

# Press Release



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Corporate Communications  
S-103 50 Stockholm  
Sweden  
Telephone +46-8-788 10 00  
Fax +46-8-788 30 80  
[www.skandia.se](http://www.skandia.se)

Office:  
Sveavägen 44

## **INTERIM REPORT**

**For the period January – June 2000\***

- Sales increased by 78 per cent, to SEK 111 billion
- Record sales in all markets
- The operating result for the core businesses rose by 61 per cent, to SEK 3,602 million
- The group's operating result increased by SEK 1,042 million, to SEK 3,704 million
- Assets under management increased by SEK 122 billion since the start of the year, to SEK 955 billion

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

"Sales increased by nearly 50 billion kronor during the first half of the year, to more than 111 billion kronor. The period was characterized by uncertainty and turbulence in the world's stock markets. The year started out with strong stock markets, which gave way in the second quarter to an equivalent downturn. Despite the turbulence during the period, however, Skandia achieved record sales in all markets.

"The operative result for the savings businesses is growing faster than sales and increased by more than 115 per cent.

"We are also pleased to note improved profit margins in all our major markets. Monthly changes in sales volumes can result in upward as well as downward swings in the profit margin, which makes it important to follow the long-term trend.

"The result of the property & casualty insurance company If was hurt by higher claims and a weak investment return.

"The dispute around Pohjola's participation in If has been successfully resolved. The work is now focused on realizing the identified synergies and on preparing the operation for broadened ownership.

"The build-up of our distribution power is developing well, and we are rapidly extending our exploitation of the Internet and how it will develop our businesses."

\*) Does not include Livförsäkringsaktiebolaget Skandia, which is run on a mutual basis. All return measurements for shareholders' equity, net asset value and capital employed as per June 2000 pertain to moving 12-month figures. All comparison figures pertain to June 1999 unless stated otherwise.

## **OVERVIEW**

The operating result for the core businesses increased to SEK 3,602 million (2,236). The return on net asset value for the core businesses, before tax, was 29 per cent on a moving twelve-month basis (29 per cent for the full year 1999).

Sales for Long-Term Savings rose 79 per cent, to SEK 109,929 million (61,402). The operating result for Long-Term Savings more than doubled, to SEK 3,913 million (1,814).

Assets under management increased by SEK 122 billion (15 per cent) since the start of the year, to SEK 955 billion. Of this amount, SEK 552 billion consists of assets under external management in Long-Term Savings.

The operating result including property & casualty insurance was SEK 3,704 million (2,662), and the return on the group's adjusted net asset value, after tax, was 27 per cent on a moving 12-month basis (24 per cent for the full year 1999).

The 2000 Annual General Meeting approved a new stock option programme, which took effect on 15 May 2000. The incentive programmes from previous years were extended until 15 May 2000. The cost of these extended programmes, SEK 620 million, has been charged in its entirety against the half-year result.

## **CORE BUSINESSES**

### **Long-Term Savings**

#### **Market and Sales**

Sales totalled SEK 109,929 million (61,402), an increase of 79 per cent. At constant exchange rates the increase was 72 per cent. All markets reported record sales, which more than doubled in many cases.

Sales of unit linked assurance increased by 80 per cent during the first half of the year (74 per cent at constant exchange rates).

Sales of mutual fund savings products (without an insurance element) rose 89 per cent, to SEK 32,531 million. At constant exchange rates the increase was 81 per cent. For mutual fund savings products, payments to policyholders through fund withdrawals amounted to SEK 6,032 million (1,973). The increase in withdrawals is attributable to the sharp rise in sales as well as profit-taking following strong gains in the value of funds. Managed assets passed the SEK 100 billion mark for the first time, increasing by 33 per cent since the start of the year.

### *USA*

Skandia's sales during the first half of the year rose 63 per cent, to USD 7,702 million. Of this total, sales of variable annuities rose 56 per cent, to USD 5,081 million, while sales of mutual fund savings products rose 78 per cent, to USD 2,621 million.

A generally weak stock market, interest rates, and seasonal fluctuations dampened sales of mutual fund savings products during the second quarter compared with the first quarter. Skandia strengthened its position in the variable annuities market during the first half of the year. Assets under management increased during the first half of the year by 13 per cent, to USD 39 billion.

### *UK*

Strong sales in the British market, together with continued sales successes in markets outside the UK, contributed to a 110 per cent sales increase, to GBP 2,069 million (985). Unit linked sales rose 117 per cent, while sales of mutual fund savings products increased by 94 per cent. New sales of unit linked assurance rose 99 per cent. Assets under management increased during the first half of the year by 19 per cent, to GBP 13 billion.

### *Sweden*

Interest in mutual funds and unit linked assurance has risen sharply. Sales increased by a total of 103 per cent, to SEK 5,808 million (2,867). Growth was strong for both unit linked assurance and mutual fund savings products. New sales of unit linked assurance rose 129 per cent. On a moving twelve-month basis, SkandiaLink's market share, measured as the net flow into the Swedish fund market, increased to 12 per cent, compared with 8 per cent at the start of the year. Assets under management increased during the first half of the year by 15 per cent, to SEK 37 billion.

