

Press Release



28 February 2005

YEAR-END REPORT 2004 ^{*)}

Corporate Communications
S-103 50 Stockholm, Sweden
Telephone +46-8-788 10 00
Fax +46-8-788 23 80
www.skandia.com

Office:
Sveavägen 44

Comparisons excluding discontinued operations

FOURTH QUARTER

- New sales of unit linked assurance rose 24% in local currency. New sales reached their highest level for the year during the fourth quarter. Growth was strongest in Europe. In Germany new sales rose 217%. The UK showed continued strong growth, while new sales in Sweden showed signs of stabilisation.
- Total sales rose 20% in local currency, to SEK 25.2 billion.
- In view of the prevailing market conditions and Bankhall's result development, a goodwill write-down of SEK 931 million was made (see also p. 11).
- As previously disclosed, a provision of SEK 308 million for restructuring costs was made.
- As in previous years, adjustments have been made in the assumptions for embedded value calculations, resulting in a charge of SEK 545 million against the result of operations.
- The result before tax (according to Swedish GAAP) was SEK -1,156 million (1,163).
- Result and return measurements according to the embedded value method:
 - The operating result was SEK -673 million (4,908).
 - The result of operations was SEK -803 million (2,786).
 - The present value of new business increased to SEK 642 million (343), mainly attributable to Germany.
 - The calculated profit margin for new sales of unit linked assurance was 21.8%, compared with 18.3% during the third quarter of 2004.
- Cash flow from operating activities was SEK -0.5 billion, compared with SEK -0.3 billion during the third quarter of 2004. The increase is attributable to higher acquisition costs in connection with the rise in sales in Germany.

^{*)} Does not include Livförsäkringsaktiebolaget Skandia, which is run on mutual basis. All comparison figures pertain to the corresponding period in 2003 unless stated otherwise.

- The Board of Directors proposes a dividend of SEK 0.35 (0.30) (see also p. 22). The Board has decided to adjust Skandia's dividend policy starting in 2005. The dividend will reflect the group's long-term result development and amount to 25%–35% of profit for the year after tax and minority interests (as per the profit and loss account). The intention of this adjustment is to eliminate the effect on the dividend of the transition to International Financial Reporting Standards.

The result for the fourth quarter of 2004 as well as for the corresponding period a year ago includes significant items which render comparisons between the years difficult (for comments and analysis, see section D):						
SEK billion	Result of operations (embedded value)		Operating result (embedded value)		Result before tax (Swedish GAAP)	
	Q4 2004	Q4 2003	Q4 2004	Q4 2003	Q4 2004	Q4 2003
Comparable results	0.8	0.4	0.8	0.4	0.1	0.0
Revaluation of If		1.5		1.5		1.5
Write-down of goodwill	-0.9		-0.9		-0.9	
<i>Operative assumptions, life and unit linked assurance</i>						
Outcome compared with assumptions	-0.2	-0.3	-0.2	-0.3		
Changed assumptions	-0.5	1.2	-0.5	1.2		-0.1
<i>Financial effects</i>						
Adjustments of assumptions				1.6		
During the period			0.5	0.7		
Restructuring costs, etc.			-0.4	-0.2	-0.4	-0.2
Total result	-0.8	2.8	-0.7	4.9	-1.2	1.2

JANUARY–DECEMBER

- Sales and funds under management:
 - Sales rose 29% (16%) in local currency, to SEK 98.0 billion.
 - New sales of unit linked assurance rose 16% (6%) in local currency.
 - Funds under management increased to SEK 390 (309) billion.
- Result according to Swedish GAAP:
 - The result before tax was SEK -139 million (980).
 - Earnings per share were SEK -0.16 (1.28).
- Results and return measurements according to the embedded value method:
 - The result of operations was SEK 1,563 million (4,381).
 - The operating result decreased to SEK 1,878 million (6,404).
 - The calculated profit margin for new sales of unit linked assurance was 18.8% (19.6% for the full year 2003 using comparable assumptions). The present value of new business amounted to SEK 1,870 million (1,247) (see also section D).
 - The operational return on net asset value before tax for unit linked assurance was 14.0%, compared with 12.5% for the full year 2003 (both years excluding operative assumptions).

- As previously announced, cash flow from operating activities was charged with one-time outgoing payments of SEK -0.8 billion and amounted to SEK -2.2 billion (-1.5).
- The group's financial position strengthened:
 - Net asset value rose 5% to SEK 32.1 billion.
 - Shareholders' equity rose 4% to SEK 16.0 billion.
 - Borrowings decreased to SEK 3.1 billion (4.0).
 - The debt-equity ratio decreased to 13.3% (19.1%).
 - The sale of If was completed on 6 May 2004, entailing a liquidity improvement of SEK 4.5 billion.

The result for 2004 and the preceding year includes significant items that render comparisons between the years difficult:						
SEK billion	Result of operations (embedded value)		Operating result (embedded value)		Result before tax (Swedish GAAP)	
	2004	2003	2004	2003	2004	2003
Comparable results	3.2	2.0	3.2	2.0	1.2	0.2
Revaluation of If		1.5		1.5		1.5
Write-down of goodwill	-0.9		-0.9		-0.9	
<i>Operative assumptions, life and unit linked assurance</i>						
Outcome compared with assumptions	-0.4	-0.4	-0.4	-0.4		
Changed assumptions	-0.3	1.3	-0.3	1.3		-0.1
<i>Financial effects</i>						
Adjustment of assumptions				1.6		
During the year			0.7	1.0		
Restructuring costs, etc.			-0.4	-0.6	-0.4	-0.6
Total result	1.6	4.4	1.9	6.4	-0.1	1.0

JANUARY–DECEMBER

Including discontinued operations

In 2004 discontinued operations pertain to the Japanese operation, while in 2003 they also pertain to the US operation and the banking operation in Switzerland.

- Sales through December amounted to SEK 98,031 million (88,827), of which discontinued operations accounted for – (SEK 13,462 million).
- The result after tax (according to Swedish GAAP) was SEK 674 million (1,246) and includes SEK 834 million (-68) from the result for discontinued operations. The gain on the sale of the Japanese operation was SEK 834 million.
- Earnings per share, before and after dilution, were SEK 0.66 (1.22 and 1.21, respectively).

Comments by Hans-Erik Andersson, President and CEO:

During my first year as President and CEO of Skandia, my main focus was on structuring and co-ordinating the group's operations. The work on finding new forms of working – entailing in practice everything from balanced growth, improved co-ordination and cost-efficiency within the group, to tighter management and control and a revitalised customer focus – has dominated my and the group management team's agenda for the past year.

As I now submit my first year-end book-closing for Skandia, I can confirm that we have made some progress in all of these areas, but we still have a way to go. The result trend is ambiguous. While we can point to the many successes that we have achieved in our core business areas, there are number of measures we have had to take to get our operations sorted out and correct the shortcomings of the past that have been identified over the course of the year. This has left a clear imprint on the result for 2004, but I am convinced that it is necessary that we deal with the problems in a credible and serious manner in order to create a solid foundation for the sustained, successful development of our business. The ambiguity is apparent when we look at the performance of our various divisions.

Skandia can only prosper through close customer contact and by creating long-term value for our customers. This is especially important in the Swedish operation, where our business is so multi-faceted compared with many of our other markets.

During the year, we crafted an extensive action package for the Swedish operations, where our market position has weakened over a long period of time. It is easy to blame the decline on the obvious negative effects of past events and the media's focus on Skandia in recent years. However, poor management and business development, as well as poor customer relations, have been equally important factors behind the negative trend. The actions that we have taken have resulted in painful adjustments and in an initial, strongly negative result impact – especially during the fourth quarter – in the form of restructuring costs and adjustments of embedded value assumptions. These measures have been aimed at improving our competitiveness, but even more so at strengthening the bonds with our customers. Many of the measures that we've carried out are not expected to bear impact until 2005. At the same time, we can note that SkandiaBanken performed very well in 2004 following extensive structural work in 2003, and that Skandia is still the largest player in the Swedish life and unit linked assurance market measured in written premium. And although it is too early to speak of a turnaround, our market share has risen for three quarters running, based on quarter-on-quarter performance. We are grateful for the continued confidence that many of our customers continue to have in us.

Skandia's UK operation achieved considerable success in 2004. The sales increase and net inflow to funds were particularly strong and make Skandia one of the fastest-growing life companies in the UK market. Skandia's success in the UK can be credited to our leading position in the market for unit linked products and continued keen interest in multi-manager products, which Skandia was the first to introduce to the UK over 20 years ago.

Growth in all product areas – Investments, Pensions, Skandia Investment Management and Royal Skandia's offshore business – has been strong; all of these areas have contributed to Skandia's result performance in the UK.

Bankhall also achieved growth in revenues as well as in the number of affiliated members. Despite this, Bankhall's result was undermined by significant competitive pressures and higher costs ahead of deregulation of distribution. Skandia has therefore made a write-down of goodwill pertaining to Bankhall. However, the logic for Skandia's UK operations to be closely aligned with the IFA market's leading distribution aggregator remains unchanged, especially as the regulatory landscape continues to unfold.

The Europe & Latin America division's performance is very gratifying. Naturally, the strong burst of sales in Germany, which was largely generated by a change in legislation, contributed to this success. But above all, the significant result improvements throughout the division can be credited to value-creating measures taken by the unit as a whole.

During the year we initiated work on improving our fundamental business structure. Many areas remain to be looked at, and we are now analysing what can be gained by co-ordinating and concentrating functions on the regional and central levels. Even though we still have a way to go, I believe that the business trend in 2004 supports my view that we are on track towards finding the right balance between – on the one hand – effective management, control and use of resources, and the local initiative that drives our business in each market.

To facilitate comparisons, all data in this year-end report are reported excluding the result for discontinued operations, unless stated otherwise.

The year-end report is presented in seven sections. Sections B–E pertain to the period January–December:

- A. Fourth quarter overview
- B. Sales and funds under management
- C. Result before tax according to Swedish GAAP as set out in the Swedish Annual Accounts Act for Insurance Companies
- D. Operating result according to the embedded value method
- E. Cash flow and balance sheet
- F. Accounting matters
- G. Disputes

A. FOURTH QUARTER OVERVIEW

Sales

Sales during the fourth quarter rose 20% in local currency compared with the same period a year ago and amounted to SEK 25.2 billion (21.1). Compared with the third quarter, sales rose 8%. Sales for the UK & Asia Pacific operation rose 31%, to SEK 11.4 billion (8.8). Offshore sales increased to SEK 5.0 billion (4.0). In Sweden, sales decreased by 2% compared with the preceding year and amounted to SEK 2.5 billion. The changes in price structure carried out during the fourth quarter were well-received by the market but as of year end had not yet had any effect on new sales. The effect of the improvements carried out are expected to be visible in 2005. Compared with the third quarter of 2004, sales in Sweden rose 17%. Sales for the Europe & Latin America division rose 10% and amounted to SEK 6.2 billion (5.7). In Germany, sales rose 15% to SEK 1.0 billion.

New sales, unit linked assurance

New sales reached their highest level in the year during the fourth quarter. Growth was strongest in Europe & Latin America. The UK showed continued strong development, while Sweden showed signs of stabilisation. New sales rose 24% in local currency during the fourth quarter compared with a year ago, and by 32% compared with the third quarter.

In the UK, (including Royal Skandia and Skandia Ireland) sales rose 31% compared with a year ago. In Sweden, new sales decreased by 19% compared with a year ago (see also p. 8). However, compared with the third quarter, sales in Sweden rose 44%. New sales in Europe & Latin America rose 59% compared with a year ago. In Germany, Skandia has taken advantage of forthcoming changes in tax legislation and adapted its product offering accordingly. New sales in Germany rose 217%. Skandia's operation in Germany contributed the most of all companies to the present value of new business during the fourth quarter. In the first quarter of 2005, as well, an additional inflow of new business is expected as a result of these changes in legislation. In Italy, new sales decreased by 11% as a result of a changed product offering and a conscious focus on products with higher profitability and lower risk.

Result before tax (according to Swedish GAAP)

The result before tax was SEK -1,156 million (1,163). The result for the preceding year included a restatement of If to fair value, totalling SEK 1,492 million. The result before tax for the fourth quarter of 2004 was charged with a SEK 931 million write-down of goodwill in Bankhall (see also p. 11) and SEK 308 million in restructuring costs. Improvements were noted in several areas, primarily unit linked assurance and SkandiaBanken. The result before tax for the preceding quarter was SEK 375 million.

