

16 February 2000

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## **YEAR-END REPORT**

**For the period January – December 1999\***

Office:  
Sveavägen 44

- Sales increased by 82 per cent, to SEK 134 billion
- Sales in the USA more than doubled, to USD 10.2 billion
- The operating result for the core businesses rose 161 per cent, to SEK 5.9 billion
- The group's operating result increased by SEK 5 billion, to SEK 8.6 billion
- Assets under management increased by 40 per cent, to SEK 833 billion

### **Comments by Lars-Eric Petersson, President and CEO:**

“Nineteen ninety-nine was a strong year. Our sales increased by more than 80 per cent, and the systematic build-up of our distribution strength and our product offering is now yielding results. In the USA alone our sales topped 10 billion dollars, which is more than a doubling compared with a year earlier. New markets, such as Italy and Japan, have developed better than expected.

“In 1999 If P&C Insurance received the necessary local regulatory approvals in Norway, and in Finland these are expected within the next couple of months.

“The sale of the Vesta group and NIG Skandia, and the acquisition of Carlson Investment Management, signify the conclusion of a period of refocusing as well as a shift to a new phase in Skandia's development. The transformation of Skandia into a personal financial services company is complete. The group can now rally all its forces around the build-up of our global savings and asset management operations. Our prospects for continued good growth look favourable.

“The value of Skandia's stock more than doubled in 1999. The USA has become an increasingly important market for Skandia. Against this background, we are making preparations for a possible stock market listing in the USA during the second half of 2000, if the market conditions so allow.”

## OVERVIEW

The operating result for the core businesses increased by SEK 3,651 million, to SEK 5,924 million, and the return on net asset value, before tax, was 29 per cent (15) on a full-year basis.

Sales for Long-Term Savings increased by 79 per cent. Due to the strong rise in sales, combined with growth in assets under management, the operating result for Long-Term Savings increased to SEK 4,883 million, compared with SEK 2,209 million in 1998.

Investment income for the parent company totalled SEK 1,673 million and includes the result from the sale of the shareholding in Pohjola, which was sold to the Finnish insurance company Sampo in October 1999.

Assets under management increased by SEK 239 billion (40 per cent), to SEK 833 billion. Of these, SEK 469 billion consist of assets under external management, pertaining to Long-Term Savings.

During the fourth quarter, Vesta Liv was sold to Tryg-Baltica, and Skandia Liv Danmark was transferred to mutual Swedish Skandia Life. In addition, the property & casualty insurance company NIG Skandia, in the UK, was sold to Churchill. Capital gains on sales of operations amounted to SEK 1,398 million.

The operating result, including property & casualty (P&C) insurance, was SEK 8,575 million (3,634), and the return on total net asset value was 29 per cent (14).

Y2K preparations proved to be satisfactory. No incidents occurred.

## **CORE BUSINESSES**

### **Long-Term Savings**

#### **Market and Sales**

Sales totalled SEK 131,706 million (73,514), an increase of 79 per cent. At constant exchange rates the increase was 75 per cent. Sales of unit linked assurance increased by 65 per cent (61 per cent at constant exchange rates). Sales of other savings products (without an insurance element) tripled to more than SEK 37 billion. Sales of life assurance decreased after the divestment of Vesta Liv in Norway and Skandia Liv in Denmark. In these countries, as in Spain, operations are currently undergoing a strategic reorientation, with a focus on greater sales of unit linked assurance products.

Skandia's sales in the USA reached a record level for the fourth quarter as well as for the full year, increasing by 107 per cent. Sales of variable annuities increased by 65 per cent, while sales of other savings products increased by 333 per cent. The sales increase can be credited to a broader product offering and expanded distribution capacity.

Despite a difficult market situation in the UK, sales for Skandia's British operation rose 38 per cent, to a new record level. The continued strong sales in markets outside the UK contributed to these sales successes. Sales of unit linked assurance grew by 38 per cent, while sales of other savings products increased by 39 per cent.

In Sweden, sales increased by 24 per cent, following a strong finish to the year. The Italian operation is growing rapidly, and sales totalled SEK 5,280 million (424). After two years in business the company is among the ten largest unit linked assurance companies in Italy, based on sales. Following a strong second half of the year, sales in Germany increased by 38 per cent. In Japan, sales more than doubled (+110 per cent).

Assets under management increased during the year by SEK 196 billion (+60 per cent), to SEK 522 billion. The breakdown of assets under management was as follows: unit linked assurance SEK 430 billion, other savings products SEK 76 billion, and life assurance SEK 16 billion.

Payments to unit linked policyholders decreased to 6.9 per cent (7.5) of technical provisions. Surrenders accounted for 5.7 percentage points of this total (6.0), which is well within the limits of underlying assumptions. For other savings products, payments to policyholders through withdrawals from funds amounted to SEK 4,932 million (2,466), which is also well within the limits of underlying assumptions.