### *New Markets*

In Japan, sales amounted to SEK 388 million (91), an increase of 262 per cent in local currency. The increase is mainly attributable to the launch of a new variable annuity product.

In Germany, sales amounted to SEK 565 million, an increase of 100 per cent in local currency. The unit linked market is growing fast, and unit linked assurance now accounts for 20 per cent of the total life market, compared with 5 per cent five years ago. Recently adopted changes in the tax code are expected to contribute further to the rising interest in equity-related products.

The effort to market unit linked assurance in Spain resulted in a 57 per cent rise in sales, in local currency, to SEK 1,669 million. Sales of traditional life assurance in Spain decreased as a result of a strategic shift in focus towards unit linked assurance products.

### *Assets Under Management*

Assets under management increased during the first half of the year by SEK 82 billion (16 per cent), to SEK 604 billion, broken down as follows: unit linked assurance SEK 489 billion, mutual fund savings products SEK 100 billion, and life assurance SEK 15 billion.

### *Payments to Policyholders*

Payments to unit linked policyholders amounted to 7.7 per cent of technical provisions on a moving twelve month basis (6.9 per cent for the full year 1999). Surrenders accounted for 6.4 percentage points of this total (5.7), which is well within the limits of underlying assumptions.

## **Operating Result and Profitability**

### *Unit Linked Assurance*

The operating result for unit linked assurance more than doubled, to SEK 3,876 million (1,788). Earnings growth exceeded growth in premiums. Costs for asset management and surrenders were lower than underlying assumptions, which had a positive result impact. Due to achieved economies of scale, the profit margin for new business improved in essentially all markets during the first half of the year compared with the full year 1999, especially in the USA. The result for newly written business increased to SEK 1,428 million (709), which led to an improvement in the profit margin, expressed as a percentage of new sales, from 12.3 per cent for the full year 1999 to 14.3 per cent. The change in the profit margin between the first and second quarters, from 16.0 per cent to 14.3 per cent, is mainly attributable to two factors: 0.5 percentage points of the change is explained by strong growth during the second quarter in markets with lower profit margins, while 1.0 percentage point is due to a slight decline in sales at the same time that overall costs were unchanged. The latter factor is unavoidable in comparisons of individual quarters.

The accumulated growth in the value of funds under management 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 30 June was SEK 1,686 million, compared with SEK 3,423 million at the start of the year. This decrease corresponds to the linear dissolution of earlier provisions and the somewhat lower growth in value compared with underlying assumptions for the first six months of the year.

### *Mutual Funds*

Operations have now reached break-even and therefore showed a positive result of SEK 21 million (-67) for the first half of the year.

### *Life Assurance*

The operating result for life assurance was SEK 16 million (93).

## **Net Asset Value and Return**

The operating result, after deducting financing costs, rose 116 per cent to SEK 3,913 million (1,814). The return on net asset value, after financing costs and taxes, was 30 per cent (15) on a moving twelve-month basis.

### **Asset Management**

Assets under management, consisting of assets from companies in the Skandia group, external clients, and fund management, increased during the first half of the year by SEK 39 billion to SEK 355 billion. The number of assignments from institutional investors continues to rise. Assets under management include SEK 37 billion in managed mutual fund assets, an increase of SEK 8 billion since the start of the year.

Commissions from asset management are partly fixed and partly performance-related, the latter being ultimately determined in proportion to the achieved annual return. The result amounted to SEK 49 million (51) after interest expenses and goodwill amortization.

### **Investment Income**

Investment assets in the parent company amounted to SEK 5 billion after investments in core businesses and repayment of debt. The return on these assets was SEK 304 million.

### **Businesses**

#### **SkandiaBanken**

SkandiaBanken's operating result was SEK 40 million (42). SkandiaBanken's business is based on Internet and telephone service. The result was favourably affected by an increase in revenue from Internet-based stock trading and fund commissions, which compensated for higher costs for investments in a new stock trading system and start-up costs in Norway, where the bank already has approximately 30,000 customers. Deposits in SkandiaBanken increased to SEK 13.5 billion. The bank has a total of approximately 350,000 customers.

#### **Lifeline**

Lifeline sells health and medical insurance products, and Competence Insurance, among other things.

Demand for these products has risen considerably. To meet this rise in demand, agreements were signed with an additional two hospitals in Sweden, and cooperation agreements were signed with ten medical centres in Norway.

Operations are developing favourably. Lifeline's result increased to SEK 26 million (18).

#### **Skandia Marketing Ltd.**

Skandia Marketing distributes savings and insurance products for Skandia and If in the Swedish and Danish markets. Business is developing well, and the result increased to SEK 40 million (23).

#### **Other Companies**

The operating result for other companies, including finance companies that are being wound up, was SEK 62 million (38).

### **Group Expenses**

Group expenses comprise management and structural costs, as well as goodwill amortization.

The extended incentive programmes from 1999 were expensed in the half-year accounts in the amount of SEK 620 million. For the chief executive officer the maximum compensation payable from the extended incentive programme is limited to one year's salary, i.e., SEK 6 million, and is not payable until after three years and only then in relation to the price development of Skandia's stock. In addition, the CEO's terms of retirement have been adapted to the terms of retirement that apply for other senior executives in the group, entailing a lifetime pension from 57 years of age in an amount equivalent to 60 per cent of salary. Provisions for this are being made through Skandia's pension foundation and therefore will not affect the group's result.