Result according to the embedded value method

The result of operations (according to the embedded value method and excluding financial effects) decreased to SEK -803 million (2,786). The result of operations for the third quarter was SEK 756 million.

This section describes primarily the result for unit linked assurance and life assurance reported according to the embedded value method. For other profit and loss items, see Result before tax above.

The present value of new business reached its high point for the year, at SEK 642 million (343). The calculated profit margin increased to 21.8% during the fourth quarter, compared with 18.3% during the third quarter. The return on the value of in-force contracts from previous years was SEK 568 million (461).

As previously reported, discontinued savings in the form of premium reductions and conversions of several-year contracts to paid-up policy status in the Swedish operations have been at a high level. This level stabilised gradually in 2004 and began subsiding toward the end of the year. Conversion of contracts to paid-up policy status is still at a high level compared with the assumptions used for the embedded value calculations. Changes in estate and gift taxation also had a slight negative impact on surrenders during the fourth quarter. Therefore, the outcome compared with operative assumptions in the embedded value calculations remained negative at SEK -150 million (-261), of which SEK -138 million (+33) is attributable to Sweden.

The underlying operative assumptions are followed up and compared on a regular basis with actual experience. When necessary, the assumptions are adjusted, which usually takes place at the end of the year. In the 2004 year-end accounts, Skandia has made an adjustment of the assumptions used in the embedded value calculation, primarily with respect to the Swedish operations. During the year, extensive measures were carried out to create the conditions for a sustainable improvement in Skandia's market position in Sweden. For the Swedish operations, this gave rise to an adjustment of – among other things – the assumptions on surrenders (including paid-up policies), changes in the cost level and fee structure, and asset management charges. With respect to the Swedish operations, this adjustment amounted to SEK -472 million.

Altogether, the adjustment of operative assumptions was negative in the amount of SEK -545 million (+1,183). Of these adjustments, SEK -505 million (+1,288) pertains to unit linked assurance and the remainder to life assurance.

Financial effects for unit linked assurance were positive during the fourth quarter and amounted to SEK 515 million (2,281); at the same time, financial effects for life assurance were negative, at SEK -31 million. Financial effects during the third quarter were negative, at SEK -60 million.

The operating result (according to the embedded value method and including financial effects) was thus SEK -673 million (4,908). The operating result for the third quarter was SEK 696 million.

JANUARY–DECEMBER

B. SALES AND FUNDS UNDER MANAGEMENT

(tables on pp. 24–25, 32)

Sales rose to SEK 98.0 billion (75.4), an increase of 30% in Swedish kronor and 29% in local currency.

Sales of unit linked assurance rose 27% in local currency, to SEK 67.5 billion (52.8), and new sales rose 16% in local currency. Sales of mutual fund savings products increased by 45% in local currency, to SEK 26.8 billion (18.3).

UK & Asia Pacific

Sales in the UK (including Royal Skandia in the Offshore unit and Skandia Ireland) rose 47% in local currency, to SEK 56.3 billion (37.8). Sales of unit linked assurance rose 48% in local currency, to SEK 46.7 billion (31.2). As a result of this growth, Skandia achieved significant growth in market share for unit linked assurance. Skandia is one of the fastest growing life companies in the UK market, both in terms of new sales and fund value.

New sales of unit linked assurance rose 42%. Unit linked assurance continues to be the dominant product on the market. This growth has been driven by the continued shift from with-profits business towards unit linked investments. Many companies in the market have stopped writing with-profits business altogether, which has prompted Skandia to develop a product designed to attract customers with existing investments in with-profits policies. Against this background and with the support of an improved asset allocation offering, sales of single-premium unit linked bonds rose 128%. The high rate of growth can also be credited to rising demand for multi-manager and managed fund solutions. Sales of mutual fund savings products rose 45%, to SEK 9.6 billion (6.6).

Sales of pension products rose 26%. The introduction of a range of mono-charge pension products in autumn 2003 has been a contributing factor behind this growth. This range was expanded in 2004 and ensures that Skandia is well positioned ahead of forthcoming changes in the pensions segment.

New sales for Royal Skandia rose 45% compared with a year ago. Royal Skandia's diverse geographic spread continued to protect against individual market volatility, with the highest growth coming from the UK, the Far East and the Middle East. Increases in UK inheritance tax liabilities continue to drive demand for inheritance tax solutions, which has benefited this business segment.

In Australia, sales of mutual fund savings products increased to SEK 7.1 billion (4.3).

Sweden

Sales for all product groups in Sweden (excluding Skandia Liv) decreased to SEK 11.1 billion (12.1). The decline is mainly attributable to lower direct sales of funds during the second quarter. However, sales of unit linked assurance were at the same level as a year ago, which means that the inflow from existing contracts has remained at a stable level.

New sales of unit linked assurance decreased by 27% compared with a year ago. Skandia's market share for unit linked assurance decreased further in 2004 and was 17.9% as per 31 December 2004, compared with 25.9% at the end of 2003. However, the market share for individual quarters has risen for three quarters in a row, and was 20.8% for the fourth quarter.

An extensive action package is being carried out to reverse the negative sales trend and the weakened market position. The Swedish operations have been co-ordinated in a joint division. Organisational changes have given rise to a decrease in the number of employees by approximately 200 positions, and thereby also a reduction in the level of costs in the Swedish operation (see also the section on restructuring costs in the Swedish operations, p. 13). Starting on 1 January 2005, the Danish operations will be co-ordinated with the Swedish. Previously Denmark was part of the Europe & Latin America division.

The aim of these actions is not only to carry out necessary cost-cutting, but above all to create conditions for a sustainable improvement in Skandia's market position. A comprehensive review of Skandia's product offering and fee and commission structure is in progress. To improve the products' competitiveness in the market, premium-based fees for occupational pensions and private unit linked assurance business have been eliminated, at the same time that the fixed annual fee has been increased for private business. Contractually regulated products are not affected by the change. As a result of this and other factors, during the fourth quarter the assumptions used for the embedded value calculations have been adjusted (see also p. 16).

Europe & Latin America

Sales rose 13% in local currency to SEK 21.8 billion (19.5). Sales of unit linked assurance were essentially unchanged compared with a year ago. In Germany, Austria and France, sales of unit linked assurance were up compared with the preceding year. In Italy, sales fell 36% due to a deliberate change of the product offering in an effort to improve profitability.

New sales of unit linked assurance rose 15%. In Germany, where sales pertain primarily to multi-year contracts, new sales rose strongly during the fourth quarter and were up 79% for the year. New sales in Italy fell 36% due to a changed product orientation.

Sales of mutual fund savings products rose 39% in local currency, to SEK 9.2 billion (6.8). The bulk of these sales were in Spain and Colombia. In Spain, sales of discretionary management rose 47%, to SEK 4.2 billion (2.8), and in Colombia sales rose 29%, to SEK 3.3 billion (2.6).

Sales of life assurance

Sales of traditional life assurance, mainly pertaining to the Spanish operation, rose 13% in local currency, to SEK 1.2 billion (1.1).

Funds under management

Fund values increased by 26%, net, to SEK 390 billion (309). The increase is attributable to a continued favourable net inflow, totalling SEK 58.8 billion (45.0), and the general rise in the stock market.

Payments to unit linked policyholders amounted to 10.1% of assets under management on a yearly basis (9.5%). Surrenders accounted for 7.3 percentage points of this total, compared with 7.1 percentage points in 2003. At the end of 2004, surrenders increased somewhat in Sweden due to changes in estate and gift taxation.

C. RESULT ACCORDING TO SWEDISH GAAP (as set out in the Swedish Annual Accounts Act for Insurance Companies) (tables on pp. 24–28, 30, 35–36)

The result before tax was SEK -139 million (980). The revaluation of If to fair value improved the preceding year's result by SEK 1,492 million. The result for the year has been charged with a SEK 931 million write-down of goodwill in Bankhall (see also p. 11) and SEK 308 million (364) in restructuring costs (p. 13). Result improvements were noted in unit linked assurance and SkandiaBanken. The return on shareholders' equity was 1%, compared with 9% for the full year 2003.

Unit linked assurance

The result before tax increased to SEK 1,830 million (1,087). The increase in sales and the stock market rise have had a positive impact on revenues both in the form of fund-based fees and premium-based fees. Active work has been carried out to keep costs under control, even during this period of strong expansion. Administrative expenses are level with the preceding year. The gross contribution, which consists of fees after deducting necessary provisions for actuarial risks, increased to SEK 7,726 million (6,270). The result for risk business improved during the year. Acquisition costs increased to SEK 6,891 million (5,452) in association with rising sales volumes. These costs are to be covered by future fees and are deferred to some extent. Of total acquisition costs, 65% (59%) – or SEK 4,485 million (3,227) – were deferred. Amortisation of deferred acquisition costs amounted to SEK 2,547 million (2,039). The change in deferred acquisition costs thus amounted to SEK 1,938 million (1,188).

Mutual fund savings products

The result improved but was negative, at SEK -174 million (-237). The business is showing strong growth and is still in the build-up stage in several countries. Sales rose 45% in local currency, to SEK 26.8 billion (18.3). The strong growth entailed an increase in selling costs, to SEK 929 million (597), which are covered only partially by fees upon the sale of products. Since these costs are not deferred, an initial deficit is incurred, which is to be covered by fees over the term of the contracts. The value of mutual fund savings products under management

increased to SEK 88.6 billion (64.7). As the value of mutual fund savings products under management increases over time, revenues will increase and better cost coverage will be obtained. Revenues in the form of fees increased to SEK 1,675 million (1,141) in 2004, which resulted in a narrowed deficit. The strong growth also entailed an increase in administrative expenses, to SEK 959 million (801). Other revenues and expenses attributable to asset management amounted to SEK 39 million (20).

A conscious focus on mutual fund savings products in the UK, where sales volume rose 45%, entailed an initial increase in expenses in a rapidly growing operation under development. The result was also burdened with higher costs for restructuring of the operations in Germany as part of a planned shift to products with a greater long-term savings element. The operation in Australia continued to show volume growth, which has led to an increase in funds under management. Thus revenues have increased and the deficit has narrowed.

Life assurance

The result, mainly pertaining to Spain, was SEK 98 million (-86). In the preceding year the result was charged with a one-time effect of SEK -119 million attributable to a change in the assumption on policyholder mortality.

Other businesses

The result was SEK -903 million (1,468) (see table on p. 24). The result for the preceding year was favourably affected by the revaluation of If. The result for 2004 was negatively affected by the Bankhall's result development and a write-down of goodwill pertaining to Bankhall. In addition, the result for the fourth quarter was changed with a reserve provision of SEK 30 million for Lifeline for costs in connection with the Asian disaster and higher costs at SkandiaBanken.

Bankhall

In 2004 Bankhall registered a 20% rise in Registered Individuals (RIs), to 8,500, at the same time that revenues increased by 8% in local currency, to SEK 378 million (346). However, Bankhall's result for 2004 was affected by increased competitive pressures, investments in infrastructure and higher costs, and thus the result was negative, at SEK -58 million (84), before goodwill amortisation of SEK 141 million (136). The result was also charged with write-downs of capitalised system costs during the fourth quarter, totalling SEK 55 million, and SEK 20 million in other project costs.

In assessing the value of Bankhall, consideration has been given to the difficult market conditions in the IFA sector and the tough competitive environment. Given the above, Skandia decided to take a goodwill write-down of SEK 931 million during the fourth quarter. Following this write-down, goodwill pertaining to Bankhall amounted to SEK 1.4 billion as per 31 December 2004.

Bankhall is reviewing its operating model and taking a number of steps to improve its strategic position, initially through streamlining its product offer and reducing costs. These actions, together with its leadership position in distribution, should set the stage for future growth and result improvements.

Skandia Sweden

Starting on 1 April 2004 the advisory business in Sweden is included in "Other businesses" and is conducted as an independent unit within the Swedish organisation, with result impact from 1 January 2004. The advisory business is thus no longer part of SkandiaBanken. Contributions pertaining to contractually regulated distribution in the Swedish operations are also included in other businesses starting with the second quarter and not in joint-group expenses as previously. These contributions decreased during the year due to, among other things, lower sales volume in the Swedish operations and repayments associated with an increase in paid-up policies in occupational pensions business.