## **Operating Result and Profitability**

### *Unit Linked Assurance*

The operating result for unit linked assurance totalled SEK 5,398 million (2,443), an increase of 121 per cent excluding one-time effects in 1998.

The result of business written prior to 1999 also improved, since the actual outcome was better than underlying assumptions. Performance of new business improved faster than growth in written premium, thus contributing to higher profitability. Growth in the value of funds under management exceeded underlying assumptions, which had a positive result impact. The profit recognition of value created by this appreciation is spread out over a three-year period. This is done to better reflect the operation's long-term result and profitability development. The accumulated equalization amount as per

31 December was SEK 3,423 million, compared with SEK 926 million at year-end 1998.

### *Life Assurance*

The operating result for life assurance was SEK 82 million (141).

### *Other Savings Products*

For non-insurance savings products, sales increased to SEK 37,129 million (12,769) and withdrawals to SEK 4,932 million (2,466).

Acquisition costs are not yet deferred, which explains why the result – after deducting all costs for marketing as well as systems and product development – was negative. This is entirely in line with adopted plans. The assets being built up in the operations form the foundation for future, sustained revenues.

## **Net Asset Value and Return**

The operating result, after deducting financing costs, increased by 79 per cent to SEK 4,883 million (2,731). The return on net asset value, after financing costs and taxes, was 23 per cent (14).

## **Asset Management**

Assets under management, including assets from companies in the Skandia group, external clients, and fund management, increased by 14 per cent, to SEK 316 billion. This includes assets managed in Skandia Fonder, which increased to SEK 23.5 billion (13.7).

Commissions from asset management are partly fixed and partly performance related, and the latter are determined on an annual basis in arrears. The result, totalling SEK 273 million, includes this performance related commission for two years.

In October, an agreement was reached on the acquisition of 51 per cent of Carlson Investment Management. The deal is conditional upon customary regulatory approvals and is expected to be finalized in the first quarter of 2000. There is an option to acquire the remaining 49 per cent. Carlson has SEK 37 billion in assets under management for some one hundred institutional clients.

### **Investment Strategy**

Skandia's management assignments are based on the clients' choice of investment horizon and risk level, and within these parameters, the goal is to maximize the return on managed assets.

### **Investment Income**

Investment income for the parent company amounted to SEK 1,673 million and pertains to the return on funds released in connection with the formation of If P&C Insurance. The parent company's investment assets amounted to SEK 5.8 billion. Investment income includes the dividend as well as the value appreciation of the shareholding in Pohjola.

Equities accounted for 25 per cent of invested assets. The equities portfolio is dominated by shareholdings in European and Nordic companies.

Real estate holdings decreased in accordance with the current strategy through disposals totalling SEK 2.4 billion.

### **Businesses**

#### **SkandiaBanken**

SkandiaBanken's operating result was SEK 63 million (75). Earnings decreased slightly, in part due to investments in the newly started operation in Norway. Deposits in SkandiaBanken rose by nearly 10 per cent, to SEK 12.6 billion. SkandiaBanken's business is based on Internet and telephone service. The bank has 320,000 customers.

#### **Lifeline**

Intensified product development and marketing of the Lifeline concept was initiated during the spring. This entailed, among other things, the launch of a new, unique medical insurance plan – Skandia Preferred Health Care.

Development and distribution of products is Lifeline's principal focus. This work is proceeding well. In October an agreement was reached on the sale of the Workline corporate health clinics, representing an important step in the refocusing of Lifeline's business. Lifeline's result amounted to SEK 44 million.

**Skandia Marknad AB**

Starting on 1 January 1999, the group's distribution resources in Sweden and Denmark are gathered in the company Skandia Marknad AB (Skandia Marketing). Operations developed well during the company's first financial year. Skandia Marknad AB's result was SEK 70 million.

**Other Companies**

The operating result for other companies, pertaining mainly to finance companies, was SEK 50 million (81).

**Group Expenses**

Group expenses comprise management and structural costs, as well as goodwill amortization. Also included is a SEK 705 million provision for profit-sharing plans.

**Exchange Rate Effects**

Exchange rate movements had a positive impact during the year. Sales for Long-Term Savings and the operating result for the group both increased by 4 per cent after recalculation to higher average exchange rates compared with the preceding year.

**Result from Sale of Operations**

Capital gains on sales of operations amounted to SEK 1,398 million and pertained mainly to the divestment of traditional life assurance operations in Denmark and Norway, and the sale of the property & casualty insurance company NIG Skandia in the UK.

## **PROPERTY & CASUALTY INSURANCE**

A new, Nordic P&C organization has been formed through the combination of Pohjola's, Storebrand's and Skandia's P&C insurance operations in the company If P&C Insurance. Operations are developing according to plan. Skandia's share of If will be 42 per cent until the initial public offering, which is planned to take place by 2001 at the latest. The combination of the operations in If is unconditional between the parties, but is subject to customary regulatory approvals. In December 1999 Storebrand received permission from the Norwegian Ministry of Finance to transfer its insurance portfolio to If. The corresponding clearance is expected to be received in Finland during the first quarter of 2000.