### **Exchange Rate Effects**

Exchange rate movements had a positive impact during the period. Sales for Long-Term Savings increased by 7 per cent, and the operating result for the group increased by 5 per cent after recalculation to higher average exchange rates compared with the preceding year.

## **PROPERTY & CASUALTY INSURANCE**

During the second quarter Pohjola's Annual General Meeting voted to break off the cooperation agreement concerning If P&C Insurance. On 30 June a settlement was reached between Pohjola, Skandia and Storebrand, concerning the subsequent dispute that arose.

The operating result for property & casualty insurance amounted to SEK -212 million (426), corresponding to 56 per cent of If's result. The result was affected by continued strong competition, unfavourable claims experience, and downward pressure on investment returns caused by the trend in the financial markets. Pohjola's decision to withdraw from the cooperation in If has and will not have any result impact.

During the second quarter, If paid a dividend which for Skandia's part amounted to SEK 1.9 billion. This dividend is associated with the sale of Vesta Skadeforsikring in 1999. Following the dividend, Skandia's equity share in the property & casualty operations of If amounts to SEK 4.4 billion, compared with SEK 6.5 billion at the start of the year.

In April the final regulatory approval was received for the sale of NIG Skandia, which entailed a SEK 314 million increase in capital gains.

## **BALANCE SHEET AND NET ASSET VALUE**

Total assets increased by SEK 52.8 billion compared with the start of the year, to SEK 541.3 billion. Long-Term Savings accounted for an increase of SEK 58.4 billion. External borrowings decreased by SEK 0.5 billion to SEK 8.5 billion, excluding the parent company's subordinated loans.

Net asset value amounted to SEK 31,585 million (SEK 29,220 million at the start of the year). Capital employed in the group, which in addition to net asset value consists of borrowings to finance investments in subsidiaries, amounted to SEK 40.0 billion (37.5). Of these funds, SEK 29.6 billion (23.5) pertains to Long-Term Savings, while SEK 4.4 billion pertains to the financing of Skandia's share of the P&C insurance operations in If.

Stockholm, 9 August 2000  
Lars-Eric Petersson  
President and CEO  
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For questions, please call:

Ulf Spång, Chief Financial Officer, tel. +46-8-788 2905

Harry Vos, Head of Group Business Control, tel. +46-8-788 3643

Financial calendar for Skandia:

11 September, August sales

10 October, September sales

1 November, interim report January–September 2000

10 November, October sales

11 December, November sales

## GROUP OVERVIEW

SEK million

Moving  
12-month  
figures

	2000 June	1999 June	1999 Dec.	2000 June
<b>Sales</b>				
Sales, unit linked assurance	76 888	42 612	93 036	127 312
Sales, mutual fund savings products	32 531	17 181	37 129	52 479
Premiums written, life assurance	510	1 609	1 541	442
Sales, businesses	1 189	988	2 153	2 354
<b>Total sales</b>	<b>111 118</b>	<b>62 390</b>	<b>133 859</b>	<b>182 587</b>
<b>Result summary</b>				
Unit linked assurance	3 876	1 788	4 957	7 045
Mutual fund savings products	21	-67	-154	-66
Life assurance	16	93	80	3
<b>Long-term savings, total <sup>1)</sup></b>	<b>3 913</b>	<b>1 814</b>	<b>4 883</b>	<b>6 982</b>
Asset Management	49	51	273	271
Investment income	304	671	1 673	1 306
<b>Asset management, total</b>	<b>353</b>	<b>722</b>	<b>1 946</b>	<b>1 577</b>
Businesses	168	121	227	274
Group expenses <sup>2)</sup>	-832	-421	-1 132	-1 543
<b>Operating result, core businesses</b>	<b>3 602</b>	<b>2 236</b>	<b>5 924</b>	<b>7 290</b>
Result from sale of operations	314	-	1 398	1 712
Operating result, P&C insurance <sup>3)</sup>	-212	498	1 524	814
Financing costs, P&C insurance	-	-72	-271	-199
<b>Operating result</b>	<b>3 704</b>	<b>2 662</b>	<b>8 575</b>	<b>9 617</b>
Net asset value <sup>4) 5)</sup>	31 585	24 780	29 220	
Shareholders' equity <sup>4)</sup>	18 468	15 572	18 058	
Managed assets, Long-Term Savings <sup>4)</sup>	604 250	398 978	521 764	
Total assets <sup>4)</sup>	541 364	393 244	488 498	
Return on net asset value, %	32	8	29	
Return on adjusted net asset value %	27	7	24	
Return on shareholders' equity %	20	-1	21	
<b>Per-share data <sup>7) 8)</sup></b>				
Operating result per share, SEK	3.62	2.60	8.38	9.40
Earnings per share, SEK <sup>6)</sup>	0.94	0.95	3.38	3.37
Net asset value per share, SEK <sup>4)</sup>	30.86	24.21	28.55	
Shareholders' equity per share, SEK <sup>4)</sup>	18.04	15.21	17.64	

<sup>1)</sup> Of which, interest expenses: SEK -340 million as per June 2000, SEK -204 million as per June 1999, and SEK -446 million as per Dec. 1999.