SkandiaBanken

SkandiaBanken's result improved to SEK 402 million (153). Fund business accounted for SEK 68 million (49) of this total. Net interest income increased to SEK 915 million (802), of which SEK 63 million is attributable to the capitalisation of compensation for vehicle financing contracts. Net commission income decreased to SEK 552 million (1,008), and administrative expenses decreased to SEK 1,060 million (1,539), due to the transfer of the advisory business (see above).

The result includes SEK 114 million in positive one-time items, which consist mainly of the SEK 63 million referred to above and SEK 33 million in VAT refunds. In other respects the improvement is attributable to higher net interest income and lower loan losses.

The result trend was favourable in all Nordic markets. The Norwegian operation reported favourable result development due to higher business volumes and lower loan losses. In the Danish operation, business volume increased, which had a favourable result impact combined with lower loan losses.

SkandiaBanken's result declined during the fourth quarter compared with the previous quarter, due to the positive one-time effects on the bank's result in the preceding quarter and a negative one-time effect of SEK -13 million. Aside from the one-time effects, costs for transactions, development and marketing rose.

Lending amounted to SEK 35.3 billion, an increase of SEK 5.5 billion since December 2003. Deposits increased by SEK 2.6 billion during the same period, to SEK 40.5 billion.

Göran Lenkel resigned as president of SkandiaBanken, with effect on 1 September 2004. Cecilia Daun-Wennborg, who is a director on SkandiaBanken's board, took over as interim president on that date. Gunilla Forsmark-Karlsson will take office as president on 1 March 2005.

Cost-cutting measures decided on in previous years

Extensive cost-cutting programmes were carried out in 2002 and 2003, which entailed provisions for restructuring costs. In 2004, SEK 210 million of the provision for these programmes was utilised. The remaining provision as per 31 December 2004 was SEK 94 million.

Restructuring costs pertaining to 2004

The changed market situation in Sweden requires extensive measures and adaptation of the business activities. On 13 October 2004 it was announced that Skandia Sweden is concentrating its customer centre activities in Sundsvall, Gothenburg and Linköping, while the customer service operation in Stockholm, with 110 employees, is being closed. Some redundancies will also occur in other parts of the organisation through the co-ordination of joint functions. A total of approximately 200 employees are affected. A number of assignments that are currently outsourced will also be discontinued.

The restructuring cost amounts to SEK 308 million, and annual cost-savings are estimated to be approximately SEK 120 million, with full effect starting in 2006. The restructuring cost was charged against the result for the fourth quarter of 2004.

Joint-group expenses

Joint-group expenses, which include management costs for joint-group functions and structural costs, decreased to SEK 636 million (658). Structural costs include costs for external consulting in connection with various ongoing investigations. In 2003 a number of investigations were carried out in connection with the review of the group's strategy and management changes. These changes have now been carried out, and structural costs have thus decreased and amounted to SEK 54 million (151). The reduction is also associated with the settlement that was reached with Ulf Spång, former senior executive vice president, on his abstention from pension benefits worth SEK 45 million.

Discontinued operations

The result for discontinued operations was SEK 834 million (-68) and pertains to the gain in 2004 on the sale of the Japanese operation.

D. RESULT ACCORDING TO THE EMBEDDED VALUE METHOD

(tables on pp. 24–26, 29–31)

This section primarily describes the result for unit linked assurance and life assurance, which is reported according to the embedded value method. For other result items, see section C.

Group operating result

The group's operating result according to the embedded value method was SEK 1,878 million (6,404) and consists of the pre-tax result (calculated in accordance with Swedish GAAP) and the change in the surplus value of business in force for unit linked and life assurance. The surplus value of business in force pertains to the present value of estimated future operating surpluses. The result for

2004 as well as for 2003 included significant items which render comparisons between the years difficult:

Result development, January–December 2004

SEK billion	Result of operations (embedded value)		Operating result (embedded value)	
	2004	2003	2004	2003
Comparable results	3.2	2.0	3.2	2.0
Revaluation of If		1.5		1.5
Write-down of goodwill	-0.9		-0.9	
<i>Operative of assumptions, life and unit linked assurance</i>				
Outcome compared with assumptions	-0.4	-0.4	-0.4	-0.4
Changed assumptions	-0.3	1.3	-0.3	1.3
<i>Financial effects</i>				
Adjustments of assumptions During the year			0.7	1.6
				1.0
Restructuring costs, etc.			-0.4	-0.6
Total result	1.6	4.4	1.9	6.4

Every year the embedded value calculation is adjusted, in accordance with Skandia's practice, to new assumptions that better reflect the financial conditions of operations. The adjustments made in 2003 affected the result positively in the amount of SEK 1.3 billion, while adjustments made in 2004 were negative in the amount of SEK -0.3 billion. This explains, together with the revaluation of If in the 2003 year-end accounts, a significant part of the result decline for the year.

Operating result, unit linked assurance

The operating result for unit linked assurance amounted to SEK 3,918 million (6,497). Financial effects continuing through the year on the operating result were positive in the amount of SEK 700 million (2,617). In addition, the result for 2003 included a positive one-time effect of SEK 1,593 million attributable to an adjustment of the discount rate to industry practice.

Financial effects pertain to the change in the present value of future revenues caused by developments in the capital markets and the adjustment of the interest rate used in discounting to present values.

Result of operations, unit linked assurance

The result of operations, consisting of the operating result excluding financial effects in unit linked assurance, decreased to SEK 3,218 million (3,880). The result was negatively affected in the amount of SEK -295 million (2003: +1,398) by changes in operative assumptions (see also p. 16).

In the Europe & Latin America division, a review of the product portfolio, product improvements and greater efficiency led to a significant improvement in the result of operations. The strong rise in sales volume in the UK & Asia Pacific operation made a considerable contribution to the result improvement. In Sweden the result trend was weak due to lower sales and an increase in paid-up policies. These negative factors were offset only partly by higher distribution compensation for

funds under management. The operational return (before tax) increased to 14.0%, compared with 12.5% for the full year 2003. The result of operations consists primarily of the following components:

Present value of new business for the year

The present value of new business for the year increased to SEK 1,870 million (1,247). The change is attributable to higher sales volumes, primarily in Germany, but also in the UK. The sales decline in Sweden had a negative impact, however. Using comparable assumptions (recalculation of 2003 figures using 2004 assumptions), the present value of new business for the year rose 11%.

The calculated profit margin for 2004 was 18.8%. Using comparable assumptions, the profit margin for 2003 was 19.6%.

The slightly lower profit margin is attributable to a change in the geographic composition of business. Markets with a below-average profit margin showed above-average growth, especially early in the year. Towards the latter half of 2004, markets with above-average profit margins had successively stronger growth.

The profit margin in the UK narrowed slightly due to a change in the product mix and was 11.4% as per 31 December 2004, compared with 11.9% for the full year 2003 using the 2004 assumptions. In Sweden the profit margin was 22.6% and was hurt by falling business volumes. The profit margin for other businesses increased to 33.3% (26.0%). In Europe, the profit margin improved considerably, mainly due to the growth in Germany.

Recalculating the present value of new business for 2004 to the new assumptions that will apply starting in 2005 entails a decrease in the present value of new business by 2%, to SEK 1,832 million, and a marginal decrease the profit margin, from 18.8% to 18.4%. The negative adjustments of operative assumptions only have a limited impact, since the adjustments only pertain to existing business. Another explanation is that the present value of new business in Sweden in 2004 was calculated conservatively in view of premium adjustments.

Recalculation to 2005 assumptions does not constitute a forecast for the future margin development. Movements in the future margin are determined by changes in product prices, cost levels, future growth and the geographic composition of business.

Return on value of contracts in force from previous years

The surplus value of unit linked assurance consists of discounted values of anticipated future cash flows from in-force contracts. The present value of in-force contracts thereby increases by one year's interest. This, together with the return on investments pertaining to unit linked assurance, increased to SEK 2,117 million (1,744).

Outcome compared with operative assumptions

The result was negatively affected by a total of SEK -393 million (-380). The outcome compared with operative assumptions was negatively affected, above all by an increase in paid-up policies in Sweden. Although the conversion of policies

to paid-up status tapered off towards the end of the year, the outcome was still negative compared with the underlying assumptions. During the fourth quarter, surrenders increased slightly in Sweden due to a change in estate and gift taxation. In Germany, the strong rise in sales also entailed an increase in commissions pertaining to previous periods.

Change in operative assumptions

Changes in assumptions were negative, at SEK -295 million (+1,398). The biggest change in assumptions for 2004 was made in Sweden and amounted to SEK -426 million. The changes, both positive and negative, are associated with the comprehensive review of operations that was carried out in 2004. Changes in assumptions for surrenders (primarily paid-up policies) and an anticipated decrease in future premium payments, amounted to approximately SEK -600 million. Changes in the fee structure had a negative impact of SEK -385 million. As previously, the assumptions on distribution compensation have been adjusted. This adjustment pertains mainly to Skandia Fonder in the Swedish operation and made a positive contribution of SEK 634 million.

E. CASH FLOW AND BALANCE SHEET

(tables on pp. 33–34, 37–38)

Cash flow from operating activities

Cash flow from operating activities was negative, at SEK -2.2 billion (-1.5). As disclosed in the first quarter, a contractually regulated distribution agreement with Skandia Liv was settled in cash, which affected cash flow negatively in the amount of SEK -0.8 billion. Cash flow from operating activities was thus at the same level as a year earlier.

Cash flow deteriorated somewhat during the fourth quarter compared with the third quarter. This is mainly due to an increase in acquisition costs in connection with the sales increase in Germany. The fee structure in the German operation provides for a relatively short payback period for products.

Cash flow from investing activities

The net inflow from investing activities amounted to SEK 3.7 billion (4.2), of which SEK 1.2 billion is attributable to the payment for the sale of the Japanese operation. The inflow pertaining to the sale of If, which was executed during the fourth quarter, was SEK 4.5 billion during the second quarter. Investments in fixed-income securities amounted to SEK 2.1 billion.

Cash flow from financing activities

Cash flow from financing activities was negative, at SEK -1.5 billion (-2.5). The outflow is attributable to debt repayment, totalling SEK 1.2 billion, and the shareholder dividend, totalling SEK 0.3 billion.

Altogether, the net flow of liquid assets thus amounted to SEK 0.0 billion (0.1).

Balance sheet (including discontinued operations)

Total assets amounted to SEK 386.0 billion (340.6). Most of this increase is attributable to a greater inflow and change in fund values. The group's borrowings decreased to SEK 3.1 billion, compared with SEK 4.0 billion in 2003. Disposable liquid assets amounted to SEK 2.0 billion. Borrowings amounted to SEK 1.1 billion, net, after deduction for liquid assets. Unutilised committed credit facilities were unchanged over 2003, at SEK 3.9 billion.

Net asset value and shareholders' equity

Net asset value increased by 5%, to SEK 32,075 million (SEK 30,478), corresponding to SEK 31 per share (30). Shareholders' equity increased by 4%, to SEK 15,958 million (15,381), corresponding to SEK 16 per share (15).

Currency effects

After currency hedges, net asset value and shareholders' equity were negatively affected by currency movements in the amount of SEK -65 million and SEK -32 million, respectively, during the period. Total assets decreased by SEK 2.4 billion compared with the preceding year due to currency movements, mainly pertaining to translation of customers' fund values using new exchange rates. The exchange rate change consists mainly of a weakening of the British pound against the Swedish krona. Sales were affected positively in the amount of SEK 541 million by currency movements, while the operating result was essentially unchanged.

F. ACCOUNTING MATTERS**New accounting rules for pension obligations**

Starting on 1 January 2004, Skandia is applying the Swedish Financial Accounting Standards Council's new recommendation RR29 – Employee Benefits, based on IAS 19. As a result of this change in accounting principle, shareholders' equity after tax increased by SEK 227 million on 1 January 2004, as previously disclosed.