### **Operating Result and Profitability**

The technical result was weak due to high claim costs. The investment return was good, however. The return on the equities portfolio was at a high level, while the return on fixed-income investments was hurt by rising interest rates.

The operating result includes the capital gain on the sale of Vesta Skadeforsikring, totalling SEK 1,198 million, of which Skandia's share was 42 per cent.

The P&C operating result includes SEK 124 million pertaining to Skandia's former P&C operation for January and February 1999, as well as Skandia's share in If's pro forma result for the period 1 March to 31 December. As from 1 March, the operating result includes 56 per cent of the combined operation with Storebrand. As from 1 July 1999 it includes 42 per cent of the combined operation with Storebrand and Pohjola. Skandia's share of the P&C operating result was SEK 1,400 million, and is reported in accordance with the equity method.

## BALANCE SHEET AND NET ASSET VALUE

Total assets increased by SEK 113.8 billion to SEK 488.5 billion. Long-Term Savings accounted for SEK 169 billion of this increase. The new P&C operation is reported in accordance with the equity method, entailing a decrease in total assets of approximately SEK 30 billion. External borrowings increased by SEK 1.9 billion to SEK 9.0 billion, excluding the parent company's subordinated loans. During the fourth quarter, a substantial portion of the liquid assets received from the sale of the shareholding in Pohjola was used to repay loans.

Net asset value amounted to SEK 29,220 million (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 37.5 billion (33.0). Of total capital employed, SEK 23.5 billion (17.8) pertains to Long-Term Savings, while SEK 6.5 billion pertains to the financing of Skandia's share of If's P&C operation.

Stockholm, Sweden, 16 February 2000

Lars-Eric Petersson  
President and CEO

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For questions, please call:

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The Board of Directors proposes a dividend of SEK 1.00 for the 1999 financial year, and 10 April 2000 as the record date for payment of the dividend. If the Annual General Meeting decides in favour of this proposal, dividends will be sent out from the Swedish Securities Register Centre (VPC) on 17 April 2000.

The Annual General Meeting of Skandia Insurance Company Ltd. (publ.) will be held on Wednesday, 5 April 2000, at 4.30 p.m. Location: Aula Magna, Stockholm University, in Stockholm (Frescati).

The Annual Report is scheduled for distribution by mail to shareholders in mid-March and can be ordered from Skandia using one of the following alternatives: by phone, +46-8-788 10 00, by fax, +46-8-788 26 85, or via the Internet at <http://www.skandia.se>.

Financial calendar:

5 April 2000, Annual General Meeting

8 May, interim report January–March 2000

9 August, interim report January–June 2000

1 November, interim report January–September 2000



## GROUP OVERVIEW

SEK million	<u>Accumulated outcome</u>				
	1999 Dec.	1999 Sept.	1999 June	1999 March	1998 Dec.
<b>Sales</b>					
Sales, unit linked assurance	93 036	65 806	42 612	18 490	56 241
Sales, other savings products	37 129	25 714	17 181	7 517	12 769
Premiums written, life assurance	1 541	2 031	1 609	927	4 504
Sales, businesses	2 153	1 408	988	341	-
<b>Total sales</b>	<b>133 859</b>	<b>94 959</b>	<b>62 390</b>	<b>27 275</b>	<b>73 514</b>
<b>Result summary</b>					
Unit linked assurance	5 398	2 943	1 988	915	3 265
Other savings products	-151	-88	-65	-18	-40
Life assurance	82	114	95	52	-159
Financing costs	-446	-316	-204	-94	-335
<b>Long-term savings, total</b>	<b>4 883</b>	<b>2 653</b>	<b>1 814</b>	<b>855</b>	<b>2 731</b>
Asset Management	273	75	51	22	-
Investment income	1 673	1 379	671	191	-
<b>Asset management, total</b>	<b>1 946</b>	<b>1 454</b>	<b>722</b>	<b>213</b>	<b>-</b>
Businesses	227	190	121	30	156
Group expenses	-1 132	-646	-421	-95	-614
<b>Operating result, core businesses</b>	<b>5 924</b>	<b>3 651</b>	<b>2 236</b>	<b>1 003</b>	<b>2 273</b>
Result from sale of operations	1 398	-	-	-	-
Operating result, P&C insurance <sup>1)</sup>	1 524	447	498	302	1 531
Financing costs, P&C insurance	-271	-173	-72	-60	-170
<b>Operating result</b>	<b>8 575</b>	<b>3 925</b>	<b>2 662</b>	<b>1 245</b>	<b>3 634</b>
Net asset value <sup>2) 3)</sup>	29 220	25 557	24 780	24 860	24 833
Shareholders' equity <sup>2)</sup>	18 058	15 786	15 572	15 502	14 975
Managed assets, long-term savings <sup>2)</sup>	521 764	409 172	398 978	362 697	325 408
Total assets <sup>2)</sup>	488 498	397 252	393 244	368 216	374 713
Return on net asset value, %	29	28	8	6	14
Return on shareholders' equity, %	21	18	-1	-1	9
<b>Per-share data</b>					
Operating result per share, SEK	16,76	7,67	5,20	2,43	7,10
Earnings per share, SEK <sup>4)</sup>	6,75	2,68	1,90	0,95	2,43
Net asset value per share, SEK <sup>2)</sup>	57,10	49,94	48,42	48,58	48,52
Shareholders' equity per share, SEK <sup>2)</sup>	35,29	30,85	30,43	30,29	29,26

