q1 2007 (Q1 2006: DKK 36m).

The result of the life insurance activities comprises the sum of the profits generated in Liv I and Liv V net of

any financing costs. These profits were calculated in accordance with the stated policy on the calculation of profit for the life insurance companies, see www.topdanmark.com → [Business base](#) → [Life insurance](#) → [Policy for the calculation of profit](#).

Result of life insurance

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Investment return	65	11	15
Risk allowance	83	20	27
Share of risk and cost result	0	5	0
Profit in Topdanmark Link	10	0	1
Financing charges	(8)	(2)	(3)
Calculation of profit on life insurance before calculated compensation etc.	150	34	40
Calculated compensation etc.	(32)	2	5
Profit on life insurance	118	36	45

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Customers are split primarily into two companies, Liv I and Liv V. Policies written since 1 July 1994 with guaranteed pension benefits of 2.5% and 1.5% have been placed in Liv I which is also the company for new customers. Schemes written before 1 July 1994 with guaranteed pension benefits of 4.5% have been placed in Liv V.

The return on the investments of funds owned by customers before pension return tax was 2.2% in Liv I and a loss of 0.1% in Liv V. Excluding pension return tax and the change in provisions to strengthen the guarantees the net return was 2.0% in Liv I and 1.0% in Liv V.

The investment return on shareholders' equity was 1.5% in Liv I and 1.2% in Liv V due to the return on equities and instruments used to hedge the guaranteed benefits being excluded.

The collective potential bonus reserve in Liv I increased DKK 66m to DKK 1,385m in Q1 2007 representing a bonus ratio of 12.2% while in Liv V it increased DKK 5m to DKK 837m representing a bonus ratio of 10.5%.

Gross premiums increased 1.0% from DKK 983m in Q1 2006 to DKK 992m in Q1 2007.

Topdanmark concentrates on regular premiums which are paid year on year, typically corporate pension schemes where a company regularly pays the premiums for its employees. Regular premiums increased 11.2% from DKK 659m in Q1 2006 to DKK 733m in Q1 2007.

Single premiums declined 20% from DKK 323m in Q1 2006 to DKK 259m in Q1 2007.

Topdanmark is expecting regular premiums to increase by close to 10% in 2007. Overall gross premiums including single premiums are expected to grow by about 5%.

In 2006 Topdanmark introduced a new market rate product, Profile Pension. In this scheme the customers' savings are invested on the basis of their age and risk profiles - high, normal and low. The composition of investments is reviewed regularly and realigned to reflect the period to retirement. Premiums from these market rate products increased 130% from

DKK 49m in Q1 2006 to DKK 112m in Q1 2007 and they now account for 37% of new life insurance business.

Investment activities

Profit on investment activities in the Topdanmark Group excluding the Topdanmark Livsforsikring Group (life insurance group) was DKK 291m in Q1 2007 after revaluing provisions but before the transfer to the technical result (Q1 2006: DKK 346m).

The Q1 2007 return exceeded expectations due to a slightly higher than expected return on equities and an increase in the performance of interest rate products. Topdanmark prevented the adverse impact from the interest rate and foreign exchange markets by taking short positions.

The overall return on investment assets was 1.7% (7.1% per annum) including revaluation of provisions and expenses. The return on the most significant classes of assets is disclosed in the table below:

Danish equities	4.3%
Foreign equities	2.7%
Bonds etc.	1.2%
Bonds including revaluation of provisions for claims and benefits	1.6%

The market value of interest bearing investment assets owned by the Group excluding life insurance was DKK 14,021m at 31 March 2007, equivalent to 89.2% of total investment assets. The Group's investments have no significant concentration of credit exposure except for Danish mortgage bonds which are considered to be particularly safe assets according to the Danish Financial Business Act.

Calculated as a change in market values in the event of a 1 percentage point change in interest rates, the limit of the interest rate exposure has been fixed at DKK 100m after taxation and including the interest rate exposure of discounted provisions. At 31 March 2007 the actual interest rate exposure was DKK 57m.