Transition to International Accounting Standards (IAS/IFRS)

Like all other listed companies in the EU, Skandia is required to apply International Financial Reporting Standards in its consolidated accounts starting on 1 January 2005. On 1 February 2005 Skandia held an IFRS briefing for analysts and investors in order to provide an overview of how the Skandia group's financial reporting will be impacted by the transition to IFRS. Among other things, the presentation included Skandia's current assessment of the impact of IFRS on opening shareholders' equity as per 1 January 2004 and the result for the first half of 2004.

At present there are a number of outstanding questions regarding the final version of IAS 39 Financial Instruments: Recognition and Measurement, as well regarding the interpretation of certain standards. Therefore, this year-end report contains amounts that may be changed. The presentation and press release issued on 1 February 2005 are available at www.skandia.com.

Total effect on shareholders' equity and result

- The date for recognising earnings from insurance contracts is pushed back further in time, mainly due to the deferral of fees already paid in. This has no impact on cash flow from the contracts. Initial income and expenses are deferred over the lives of the contracts. This entails, among other things, that front-end fees already paid by customers are to be deferred over the life of the contract. This gives rise to a new balance sheet item – "Deferred Fee Income" (DFI). However, not all initial fees will be deferred, which puts a higher burden on the profit and loss account during periods of strong expansion.
- Accounting for mutual fund savings products is to be done in the same way as for unit linked assurance, which means that deferred acquisition costs and prepaid fees will also be reported for this business.
- IFRS entails a change in accounting principles and format. However, the economics of the business, cash flow and financial flows in the company are not affected.
- Embedded value accounting is not affected by IFRS.

The total effect on shareholders' equity of the transition to IFRS is expected to be SEK -2.7 billion as per 1 January 2004, i.e., a reduction of 17%. Shareholders' equity is thereafter calculated at SEK 12.7 billion. The result for the first half of 2004 is estimated to decrease by SEK 240 million before tax and by SEK 170 million after tax.

Preliminary change in opening shareholders' equity, 1 January 2004	SEK billion
New deferral of acquisition costs	5.0
Deferral of prepaid fees	-10.0
Decrease in technical reserves due to more realistic assumptions	0.7
Restatement of financial instruments to fair value	0.4
Surplus value of defined benefit pension plans	0.3
Total change before tax	-3.6
Tax effect on the above	0.9
Adjustment of shareholders' equity	-2.7
Total shareholders' equity according to previous accounting principles	15.4
Adjustment of shareholders' equity	-2.7
Total shareholders' equity according to IFRS excluding minority interests*	12.7
*Total shareholders' equity including minority interests according to IFRS	12.8

Preliminary changes in the year's result, 1 January 2004–30 June 2004	SEK million
New deferral of acquisition costs	220
Deferral of prepaid fees	-500
Other changes	40
Total change before tax	-240
Tax effect on the above	70
Change in result for the year	-170

The 2004 annual report will include a section containing more detailed description of the changes in accounting principles. See also the calendar on p. 23 for further IFRS reporting.

Outstanding issues

One issue for the industry as a whole, including Skandia, concerns the reporting of certain fund holdings. According to IAS 27, funds controlled by another company shall be consolidated, even though all of the assets belong to the owners of the fund units. Policyholders choose to invest in various funds; in practice this is done in such way that Skandia's unit linked company buys units in the fund chosen by the customer. Skandia can thereby – on behalf of its customers – be classified as the owner of a majority stake in the fund.

Even though Skandia does not have any controlling influence over these investments, Skandia can be forced to consolidate the funds in which its ownership stake exceeds 50%. If this takes place, the fund's holdings of stock in Skandia Insurance Company Ltd (publ.) can be considered as repurchased equity capital instruments. In such case, these are to be eliminated against shareholders' equity. Skandia estimates this effect to be SEK 300 million as per 31 December 2003 and SEK 500 million as per 30 June 2004. Such an adjustment would give rise to a reduction of equity in the accounting, even though there is no economic exposure.

G. DISPUTES

Skandia is currently party to a number of disputes stemming from previous years' activities. To enable Skandia's board and executive management to focus on and develop existing business, Björn Björnsson, vice chairman of Skandia's board, has been given special responsibility for overseeing these disputes together with external legal counsel, among others. Following is a status report on the most significant ongoing disputes.

Former executive management

In arbitration processes Skandia has directed claims for damages against former CEO Lars-Eric Petersson and former senior executive vice president Ulf Spång for actions these persons took during the time they were active in the group. As announced on 29 October 2004, Skandia and Ulf Spång reached a settlement during the ongoing arbitration process whereby all disputes between the parties were concluded and the arbitration process was broken off. The settlement entails that Ulf Spång will forego SEK 45 million in pension benefits, which has been taken into account in the result for the fourth quarter. A ruling on the dispute with Lars-Eric Petersson is expected during the second half of 2005.

Aside from these claims for damages, a preliminary investigation is being conducted by Chief Public Prosecutor Christer van der Kwast. According to current information, this investigation will be completed before summer 2005.

Former directors and auditors

At Skandia's Annual General Meeting in April 2004, the shareholders resolved to not grant discharge of liability to the board members and the CEO who were serving during the period 1 January–15 April 2003. In view of this, the Board commissioned the attorneys Otto Rydbeck and Peter Danowsky to investigate and judge whether there are grounds to direct claims for damages against any of the persons for whom discharge of liability was not granted as well as against any of the company's former auditors.

This investigation has found that there are grounds to direct claims against former chairman Lars Ramqvist. Settlement talks were held as a result of this between Skandia and Ramqvist. These talks resulted in a settlement agreement entailing that Ramqvist will repay the director's fees he received for 2000 and 2001, totalling slightly more than SEK 2.2 million. The settlement agreement is conditional upon approval by Skandia's Annual General Meeting on 14 April 2005. With respect to other directors – except for the former CEO, with whom arbitration proceedings are already in progress – the legal investigation carried out to date has shown the prospects for success in any legal actions would be very small. Skandia's board has therefore chosen to not take any other action against other former company directors.

With respect to Skandia's former auditors, the investigation continues under the direction of attorney Peter Danowsky. This investigation is expected to be concluded prior to the Annual General Meeting on 14 April 2005.

Skandia Liv

Skandia Liv has directed claims for damages against Skandia for alleged, prohibited profit distribution in respect of the asset management agreement that Skandia Liv entered into with Skandia in connection with Skandia's sale in early 2002 of its asset management business to Den norske Bank. Skandia and Skandia Liv have agreed to resolve this dispute through arbitration. A ruling on this dispute is expected in 2006.

American Skandia

The agreement on the acquisition of American Skandia by Prudential Financial contains guarantee commitments that are customary for this type of transaction. The guarantee liability is limited in time and can amount to a maximum of USD 1 billion.

In connection with investigations by the US Securities and Exchange Commission (SEC), the New York Attorney General's office and other US regulators, several mutual fund and unit linked assurance companies in the US have been accused of allowing, among other things, frequent trading, or "market timing", in fund units, which may be harmful to the interests of other investors. The SEC and the State of New York Attorney General's Office are investigating issues related to marketing timing by American Skandia. Based on discussions that are currently being held by Skandia and Prudential Financial with the authorities, Skandia believes these matters are likely to lead to proceedings or settlement. Legal proceedings could result in payment of material damages and fines. Settlement would result in payment of damages and could also result in certain fines. These amounts, too, could be material. To date, no claims stemming from these investigations have been initiated against American Skandia by the authorities. It is currently not possible to estimate the outcome of these investigations or what financial impact these could have on Skandia. No provisions for these risks have been made. In Skandia's opinion, the issue of whether this dispute will result in settlement or legal proceedings will be determined in spring 2005.

American Skandia is currently party to a few class action lawsuits in the US. These are covered within the guarantee liability above. During the first half of 2004 the plaintiffs' claims were unanimously dismissed in one of these class action suits (the "Donovan" suit) by the United States Court of Appeals for the Second Circuit. The plaintiffs have filed a motion for reconsideration with the Supreme Court, which has still not issued a ruling on this motion. Such motions are infrequently granted. The other class action suits filed to date pertain to alleged activities involving market timing. American Skandia is one of several parties named in these suits. Skandia's current opinion is that the outcome of these class action suits will not affect the group's financial position to any material extent. No reserve provision has been made with respect to these class action suits.

Financial institutions in the US have come under the scrutiny of the SEC, the New York Attorney General's Office and certain other regulators in the US in a number of areas other than market timing. These investigations are being conducted in connection with certain practices involving mutual funds and variable annuity contracts. It is currently not possible to judge whether this can have any impact on American Skandia and thus Skandia to any material extent.

Due to shortcomings in administrative routines, for a number of years in the late 1990s and early 2000s, American Skandia did not fulfil its obligation to inform certain policyholders and other affected parties about the opportunity to redeem policies through monthly disbursements and, in the event of a failure by the policyholder to reply – automatically make such disbursements. American Skandia called this shortcoming to attention itself with the pertinent regulatory

authorities. The outcome of this matter is covered within the guarantee liability above. In connection with Prudential Financial's acquisition of American Skandia, a provision was made for the estimated outcome of this shortcoming. Currently talks are being held by Skandia and Prudential Financial with the authorities on how and to what extent the affected customers should be indemnified. It is currently not possible to estimate the final cost for Skandia. It cannot be ruled out that this amount will exceed the amount reserved. In Skandia's opinion a final outcome could be determined during the year.

Italy

In connection with Skandia's sale in 1998 of the Italian motor insurance companies Uniass and Multiass, customary seller guarantees were made. The buyer has now informed Skandia that it is considering calling arbitration proceedings over claims for certain alleged guarantee shortfalls. The claims amount to slightly more than EUR 21 million. Skandia's current opinion is that the buyer has not shown that guarantee shortfalls exist for more than a small part of this claim. No reservation has been made for these claims.

Stockholm 28 February 2005

Hans-Erik Andersson
President and CEO

For further information on this year-end report, please contact:
Jan Erik Back, Chief Financial Officer, tel. +46-8-788 3720
Harry Vos, Head of Investor Relations, tel. +46-8-788 3643

For information on disputes under section G, please contact:
Björn Björnsson, Vice Chairman, tel. +46-8-788 2500

The Board of Directors proposes a dividend of SEK 0.35 (0.30) for the 2004 financial year, and 19 April 2005 as the record date for payment of the dividend. Provided that the Annual General Meeting votes in favour of the proposal, dividends are expected to be sent from VPC AB on 22 April 2005.

The Annual General Meeting of Skandia Insurance Company Ltd (publ.) will be held at 4.30 p.m. on Thursday, 14 April 2005, at the Globe Arena Annex, Arenatorget, Entrance 2, Stockholm.

The Annual Report is expected to be distributed by post to shareholders at the end of March and will be available upon request from Skandia, tel. +46-8-788 1000, fax +46-8-788 28 38, or from Skandia's website at: <http://www.skandia.com>.

This year-end report has been prepared in conformity with the guidelines of the Swedish Financial Supervisory Authority and Swedish Financial Accounting Standards Council recommendation RR20 – Interim Financial Reporting. Aside from an adaptation to new accounting recommendations of the Swedish Financial Accounting Standards Council, which took effect on 1 January 2004, the year-end report has been prepared using the same accounting principles as in the 2003 Annual Report. In accordance with Swedish Financial Accounting Standards Council recommendation RR19 – Discontinued Operations, the Japanese operation is reported separately (for 2003, discontinued operations pertain to the US and Japanese operations and the banking operation in Switzerland).

Financial calendar for Skandia:

14 April 2005, Annual General Meeting

28 April 2005, IFRS effects for the full year 2004

31 May 2005, interim report for the three months ended 31 March 2005

22 August 2005, interim report for the six months ended 30 June 2005

18 November 2005, interim report for the nine months ended 30 September 2005

Skandia's published financial reports are available on Skandia's website:

www.skandia.com. Skandia's website also provides links to a live broadcast of the press and analyst meeting on Skandia's year-end report and to the teleconference on Monday, 28 February 2005. In addition to the year-end report, Skandia has also published the document *Financial Supplement Q4 2004* on www.skandia.com, under "Investor Relations/Reports and Events/Interim Reports". This document can also be ordered by phone.

Skandia Insurance Company Ltd

Sveavägen 44

SE-103 50 Stockholm

Tel. +46-8-788 10 00

www.skandia.com

Public company (publ.) reg. no. 502017-3083

GROUP OVERVIEW

In accordance with Swedish Financial Accounting Standards Council recommendation RR19 - Discontinued Operations, the Japanese operation is reported separately (for 2003, discontinued operations pertain to the US and Japanese operations and the banking operation in Switzerland). For the sake of comparison, all information in this interim report pertains to operations excluding discontinued operations, unless otherwise indicated.