<sup>1)</sup> The operating result for property & casualty insurance includes SEK 124 million pertaining to Skandia's former property & casualty insurance operation for January and February 1999, and Skandia's share in If's pro forma result for the period 1 March to 31 December.

<sup>2)</sup> Figures as per closing date.

<sup>3)</sup> See table on p. 16.

<sup>4)</sup> Earnings per share are calculated as the result for the period divided by the average number of shares outstanding during the period.

# **LONG-TERM SAVINGS**

<b>SALES</b> SEK million	<b>Unit linked assurance</b>		<b>Other savings products</b>		<b>Life assurance</b>		<b>Total</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
USA	56 737	33 070	27 584	6 134			84 321	39 204
UK	21 268	15 188	6 429	4 571			27 697	19 759
Sweden	5 855	4 873	334	119			6 189	4 992
Italy	5 280	424					5 280	424
Spain	1 108	717			1 385	3 037	2 493	3 754
Switzerland	973	953	353	260			1 326	1 213
Germany	721	446	46	113			767	559
Austria	534	411					534	411
Norway/Denmark	208	22			55	1 372	263	1 394
Other	352	137	2 383	1 572	101	95	2 836	1 804
<b>Sales</b>	<b>93 036</b>	<b>56 241</b>	<b>37 129</b>	<b>12 769</b>	<b>1 541</b>	<b>4 504</b>	<b>131 706</b>	<b>73 514</b>

## **SALES OF OTHER SAVINGS PRODUCTS**

SEK million	<b>Sales</b>		<b>Withdrawals</b>		<b>Net deposits</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
USA	27 584	6 134	-2 295	-249	25 289	5 885
UK	6 429	4 571	-870	-573	5 559	3 998
Other	3 116	2 064	-1 767	-1 644	1 349	420
<b>Other savings products</b>	<b>37 129</b>	<b>12 769</b>	<b>-4 932</b>	<b>-2 466</b>	<b>32 197</b>	<b>10 303</b>

## **NEW BUSINESS, UNIT LINKED ASSURANCE**

SEK million	<b>Single premium</b>		<b>Annual premium <sup>1)</sup></b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
USA	56 737	33 070		
UK	17 030	11 754	1 236	1 168
Italy	5 280	424		
Sweden	2 691	2 352	1 390	985

<sup>1)</sup> Periodic premiums recalculated to full-year figures.

# LONG-TERM SAVINGS

OPERATING RESULT SEK million	Unit linked assurance		Other savings products		Life assurance		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
USA	3 276	1 422	-110	-57			3 166	1 365
UK	954	671	-37	8			917	679
Sweden	683	498	-12	-12			671	486
Italy	175	-9					175	-9
Spain	26	-1	6	2	80	114	112	115
Switzerland	59	25	-3	-3			56	22
Germany	273	27	2	-2			275	25
Austria	54	48	-2				52	48
Norway/Denmark	-48	-40			-1	26	-49	-14
Other	-54	-198	5	24	3	1	-46	-173
Operating result, excl. one-time effect	5 398	2 443	-151	-40	82	141	5 329	2 544
One-time effect <sup>1)</sup>		822				-300		522
Operating result, incl. one-time effect	5 398	3 265	-151	-40	82	-159	5 329	3 066
Financing costs <sup>2)</sup>							-446	-335
OPERATING RESULT							4 883	2 731
Return on net asset value <sup>3)</sup>							23	14

<sup>1)</sup> The interest rate and growth assumptions that formed the basis for calculating the operating result were adjusted to the declining interest rates. These adjustments had a positive one-time effect of SEK 522 million on the operating result in 1998.

