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INTERIM REPORT

For the period January - June 1999*

- Sales up 84 per cent, to SEK 62 billion
- Sales in the USA up 116 per cent, to USD 4.7 billion
- Operating result for the core businesses up MSEK 1,217, to SEK 2.2 billion
- Pohjola new partner in the Nordic P&C operation
- Assets under management up 24 per cent compared with June 1998, to SEK 681 billion

Comments by Lars-Eric Petersson, President and CEO:

“The strategically important work of focusing on growth in savings, lowering risk exposure and reducing Skandia’s result sensitivity to fluctuations in the capital markets is now yielding clear signs of success.

“The sales successes in the USA, Italy, Japan, Germany, and other countries are an affirmation of strength. The broadening of the product offering toward more savings products without an insurance element is creating further stability and growth opportunities. Following a long wait, our licence in Poland is ready and we have commenced operations. The major advances in sales of variable life products in Japan are now being complemented with an extension of our licence, as we have received permission to sell variable annuity products. A new market segment with interesting potential is thereby opening up for Skandia in Japan.

“The formation of the new P&C operation, with a market share of 20 per cent in the Nordic countries, has now begun. Skandia will own 42 per cent of the operation until its stock market introduction. Through capital rationalization we have released slightly more than SEK 6 billion.

“The core businesses are developing well. This, together with the trend in the operating result and our financial strength, makes us well equipped for continued expansion.”

*) Does not include Skandia Life Insurance Company Ltd. (Swedish Skandia Life), which is run on a mutual basis. All return measurements for shareholders’ equity, net asset value and capital employed as per June 1999 pertain to moving 12-month figures. Comparison figures pertain to moving 12-month figures as per June 1998. Other comparison figures pertain to June 1998 unless stated otherwise.

GROUP RESULT DEVELOPMENT

The operating result for the core businesses increased by MSEK 1,217, to MSEK 2,236, and the return on net asset value was 20 per cent (14) on a full-year basis. Including the result for property & casualty insurance (P&C), the operating result was MSEK 2,662. The return on total net asset value, including property & casualty insurance, was 8 per cent on a moving 12-month basis.

Sales for Long-Term Savings rose 82 per cent. Due to the strong growth in sales as well as funds under management, the operating result for Long-Term Savings, after financing costs, increased to MSEK 1,814 (1,238).

Investment income for the parent company, totalling MSEK 671, pertains to the return on funds released in connection with the formation of the new, partly owned Nordic P&C operation.

Assets under management increased by 14 per cent since year-end 1998, or SEK 85 billion, to SEK 681 billion. Of this total, SEK 352 billion consists of assets under external management, mainly within Long-Term Savings.

The P&C operating result was MSEK 498 (2,976). Starting on 1 March this operation includes the combined property & casualty insurance operation of Skandia and Storebrand, reported as a participating interest in accordance with the equity method. The result decline is primarily attributable to lower growth in the value of investments compared with the preceding year, which is due in part to lower capitalization in the new operation and poorer claims experience.

For the second half of 1999, Pohjola's P&C operation will also be included in the new, partly owned Nordic P&C operation. Skandia will thereby own 42 per cent of the New P&C operation until the stock market introduction that is planned to take place within a two-year period.

CORE BUSINESSES

Long-Term Savings

Market and Sales

Sales totalled MSEK 61,402 (33,819), an increase of 82 per cent. At constant exchange rates the increase was 76 per cent. Sales reached new record levels in the USA, in particular. Sales of other savings products (without an insurance element) more than tripled, to MSEK 17,181 (5,431).

Sales in the USA rose 116 per cent in local currency. Sales of variable annuities increased by 70 per cent, while sales of other savings products increased by 450 per cent. In Sweden the sales increase was 16 per cent. Sales in the UK rose 35 per cent in local currency. Sales of unit linked assurance grew by 22 per cent, while sales of other savings products increased by 82 per cent. Sales in Germany rose 12 per cent in local currency. In Japan, sales rose 55 per cent to JPY 1.3 billion. The Italian operation has had very strong development. Sales doubled during the second quarter compared with the first quarter and amounted to MSEK 2,430 after six months.