SEK million	2004 Dec.	2003 Dec.	2004 Q4	2003 Q4
Sales				
Unit linked assurance	67,515	52,816	17,405	14,933
Mutual funds	26,770	18,334	6,668	5,424
Direct sales of funds	2,010	2,681	479	380
Life assurance	1,184	1,050	482	277
Other businesses	552	484	135	124
Total sales	98,031	75,365	25,169	21,138
Result summary according to Swedish GAAP				
Unit linked assurance	1,830	1,087	490	349
Mutual funds	-174	-237	-43	-85
Life assurance	98	-86	9	-130
Other businesses ¹⁾	-903	1,468	-1,136	1,384
Joint-group expenses	-636	-658	-122	-196
Restructuring costs	-308	-364	-308	-
Write-down of system development costs	-	-71	-	-
Special employer's payroll tax	-46	-159	-46	-159
Pre-tax result	-139	980	-1,156	1,163
Result summary according to the embedded value method				
Unit linked assurance	3,218	3,880	518	1,799
Mutual funds	-174	-237	-43	-85
Life assurance	58	-72	-20	-116
Other businesses ¹⁾	-903	1,468	-1,136	1,384
Joint-group expenses	-636	-658	-122	-196
Result of operations	1,563	4,381	-803	2,786
Financial effects ²⁾	669	2,617	484	2,281
Restructuring costs	-308	-364	-308	-
Write-down of system development costs	-	-71	-	-
Special employer's payroll tax	-46	-159	-46	-159
Operating result	1,878	6,404	-673	4,908
Assets under management, SEK billion	717	625		
Funds under management, SEK billion	390	309		
Net asset value, SEK billion ³⁾	32	30		
Shareholders' equity, SEK billion	16	15		

¹⁾ Includes a write-down of goodwill in Bankhall, totalling SEK 931 million (-) as per December 2004. Includes restatement of the shareholding in If to fair value, which improved the result by SEK 1,492 million as per December 2003.

²⁾ As per Dec. 2004 consists of unit linked assurance SEK + 700 million and life assurance SEK -31 million, and per of Q4 2004 consists of unit linked assurance SEK +515 million and life assurance SEK -31 million. For all other periods financial effects consists only of unit linked assurance.

³⁾ For definition, see page 40.

GROUP OVERVIEW - QUARTERLY ANALYSIS

SEK million	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Sales					
Unit linked assurance	17,405	17,303	15,815	16,992	14,933
Mutual funds	6,668	6,249	6,942	6,911	5,424
Direct sales of funds	479	238	299	994	380
Life assurance	482	219	240	243	277
Other businesses	135	111	131	175	124
Total sales	25,169	24,120	23,427	25,315	21,138
Total annualised new sales, unit linked assurance ¹⁾					
	2,942	2,276	2,334	2,399	2,377
Result summary according to Swedish GAAP					
Unit linked assurance	490	458	456	426	349
Mutual funds	-43	-20	-69	-42	-85
Life assurance	9	43	19	27	-130
Other businesses ²⁾	-1,136	64	102	67	1,384
Joint-group expenses	-122	-170	-159	-185	-196
Restructuring costs	-308	-	-	-	-
Special employer's payroll tax	-46	-	-	-	-159
Pre-tax result	-1,156	375	349	293	1,163
Result summary according to the embedded value method					
Unit linked assurance	518	842	885	973	1,799
Mutual funds	-43	-20	-69	-42	-85
Life assurance	-20	40	15	23	-116
Other businesses ²⁾	-1,136	64	102	67	1,384
Joint-group expenses	-122	-170	-159	-185	-196
Result of operations	-803	756	774	836	2,786
Financial effects	484	-60	-236	481	2,281
Restructuring costs	-308	-	-	-	-
Special employer's payroll tax	-46	-	-	-	-159
Operating result	-673	696	538	1,317	4,908

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

²⁾ Includes a write-down of goodwill in Bankhall of SEK 931 million (-) in Q4 2004. Includes restatement of the shareholding in If to fair value, which improved the result by SEK 1,492 million in Q4 2003.

RESULT SUMMARY

SEK million		Unit linked assurance		Mutual fund savings products		Life assurance		Other		Joint-group		Group excluding discontinued operations		Discontinued operations		Group	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
According to Swedish GAAP	Sales	67,515	52,816	26,770	18,334	1,184	1,050	2,562	3,165			98,031	75,365		13,462	98,031	88,827
	Gross contribution	7,726	6,270														
	Acquisition costs	-6,891	-5,452														
	Administrative expenses	-1,090	-1,096														
	Change in deferred acquisition costs ¹⁾	1,938	1,188														
	Subtotal	1,683	910										1,683	910		1,683	910
	Investment income ²⁾	188	200					126	1,640			314	1,840		-89	314	1,751
	Financing costs	-41	-23	-7	-1			-62	-78			-110	-102		-246	-110	-348
	Other businesses/joint-group expenses ^{3) 4) 5)}			-167	-236	98	-78	125	62	-603	-721	-547	-973		-14	-547	-987
	Contractually regulated contributions ⁴⁾									-33	63	-33	63			-33	63
	Goodwill, amortisation, write-down ⁹⁾						-8	-1,092	-156			-1,092	-164			-1,092	-164
	Restructuring costs									-308	-364	-308	-364			-308	-364
	Write-down of system development costs										-71		-71				-71
	Special employer's payroll tax									-46	-159	-46	-159			-46	-159
	Result from discontinued operations													834	281	834	281
Result before tax	1,830	1,087	-174	-237	98	-86	-903	1,468	-990	-1,252	-139	980	834	-68	695	912	
According to embedded value method	Change in surplus values of business in force, including financial effects	2,088	5,410			-71	14					2,017	5,424	-405	-62	1,612	5,362
	Operating result ⁶⁾	3,918	6,497	-174	-237	27	-72	-903	1,468	-990	-1,252	1,878	6,404	429	-130	2,307	6,274
	Restructuring costs									308	364	308	364			308	364
	Write-down of system development costs										71		71				71
	Special employer's payroll tax									46	159	46	159			46	159
	Result from discontinued operations													-834	-281	-834	-281
	Financial effects ⁷⁾	-700	-2,617			31							-669	-2,617	-177	-669	-2,794
Result of operations ⁸⁾	3,218	3,880	-174	-237	58	-72	-903	1,468	-636	-658	1,563	4,381	-405	-588	1,158	3,793	

1) Pertains to the net effect of the fact that some of the period's acquisition costs can be deferred, and that the deferred items from previous years are to be expensed over the estimated economic life of the insurance contracts.

2) Includes a revaluation of If by SEK 1,492 million as per Dec. 2003, as Sampo's bid for the entire If Group entailed that a market value could be determined.

3) Other businesses have been charged with SEK -87 million as per Dec. 2004 and SEK -93 million as per Dec. 2003 in unallocated expenses for the Swedish operations.

4) As per Dec. 2004 joint-group expenses consist of SEK -54 million in structural costs and SEK -549 million in joint-group management expenses, before deducting contractually regulated contributions of SEK -33 million. As per Dec. 2003 joint-group expenses consist of SEK -151 million in structural costs and SEK -570 million in joint-group management expenses, before deducting contractually regulated contributions of SEK 63 million.

5) The life assurance operations in Spain were charged with a one-time provision of SEK 119 million in 2003 pertaining to changes in mortality assumptions.

6) Result before tax according to Swedish GAAP, as set out in the Swedish Annual Accounts Act for Insurance Companies, including changes in surplus value of business in force.

7) Financial effects are included on the "Change in surplus value of unit linked business in force" line and thus also in the operating result. The result of operations does not include financial effects, and thus financial effects are not included on this line. A negative amount on this line entails that the financial effects included in "Change in surplus value of unit linked business in force" are positive for the period. A positive amount entails that the financial effects included in "Change of surplus value of unit linked business in force" are negative for the period.

8) Operating result excluding financial effects in unit linked assurance and life assurance and one-time items.

9) In 2004 a SEK 931 million (-) write-down of goodwill in Bankhall was recorded.

RESULT BEFORE TAX, OTHER BUSINESSES

SEK million	2004 12 mos.	2003 12 mos.
SkandiaBanken ¹⁾	402	153
Lifeline ²⁾	-41	-43
Other ³⁾	-188	-90
Sweden	173	20
Other	0	-5
Europe & Latin America	0	-5
Bankhall ⁴⁾	-1,130	-52
UK	-1,130	-52
Global Business Development		-2
UK & Asia Pacific	-1,130	-54
Global Business Development	1	-96
Treasury	23	68
Investment income ⁵⁾	44	1,500
Other	-14	35
Unallocated	-14	35
Total	-903	1,468

¹⁾ Profit and loss account, SkandiaBanken

SEK million	2004 12 mos.	2003 12 mos.
Net interest income	915	802
Net commissions	552	1,008
Net result of financial transactions	12	8
Other operating income	80	17
Total income	1,559	1,835
Administrative expenses	-1,060	-1,539
Depreciation and write-downs	-43	-50
Other expenses	-43	-42
Total expenses	-1,146	-1,631
Loan losses	-11	-51
Result before tax	402	153

The result for SkandiaBanken was SEK 402 million (153). Fund business accounted for SEK 68 million (49) of this total. Net interest income increased to SEK 915 million (802), of which SEK 63 million is attributable to the capitalisation of compensation for vehicle financing contracts. Net commission income decreased to SEK 552 million (1,008), and administrative expenses decreased to SEK -1,060 million (-1,539). This is due to the fact that, effective on 1 April, the advisory business in Sweden is being conducted as an independent unit and is no longer included in SkandiaBanken. The result includes SEK 114 million in positive, one-time items.

²⁾ The result before tax for Lifeline as per Dec. 2004 is affected by a reserve provision of SEK 30 million for the Asian disaster. The result before tax for Lifeline as per Dec. 2003 was affected by expenses from the termination of a partnership.

³⁾ The result for other businesses has been charged with SEK -87 million as per Dec. 2004 and SEK -93 million as per Dec. 2003 in unallocated expenses for the Swedish operations. These expenses are not allocated throughout the organisation, since they represent joint expenses for operations in Sweden. The result of other businesses also includes the result for Skandia Rådgivning AB, totalling SEK -21 million as per Dec. 2004. Effective 1 April 2004, the advisory business in Sweden is being conducted as a separate entity and is no longer a part of SkandiaBanken, with result impact from 1 January 2004. Also, starting in Q2 2004, contractually regulated distribution pertaining to distribution costs within the Swedish operations are included in the result for other businesses in the Swedish operations and not in joint-group expenses as previously. The total net result was SEK -68 million for Q2, Q3 and Q4 2004.

⁴⁾ The result before tax for Bankhall was SEK -58 million (84) before goodwill amortisation of SEK 141 million (136) and write-down of goodwill of SEK 931 million (-) as per Dec. 2004.

⁵⁾ The result before tax for Investment income as per Dec. 2003 includes restatement of the shareholding in If to fair value, which increased the result by SEK 1,492 million.

RESTRUCTURING RESERVE

SEK million

Provision for restructuring costs 2002	360
Utilisation of restructuring reserve	-52
Balance per 31 December 2002	308
Provision for restructuring costs 2003	364
Utilisation of restructuring reserve	-361
Balance per 31 December 2003	311
Provision for restructuring costs 2004	315
Utilisation of restructuring reserve	-228
Reversed provisions	-7
Balance per 31 December 2004	391

PRE-TAX RESULT, DISCONTINUED OPERATIONS

SEK million	2004 12 mos.	2003 12 mos.
American Skandia	-	125
Skandia Bank Switzerland	0	-298
Skandia Japan	834	105
Total	834	-68

JOINT-GROUP EXPENSES

SEK million	2004 12 mos.	2003 12 mos.
Structural costs	-54	-151
Joint-group management expenses	-582	-507
Total	-636	-658

STOCK OPTIONS

In March 2004, 255,300 A options and 50,000 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, Skandia Umbrella Trust subscribed for 127,650 A options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 8,802 thousand.

In June 2004, 47,400 A options and 82,500 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, Skandia Umbrella Trust subscribed for 16,590 A options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 2,978 thousand.