<sup>2)</sup> Of which, USA -433 -318

<sup>3)</sup> Weighted quarterly average

## ASSETS UNDER MANAGEMENT

31 Dec.	Unit linked assurance		Other savings products		Life assurance		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
USA	253 217	146 062	42 429	7 589			295 646	153 651
UK	126 285	85 516	19 769	9 976			146 054	95 492
Sweden	31 243	19 278	525	116			31 768	19 394
Italy	6 251	540					6 251	540
Spain	2 056	1 079	7 100	5 046	16 049	26 078	25 205	32 203
Switzerland	6 209	4 647	675	302			6 884	4 949
Germany	1 777	963	257	265			2 034	1 228
Austria	1 403	732	2	1			1 405	733
Norway/Denmark	290	80			1	12 490	291	12 570
Other	1 165	797	4 787	3 569	274	282	6 226	4 648
Total assets	429 896	259 694	75 544	26 864	16 324	38 850	521 764	325 408

## LONG-TERM SAVINGS

### PERFORMANCE ANALYSIS, UNIT LINKED ASSURANCE

SEK million	1999	1998 <sup>1)</sup>
Present value of new business for the year	1 483	884
Return on value of contracts in force from previous years	1 511	992
Outcome compared with op. assumptions	254	-12
Change in operative assumptions	549	138
<b>Value-added from operations</b>	<b>3 797</b>	<b>2 002</b>
Business start-ups and other overheads	-56	-248
Financial effects <sup>2)</sup>	4 043	1 270
<b>Total value-added</b>	<b>7 784</b>	<b>3 024</b>
Equalization of financial effects <sup>3)</sup>	-2 386	-581
<b>Operating result, unit linked assurance</b>	<b>5 398</b>	<b>2 443</b>

<sup>1)</sup> Figures as per December 1998 recalculated according to the new assumptions and excluding one-time effect of SEK 822 million.

<sup>2)</sup> Of which, change in discount rate, SEK -1,142 million, change in fund growth assumption, SEK 1,611 million, and actual fund growth compared with previous assumptions, SEK 3,552 million.

<sup>3)</sup> The accumulated equalization amount before tax was SEK 3,423 million as per December 1999 (SEK 926 million as per Dec. 1998).

### ASSUMPTIONS AND SENSITIVITY ANALYSIS, UNIT LINKED ASSURANCE

#### Interest rate assumptions

	Discount rate		Fund growth assumptions <sup>1)</sup>		Inflation assumptions	
	1999	1998	1999	1998	1999	1998
USA	10,50	9,25	7,25	6,50	3,00	2,00
UK	9,75	9,00	6,25	5,50	3,75	3,50
Sweden	10,25	9,00	7,00	5,00	2,50	2,00

<sup>1)</sup> After management fees.

#### Effect on operating result (before tax) of a one per cent increase in the interest rate assumption

SEK million	Effect on operating result (before tax)				
	Exposure VBIF <sup>1)</sup>	Discount rate	Fund growth assumption	Inflation assumption	Total effect <sup>2)</sup>
USA	2 845	-580	642	-54	8
UK	2 497	-241	141	-36	-136
Sweden	1 964	-249	188	-26	-87
Other	813	-88	64	-30	-54
<b>Total</b>	<b>8 119</b>	<b>-1 158</b>	<b>1 035</b>	<b>-146</b>	<b>-269</b>

<sup>1)</sup> After tax.

<sup>2)</sup> Before result equalization.

**ASSET MANAGEMENT****INVESTMENT INCOME**

SEK million	1999 <sup>1)</sup>	1998
Changes in value		
Bonds and short-term investments	-227	445
Equities	3 038	1 188
Real estate	356	113
Loans	-1	-4
<b>Total changes in value</b>	<b>3 166</b>	<b>1 742</b>
Direct investment income	1 341	1 745
Foreign exchange gains/losses	-67	-1
<b>Investment income</b>	<b>4 440</b>	<b>3 486</b>
Allocated investment return transferred to other operations <sup>2)</sup>	-2 767	-3 486
<b>Investment income, net</b>	<b>1 673</b>	<b>0</b>
Direct yield, %	5,4	4,8
Total return, %	15,4	9,1

<sup>1)</sup> Vesta Forsikring and NIG Skandia were sold in 1999 and thus are not included in investment income for the year.

<sup>2)</sup> In 1998, allocated to Skandia's P&C operation, and after 1 March 1999 to If P&C Insurance.

<b>TOTAL RETURN</b>	<b>1999</b>	<b>1998</b>
%		
Bonds and short-term investments	0,3	8,2
Equities	42,6	11,0
Real estate	37,6	9,5
Loans	n/a	6,4
<b>Total</b>	<b>15,4</b>	<b>9,1</b>

## ASSET MANAGEMENT

### BREAKDOWN OF INVESTMENT ASSETS BY CURRENCY, CURRENT VALUE <sup>1)</sup>

SEK million

1999	SEK	NOK	GBP	USD	DKK	EUR	Other	Total <sup>2)</sup>	%
<b>31 Dec.</b>									
Short-term investments	4 635	254	718	1 353	551	465	-18	7 958	32%
Bonds	4 516	339	714	793	1 579	1 890	619	10 450	42%
Loans	2	0	0	1	0	2	2	7	0%
Equities	2 065	161	1 007	555	1	1 475	878	6 142	25%
Real estate	177	0	0	0	17	0	29	223	1%
<b>Total</b>	<b>11 395</b>	<b>754</b>	<b>2 439</b>	<b>2 702</b>	<b>2 148</b>	<b>3 832</b>	<b>1 510</b>	<b>24 780</b>	<b>100%</b>
	46%	3%	10%	11%	9%	15%	6%	100%	