Assets under management increased by 23 per cent during the first half of the year, or SEK 74 billion, to SEK 399 billion, broken down as follows: unit linked assurance SEK 321 billion, life assurance SEK 33 billion, and other savings products SEK 45 billion.

Payments to unit linked policyholders amounted to 6.8 per cent of technical provisions on a moving twelve-month basis (7.5 per cent at year-end 1998). Of this total, surrenders accounted for 5.6 per cent (6.0 per cent at year-end 1998), which is well within the limits of adopted assumptions. For other savings products, payments to policyholders through withdrawals from funds amounted to only MSEK 1,973 (1,846), despite the robust growth.

Operating Result and Profitability

Unit Linked Assurance

The operating result for unit linked assurance increased by 55 per cent to MSEK 1,988 (1,282). At constant exchange rates, the result in the USA improved by 68 per cent. During the first half of the year, the result was favourably affected by the higher sales and fund appreciation.

Growth in the value of funds under management exceeded adopted assumptions, which had a positive result impact. The value-added created by this is spread out over a three-year period. This is done to better reflect the operation's long-term result and profitability development. The equalized amount retained as per 30 June was MSEK 1,770.

Life Assurance

The operating result for life assurance was MSEK 95 (109).

Other Savings Products

For savings products without an insurance element, deposits totalled MSEK 17,181 (5,431) and withdrawals MSEK 1,973 (1,846). Acquisition costs are not yet deferred, which explains why the result for these savings products – after deducting all costs for marketing, and system and product development – is negative. This is entirely in line with set plans. The assets being built up in the operations form the foundation for future revenues.

Net Asset Value and Return

The operating result, after deducting financing costs, rose 47 per cent to MSEK 1,814 (1,238). The return on net asset value, which amounted to 15 per cent after financing costs and taxes, was at the same level as for the full year 1998.

Asset Management

Assets under management through assignments from companies in the Skandia group, external clients, and fund management, increased by 6 per cent compared with year-end 1998, to SEK 295 billion. Revenues from this management are partly fixed and partly result-based, and are determined on an annual basis retrospectively. The result amounted to MSEK 51.

Since its start in October 1998, Skandia Asset Management has already received 20 management assignments from external institutional investors.

Investment Income

Investment income for the parent company, amounting to MSEK 671, pertains to the return on the funds released in connection with the formation of the new, partly owned Nordic P&C operation.

Investment Strategy

In its asset management assignments, Skandia strives to maintain a balanced portfolio of fixed-income securities, equities and real estate. The objective is to achieve a good return over the medium term on the P&C technical provisions, without allowing fluctuations in the return during each moving twelve-month period to become excessively large.

During the second quarter the equities allocation was gradually reduced to 31 per cent of total investments. The equities portfolio is dominated by European and Nordic shareholdings.

The real estate holdings decreased in accordance with the adopted strategy through sales totalling SEK 1 billion.

Businesses

SkandiaBanken

SkandiaBanken's operating income amounted to MSEK 42 (34). Deposits rose by 10 per cent compared with year-end 1998, to SEK 12.7 billion. The number of customers increased during the first half of the year by 10 per cent, to approximately 320,000.

SkandiaBanken's operations are based almost exclusively on telephone and Internet service.

Lifeline

During the spring an intensification of product development and marketing of the Lifeline concept was begun. This has entailed, among other things, the launch of a new, unique major medical insurance plan – Skandia Preferred Health Care.

Skandia Marketing

Starting on 1 January 1999, the group's distribution resources in Sweden and Denmark are gathered in the company Skandia Marknad AB (Skandia Marketing). Development was positive during the company's first six months of operation.

Finance Companies

The operating result for finance companies, which pertains mainly to operations that are being discontinued, was MSEK 18 (12).

Group Expenses

Group expenses comprise management and structural expenses, as well as goodwill amortization. They also include a cost of MSEK 200 for the special, result-based bonus programme set up in 1998 for employees of the Long-Term Savings unit.