In September 2004, 19,200 A options and 5,000 B options from the 2003 programme were subscribed by Skandia employees. In connection with this, Skandia Umbrella Trust subscribed for 9,660 A options and 11,375 B options to cover social security costs. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 920 thousand.

In December 2004, 32,700 A options from the 2003 programme were subscribed by Skandia employees. The subscription price was SEK 20.33 per share, and Skandia thus received SEK 665 thousand.

In May 2004, most of the 1,021,633 outstanding A options in the 2001 programme expired. As per 31 December 2004, 182,100 options were outstanding in this programme

For further information on the stock option programmes for the years 2000–2003, please refer to the 2003 Annual Report.

TRADING ANALYSIS, UNIT LINKED ASSURANCE according to the embedded value method

	2004 12 mos. ¹⁾	2003 12 mos.
SEK million		
Total annualised new sales ²⁾	9,951	8,550
Present value of new business for the year	1,870	1,247
Return on value of contracts in force from previous years ³⁾	2,117	1,744
Outcome compared with operative assumptions	-393	-380
Change in operative assumptions ⁴⁾	-295	1,398
Value-added from operations	3,299	4,009
Business start-ups and other overheads ⁵⁾	-81	-129
Result of operations, unit linked assurance	3,218	3,880
Financial effects ^{6) 7)}	700	2,617
Operating result, unit linked assurance	3,918	6,497
Profit margin, new sales based on embedded value assumptions applicable for the year ⁸⁾	18.8%	14.6%
Profit margin, new sales based on embedded value assumptions for 2004 ⁸⁾	n.a.	19.6%
Profit margin, new sales based on embedded value assumptions for 2005 ⁸⁾	18.4%	n.a.

¹⁾ Includes the French branch of Skandia Link SA from June 2004.

²⁾ Periodic premiums recalculated to full-year figures plus 1/10 of single premiums during the period.

³⁾ Of which, financing costs SEK -41 million as per Dec. 2004 and SEK -23 million as per Dec. 2003.

⁴⁾ Of which, one-time effect of updated embedded value assumptions, totalling SEK 1,637 million as per December 2003.

⁵⁾ Value of business in force (VBIF) is not calculated on Business start-ups and other overheads.

⁶⁾ The effect on embedded value attributable to the fact that the change in the financial markets differs from the assumptions on fund growth and interest rate levels.

⁷⁾ Of which, one-time effect of updated embedded value assumptions, totalling SEK 1,593 million as per December 2003.

⁸⁾ Present value of new business for the year in relation to total annualised new sales.

NEW SALES AND PROFIT MARGIN, PER GEOGRAPHIC AREA

SEK million	Annualised new sales		Present value of new business for the year		Profit margin, new sales	
	2004 12 mos.	2003 12 mos.	2004 12 mos.	2003 12 mos. ¹⁾	2004 12 mos.	2003 12 mos. ¹⁾
UK ²⁾	5,786	4,027	662	479	11.4%	11.9%
Sweden	1,668	2,292	377	617	22.6%	26.9%
Other markets	2,497	2,231	831	581	33.3%	26.0%
Total	9,951	8,550	1,870	1,677	18.8%	19.6%
<i>Recalculated based on embedded value assumptions for 2005</i>			1,832		18.4%	

¹⁾ Based on embedded value assumption for 2004.

²⁾ In this context the UK pertains to businesses with domicile in the UK and thus also includes Royal Skandia and Skandia Ireland.

**TRADING ANALYSIS, UNIT LINKED ASSURANCE,
QUARTERLY ANALYSIS
according to the embedded value method**

SEK million	2004 Q4	2004 Q3	2004 Q2 ¹⁾	2004 Q1	2003 Q4
Total annualised new sales ²⁾	2,942	2,276	2,334	2,399	2,377
Present value of new business for the year	642	416	416	396	343
Return on value of contracts in force from previous years ³⁾	568	520	517	512	461
Outcome compared with operative assumptions	-150	-43	-97	-103	-261
Change in operative assumptions ⁴⁾	-505	-34	60	184	1,288
Value-added from operations	555	859	896	989	1,831
Business start-ups and other overheads ⁵⁾	-37	-17	-11	-16	-32
Result of operations, unit linked assurance	518	842	885	973	1,799
Financial effects ^{6) 7)}	515	-60	-236	481	2,281
Operating result, unit linked assurance	1,033	782	649	1,454	4,080
Profit margin, new sales based on embedded value assumptions applicable for the period ⁸⁾	21.8%	18.3%	17.8%	16.5%	14.4%

¹⁾ Includes the French branch of Skandia Link SA from June 2004.

²⁾ Periodic premiums recalculated to full-year figures plus 1/10 of single premiums during the period.

³⁾ Of which, financing costs SEK-10 million for Q4 2004, SEK -10 million for Q3 2004, SEK -16 million for Q2 2004, SEK -5 million for Q1 2004 and SEK -6 million for Q4 2003.

⁴⁾ Of which, one-time effect of updated embedded value assumptions, totalling SEK 1,637 million in Q4 2003.

⁵⁾ Value of business in force (VBIF) is not calculated on Business start-ups and other overheads.

⁶⁾ The effect on embedded value attributable to the fact that the change in the financial markets differs from the assumptions on fund growth and interest rate levels.

⁷⁾ Of which, one-time effect of updated embedded value assumptions, totalling SEK 1,593 million in Q4 2003.

⁸⁾ Present value of new business for the year in relation to total annualised new sales.

**INCOME AND EXPENSE ANALYSIS, QUARTERLY ANALYSIS
UNIT LINKED ASSURANCE**

SEK million	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Gross contribution	2,132	1,943	1,876	1,775	1,821
Acquisition costs	-2,200	-1,611	-1,577	-1,503	-1,625
Administrative expenses	-271	-280	-291	-248	-282
Change in deferred acquisition costs	790	387	406	355	376
Technical result	451	439	414	379	290
Investment income	49	29	58	52	65
Financing costs	-10	-10	-16	-5	-6
Pre-tax result according to Swedish GAAP	490	458	456	426	349
Change in surplus value of unit linked business in force	543	324	193	1,028	3,731
Operating result, unit linked assurance according to the embedded value method	1,033	782	649	1,454	4,080

ASSUMPTIONS FOR CALCULATING SURPLUS VALUES OF UNIT LINKED BUSINESS IN FORCE

%	Long-term govt. bond rate		Return on equities	
	2004	2003	2004	2003
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
UK	4.54	4.79	6.97	7.24
Sweden	3.97	4.78	6.47	7.28
Euro countries	3,66-3,80	4,28-4,40	4,30-6,30	6,78-6,90

%	Inflation		Discount rate	
	2004	2003	2004	2003
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
UK	4.00	3.90	7.00	7.30
Sweden	2.80	3.10	6.50	7.30
Euro countries	2,50-3,50	2,50-3,40	6,20-6,30	6,80-6,90

SENSITIVITY ANALYSIS, UNIT LINKED ASSURANCE

SEK million

Effect on operating result for unit linked assurance (before tax) of a one percentage point increase in interest-rate, growth and inflation assumptions applied in valuing the in-force business

Exposure ¹⁾	Test A	Test B	Test C	Test D	Total effect	
	Discount rate	Equity return	Bond return	Expense inflation		
Value of business in force at 31 Dec. 2004						
UK	12,368	-636	+325	+123	-40	-228
Sweden	7,766	-686	+435	-25	-99	-375
Other markets	7,332	-416	+203	-35	-173	-421
Total in force	27,466	-1,738	+963	+63	-312	-1,024
Present value of new business for the year, unit linked						
UK	662	-157	+192	+72	-15	+92
Sweden	377	-61	+35	-1	-10	-37
Other markets	831	-118	+53	-4	-54	-123
Total new business	1,870	-336	+280	+67	-79	-68

Sensitivity to changes in other assumptions		Value of business in force	Present value of new business for the year, unit linked
Test			
E	One-time effect of a 1% decrease in stock market ²⁾	-120	
F	One-time effect of a 1% increase in stock market ²⁾	+105	
G	10% increase in internal maintenance expenses	-514	-116
H	10% increase in internal acquisition costs		-174
I	10% increase in surrender assumptions	-773	-153
J	Increase of 5 b.p. in distribution compensation for funds under management	+725	+109
K	10% increase in mortality rates for ages greater than 65	+7	+3
L	Impact of using end-of-period assumptions	-	-38
M	Effect using actual solvency rate at beginning of period	-2,246	-34

¹⁾ Value of business in force is based on end-of-period assumptions. Present value of new business for the year, unit linked, is based on assumptions at the start of the year. Before deduction of taxes and deferred acquisition costs.

²⁾ The difference in the one-time effect is due to a change in the tax situation for Skandia Life UK.

CHANGE IN FUNDS UNDER MANAGEMENT UNIT LINKED ASSURANCE

SEK million	2004 12 mos.	% of assets at start of year	2003 12 mos.	% of assets at start of year
Unit linked assurance at start of year	238,086		187,792	
Sales	67,515	28.4%	52,816	28.1%
Withdrawals	-24,133	-10.1%	-17,843	-9.5%
Change in value ¹⁾	16,486	6.9%	27,803	14.8%
Currency effects	-3,721	-1.6%	-12,482	-6.6%
Unit linked assurance at end of period	294,233	+23,6%	238,086	+26,8%

¹⁾ Change in value net of fees.

MUTUAL FUNDS

SEK million	2004 12 mos.	% of assets at start of year	2003 12 mos.	% of assets at start of year
Savings in mutual funds at start of year	64,723		48,941	
Sales	26,770	41.4%	18,334	37.5%
Withdrawals	-11,315	-17.5%	-8,266	-16.9%
Change in value ¹⁾	9,345	14.4%	9,497	19.4%
Currency effects	-958	-1.5%	-3,783	-7.7%
Savings in mutual funds at end of period	88,565	+36,8%	64,723	+32,2%

¹⁾ Change in value net of fees.

TOTAL FUNDS UNDER MANAGEMENT

SEK million	2004 12 mos.	2003 12 mos.
Unit linked assurance	294,233	238,086
Mutual funds	88,565	64,723
Directly distributed funds	6,930	6,219
Funds under management	389,728	309,028

STATEMENT OF CASH FLOWS

SEK billion	Group excluding discontinued operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.
Cash flow from operating activities ^{1) 2)}	-2.2	-1.5	0.0	-0.2	-2.2	-1.7
Cash flow from investing activities ^{3) 4)}	3.7	4.2	-0.2	-1.9	3.5	2.3
Cash flow from internal financing activities	0.0	-0.1	0.0	0.1	0.0	0.0
Cash flow from external financing activities	-1.5	-2.5	0.0	-0.1	-1.5	-2.6
Net cash flow for the period	0.0	0.1	-0.2	-2.1	-0.2	-2.0
Liquid assets at the start of the period	2.0	2.1	0.2	2.4	2.2	4.5
Exchange rate differences in liquid assets	0.0	-0.2	0.0	-0.1	0.0	-0.3
Liquid assets at the end of the period	2.0	2.0	0.0	0.2	2.0	2.2

¹⁾ Cash flow from operating activities is negatively affected by the increase in new sales of unit linked assurance products. This gives rise to an initial net payment by Skandia, which is offset by the revenues the company receives over the term of the policies. Net accounting is performed of changes in technical provisions and corresponding investments with respect to savings products in the unit linked assurance and traditional life assurance operations. Cash flow from operating activities has been affected by the direct yield from investments, but not by the unrealised changes in value these have had.

²⁾ During the first quarter of 2004, as previously reported, a contractually regulated distribution agreement was settled in cash, which affected cash flow from operating activities negatively in the amount of SEK -0.8 billion.

³⁾ Purchases and sales of investment assets that are intended to cover technical provisions that do not pertain to savings products are reported as cash flow from investing activities.

⁴⁾ During 2004, cash flow from investing activities includes the proceeds from the sale of If, totalling SEK 4.5 billion, and from the Japanese operation, totalling SEK 1.2 billion, net, after deducting for costs. Investments in interest bearing securities during the same period amounted to SEK -2.1 billion. Millea Holdings' takeover of SEK 0.2 billion in liquid assets in the Japanese operations at the time of acquisition has been reported as a negative item in cash flow from investing activities for discontinued operations and thus does not affect cash flow for the group excluding discontinued operations.