Tranched credit products with a rating lower than AA or with no rating (a total of DKK 724m) are included in the bond portfolio but are also calculated by the value-at-risk method. The limit of losses, which with a 99% probability will not be exceeded, has been fixed at

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DKK 150m per annum after taxation. At the end of the quarter this risk was DKK 91m after taxation.

The limit of foreign exchange exposure has been fixed at an annual DKK 60m after taxation, calculated by the value-at-risk method as the size of the loss which, with a 97.5% probability, will not be exceeded. At the end of the quarter the annual risk was DKK 10.0m after taxation.

Associated companies accounted for DKK 37m out of the total equity investment of DKK 1,401m. The equity exposure was DKK 1,485m excluding associated companies but including the impact of derivatives. Just over one third of this was in listed Danish equities.

Risk factors

There have been no material changes in the information on risk factors from that disclosed in the 2006 Annual Report, see www.topdanmark.com → [Value creation](#) → [Value creation through share price model](#) → [Risk factors](#).

Prospects

In the 2006 Annual Report it was stated that assuming unchanged foreign exchange rates, stable interest rates, an annual 7.0% return on the equity portfolios given the level of equity prices on 9 March 2007 and a rate of corporation tax of 28%, Topdanmark expected a post-tax profit of DKK 1,200 - 1,300m in 2007.

The Q1 result was somewhat better than expected at the time of the publishing of the 2006 Annual Report and the investment result in Q2 to date has also been somewhat higher than assumed.

Due to the claims trend in 2007 to date the combined ratio for the full year 2007 is expected to improve from just over 88% to just below 88% corresponding to a post-tax improvement in the expected result of DKK 30m.

The investment result for 2007 is also expected to be higher than originally assumed corresponding to a post-tax improvement of around DKK 70m.

The post-tax profit forecast for 2007 has therefore been upgraded by DKK 100m to DKK 1,300 - 1,400m.

This forecast is based on assumptions including unchanged foreign exchange rates, an annual 7.0% return on the equity portfolios given the level of equity prices on 18 May 2007 and a return on interest-bearing investments of 5.08% (risk-free interest rate plus an allowance for risk of 0.75 percentage points). The forecast also assumes 75% of normalised annual storm expenses of DKK 90m before tax and a one percentage point safety margin on the combined ratio for unforeseen events.

If the rate of corporation tax is changed from 28% to 25%, the expected post-tax result of Topdanmark A/S will improve about DKK 50m.

Share buy-back

In the 2006 Annual Report the share buy-back in 2007 was expected to be around DKK 1,700m.

Due to the upgrading of the 2007 profit forecast the 2007 share buy-back forecast is also being upgraded by DKK 100m to DKK 1,800m representing a "yield" of 10.7% calculated on the basis of the number of outstanding shares and the share price at the beginning of 2007.

To date in 2007 Topdanmark has acquired own shares of DKK 825m for subsequent cancellation this year leaving a buy-back of about DKK 975m for the remainder of 2007.

Since 1998 when Topdanmark started buying back own shares, it has made decisions to cancel DKK 6.1bn of shares representing 56% of the outstanding shares in 1998, with an average price of DKK 277 per cancelled share.

Topdanmark does not buy back own shares in those periods where the company would be considered an insider and during the three weeks immediately preceding interim reports. Furthermore it does not buy back own shares during the period of eight banking days after the announcement of a quarterly report as this is the period in which the executives may exercise their share options or warrants.

Below is a list of the periods when the share buy-back is and is not allowable.

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Share buy-back allowable

6 June 2007	-	6 August 2007
10 September 2007	-	5 November 2007
10 December 2007	-	18 February 2008
27 March 2008	-	25 April 2008

Share buy-back not allowable

1 May 2007	-	4 June 2007
7 August 2007	-	7 September 2007
6 November 2007	-	7 December 2007
19 February 2008	-	26 March 2008

2007 the share of the results were recognised before taxation and the relevant tax charge recognised under taxation. At the same time the calculation of allocated investment return in life insurance has been adjusted in the Group accounts. The comparatives have been restated.

The segment results in financial highlights continue to be presented before taxation.