<sup>2)</sup> Group expenses excluding provisions to profit-sharing plans amounted to SEK -212 million as per June 2000, SEK -221 million as per June 1999, SEK -427 million as per Dec. 1999, and SEK -418 million on a 12-month basis.

<sup>3)</sup> The operating result for P&C insurance for the first half of 2000 includes 56% of IF's result as per 30 June 2000.

<sup>4)</sup> Figures as per closing date.

<sup>5)</sup> See table on p. 15.

<sup>6)</sup> Earnings per share are calculated as the result for the period divided by the number of shares outstanding as per 30 June 2000.

<sup>7)</sup> At Skandia's Annual General Meeting on 5 April 2000, the decision was made on a 1:1 bonus issue (stock dividend). The comparison figures in the per-share data have been recalculated accordingly.

<sup>8)</sup> Skandia's stock option programme covers the years 2000-2002. The current year's grant was made during the second quarter. The dilutive effect, based on the share price on 30 June 2000 and on the assumption that the options are exercised in the middle of the respective exercise periods, is approx. 2.2% for the entire programme and approx. 0.7% for the current year's grant. In view of this, per-share key ratios have not been recalculated.



## LONG-TERM SAVINGS

SALES SEK million	Mutual fund									Total		
	Unit linked assurance			savings products			Life assurance			2000 6 mos.	1999 6 mos.	1999 12 mos.
	2000	1999	1999	2000	1999	1999	2000	1999	1999			
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.			
USA	44 368	26 767	56 737	22 889	12 065	27 584				67 257	38 832	84 321
UK	20 680	9 262	21 268	7 670	3 833	6 429				28 350	13 095	27 697
Sweden	5 417	2 708	5 855	391	159	334				5 808	2 867	6 189
Italy	2 732	2 430	5 280							2 732	2 430	5 280
Spain	1 198	293	1 108				471	840	1 385	1 669	1 133	2 493
Colombia				1 256	945	2 383	39	62	101	1 295	1 007	2 484
Switzerland	726	438	973	295	164	353				1 021	602	1 326
Germany	535	286	721	30	15	46				565	301	767
Japan	388	91	277							388	91	277
Austria	355	240	534							355	240	534
Mexico	284	41	67							284	41	67
Denmark	195	52	208					126	55	195	178	263
Other	10	4	8					581		10	585	8
<b>Sales</b>	<b>76 888</b>	<b>42 612</b>	<b>93 036</b>	<b>32 531</b>	<b>17 181</b>	<b>37 129</b>	<b>510</b>	<b>1 609</b>	<b>1 541</b>	<b>109 929</b>	<b>61 402</b>	<b>131 706</b>

## SALES OF MUTUAL FUND SAVINGS PRODUCTS

SEK million	Sales			Withdrawals			Net deposits		
	2000	1999	1999	2000	1999	1999	2000	1999	1999
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.
USA	22 889	12 065	27 584	-4 401	-802	-2 295	18 488	11 263	25 289
UK	7 670	3 833	6 429	-691	-504	-870	6 979	3 329	5 559
Other	1 972	1 283	3 116	-940	-667	-1 767	1 032	616	1 349
<b>Mutual fund savings products</b>	<b>32 531</b>	<b>17 181</b>	<b>37 129</b>	<b>-6 032</b>	<b>-1 973</b>	<b>-4 932</b>	<b>26 499</b>	<b>15 208</b>	<b>32 197</b>

## NEW SALES, UNIT LINKED ASSURANCE

SEK million	Single premium			Annual premium <sup>1)</sup>		
	2000	1999	1999	2000	1999	1999
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.
USA	44 368	26 767	56 737			
UK	18 109	7 185	17 030	897	603	1 236
Sweden	3 515	1 226	2 691	1 525	696	1 390
Italy	2 732	2 430	5 280			
Spain	1 191	293	1 106	31		10
Switzerland	612	402	869	47	46	62
Germany	3	5	5	140	116	604
Japan	288	33	150	49	41	90
Austria	126	90	197	107	86	180
Mexico	284	41	68			
Denmark	144	47	185	51		19
Other	8					
<b>New sales</b>	<b>71 380</b>	<b>38 519</b>	<b>84 318</b>	<b>2 847</b>	<b>1 588</b>	<b>3 591</b>