NET ASSET VALUE

SEK million	2004	2003
	31 Dec.	31 Dec.
Shareholders' equity	15,958	15,381
Deferred taxes, net	1,790	1,445
Surplus value of business in force after deferred tax	14,258	13,576
Other surplus values	69	76
Net asset value	32,075	30,478
Subordinated loans	849	849
Risk-bearing capital	32,924	31,327

CHANGE IN NET ASSET VALUE AND SHAREHOLDERS' EQUITY

SEK million	Net asset value	Shareholders' equity	
	2004	2004	2003
	31 Dec.	31 Dec.	31 Dec.
Opening balance	30,478	15,381	15,238
Operating result/Result before taxes	2,712	695	912
Income taxes	167	-70	298
Change in surplus value of bonds	-10	-	-
Deferred tax on surplus value of business in force	-879	-	-
Surplus value of business in force in divested companies	-405	-	-
New issue ¹⁾	15	15	1
Dividend	-307	-307	-307
Change in accounting principles - defined-benefit pension plans	315	227	-
Translation differences	-65	-32	-797
Minority interests	54	49	36
Closing balance	32,075	15,958	15,381

¹⁾ New share issue in connection with stock option programme.

STATEMENT OF CASH FLOWS, QUARTERLY ANALYSIS

SEK billion	Group excluding discontinued operations				
	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Cash flow from operating activities ¹⁾	-0.5	-0.3	-0.3	-1.1	0.0
Cash flow from investing activities ²⁾	1.1	0.4	0.5	1.7	0.2
Cash flow from internal financing activities	0.0	0.0	0.0	0.0	-0.2
Cash flow from external financing activities	-0.2	-0.1	-0.7	-0.5	0.4
Net cash flow for the period	0.4	0.0	-0.5	0.1	0.4
Liquid assets at the start of the period	1.6	1.7	2.2	2.0	1.7
Exchange rate differences in liquid assets	0.0	-0.1	0.0	0.1	-0.1
Liquid assets at the end of the period	2.0	1.6	1.7	2.2	2.0

SEK billion	Discontinued operations				
	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Cash flow from operating activities	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	0.0	0.0	0.0	-0.2	-0.2
Cash flow from internal financing activities	0.0	0.0	0.0	0.0	0.2
Cash flow from external financing activities	0.0	0.0	0.0	0.0	0.0
Net cash flow for the period	0.0	0.0	0.0	-0.2	0.0
Liquid assets at the start of the period	0.0	0.0	0.0	0.2	0.3
Exchange rate differences in liquid assets	0.0	0.0	0.0	0.0	-0.1
Liquid assets at the end of the period	0.0	0.0	0.0	0.0	0.2

SEK billion	Group				
	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Cash flow from operating activities ¹⁾	-0.5	-0.3	-0.3	-1.1	0.0
Cash flow from investing activities ²⁾	1.1	0.4	0.5	1.5	0.0
Cash flow from internal financing activities	0.0	0.0	0.0	0.0	0.0
Cash flow from external financing activities	-0.2	-0.1	-0.7	-0.5	0.4
Net cash flow for the period	0.4	0.0	-0.5	-0.1	0.4
Liquid assets at the start of the period	1.6	1.7	2.2	2.2	2.0
Exchange rate differences in liquid assets	0.0	-0.1	0.0	0.1	-0.2
Liquid assets at the end of the period	2.0	1.6	1.7	2.2	2.2

¹⁾ The deterioration in cash flow from operating activities for Q4 2004 compared to Q3 2004 is attributable to higher acquisition costs in connection with the sales increase in Germany. Most of the negative cash flow during the first quarter of 2004 pertains to the settlement of outstanding balance sheet items. Revenues from funds under management have begun rising again, however, they follow the stock market trend with a slight time-delay at the same time that the increase in sales gives rise to higher commission payments.

²⁾ Cash flow from investing activities was affected positively during the second quarter of 2004 by the sale of If and in the first quarter of 2004 by the sale of the Japanese operation.

PROFIT AND LOSS ACCOUNT
according to Swedish GAAP

SEK million	Group excluding discontinued operations ¹⁾		Discontinued operations ¹⁾		Group ¹⁾	
	2004	2003	2004	2003	2004	2003
	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.
Technical account, property & casualty insurance business						
Premiums earned, net of reinsurance	534	470	-	-	534	470
Allocated investment return transferred from the non-technical account	27	33	-	-	27	33
Claims incurred, net of reinsurance	-415	-333	-	-	-415	-333
Operating expenses	-176	-193	-	-	-176	-193
Technical result, property & casualty insurance business	-30	-23	-	-	-30	-23
Technical account, life assurance business						
Premiums written, net of reinsurance	68,157	53,521	-	10,573	68,157	64,094
Investment income, including unrealised changes in value	23,399	34,619	-	7,407	23,399	42,026
Claims incurred, net of reinsurance	-26,667	-20,471	-	-8,834	-26,667	-29,305
Change in other technical provisions where the investment risk is borne by the life assurance policyholders	-59,216	-62,395	-	-8,025	-59,216	-70,420
Operating expenses ²⁾	-6,077	-5,464	-	-1,002	-6,077	-6,466
Change in CARVM offset	-	-	-	11	-	11
Other technical provisions	2,185	1,023	-	176	2,185	1,199
Technical result, life assurance business	1,781	833	-	306	1,781	1,139
Non-technical account						
Investment income, including unrealised changes in value	314	1,942	-	-89	314	1,751
Financing costs	-110	-204	-	-246	-110	-348
Mutual funds	-167	-236	-	-22	-167	-258
Other operations	155	84	0	-298	155	-214
Amortisation and write-down of goodwill ⁸⁾	-1,092	-164	-	-	-1,092	-164
Structural costs	-54	-151	-	-	-54	-151
Joint-group management expenses	-582	-507	-	-	-582	-507
Restructuring costs	-308	-364	-	-	-308	-364
Write-down of system development costs	-	-71	-	-	-	-71
Special employer's payroll tax	-46	-159	-	-	-46	-159
Result from discontinued operations ³⁾	-	-	834	281	834	281
Pre-tax result	-139	980	834	-68	695	912
Current and deferred tax	-70	298	-	0	-70	298
Minority interests in result for the period	49	36	-	-	49	36
Result for the period	-160	1,314	834	-68	674	1,246
Key ratios						
Average number of shares before dilution, millions	1,024	1,024	-	-	1,024	1,024
Average number of shares after dilution, millions ⁴⁾	1,029	1,027	-	-	1,029	1,027
Average number of shares after full dilution, millions	1,060	1,070	-	-	1,060	1,070
Earnings per share before dilution, SEK	-0.16	1.28	-	-	0.66	1.22
Earnings per share after dilution, SEK ^{5) 6)}	-0.16	1.28	-	-	0.66	1.21
Direct yield, %	-	-	-	-	1.7	1.8
Total return, % ⁷⁾	-	-	-	-	2.7	9.7

¹⁾ The operations of American Skandia, Skandia Bank Switzerland and Skandia Japan are reported among discontinued operations in accordance with Swedish Financial Accounting Standards Council recommendation RR19 - Discontinued Operations. This recommendation prescribes that discontinued operations are to be consolidated as usual according to the applicable rules, but also that disclosures about the operations are to be reported separately. Prudential Financial's acquisition of American Skandia was completed on 1 May 2003 and consequently, only the first 4 months of operations are included in the consolidated profit and loss account for the Skandia group for 2003. In accordance with a decision made by Skandia's board of directors during Q3 2003, Skandia Bank Switzerland was closed on 20 November 2003. The result for Skandia Bank Switzerland is reported on the line "Other operations" in the profit and loss account. The sale of Skandia Japan to Millea Holdings' subsidiary, The Tokyo Marine & Fire Insurance Co. Ltd., was completed on 2 February 2004. Skandia Japan is included in the consolidated accounts up to and including the end of December 2003.

²⁾ Of which, change in DAC SEK 1,938 million as per Dec. 2004 and SEK 1,188 million as per Dec. 2003 for the group excluding American Skandia and Skandia Life Japan.

³⁾ The American Skandia transaction was carried out according to set terms, which entails that the Skandia group is not affected by the result of American Skandia's operations in 2003. By means of the caption "Result from discontinued business" as per Dec. 2003, totalling SEK 156 million, American Skandia's underlying result is balanced out in accordance with the above. In addition to this, SEK 125 million has been added to the result, pertaining to translation differences which were realized upon completion of the American Skandia transaction. Since the accumulated translation differences have been transferred from retained earnings to profit for the year, total shareholders' equity is not affected. The capital gain on the sale of Skandia Japan, totalling SEK 834 million, is reported in the item "Result from discontinued operations".

⁴⁾ Data on the number of shares after dilution takes into account Skandia's stock option programme for the years 2000-2003 to the extent it has entailed any dilution.

⁵⁾ According to recommendation RR18 of the Swedish Financial Accounting Standards Council, the dilutive effect is calculated if the key ratio "Earnings per share" deteriorates.

⁶⁾ Earnings per share are calculated as the result for the period divided by the average number of shares outstanding.

⁷⁾ The total return for 2003 includes a fair valuation of the investment in If, which increased the result by SEK 1,492 million in Dec. 2003. This resulted in higher investment income for the Skandia group.

⁸⁾ In 2004 a SEK 931 million (-) write-down of goodwill in Bankhall was recorded.

**PROFIT AND LOSS ACCOUNT
according to Swedish GAAP**

SEK million	Group excluding Discontinued operations ¹⁾		Discontinued operations ¹⁾		Group ¹⁾	
	2004 Q4	2003 Q4	2004 Q4	2003 Q4	2004 Q4	2003 Q4
Technical account, property & casualty insurance business						
Premiums earned, net of reinsurance	141	125	-	-	141	125
Allocated investment return transferred from the non-technical account	8	8	-	-	8	8
Claims incurred, net of reinsurance	-135	-96	-	-	-135	-96
Operating expenses	-48	-48	-	-	-48	-48
Technical result, property & casualty insurance business	-34	-11	-	-	-34	-11
Technical account, life assurance business						
Premiums written, net of reinsurance	17,713	15,079	-	895	17,713	15,974
Investment income, including unrealised changes in value	13,180	12,078	-	438	13,180	12,516
Claims incurred, net of reinsurance	-7,856	-5,984	-	-67	-7,856	-6,051
Change in other technical provisions where the investment risk is borne by the life assurance policyholders	-21,186	-19,347	-	-1,157	-21,186	-20,504
Operating expenses ²⁾	-1,664	-1,560	-	-87	-1,664	-1,647
Change in CARVM offset	-	-	-	-	-	-
Other technical provisions	273	-105	-	-47	273	-152
Technical result, life assurance business	460	161	-	-25	460	136
Non-technical account						
Investment income, including unrealised changes in value	21	1,592	-	-1	21	1,591
Financing costs	-25	-76	-	-	-25	-76
Mutual funds	-41	-84	-	-	-41	-84
Other operations	-91	-23	0	-46	-91	-69
Amortisation and write-down of goodwill ⁶⁾	-970	-41	-	-	-970	-41
Structural costs	25	-54	-	-	25	-54
Joint-group management expenses	-147	-142	-	-	-147	-142
Restructuring costs	-308	-	0	-	-308	-
Write-down of system development costs	-	-	0	-	-	-
Special employer's payroll tax	-46	-159	-	-	-46	-159
Result from discontinued operations ³⁾	-	-	-	-	-	-
Pre-tax result	-1,156	1,163	0	-72	-1,156	1,091
Current and deferred tax	119	365	-	-	119	365
Minority interests in result for the period	16	6	-	-	16	6
Result for the period	-1,021	1,534	0	-72	-1,021	1,462
Key ratios						
Average number of shares before dilution, millions	1,024	1,024	-	-	1,024	1,024
Average number of shares after dilution, millions ³⁾	1,028	1,028	-	-	1,028	1,028
Average number of shares after full dilution, millions	1,059	1,065	-	-	1,059	1,065
Earnings per share before dilution, SEK	-1.00	1.50	-	-	-1.00	1.43
Earnings per share after dilution, SEK ^{4) 5)}	-1.00	1.49	-	-	-1.00	1.42

¹⁾ The operations of American Skandia, Skandia Bank Switzerland and Skandia Japan are reported among discontinued operations in accordance with Swedish Financial Accounting Standards Council recommendation RR19 - Discontinued Operations. This recommendation prescribes that discontinued operations are to be consolidated as usual according to the applicable rules, but also that disclosures about the operations are to be reported separately. Prudential Financial's acquisition of American Skandia was completed on 1 May 2003 and consequently, only the first 4 months of operations are included in the consolidated profit and loss account for the Skandia group. In accordance with a decision made by Skandia's board of directors during Q3 2003, Skandia Bank Switzerland was closed on 20 November 2003. The sale of Skandia Japan to Millea Holdings' subsidiary, The Tokyo Marine & Fire Insurance Co. Ltd., was completed on 2 February 2004. The result for Skandia Bank Switzerland is reported on the line "Other operations" in the profit and loss account.