Issue of employee shares and bonds

One of Topdanmark's goals is to attract and keep qualified employees. Therefore Topdanmark has decided to implement a programme giving its employees the opportunity to elect a salary reduction in return for receiving employee shares and bonds.

The programme will take place at the end of 2007 and 2008.

Financial calendar

H1 2007 Interim Report:	28 Aug 2007
Q1 - Q3 2007 Interim Report:	27 Nov 2007
2007 Annual Report	11 Mar 2008
AGM	15 Apr 2008
Q1 2008 Interim Report:	19 May 2008

Accounting policies

The Q1 2007 interim report has been prepared in compliance with IAS 34 on interim reports and the requirements of the Danish Financial Business Act and the Copenhagen Stock Exchange on the preparation of interim accounts by listed companies. The accounts of the parent company are in accordance with the order issued by the DFSA.

The profit and loss accounts and balance sheets for the Group and parent company are presented in accordance with the DFSA's accounting order which has been updated with effect from 2007. As a result there are a few changes in the presentation of the profit and loss accounts and balance sheets. The most significant change is the parent company's presentation of income from affiliated companies, which since 2007 is recognised after taxation. Until

Profit and loss account • Group

(DKKm)	Note	Full year 2006	Q1 2006	Q1 2007
NON-LIFE INSURANCE				
Gross premiums written		8,863	4,107	4,146
Reinsurance ceded		(727)	(371)	(362)
Change in the provisions for unearned premiums, gross		(3)	(1,902)	(1,921)
Change in reinsurers' share of the provisions for unearned premiums		(9)	186	177
Premiums earned on own account		8,124	2,020	2,040
Technical interest on own account	1	126	35	49
Gross claims paid		(5,253)	(1,399)	(1,375)
Reinsurance cover received		475	112	89
Change in the provisions for claims, gross		(659)	(129)	(107)
Change in reinsurers' share of the provisions for claims		(176)	(42)	(45)
Claims incurred on own account	2	(5,613)	(1,458)	(1,438)
Bonuses and rebates		(55)	(11)	(15)
Acquisition costs		(739)	(185)	(185)
Administrative expenses		(491)	(129)	(134)
Reinsurance commission and share of profits		85	21	31
Total operating expenses on own account		(1,145)	(293)	(288)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		1,437	293	348
LIFE INSURANCE				
Gross premiums written	3	3,154	983	992
Reinsurance ceded		(9)	(2)	(2)
Premiums on own account		3,145	981	990
Allocated investment income on own account		1,358	162	241
Claims and benefits paid		(1,636)	(471)	(535)
Reinsurance cover received		8	2	1
Change in the provisions for claims and benefits		(12)	(6)	(10)
Claims and benefits paid on own account		(1,640)	(475)	(544)
Change in life insurance provisions		(1,926)	(197)	(422)
Change in reinsurers' share		(1)	0	(1)
Change in the life insurance provisions on own account		(1,927)	(197)	(423)
Bonus		(391)	(350)	(73)
Change in provisions for unit-linked contracts		(250)	(36)	(98)
Acquisition costs		(128)	(31)	(44)
Administrative expenses		(129)	(26)	(26)
Reinsurance commission and share of profits		3	0	0
Total operating expenses on own account		(254)	(57)	(70)
TECHNICAL PROFIT ON LIFE INSURANCE		41	28	23

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Profit and loss account • Group

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Technical profit on non-life insurance	1,437	293	348
Technical profit on life insurance	41	28	23
NON-TECHNICAL ACTIVITIES			
Income from associated companies	77	6	4
Income from investment properties	149	39	37
Interest income and dividends etc.	1,482	366	434
Revaluations	1,206	170	128
Interest charges	(103)	(45)	(20)
Expenses on investment business	(41)	(11)	(10)
Total investment return	2,770	525	573
Technical interest transferred to non-life insurance business	(448)	(103)	(141)
Pension return tax	(189)	(22)	(36)
Investment return transferred to life insurance business	(1,358)	(162)	(241)
Other income	7	2	2
Other expenses	(37)	(11)	(11)
PRE-TAX PROFIT	2,223	550	517
Taxation	(531)	(132)	(138)
PROFIT FOR THE PERIOD	1,692	418	379
Profit per share (DKK)	90.9	21.9	21.5
Profit per share, diluted (DKK)	88.3	21.2	20.9