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

## LONG-TERM SAVINGS

### OPERATING RESULT

SEK million	Unit linked assurance			Mutual fund savings products <sup>1)</sup>			Life assurance			Total		
	2000	1999	1999	2000	1999	1999	2000	1999	1999	2000	1999	1999
	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.	6 mos.	6 mos.	12 mos.
USA	2 007	949	2 843	18	-55	-110				2 025	894	2 733
UK	1 037	375	952	-5	-12	-37				1 032	363	915
Sweden	594	291	683	-5	-5	-12				589	286	671
Italy	110	124	175							110	124	175
Spain	10	-2	26	5	2	6	21	34	80	36	34	112
Colombia				25	13	26	-3	-1	1	22	12	27
Switzerland	30	17	59		0	-3				30	17	56
Germany	75	28	267	-4	1	2				71	29	269
Japan	-3	-20	-46							-3	-20	-46
Austria	47	37	54	-2	0	-2				45	37	52
Mexico	-5	-10	-21							-5	-10	-21
Denmark	-25	-23	-48				-2	7	-1	-27	-16	-49
Other	-1	22	13	-11	-11	-24		53		-12	64	-11
<b>Operating result <sup>2)</sup></b>	<b>3 876</b>	<b>1 788</b>	<b>4 957</b>	<b>21</b>	<b>-67</b>	<b>-154</b>	<b>16</b>	<b>93</b>	<b>80</b>	<b>3 913</b>	<b>1 814</b>	<b>4 883</b>
<b>Return on adjusted net asset value <sup>3)</sup></b>										<b>30</b>	<b>15</b>	<b>23</b>

<sup>1)</sup> The business in Spain pertains to discretionary management.

<sup>2)</sup> Of which financing costs:

USA	-334	-190	-433							-334	-190	-433
UK	-1	-7	-2							-1	-7	-2
Colombia				0	-2	-3	0	-2	-2	0	-4	-5
Germany	-5	-3	-6							-5	-3	-6
<b>Total</b>	<b>-340</b>	<b>-200</b>	<b>-441</b>	<b>0</b>	<b>-2</b>	<b>-3</b>	<b>0</b>	<b>-2</b>	<b>-2</b>	<b>-340</b>	<b>-204</b>	<b>-446</b>

<sup>3)</sup> Moving 12-month figures.

### ASSETS UNDER MANAGEMENT

SEK million	Unit linked assurance		Mutual fund savings products <sup>1)</sup>		Life assurance		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
	June	Dec.	June	Dec.	June	Dec.	June	Dec.
USA	287 474	253 217	59 372	42 429			346 846	295 646
UK	141 596	126 285	26 674	19 769			168 270	146 054
Sweden	35 773	31 243	844	525			36 617	31 768
Italy	8 672	6 251					8 672	6 251
Spain	2 977	2 056	6 792	7 100	14 647	16 049	24 416	25 205
Colombia			5 205	4 777	267	274	5 472	5 051
Switzerland	6 728	6 209	965	675			7 693	6 884
Germany	2 182	1 777	261	257			2 443	2 034
Japan	1 310	1 032					1 310	1 032
Austria	1 565	1 403	4	2			1 569	1 405
Mexico	309	132					309	132
Denmark	600	290			1	1	601	291
Other	10	1	22	10			32	11
<b>Total assets</b>	<b>489 196</b>	<b>429 896</b>	<b>100 139</b>	<b>75 544</b>	<b>14 915</b>	<b>16 324</b>	<b>604 250</b>	<b>521 764</b>

<sup>1)</sup> The business in Spain pertains to discretionary management

## LONG-TERM SAVINGS

### TRADING ANALYSIS, UNIT LINKED ASSURANCE

SEK million	2000 6 mos.	1999 6 mos.	1999 12 mos.
Total annualized new sales <sup>1)</sup>	9 985	5 439	12 023
Present value of new business for the year	1 428	709	1 483
Return on value of contracts in force from previous years	1 212	675	1 511
Outcome compared with operative assumptions	458	177	254
Change in operative assumptions	292	-176	549
<b>Value-added from operations</b>	<b>3 390</b>	<b>1 385</b>	<b>3 797</b>
Business start-ups and other overheads	-31	-13	-56
Financial effects <sup>2)</sup>	-952	1 404	4 043
<b>Total value-added</b>	<b>2 407</b>	<b>2 776</b>	<b>7 784</b>
Equalization of financial effects <sup>3)</sup>	1 809	-788	-2 386
Financing costs	-340	-200	-441
<b>Operating result, unit linked assurance</b>	<b>3 876</b>	<b>1 788</b>	<b>4 957</b>
<b>Profit margin, new sales <sup>4)</sup></b>	<b>14.3%</b>	<b>13.0%</b>	<b>12.3%</b>

<sup>1)</sup> Periodic premiums recalculated to full-year figures plus 1/10 of single premium during the period.

<sup>2)</sup> Of which, change in discount rate, SEK 354 million, change in fund growth assumptions, SEK -364 million, and actual fund growth compared with previous assumptions, SEK -872 million.

<sup>3)</sup> The accumulated equalization amount before tax was SEK 1,686 million as per June 2000 (SEK 3,423 million as per December 1999).

<sup>4)</sup> Present value of new business for the year in relation to total annualized new sales.

### ACCUMULATED EQUALIZATION OF FINANCIAL EFFECTS

SEK million		2000		
	1998/1999	Jan.-Mar.1)	Apr.-June	Total
<b>Accumulated equalization of financial effects as per Dec. 1999</b>	<b>3 423</b>			<b>3 423</b>
Financial effects during the period		1 209	-2 161	-952
Amortization of financial effects During 2000 <sup>2)</sup>		-190	207	17
Opening balance (2/8)	-874			-874
<b>Equalization of financial effects</b>	<b>-874</b>	<b>1 019</b>	<b>-1 954</b>	<b>-1 809</b>
Currency effects	83	8	-19	72
<b>Accumulated equalization of financial effects as per June 2000</b>	<b>2 632</b>	<b>1 027</b>	<b>-1 973</b>	<b>1 686</b>

<sup>1)</sup> First quarter outcome recalculated to average rate as per 30 June 2000.