Currency Effects

Currency movements had a positive impact during the first half of the year. Sales for Long-Term Savings increased by 6 per cent, and the operating result for the group rose 3 per cent after recalculation to higher average exchange rates compared with the preceding year.

Sensitivity Analysis

A detailed sensitivity analysis is presented in the 1998 Annual Report.

Exposure to property & casualty insurance has decreased, and subsequently the risk profile for the group has changed. A simplified sensitivity analysis is provided on p.11.

PROPERTY & CASUALTY INSURANCE (P&C)

A new, Nordic P&C organization is being formed as a result of Storebrand and Skandia's announcement on 22 February of the combination of their P&C operations. On 23 June it was announced that Pohjola's P&C company will be transferred to the new operation. Skandia's share of the new operation will thereby amount to 42 per cent. The deal is unconditional between the parties, but is subject to the customary regulatory approvals.

Market and Sales

The P&C market is characterized by continued fierce competition. Written premium was higher due to rate increases in certain segments, such as motor third-party liability insurance and – in Norway – commercial insurance. Marine&Energy showed a continued drop in premium levels.

Operating Result and Profitability

The P&C operating result includes Skandia's former P&C operation for January and February. As from 1 March, the operating result includes 56 per cent of the combined operation with Storebrand. This operation is reported in accordance with the equity method. NIG Skandia's entire result is included for the period January–June 1999. The P&C operating result was MSEK 498 (2,976), due to poorer claims experience as well as lower investment income.

Technical Result Before Investment Income

The technical result in Sweden improved somewhat. Claims experience in Norway was unfavourable due to a high frequency of major claims.

Investment Income

Total investment income amounted to MSEK 2,432 (3,818). The return on the equities portfolio was good, although it was at a lower level compared with the first half of 1998, when the trend in the stock markets was very strong. Investment assets amounted to SEK 41.8 billion (44.5). The total investment return was 5.0 per cent.

BALANCE SHEET AND NET ASSET VALUE

Total assets increased by SEK 18.5 billion to SEK 393.2 billion. Long-Term Savings accounted for an increase of SEK 61 billion. The new P&C operation is reported as a participating interest in accordance with the equity method, which entails a decrease in total assets of approximately SEK 30 billion. Borrowings increased by SEK 3.9 billion to SEK 11.0 billion, excluding the parent company's subordinated loans.

Net asset value amounted to MSEK 24,780 (year-end 1998: 24,833). Capital employed in the group, which in addition to net asset value consists of borrowings to finance investments in subsidiaries, amounted to SEK 36.9 billion (33.0). Of these funds, SEK 20.3 billion (17.8) pertains to Long-Term Savings, while SEK 7.1 billion pertains to the financing of Skandia's share of Skandia's/Storebrand's P&C operation, including SEK 1.5 billion attributable to NIG Skandia. The definite capital structure of the P&C operation will be set when the customary regulatory approvals have been received.

Stockholm, Sweden, 10 August 1999
Lars-Eric Petersson
President and CEO

For questions, please call:

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Skandia will be publishing the following financial reports:

27 October 1999, interim report for the nine months ended 30 September 1999

15 February 2000, year-end report for 1999

SWEDISH SKANDIA LIFE (PRELIMINARY HALF-YEAR RESULTS 1999)

- Premiums written up 23 per cent, to MSEK 5,403 (4,390)
- The total return for the first half of the year was 6.7 per cent (13.4)
- Management expense ratio unchanged at 0.76 per cent
- Bonus rate currently 9 per cent

KEY RATIOS, JANUARY-JUNE	1999	1998	1998
	6 mos.	6 mos.	12 mos.
Premiums written, gross, MSEK	5,403	4,390	10,229
Total return, %	6.7	13.4	16.2
Direct yield, %	2.1	2.5	4.4
Management expense ratio, (MER) %	0.76	0.76	0.75
MER % incl. asset management charges	0.88	0.83	0.81

KEY RATIOS AS PER:	30 June 1999	30 June 1998	31 Dec. 1998
Total investments	219,776	200,007	205,952
Collective consolidation ratio, %	117.8	120.5	116.9

As in previous years, this interim report for Swedish Skandia Life has not been subject to special examination by the company's auditors.