1998	SEK	NOK	GBP	USD	DKK		Other <sup>3)</sup>	Total	%
<b>31 Dec.</b>									
Short-term investments	4 628	529	140	-564	289		446	5 468	12%
Bonds	1 707	1 849	6 739	4 312	2 601		2 966	20 174	46%
Loans	2	1 941	3	10	0		3	1 959	4%
Equities	3 218	1 458	2 013	1 383	237		5 459	13 768	31%
Real estate	1 485	787	221	0	421		181	3 095	7%
<b>Total</b>	<b>11 040</b>	<b>6 564</b>	<b>9 116</b>	<b>5 141</b>	<b>3 548</b>		<b>9 055</b>	<b>44 464</b>	<b>100%</b>
	25%	15%	21%	11%	8%		20%	100%	

<sup>1)</sup> Excluding associated holdings and forward exchange contracts.

<sup>2)</sup> Of total assets, SEK 18,961 million pertains to assets which were transferred to If P&C Insurance after 1 March 1999.

<sup>3)</sup> Other currencies are broken down as follows:

SEK million

1998	Other world	Other Europe	Total other
<b>31 Dec.</b>			
Short-term investments	7	439	446
Bonds	134	2 832	2 966
Loans		3	3
Equities	101	5 358	5 459
Real estate	23	158	181
<b>Total</b>	<b>265</b>	<b>8 790</b>	<b>9 055</b>

<b>SALES, BUSINESSES</b>	<b>1999</b>
SEK million	
Skandia Marketing <sup>1)</sup>	1 114
Lifeline	305
Asset Management <sup>1)</sup>	734
<b>Total</b>	<b>2 153</b>

<sup>1)</sup> Corresponds to fees received.

<b>OPERATING RESULT, BUSINESSES</b>	<b>1999</b>	<b>1998</b>
SEK million		
SkandiaBanken	63	75
Skandia Marketing	70	-
Lifeline	44	-
Finance companies	32	17
Other	18	64
<b>Total</b>	<b>227</b>	<b>156</b>

<b>GROUP EXPENSES</b>	<b>1999</b>	<b>1998</b>
SEK million		
Amortization of goodwill	-34	-115
Profit-sharing plans	-705	-180
Structural costs	-95	-
Joint-group management expenses	-298	-319
<b>Total</b>	<b>-1 132</b>	<b>-614</b>

<b>STATEMENT OF CASH FLOWS</b>	<b>1999</b>	<b>1998</b>
SEK million		
Cash flow from operating activities	-3,7	-0,2
Cash flow from investments in operations <sup>1)</sup>	3,1	1,1
Cash flow from financing activities	0,3	-0,3
<b>Net cash flow for the period <sup>2)</sup></b>	<b>-0,3</b>	<b>0,6</b>
<b>Liquid assets at start of year</b>	<b>3,3</b>	<b>2,7</b>
<b>Liquid assets at end of year</b>	<b>3,0</b>	<b>3,3</b>

<sup>1)</sup> Purchases and sales of investment assets which are a natural element of an insurance company's operations are reported as cash flow from investments in operations. Cash flow has been affected by the direct yield from investments, but not by the substantial growth in value these have had.

<sup>2)</sup> The negative cash flow from the operating activities is explained primarily by the considerable volume of new sales of unit linked assurance products. This gives rise to an initial net outflow for Skandia, which is offset by the revenues the company receives during the term of the insurance.

## ASSET MANAGEMENT

### MANAGED ASSETS

	Managed by SAM		Managed by other group companies		External management		Total management	
	1999	1998	1999	1998	1999	1998	1999	1998
	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Unit linked assurance	19 764	12 328	4 537	4 215	405 595	243 151	429 896	259 694
Mutual funds	108	36	4 778	3 726	63 578	18 056	68 464	21 818
Life assurance		12 490	16 324	26 360			16 324	38 850
Discretionary mgmt.			7 080	5 046			7 080	5 046
<b>Long-term savings</b>	<b>19 872</b>	<b>24 854</b>	<b>32 719</b>	<b>39 347</b>	<b>469 173</b>	<b>261 207</b>	<b>521 764</b>	<b>325 408</b>
Swedish Skandia Life	255 400	204 221	919	1 893			256 319	206 114
Parent company	5 818						5 818	
Mutual funds	10 838	5 084					10 838	5 084
Discretionary mgmt.	23 673	43 209	1 185	2 007			24 858	45 216
Bank deposits from the general public			11 816	11 071			11 816	11 071
Index-linked bonds			325	308			325	308
Other			775	675			775	675
<b>Managed assets</b>	<b>315 601</b>	<b>277 368</b>	<b>47 739</b>	<b>55 301</b>	<b>469 173</b>	<b>261 207</b>	<b>832 513</b>	<b>593 876</b>