<sup>2)</sup> First quarter 2/12, second quarter 1/12.

## LONG-TERM SAVINGS

### NEW SALES AND PROFIT MARGIN PER GEOGRAPHIC AREA

SEK MILLION

	Annualized new sales		Present value of new business for the year		Profit margin, new sales	
	2000	1999	2000	1999	2000	1999
	6 mos.	12 mos.	6 mos.	12 mos.	6 mos.	12 mos.
USA	4 437	5 674	934	995	21.1%	17.5%
UK	2 708	2 939	201	124	7.4%	4.2%
Sweden	1 877	1 659	121	35	6.4%	2.1%
New markets	963	1 751	172	329	17.8%	18.8%
<b>Total</b>	<b>9 985</b>	<b>12 023</b>	<b>1 428</b>	<b>1 483</b>	<b>14.3%</b>	<b>12.3%</b>

### ASSUMPTIONS AND SENSITIVITY ANALYSIS, UNIT LINKED ASSURANCE

#### Interest rate assumptions

%	Discount rate		Fund growth assumptions <sup>1)</sup>		Inflation assumptions	
	2000	1999	2000	1999	2000	1999
USA	10.00	10.50	7.00	7.25	3.00	3.00
UK	9.75	9.75	6.25	6.25	3.75	3.75
Sweden	9.75	10.25	6.25	7.00	2.75	2.50

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

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

SEK million

	Exposure VBIF <sup>1)</sup>	Effect on operating result (before tax)			Total effect <sup>2)</sup>
		Discount rate	Fund growth assumptions	Inflation assump- tions	
USA	3 709	-614	707	-70	23
UK	2 679	-264	153	-38	-149
Sweden	2 516	-262	228	-26	-60
New markets	970	-108	74	-30	-64
<b>Total</b>	<b>9 874</b>	<b>-1 248</b>	<b>1 162</b>	<b>-164</b>	<b>-250</b>

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

<sup>2)</sup> Before equalization of financial effects.

## ASSET MANAGEMENT

### INVESTMENT INCOME

SEK million	2000 6 mos.	1999 6 mos.	1999 12 mos.
Changes in value			
Bonds and short-term investments	-38	-24	-227
Equities	104	1 190	3 038
Real estate	-2	196	356
Loans	16	4	-1
<b>Total changes in value</b>	<b>80</b>	<b>1 366</b>	<b>3 166</b>
Direct investment income	90	1 065	1 341
Foreign exchange gains/losses	159	1	-67
<b>Investment income <sup>1)</sup></b>	<b>329</b>	<b>2 432</b>	<b>4 440</b>
Allocated investment return transferred to other operations <sup>1)</sup>	-25	-1 761	-2 767
<b>Investment income, net</b>	<b>304</b>	<b>671</b>	<b>1 673</b>
Direct yield, %	1.7	3.0	5.4
Total return, %	5.3	5.0	15.4

<sup>1)</sup> For 1999, includes investment income pertaining to If P&C Insurance.

TOTAL RETURN %	2000 6 mos.	1999 6 mos.	1999 12 mos.
Bonds and short-term investments	2.1	0.3	0.3
Equities	11.0	12.4	42.6
Real estate	6.2	11.0	37.6
Loans	n/a	4.3	n/a
<b>Total</b>	<b>5.3</b>	<b>5.0</b>	<b>15.4</b>

<b>SALES, BUSINESSES</b>	<b>2000</b>	<b>1999</b>	<b>1999</b>
SEK million	<b>6 mos.</b>	<b>6 mos.</b>	<b>12 mos.</b>
Skandia Marketing <sup>1)</sup>	562	509	1 000
Lifeline	172	77	305
Asset Management <sup>1)</sup>	331	344	734
Other	124	58	114
<b>Total</b>	<b>1 189</b>	<b>988</b>	<b>2 153</b>

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

<b>OPERATING RESULT, BUSINESSES</b>	<b>2000</b>	<b>1999</b>	<b>1999</b>
SEK million	<b>6 mos.</b>	<b>6 mos.</b>	<b>12 mos.</b>
SkandiaBanken	40	42	63
Skandia Marketing	40	23	70
Lifeline	26	18	44
Finance companies	15	18	32
Other	47	20	18
<b>Total</b>	<b>168</b>	<b>121</b>	<b>227</b>

<b>GROUP EXPENSES</b>	<b>2000</b>	<b>1999</b>	<b>1999</b>
SEK million	<b>6 mos.</b>	<b>6 mos.</b>	<b>12 mos.</b>
Amortization of goodwill	-10	-21	-34
Structural costs	-45	-40	-95
Joint-group management expenses	-157	-160	-298
<b>Total excl. profit-sharing plans</b>	<b>-212</b>	<b>-221</b>	<b>-427</b>
Profit-sharing plans	-620	-200	-705
<b>Total incl. profit-sharing plans</b>	<b>-832</b>	<b>-421</b>	<b>-1 132</b>

<b>STATEMENT OF CASH FLOWS</b>	<b>2000</b>	<b>1999</b>
SEK billion	<b>6 mos.</b>	<b>12 mos.</b>
Cash flow from operating activities <sup>1)</sup>	-1.5	-3.7
Cash flow from investments in operations <sup>2)</sup>	3.0	3.1
Cash flow from financing activities	-1.2	0.3
<b>Net cash flow for the period</b>	<b>0.3</b>	<b>-0.3</b>
<b>Liquid assets at start of the period</b>	<b>3.0</b>	<b>3.3</b>
<b>Liquid assets at end of the period</b>	<b>3.3</b>	<b>3.0</b>

<sup>1)</sup> Cash flow from the operating activities was negatively affected by the substantial 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.