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Assets • Group

(DKKm)	31 December 2006	31 March 2006	31 March 2007
INTANGIBLE ASSETS	579	552	581
Machinery and equipment	128	99	130
Owner-occupied properties	636	656	619
Buildings under construction	50	103	50
TOTAL TANGIBLE ASSETS	814	858	799
Investment properties	2,626	2,494	2,625
Shares in associated companies	374	306	378
Loans to associated companies	114	138	110
Total investment in associated companies	488	444	488
Shares	5,978	5,415	6,059
Unit trusts	0	1	0
Bonds	26,203	28,208	30,573
Loans guaranteed by mortgages	35	60	31
Other loans	4	5	4
Deposits with credit institutions	3,141	3,539	1,518
Derivatives	804	869	688
Total other financial investment assets	36,165	38,097	38,873
Deposits with ceding undertakings	0	1	0
TOTAL INVESTMENT ASSETS	39,279	41,036	41,986
INVESTMENT ASSETS LINKED TO UNIT-LINKED CONTRACTS	761	656	827
Reinsurers' share of provisions for unearned premiums	88	255	244
Reinsurers' share of life insurance provisions	26	28	25
Reinsurers' share of the provisions for claims	592	717	550
Total reinsurers' share of provisions	706	1,000	819
Amounts due from policyholders	298	536	519
Amounts due from insurance companies	168	169	141
Amounts due from associated companies	3	9	10
Other debtors	110	113	112
TOTAL DEBTORS	1,285	1,827	1,601
Deferred tax assets	66	97	25
Liquid funds	217	282	185
Other	94	113	60
TOTAL OTHER ASSETS	377	492	270
Accrued interest and rent	453	391	367
Other prepayments and accrued income	92	112	123
TOTAL PREPAYMENTS AND ACCRUED INCOME	545	503	490
TOTAL ASSETS	43,640	45,924	46,554

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Shareholders' equity and liabilities • Group

(DKKm)	31 December 2006	31 March 2006	31 March 2007
Share capital	196	208	191
Revaluation reserve	11	12	12
Security fund	1,063	1,063	1,063
Other reserves	3	4	3
Total reserves	1,077	1,079	1,078
Profit carried forward	2,704	2,484	2,611
TOTAL SHAREHOLDERS' EQUITY	3,977	3,771	3,880
SUBORDINATED LOAN CAPITAL	249	249	250
Provision for unearned premiums	2,583	4,478	4,509
Guaranteed pension benefits	11,115	10,324	10,876
Bonus potential on future premiums	6,242	5,716	6,502
Bonus potential on paid-up benefits	2,944	2,533	3,344
Total life insurance provisions	20,301	18,573	20,722
Provisions for claims and benefits	10,209	9,488	10,327
Collective potential bonus reserve	2,150	2,105	2,221
Provisions for bonuses and rebates	66	54	55
Provisions for unit-linked contracts	933	665	1,052
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	36,242	35,363	38,886
Pensions and similar commitments	57	59	56
Deferred tax liabilities	91	86	82
Deferred tax on security funds	389	389	389
TOTAL LIABILITIES PROVIDED	537	534	527
DEPOSITS RECEIVED FROM REINSURERS	30	29	32
Creditors arising out of direct insurance operations	3	2	9
Creditors arising out of reinsurance operations	25	197	162
Convertible debt securities	0	390	0
Amounts due to credit institutions	1,576	4,144	1,661
Amounts due to associated companies	5	5	9
Current tax liabilities	25	155	114
Other creditors	764	939	843
Derivatives	94	51	94
TOTAL CREDITORS	2,492	5,883	2,892
ACCRUALS AND DEFERRED INCOME	113	95	87
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43,640	45,924	46,554

Notes to the accounts • Group

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Note 1. Technical interest on own account - non-life insurance			
Calculated interest	448	103	141
Discounting of technical provisions and reinsurers' share	-322	-68	-92
Technical interest on own account	126	35	49