### NET ASSET VALUE

SEK million	1999	1998
	31 Dec.	31 Dec.
Shareholders' equity	18 058	14 975
Deferred taxes	2 905	3 821
Surplus value of unit linked business in force	8 119	5 468
Other surplus values	138	569
<b>Net asset value</b>	<b>29 220</b>	<b>24 833</b>
Subordinated loans	1 305	2 175
<b>Risk-bearing capital</b>	<b>30 525</b>	<b>27 008</b>

### CHANGE IN NET ASSET VALUE

SEK million	
<b>Net asset value, December 1998</b>	<b>24 833</b>
Operating result	8 575
Change in surplus value of bonds	-335
Deferred tax on unit linked business in force	-1 433
Income taxes	-857
Translation differences	153
Minority interests	-8
Dividend	-460
Divested operations	-36
Transfer of net asset value in connection with the formation of If P&C Insurance	-1 212
<b>Net asset value, December 1999</b>	<b>29 220</b>



# **OPERATING RESULT**

SEK million

	Long- Term Savings	Asset Manage- ment	Busi- nesses	Sales	Group Alloc. admin. exp.	Alloc. inv. return	P&C insur- ance	Operat- ing result
<b>1999</b>								
<i>Technical result</i>								
P&C insurance			1			238	-344	<b>-105</b>
Life assurance	1 235		1					<b>1 236</b>
<i>Non-technical result</i>								
Investment income	301	1 701	44			-238	1 868	<b>3 676</b>
Financing costs	-446						-271	<b>-717</b>
Change in surplus value of unit linked business in force	3 944							<b>3 944</b>
Other savings products	-151							<b>-151</b>
Other businesses		245	181	1 398				<b>1 824</b>
Amortization of goodwill					-34			<b>-34</b>
Provision to profit- sharing plans					-705			<b>-705</b>
Structural costs					-95			<b>-95</b>
Group expenses					-298			<b>-298</b>
<b>Operating result</b>	<b>4 883</b>	<b>1 946</b>	<b>227</b>	<b>1 398</b>	<b>-1 132</b>	<b>0</b>	<b>1 253</b>	<b>8 575</b>
Of which, change in surplus value of unit linked business in force	-3 944							<b>-3 944</b>
<b>Pre-tax result</b>	<b>939</b>	<b>1 946</b>	<b>227</b>	<b>1 398</b>	<b>-1 132</b>	<b>0</b>	<b>1 253</b>	<b>4 631</b>
	Long- Term Savings	Asset Manage- ment	Busi- nesses	Divest ments	Group Alloc. admin. exp.	Alloc. inv. return	P&C insur- ance	Operat- ing result
<b>1998</b>								
<i>Technical result</i>								
P&C insurance						1 754	-1 877	<b>-123</b>
Life assurance	528					90	-78	<b>540</b>
<i>Non-technical result</i>								
Investment income	179					-1 844	3 486	<b>1 821</b>
Financing costs	-335						-170	<b>-505</b>
Change in surplus value of unit linked business in force	2 399							<b>2 399</b>
Other savings products	-40							<b>-40</b>
Other businesses			156					<b>156</b>
Amortization of goodwill					-115			<b>-115</b>
Provision to profit- sharing plans					-180			<b>-180</b>
Group expenses					-319			<b>-319</b>
<b>Operating result</b>	<b>2 731</b>		<b>156</b>		<b>-614</b>	<b>0</b>	<b>1 361</b>	<b>3 634</b>
Of which, change in surplus value of unit linked business in force	-2 399							<b>-2 399</b>
<b>Pre-tax result</b>	<b>332</b>		<b>156</b>		<b>-614</b>	<b>0</b>	<b>1 361</b>	<b>1 235</b>

**PROFIT AND LOSS ACCOUNT**

SEK million	1999	1998
<b>Technical account, property &amp; casualty insurance business</b>		
Premiums earned, net of reinsurance	2 285	14 552
Allocated investment return transferred from the non-technical account	238	1 754
Claims incurred, net of reinsurance	-1 972	-12 350
Operating expenses	-653	-4 114
Other technical income and charges	-3	35
<b>Technical result, property &amp; casualty insurance business</b>	<b>-105</b>	<b>-123</b>
<b>Technical account, life assurance business</b>		
Premiums written, net of reinsurance	92 080	60 260
Investment income, including unrealized changes in value	94 037	32 335
Claims incurred, net of reinsurance	-31 891	-20 826
Change in other technical provisions where the investment risk is borne by the life assurance policyholders	-151 858	-64 251
Operating expenses	-6 971	-5 278
Other technical provisions	5 838	-1 790
Allocated investment return transferred from the non-technical account	1	90
<b>Technical result, life assurance business</b>	<b>1 236</b>	<b>540</b>
<b>Non-technical account</b>		
Investment income, including unrealized changes in value	3 676	1 800
Financing costs	-717	-505
Other savings products	-151	-40
Asset Management	245	36
Other operations	1 579	141
Amortization of goodwill	-34	-115
Provision to profit-sharing plans	-705	-180
Structural costs	-95	-
Group expenses	-298	-319
<b>Pre-tax result</b>	<b>4 631</b>	<b>1 235</b>
Paid and deferred tax	-1 167	13
Minority interests in result for the period	-8	-6
<b>Result for the period</b>	<b>3 456</b>	<b>1 242</b>