²⁾ Of which, change in DAC SEK 789 million for Q4 2004 and SEK 376 million for Q4 2003 for the group excluding American Skandia and Skandia Life Japan.

³⁾ Data on the number of shares after dilution takes into account Skandia's stock option programme for the years 2000-2003 to the extent it has entailed any dilution.

⁴⁾ According to recommendation RR18 of the Swedish Financial Accounting Standards Council, the dilutive effect is calculated if the key ratio "Earnings per share" deteriorates.

⁵⁾ Earnings per share are calculated as the result for the period divided by the average number of shares outstanding.

⁶⁾ In Q4 2004 a SEK 931 million (-) write-down of goodwill in Bankhall was recorded.

BALANCE SHEET SUMMARY

SEK billion

	Group		Discontinued operations ¹⁾	
	2004	2003	2004	2003
Assets	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Intangible assets	1.5	2.6	-	0.0
Investments ²⁾	27.8	31.6	0.0	0.1
Investments, unit linked assurance	294.2	248.2	-	10.1
Reinsurers' share of technical provisions ³⁾	0.9	0.6	-	0.4
Assets in bank operations and finance companies	44.8	41.8	0.0	0.1
Debtors	3.9	3.9	-	0.1
Tangible assets	0.3	0.3	-	0.0
Cash at bank and in hand	2.0	2.2	-	0.2
Other assets	0.3	0.1	-	0.0
Deferred acquisition costs ³⁾	9.7	8.4	-	0.4
Other prepayments and accrued income	0.6	0.9	-	0.0
Assets	386.0	340.6	0.0	11.4
Shareholders' equity, provisions and liabilities				
Shareholders' equity	16.0	15.4	0.0	0.4
Minority interests	0.1	0.1	-	-
Subordinated loans ⁴⁾	0.8	0.8	-	-
Technical provisions ³⁾	22.2	22.9	-	0.6
Provisions, unit linked assurance ³⁾	292.1	246.7	-	10.1
Liabilities in bank operations and finance companies ⁴⁾	41.5	39.0	0.0	0.1
Deferred tax liability	2.2	1.9	-	0.0
Other provisions	1.9	1.8	-	0.0
Borrowings ⁴⁾	2.1	3.2	-	0.0
Deposits from reinsurers	1.1	1.3	-	0.1
Other creditors	4.7	6.3	0.0	0.1
Reinsurers' share of deferred acquisition costs ³⁾	0.0	0.0	-	0.0
Other accruals and deferred income	1.3	1.2	-	0.0
Shareholders' equity, provisions and liabilities	386.0	340.6	0.0	11.4

¹⁾ The operations of American Skandia, Skandia Bank Switzerland and Skandia Japan are reported among discontinued operations in accordance with Swedish Financial Accounting Standards Council recommendation RR19 - Discontinued Operations. This recommendation prescribes that discontinued operations are to be consolidated as usual according to the applicable rules, but also that disclosures about the operations are to be reported separately. Prudential Financial's acquisition of American Skandia was completed on 1 May 2003 and consequently, only the first 4 months of operations are included in the consolidated profit and loss account for the Skandia group for 2003. In accordance with a decision made by Skandia's board of directors during Q3 2003, Skandia Bank Switzerland was closed on 20 November 2003. The sale of Skandia Japan to Millea Holdings' subsidiary, The Tokyo Marine & Fire Insurance Co. Ltd., was signed on 24 December 2003 and completed on 2 February 2004.

The balance sheet for Skandia Bank Switzerland is reported on the lines "Assets in bank operations and finance companies" and "Liabilities in bank operations and finance companies".

See next page for all other notes to the balance sheet summary.

NOTES TO THE BALANCE SHEET SUMMARY

SEK billion	Group		Discontinued operations	
	2004 31 Dec.	2003 31 Dec.	2004 31 Dec.	2003 31 Dec.
²⁾ Investments, fair value				
Investments as per balance sheet	27.8	31.6	0.0	0.1
Restatement to fair value	0.6	0.5	-	0.0
Cash at bank and in hand	2.0	2.2	-	0.2
Securities settlement claims, net	0.3	0.0	-	0.0
Accrued interest income	0.2	0.2	-	0.0
Debt derivatives	0.0	0.0	-	-
Total	30.9	34.5	0.0	0.3
Of which:				
Investments, life assurance	11.8	11.9	-	-
Investments, unit linked assurance	10.0	9.7	-	0.3
Investments, mutual funds	0.5	0.3	-	-
Other investment assets	4.7	7.8	-	-
Currency derivatives	0.4	0.7	-	-
Deposits with ceding undertakings	3.5	4.1	-	-
Total	30.9	34.5	-	0.3
³⁾ Technical provisions, net, after deducting deferred acquisition costs				
Life assurance	10.6	11.0	-	-
Unit linked assurance	292.2	248.7	-	9.8
Property & casualty insurance	0.9	0.8	-	-
Net as per balance sheet	303.7	260.5	-	9.8
⁴⁾ Group borrowings, excl. subordinated loans in Skandia Insurance Company Ltd				
Borrowings as per balance sheet, including subordinated loans	2.9	4.0	-	-
Additional borrowings by finance companies and bank operations	0.2	-	-	-
Borrowings, gross	3.1	4.0	-	-
Less: subordinated loans in Skandia Insurance Company Ltd	-0.8	-0.8	-	-
Borrowings, net	2.3	3.2	-	-

KEY RATIOS

	Group excluding discontinued operations		Group	
	2004	2003	2004	2003
	12 mos.	12 mos.	12 mos.	12 mos.
Earnings per share before dilution, SEK ¹⁾	-0.16	1.28	0.66	1.22
Earnings per share after dilution, SEK ^{1) 2)}	-0.16	1.28	0.66	1.21
Operating result per share before dilution, SEK ³⁾	1.83	6.26	2.25	6.13
Net asset value per share, SEK	-	-	31.32	29.78
Shareholders' equity per share, SEK	-	-	15.58	15.03
Average share price, SEK	-	-	29.77	23.31
Closing share price, SEK	-	-	33.10	26.20
Operational return on net asset value % ⁴⁾	5	16	4	14
Return on adjusted net asset value, % ⁴⁾	3	22	5	21
Return on shareholders' equity, % ⁴⁾	-1	9	4	8
Equity ratio			18	17

	Parent company		Group ⁵⁾	
	2004	2003	2004	2003
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
SEK million				
Capital base	7,653	7,647	20,505	18,815
Solvency margin	604	552	3,540	3,066

For definitions, see page 40.

¹⁾ According to Swedish GAAP.

²⁾ According to recommendation RR18 of the Swedish Financial Accounting Standards Council, the dilutive effect is calculated if the key ratio "Earnings per share" deteriorates.

³⁾ According to the embedded value method.

⁴⁾ The return is based on moving twelve-month figures.

⁵⁾ Excluding Skandia Liv.

EXCHANGE RATES

	2004	2004	2004	2004	2003
SEK	31 Dec.	30 Sept.	30 June	31 Mar.	31 Dec.
EUR Closing rate	9.03	9.04	9.16	9.27	9.08
EUR Average rate	9.13	9.16	9.18	9.20	9.15
GBP Closing rate	12.76	13.17	13.66	13.86	12.88
GBP Average rate	13.40	13.56	13.56	13.51	13.26
USD Closing rate	6.65	7.28	7.53	7.54	7.20
USD Average rate	7.32	7.47	7.46	7.40	8.09
JPY Closing rate	0.065	0.066	0.069	0.072	0.067
JPY Average rate	0.068	0.069	0.069	0.069	0.070

Average rates indicate the average rates for the period 1 January through the respective book-closing dates in 2004 and 2003.

Glossary

Adjusted net asset value: Consists of net asset value after deduction of net deferred taxes.

Annualised new sales: Periodic premiums recalculated to full-year figures, plus 1/10 of single premiums during the period.

Acquisition costs: Acquisition costs include all costs, internal as well as external, that arise in connection with the sale of unit linked assurance products. Acquisition costs are to be deferred (deferred acquisition costs) and amortised according to a schedule that corresponds to the product's economic life.

Assets under management: The sum of customers' invested assets and the group's own investment assets, including investment assets in Skandia Liv.

Capital employed: Net asset value, borrowings for investments in subsidiaries and minority interests.

Changes in operative assumptions: Assumptions that have been made are compared regularly with actual experience and adjusted when necessary. A positive result entails that previous assumptions have been conservative.

Financial effects: Refers to the deviation of the present value of future revenues from assumptions on fund growth and interest rates, caused by changes in the financial markets.

Funds under management: Customers' invested assets in unit linked assurance, mutual funds and directly distributed funds.

Gross contribution: Unit linked assurance fees after deduction of necessary provisions for actuarial risks.

Net asset value: Shareholders' equity as per the balance sheet, net deferred tax liability, surplus values of business in force after deducting deferred tax, and unrealised changes in the value of fixed-income securities.

Operating result: Pre-tax result according to Swedish GAAP, as set out in the Swedish Annual Accounts Act for Insurance Companies, plus changes in the surplus value of business in force.

Outcome compared with assumptions: Assumptions that have been made are compared regularly with actual experience. A positive result entails that the actual outcome for the period was better compared with previous assumptions for new as well as existing business.

Paid-up policy: Insurance contract with terminated premium contributions but no repurchase of fund value.

Premiums earned: Written premium attributable to the period, i.e., premiums written less outward reinsurance premiums, adjusted for the unearned portion of premiums.

Premiums written: Total premiums received during the period or taken up as a receivable at the end of the period.

Result of operations: The operating result excluding financial effects and one-time items

Debt-equity ratio: Borrowings for investments in subsidiaries in relation to the sum of the net asset value (after deducting surplus value of business in force and intangible assets), subordinated loans and borrowings for investments in subsidiaries.

Surrenders: Premature termination of savings due to full repurchase, partial repurchase, premium reduction, conversion to paid-up policy status or transfer.

Surplus value of business in force (VBIF): The present value of calculated future surpluses from the annual fees paid by policyholders according to contracts in force. The group's operating result includes the change in these surplus values for the period.

Technical result, life assurance: The balance on the technical account for life assurance, including direct investment income and changes in value of investments transferred from the non-technical account.

Technical result, property & casualty insurance: Premiums earned less claim costs and operating expenses, plus the allocated investment return transferred from the non-technical account.

Key ratios

Capital base: For a life assurance operation, the capital base consists of paid-in share capital, half of non-paid-in share capital, other shareholders' equity less unrealised gains, and untaxed reserves.

Direct yield: Direct investment income (before deducting administrative expenses) as a percentage of a weighted average of the fair value of investments.

Earnings per share: Profit for the period divided by the average number of shares outstanding.

Equity ratio: Shareholders' equity in relation to the book value of total assets, excluding investments and reinsurance assets in unit linked assurance.

Operational return on net asset value: The result of operations for the last 12-month period in relation to average net asset value.

Profit margin: The present value of new business for the year in relation to total annualised new sales.

Return on adjusted net asset value: Operating result for the last 12-month period plus other changes in surplus value, less current and deferred taxes and minority shares, in relation to adjusted average net asset value.

Return on shareholders' equity: Result for the last 12-month period in relation to average shareholders' equity.

Solvency margin: The solvency margin is the minimum permissible level of the capital base by law. The solvency margin is calculated based on the nature and scope of business.

Total return: The sum of direct investment income (before deducting administrative expenses) and realised and unrealised changes in value, expressed as a percentage of a weighted average of the fair value of investments.