Note 2. Claims incurred on own account - non-life insurance

Gains on claims provisions:			
Gross business	36	3	54
Reinsurance ceded	-2	1	-19
Gains on claims provisions on own account	34	4	35

Note 3. Gross premiums written - life insurance

Individual policies	450	83	84
Policies which are part of a tenure	1,346	351	409
Group life	326	225	240
Regular premiums	2,122	659	733
Individual policies	158	63	72
Policies which are part of a tenure	874	261	187
Single premiums	1,032	324	259
Gross premiums	3,154	983	992

Note 4. Contingent liabilities

Derivatives:			
Purchased forward contracts	20,117	23,033	15,495
Sold forward contracts	18,021	25,332	18,325
Adjustments to VAT liabilities	60	97	79
Other commitments	33	27	32
Capital commitments to private equity funds	218	255	211

The Group participates in technical insurance collaboration where they are jointly liable for the insurance liabilities.

Up to and including 2004 most of the companies of the Topdanmark Group were jointly taxed with the tax charge paid by Topdanmark A/S. The companies were jointly liable for the tax on the jointly taxed income for these years.

The companies are also jointly liable for A-tax and pay-roll tax etc. and VAT chargeable to the jointly registered companies.

Pending cases

As described in the 2005 and 2006 Annual Reports, following a change in the Group's taxable income for 2001, the Danish tax authority (SKAT)'s interpretation of Section 13 of the Danish Corporation Tax Act is different from that which Topdanmark has used.

SKAT's interpretation is that groups comprising both life and non-life insurance business will be double taxed by taxing capital gains on equities and at the same time disallowing deductions for capital losses.

This is contrary to the intention of how the Act was to be implemented and will result in distortion in the market place between those groups carrying out both non-life and life insurance and those carrying out only non-life insurance business or only life insurance and pension fund business.

Taking this into account Topdanmark's management, the Group's legal advisors and its external auditors elected by the AGM do not agree with SKAT's interpretation and therefore the tax resulting from this interpretation has not been provided for in these Annual Accounts. The assessment made by SKAT has been appealed against to the Danish National Tax Tribunal.

If contrary to expectation, the Court agrees with SKAT, the consequence will be a tax liability of DKK 220m for the years 2001 - 2004. As the Act was changed with effect from 2005 there will be no similar tax liability in 2005 or subsequently.

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Segment information

(DKKm)

Q1 2006	Non-life Insurance	Life Insurance	Parent company etc.	Eliminated	Group
Non-life insurance					
Gross premiums earned	2,194				2,194
Technical interest*	35				35
Claims incurred	(1,532)			4	(1,528)
Result from reinsurance	(94)				(94)
Expenses	(323)			9	(314)
Technical profit on non-life insurance	280			13	293
Life insurance					
Gross premiums written		983			983
Allocated investment return		163		(1)	162
Benefits and change in provisions		(1,060)			(1,060)
Expenses		(58)		1	(57)
Technical profit on life insurance		28		0	28
Total investment return	343	193	3	(14)	525
Pension return tax		(22)			(22)
Transferred to technical result	(103)	(163)		1	(265)
Investment return	240	8	3	(13)	238
Other items	0	0	(9)		(9)
Pre-tax profit	520	36	(6)	0	550
Taxation	0	0	(132)		(132)
Profit for the period	520	36	(138)	0	418

* After discounting DKK 68m

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Non-life insurance					
Gross premiums earned	2,210				2,210
Technical interest**	49				49
Claims incurred	(1,485)			3	(1,482)
Result from reinsurance	(110)				(110)
Expenses	(324)			5	(319)
Technical profit on non-life insurance	340			8	348
Life insurance					
Gross premiums written		992			992
Allocated investment income		242		(1)	241
Benefits and change in provisions		(1,138)			(1,138)
Result from reinsurance		(2)			(2)
Expenses		(71)		1	(70)
Technical profit on life insurance		23		0	23
Total investment return	281	292	9	(9)	573
Pension return tax		(36)			(36)
Transferred to technical result	(141)	(242)		1	(382)
Investment return	140	14	9	(8)	155
Other items	4	8	(21)		(9)
Pre-tax profit	484	45	(12)	0	517
Taxation	0	0	(138)		(138)
Profit for the period	484	45	(150)	0	379