<sup>2)</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 changes in value these have had.

## ASSET MANAGEMENT

### MANAGED ASSETS

SEK million	Managed by SAM <sup>1)</sup>		Managed by other group companies		External management		Total management	
	2000 30 June	1999 31 Dec.	2000 30 June	1999 31 Dec.	2000 30 June	1999 31 Dec.	2000 30 June	1999 31 Dec.
Unit linked ass.	19 830	19 764	5 421	4 537	463 945	405 595	489 196	429 896
Mutual funds	113	108	348	4 778	88 064	63 578	88 525	68 464
Life assurance			14 915	16 324			14 915	16 324
Discretionary mgmt.			11 614	7 080			11 614	7 080
<b>Long-Term Savings</b>	<b>19 943</b>	<b>19 872</b>	<b>32 298</b>	<b>32 719</b>	<b>552 009</b>	<b>469 173</b>	<b>604 250</b>	<b>521 764</b>
Skandia Liv	265 828	255 400	924	919			266 752	256 319
Parent company	5 080	5 818					5 080	5 818
Mutual funds	17 939	10 838					17 939	10 838
Discretionary mgmt	46 632	23 673	640	1 185			47 272	24 858
Bank deposits from the general public			13 180	11 816			13 180	11 816
Index-linked bonds			210	325			210	325
Other				775				775
<b>Managed assets</b>	<b>355 422</b>	<b>315 601</b>	<b>47 252</b>	<b>47 739</b>	<b>552 009</b>	<b>469 173</b>	<b>954 683</b>	<b>832 513</b>

<sup>1)</sup> SAM = Skandia Asset Management.

### NET ASSET VALUE

SEK million

	2000 30 June	1999 31 Dec.
Shareholders' equity	18 468	18 058
Deferred taxes	3 089	2 905
Surplus value of unit linked business in force after deferred tax	9 874	8 119
Other surplus values	154	138
<b>Net asset value</b>	<b>31 585</b>	<b>29 220</b>
Subordinated loans	1 339	1 305
<b>Risk-bearing capital</b>	<b>32 924</b>	<b>30 525</b>

### CHANGE IN NET ASSET VALUE

SEK million

<b>Net asset value, December 1999</b>	<b>29 220</b>
Operating result	3 704
Change in surplus value of bonds	16
Deferred tax on unit linked business in force	-631
Income taxes	-172
Dividend	-512
Translation differences	-36
Minority interests	-4
<b>Net asset value, June 2000</b>	<b>31 585</b>

# **OPERATING RESULT**

SEK million

	Long- Term Savings	Asset Manage- ment	Busi- nesses	Sales	Group admin. exp.	Alloc. inv. return	P&C insur- ance	Operat- ing result
<b>30 June 2000</b>								
<i>Technical result</i>								
P&C insurance			9			19		28
Life assurance	1 759							1 759
<i>Non-technical result</i>								
Investment income	101	287	16			-19	-212	173
Financing costs	-340	5						-335
Change in surplus value of unit linked business in force	2 372							2 372
Mutual fund savings prod.	21							21
Other businesses		76	144	314				534
Amortization of goodwill		-15	-1		-10			-26
Provision to profit- sharing plans					-620			-620
Structural costs					-45			-45
Group expenses					-157			-157
<b>Operating result</b>	<b>3 913</b>	<b>353</b>	<b>168</b>	<b>314</b>	<b>-832</b>	<b>0</b>	<b>-212</b>	<b>3 704</b>
Of which, change in surplus value of unit linked business in force	-2 372							-2 372
<b>Pre-tax result</b>	<b>1 541</b>	<b>353</b>	<b>168</b>	<b>314</b>	<b>-832</b>	<b>0</b>	<b>-212</b>	<b>1 332</b>
<b>30 June 1999</b>								
<i>Technical result</i>								
P&C insurance			-3			203	-355	-155
Life assurance	725		5					730
<i>Non-technical result</i>								
Investment income	123	671	20			-203	853	1 464
Financing costs	-204						-72	-276
Change in surplus value of unit linked business in force	1 235							1 235
Mutual fund savings prod.	-65							-65
Other businesses		51	99					150
Amortization of goodwill					-21			-21
Provision to profit- sharing plans					-200			-200
Structural costs					-40			-40
Group expenses					-160			-160
<b>Operating result</b>	<b>1 814</b>	<b>722</b>	<b>121</b>	<b>-</b>	<b>-421</b>	<b>0</b>	<b>426</b>	<b>2 662</b>
Of which, change in surplus value of unit linked business in force	-1 235							-1 235
<b>Pre-tax result</b>	<b>579</b>	<b>722</b>	<b>121</b>	<b>-</b>	<b>-421</b>	<b>0</b>	<b>426</b>	<b>1 427</b>