# **BALANCE SHEET SUMMARY**

SEK billion	1999	1998		1999	1998
<b>Assets</b>	<b>31 Dec.</b>	<b>31 Dec.</b>	<b>Shareholders' equity, provisions and liabilities</b>	<b>31 Dec</b>	<b>31 Dec</b>
Goodwill	0,1	0,1	Shareholders' equity	18,1	15,0
Investment in If P&C	6,5	-	Minority interests	0,0	0,0
Investments <sup>3)</sup>	24,0	80,1	Deferred tax liability	2,9	3,8
Investments, unit linked	424,7	255,5			
Reinsurers' share of			Subordinated loans <sup>2)</sup>	1,3	2,3
technical provisions <sup>1)</sup>	2,6	8,0	Borrowings <sup>2)</sup>	8,3	6,3
Debtors	5,3	6,0	Technical provisions <sup>1)</sup>	22,4	76,6
Tangible assets	0,7	0,8	Provisions, unit linked <sup>1)</sup>	410,8	247,7
Cash at bank and in hand	3,0	3,3	Creditors	8,0	8,4
Other assets	0,0	0,2	Reinsurers' share of		
Deferred acquisition costs <sup>1)</sup>	3,7	3,6	deferred acq. Costs <sup>1)</sup>	0,3	0,2
Other prepayments and			Other accruals and		
accrued income	1,7	2,7	deferred income	2,8	1,9
Assets in finance cos.	1,5	1,6	Liabilities in fin. cos. <sup>2)</sup>	0,8	0,7
Assets in bank operations	14,7	12,8	Liabilities in bank op. <sup>2)</sup>	12,8	11,8
			<b>Shareholders' equity, provisions and liabilities</b>	<b>488,5</b>	<b>374,7</b>
<b>Assets</b>	<b>488,5</b>	<b>374,7</b>			

1) Technical provisions, net, after deducting deferred acquisition costs

Life assurance	14,4	34,6
Unit linked assurance	411,7	246,6
Property & casualty insurance	1,1	31,7
<b>Total</b>	<b>427,2</b>	<b>312,9</b>

2) Group borrowings, excl. Subordinated loans in Skandia Insurance Company Ltd.

Borrowings as per balance sheet	9,6	8,6
Additional borrowings by finance companies and bank operations	0,7	0,7
Less: subordinated loans in Skandia Insurance Company Ltd.	-1,3	-2,2
<b>Total</b>	<b>9,0</b>	<b>7,1</b>

3) Investments, current value

Investments as per balance sheet	24,0	80,1
Recalculation to current value	0,9	3,5
Cash at bank and in hand	3,0	3,3
Securities settlement claims, net	0,0	0,0
Accrued interest income	0,5	1,2
Debt derivatives	-0,1	-0,1
<b>Total</b>	<b>28,3</b>	<b>88,0</b>

Of which:

Investments, life assurance	16,3	38,8
Investments, unit linked assurance	5,2	4,2
Other investments, long-term savings	0,4	0,3
Investments, parent company	5,8	-
Investments, property & casualty insurance		44,5
Currency derivatives	0,6	0,0
Deposits with ceding undertakings	0,0	0,2
<b>Total</b>	<b>28,3</b>	<b>88,0</b>

## SUMMARY OF CHANGES IN GROUP OVERVIEW

1999

### Capitalization and financing

Skandia's share of the capital in If P&C Insurance amounts to SEK 6.5 billion.

Financing costs are reported in the respective operating areas.

### Investment income

Investment income pertains to investment assets belonging to the parent company.

### Property & casualty insurance

The result for Skandia's property & casualty insurance operation is reported in full for January-February

As from 1 March, the combined operations of If P&C Insurance are reported in accordance with the equity method: 56% share for the period March-June and 42% share for the period July-December.

### Skandia Asset Management

The business unit's operating result is reported separately.

### Skandia Marketing

The operating result for the Swedish and Danish sales organization is reported separately.

1998

Capital employed in property & casualty insurance was SEK 13.4 billion.

Financing costs were reported as other (joint-group) costs

All investment income was reported in property & casualty insurance.

Skandia's property & casualty insurance operation was reported as a business unit.

The result was included in investment income, property & casualty insurance.

The sales organization was included in the property & casualty insurance operation.