** After discounting DKK 92m

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Movements in shareholders' equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
2006						
Shareholders' equity at 1 January	208	10	1,063	4	2,299	3,584
Exchange rate adjustment of foreign company				-1		-1
Revaluation of owner-occupied properties		8				8
Transferred to collective potential bonus reserve		-6				-6
Taxation		-1				-1
Net income taken to shareholders' equity		1		-1		0
Profit for the year		3			1,689	1,692
Total income		4		-1	1,689	1,692
Dividends received from associated companies		-3			3	0
Cancellation of own shares	-12				12	0
Share buy-back					-1,430	-1,430
Sale of employee shares					27	27
Issue of warrants					12	12
Exercise of share options / warrants					97	97
Transferred to collective potential bonus reserve					4	4
Pension return tax					-6	-6
Other movements in shareholders' equity					4	4
Taxation					-7	-7
Shareholders' equity at 31 December 2006	196	11	1,063	3	2,704	3,977
Q1 2006						
Shareholders' equity at 1 January	208	10	1,063	4	2,299	3,584
Profit for the period		1			417	418
Total income		1			417	418
Share buy-back					-294	-294
Issue of warrants					12	12
Exercise of share options / warrants					59	59
Transferred to collective potential bonus reserve					2	2
Pension return tax					-4	-4
Other movements in shareholders' equity		1				1
Taxation					-7	-7
Shareholders' equity at 31 March 2006	208	12	1,063	4	2,484	3,771
Q1 2007						
Shareholders' equity at 1 January	196	11	1,063	3	2,704	3,977
Profit for the period		1			378	379
Total income		1			378	379
Cancellation of own shares	-6				6	0
Share buy-back					-553	-553
Issue of warrants					21	21
Exercise of share options / warrants	1				59	60
Transferred to collective potential bonus reserve					1	1
Pension return tax					-2	-2
Taxation					-3	-3
Shareholders' equity at 31 March 2007	191	12	1,063	3	2,611	3,880

Cash flow statement • Group

(DKK m)	Full year 2006	Q1 2006	Q1 2007
Cash flow from operations			
Gross premiums written	8,800	3,880	3,996
Claims paid	(5,253)	(1,388)	(1,351)
Reinsurance	(181)	(52)	(52)
Expenses paid	(1,149)	(300)	(302)
Cash flow from non-life insurance	2,217	2,140	2,291
Gross premiums written	3,159	935	925
Claims and benefits	(1,637)	(470)	(537)
Reinsurance	5	0	1
Expenses paid	(256)	(64)	(61)
Cash flow from life insurance	1,271	401	328
Total cash flow from insurance business	3,488	2,541	2,619
Payments made and received on investment contracts	71	17	21
Dividends from associated companies	3	3	0
Interest income and dividends etc.	1,636	446	535
Interest charges	(210)	(24)	(29)
Pension return tax	(166)	0	3
Corporation tax	(507)	(13)	(20)
Other income and expenses	(30)	(9)	(9)
Total cash flow from operations	4,285	2,961	3,120
Investments			
Shares in associated companies	0	(3)	0
Properties	14	(11)	20
Machinery, equipment and intangible assets	(102)	(15)	(24)
Shares	214	164	67
Unit trusts	62	35	1
Bonds	(1,736)	(3,614)	(4,364)
Loans guaranteed by mortgages	42	17	4
Other loans	1	0	0
Derivatives	398	14	(3)
Investment assets linked to unit-linked contracts	(155)	(50)	(66)
Balances with associated companies	34	4	1
Total investments	(1,228)	(3,459)	(4,364)
Financing			
Shares bought back	(1,430)	(263)	(553)
Exercise of share options / warrants	109	106	56
Sale of employee shares	14	0	0
Convertible debt securities	(302)	0	0
Amounts due to credit institutions	(682)	1,886	85
Total financing	(2,291)	1,729	(412)
Change in liquid funds	766	1,231	(1,656)
Cash and cash equivalents at 1 January	2,592	2,592	3,358
Revaluation of cash and cash equivalents	0	(2)	1
Cash and cash equivalents at end of period	3,358	3,821	1,703
Cash and cash equivalents comprise:			
Liquid funds	217	282	185
Deposits with credit institutions	3,141	3,539	1,518
	3,358	3,821	1,703

The majority of the Group's companies are subject to the relevant legislation on insurance business. Consequently, there are certain restrictions on lending and placement of money.