**PROFIT AND LOSS ACCOUNT**

SEK million

	2000 6 mos.	1999 6 mos.	1999 12 mos.
<b>Technical account, property &amp; casualty insurance business</b>			
Premiums earned, net of reinsurance	152	1 982	2 285
Allocated investment return transferred from the non-technical account	19	203	238
Claims incurred, net of reinsurance	-116	-1 819	-1 972
Operating expenses	-25	-515	-653
Other technical income and charges	-2	-6	-3
<b>Technical result, property &amp; casualty insurance business</b>	<b>28</b>	<b>-155</b>	<b>-105</b>
<b>Technical account, life assurance business</b>			
Premiums written, net of reinsurance	75 678	42 977	92 080
Investment income, including unrealized changes in value	-209	27 739	94 037
Claims incurred, net of reinsurance	-19 571	-15 563	-31 891
Change in other technical provisions where the investment risk is borne by the life assurance policyholders	-50 653	-53 229	-151 858
Operating expenses	-4 563	-3 427	-6 971
Other technical provisions	1 077	2 232	5 838
Allocated investment return transferred from the non-technical account		1	1
<b>Technical result, life assurance business</b>	<b>1 759</b>	<b>730</b>	<b>1 236</b>
<b>Non-technical account</b>			
Investment income, including unrealized changes in value	173	1 464	3 676
Financing costs	-335	-276	-717
Mutual fund savings products	21	-65	-151
Asset Management	76	51	245
Other operations	458	99	1 579
Amortization of goodwill	-26	-21	-34
Provision to profit-sharing plans	-620	-200	-705
Structural costs	-45	-40	-95
Group expenses	-157	-160	-298
<b>Pre-tax result</b>	<b>1 332</b>	<b>1 427</b>	<b>4 631</b>
Paid and deferred tax	-363	-450	-1 167
Minority interests in result for the period	-4	-3	-8
<b>Result for the period</b>	<b>965</b>	<b>974</b>	<b>3 456</b>

# **BALANCE SHEET SUMMARY**

SEK billion	2000	1999		2000	1999
	30 June	31 Dec		30 June	31 Dec
<b>Assets</b>			<b>Shareholders' equity, provisions and liabilities</b>		
Goodwill	0.9	0.1	Shareholders' equity	18.5	18.1
Investment in If	4.4	6.5	Minority interests	0.0	0.0
Investments <sup>3)</sup>	22.6	24.0	Deferred tax liability	3.1	2.9
Investments, unit linked	483.1	424.7			
Reinsurers' share of			Subordinated loans <sup>2)</sup>	1.3	1.3
technical provisions <sup>1)</sup>	0.1	2.6	Borrowings <sup>2)</sup>	7.7	8.3
Debtors	2.9	5.3	Technical provisions <sup>1)</sup>	19.5	22.4
Tangible assets	0.7	0.7	Provisions, unit linked <sup>1)</sup>	465.7	410.8
Cash at bank and in hand	3.3	3.0	Creditors	7.2	8.0
Other assets	0.0	0.0	Reinsurers' share of		
Deferred acquisition			deferred acq. costs <sup>1)</sup>	0.2	0.3
costs <sup>1)</sup>	5.2	3.7			
Other prepayments and			Other accruals and		
accrued income	1.7	1.7	deferred income	3.4	2.8
Assets in finance cos.	0.2	1.5	Liabilities in fin. cos <sup>2)</sup>	0.0	0.8
Assets in bank operations	16.3	14.7	Liabilities in bank op. <sup>2)</sup>	14.8	12.8
			<b>Shareholders' equity, provisions</b>		
<b>Assets</b>	<b>541.4</b>	<b>488.5</b>	<b>and liabilities</b>	<b>541.4</b>	<b>488.5</b>

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

Life assurance	13.5	14.4
Unit linked assurance	465.7	411.7
Property & casualty insurance	0.9	1.1
<b>Total</b>	<b>480.1</b>	<b>427.2</b>

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

Borrowings as per balance sheet	9.0	9.6
Additional borrowings by finance companies and bank operations	0.8	0.7
Less: subordinated loans in Skandia Insurance Company Ltd.	-1.3	-1.3
<b>Total</b>	<b>8.5</b>	<b>9.0</b>

3) Investments, current value

Investments as per balance sheet	22.6	24.0
Recalculation to current value	0.8	0.9
Cash at bank and in hand	3.3	3.0
Securities settlement claims, net	0.0	0.0
Accrued interest income	0.5	0.5
Debt derivatives	-0.1	-0.1
<b>Total</b>	<b>27.1</b>	<b>28.3</b>

Of which:

Investments, life assurance	14.9	16.3
Investments, unit linked assurance	6.1	5.2
Other investments, long-term savings	0.5	0.4
Investments, parent company	5.1	5.8
Currency derivatives	0.5	0.6
Deposits with ceding undertakings	0.0	0.0
<b>Total</b>	<b>27.1</b>	<b>28.3</b>