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

Office:
Sveavägen 44

American Skandia - market timing

Financial institutions 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 in connection with certain practices involving mutual funds and variable annuity contracts. Specifically, several US mutual fund companies and insurance companies have been accused of allowing, among other things, frequent trading, or "market timing", in mutual funds and variable annuity contracts, which may be harmful to the interests of other investors.

Although Skandia is no longer active in the mutual fund or variable annuity businesses in the United States, Skandia's former subsidiary American Skandia Life Assurance Corporation and its affiliates were active in these businesses. American Skandia was purchased by Prudential Financial, Inc. in 2003.

As previously disclosed, Prudential Financial has advised Skandia that Prudential Financial, like many others in the industry, has received formal requests for information from regulatory authorities in the US. Some of the requests to Prudential Financial relate to American Skandia, and Prudential Financial has advised that it is fully cooperating with these regulators.

The US Securities and Exchange Commission and the State of New York Attorney General's Office are investigating issues relating to market timing in American Skandia's investment products. Based on recent discussions with the authorities, Skandia believes these matters are likely to lead to proceedings and/or settlement. The outcome of any settlement would likely result in payment of damages, and may also result in fines. At this moment it is not possible to estimate the financial impact on Skandia.

The agreement for the purchase of American Skandia by Prudential Financial provides that Skandia will indemnify Prudential Financial for claims, investigations, lawsuits and other matters, subject to an overall limitation of 1 billion USD. In respect of governmental actions, notice of certain claims must be provided by Prudential Financial before May 1, 2007. Amounts paid for any damages, fines, or costs that may arise out of the matters referenced above in relation to American Skandia prior to its purchase by Prudential Financial would be subject to indemnification claims from Prudential Financial.

For further information;

Jan Erik Back, Chief Financial Officer, tel. 08-788 25 00

Harry Vos, Head of Investor Relations, tel. 08-788 25 00

Gunilla Svensson, Press Manager, tel 08-788 25 00