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Profit and loss account • Parent company

(DKKm)	Full year 2006	Q1 2006	Q1 2007
Income from affiliated companies	1,759	432	392
Interest income and dividends etc.	4	1	1
Revaluations	(9)	(7)	(2)
Interest charges	(16)	(3)	(8)
Expenses on investment business	(2)	0	(1)
Total investment return	1,736	423	382
Other expenses	(31)	(10)	(9)
PRE-TAX PROFIT	1,705	413	373
Taxation	(13)	5	6
PROFIT FOR THE PERIOD	1,692	418	379
Profit per share (DKK)	90.9	21.9	21.5
Profit per share, diluted (DKK)	88.3	21.2	20.9

Balance sheet - Parent company

(DKKm)	31 December 2006	31 March 2006	31 March 2007
Assets			
Machinery and equipment	6	6	5
TOTAL TANGIBLE ASSETS	6	6	5
Shares in affiliated companies	4,980	4,323	5,385
Bonds	3	4	3
Deposits with credit institutions	0	33	0
Total other financial investment assets	3	37	3
TOTAL INVESTMENT ASSETS	4,983	4,360	5,388
Amounts due from affiliated companies	40	144	48
Other debtors	12	0	0
TOTAL DEBTORS	52	144	48
Deferred tax assets	3	4	2
Liquid funds	4	3	7
TOTAL OTHER ASSETS	7	7	9
Accrued interest and rent	0	1	0
TOTAL PREPAYMENTS AND ACCRUED INCOME	0	1	0
TOTAL ASSETS	5,048	4,518	5,450

Shareholders' equity and liabilities

Share capital	196	208	191
Revaluation reserve	1,762	1,057	2,154
Profit carried forward	2,408	2,895	1,924
TOTAL SHAREHOLDERS' EQUITY	4,366	4,160	4,269
Amounts due to credit institutions	95	108	425
Amounts due to affiliated companies	550	50	623
Current tax liabilities	25	155	114
Other creditors	2	34	12
Derivatives	10	11	7
TOTAL CREDITORS	682	358	1,181
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,048	4,518	5,450

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Disclaimer

This interim report includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause a significant deviation from the forecasts set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of non-anticipated events like acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry and the trend in reinsurance market. Also see "Risk factors" on our website www.topdanmark.com → [Value creation](#) → [Value creation through share price model](#) → [Risk factors](#).

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should make their own careful considerations on these and other factors of uncertainty.

Topdanmark's statements relating to the future are solely based on information known at the time of the preparation of this interim report.

This publication is a translation. In case of any divergence, the original Danish text shall prevail.

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Management's statement

The Board of Directors and the Board of Management have today considered and adopted the interim report for Q1 2007 for Topdanmark A/S.

The interim report has been prepared in accordance with IAS 34 on interim reports and the requirements of the Danish Financial Business Act and the Copenhagen Stock Exchange on the preparation of accounts by listed companies.

The accounts of the parent company are in accordance with the order issued by the DFSA.

We consider the chosen accounting policies to be appropriate such that the interim report gives a true and fair view of the Group's and the Company's assets, liabilities, financial position, result and the Group's cash flows.

Ballerup, 22 May 2007

Board of Management

Poul Almlund

Kim Bruhn-Petersen

Christian Sagild

/Niels Olesen

Board of Directors

Michael Pram Rasmussen
(Chairman)

Anders Knutsen
(Deputy Chairman)

Jørgen Ajslev

Ole Døssing Christensen

Luise Hanssing

Charlotte Hougaard

Jens Maaløe

Annette Sadolin

Knud J. Vest