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American Skandia – market timing

Skandia is aware that certain practices engaged in by several entities in the mutual fund and variable annuity industries in the United States have come under the scrutiny of the US Securities and Exchange Commission, the New York Attorney General's Office and certain other US regulators. Specifically, several US mutual fund companies and broker/dealers have been accused of allowing trading in mutual funds after ordinary time cutoffs (generally, 4 p.m. New York time) and allowing frequent trading, or "market timing," in mutual funds, which may be harmful to the interests of other unit holders.

Although Skandia is no longer active in the mutual fund or variable annuity industries in the United States, it has been previously disclosed that Skandia has undertaken certain obligations to indemnify Prudential Financial in connection with events that occurred prior to the sale of American Skandia to Prudential.

While no allegations of wrongdoing have been made by regulators against American Skandia, Prudential Financial has disclosed that it, like many others in the industry, has received formal requests for information from regulators, including the US Securities and Exchange Commission, the State of New York Attorney General's Office and other regulators, in connection with issues relating to the purchase and sale of mutual fund units, which includes American Skandia's mutual fund business. Prudential Financial has also disclosed that American Skandia has received a formal request for information from the New York Attorney General's Office in connection with its variable annuity business. Prudential Financial is cooperating with all such inquiries and is conducting its own internal review. Skandia will be kept apprised of developments regarding these inquiries to the extent that they relate to American Skandia pre-sale to Prudential Financial.

Prudential Financial has disclosed that these inquiries could lead to regulatory proceedings that could result in fines or other sanctions. In addition, it may become subject to civil litigation related to these matters. Because of the complexity and scope of the internal review and the uncertainties of potential regulatory proceedings and civil litigation, Prudential Financial is unable to estimate American Skandia's potential exposure, if any, at this time. Accordingly, while Skandia may be subject to indemnification claims from Prudential Financial

related to any fines, sanctions, cost of remediation or litigation that may arise out of these inquiries in relation to American Skandia pre-sale to Prudential Financial, it is not currently possible to estimate Skandia's potential exposure.

In a related matter, Skandia has learned that a purported class action lawsuit filed last week in the US District Court for the Southern District of New York, purporting to represent shareholders of the INVESCO family of mutual funds against the managers of the INVESCO family of mutual funds, has also named American Skandia as a defendant. The complaint alleges that customers of American Skandia were permitted to engage in late trading and/or market timing in the INVESCO mutual funds. Skandia has not yet had the opportunity to review this case, but intends to participate in the defence of this case if Prudential Financial notifies Skandia that it will seek indemnification in the event it incurs expenses in connection with this matter.

For further information, please contact:

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