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Skandia sells its stake in If

Skandia announces that an agreement has been reached today with Sampo Oyj ("Sampo") under which Skandia will sell its 19.36 per cent stake in If P&C Insurance Holding ("If") to Sampo for a price of SEK 4 646 million in cash. As part of this transaction, Sampo will also acquire Livförsäkringsaktiebolaget Skandia (publ)'s ("Skandia Liv") 10.06 per cent stake and Storebrand ASA's ("Storebrand") 22.47 per cent stake in If.

The transaction values 100 per cent of If at SEK 24 billion and will have a positive impact on Skandia's shareholders' equity of approximately SEK 1.5 billion (net of tax).

The transaction has been approved by the Boards of Skandia, Skandia Liv, Storebrand and Sampo respectively and is expected to close in the second quarter of 2004, only subject to receipt of customary regulatory approvals.

Strategic rationale of the transaction

The sale of the stake in If is the logical consequence of Skandia's core focus on the long-term savings and pensions business.

Since the formation of If, Skandia has been monitoring opportunities to exit its stake in If. Skandia based its decision to sell its stake in If to Sampo today on the consideration that such a sale offers a more compelling value proposition for its shareholders, provides a significantly higher execution certainty and is not subject to market or timing risks as compared to a divestiture process through an IPO.

The transaction

The transaction values 100% of If at SEK 24 billion, resulting in a value of Skandia's stake of SEK 4.6 billion. The transaction value of SEK 24 billion results in the following multiples (based on If's 2003 figures released today): approx. 1.4 x book value (shareholders' equity) and approx. 1.8 x tangible book value (shareholders' equity minus intangibles and deferred tax assets).

The consideration is payable in cash at closing of the transaction. Skandia will recognise a value uplift on its stake of SEK 1.5 billion (net of tax) during the fourth quarter of 2003. The proceeds from this transaction will be used mainly to fund organic new business growth and gives us a possibility to repay debt.

The agreement between Skandia and Sampo does not contain any representations or residual guarantees by Skandia in respect of If.

Morgan Stanley acted as financial advisor to Skandia.

Comments

Björn Björnsson, Chairman of the Board of Skandia, said:

“This transaction is a good outcome for our shareholders. Through this sale we have increased our financial and operating flexibility which will allow Skandia to focus on its core long-term savings and pensions business.”

Hans-Erik Andersson, CEO of Skandia, said:

“We believe that the terms agreed for the sale of our stake in If in this transaction compare favourably to what we could have realised in an IPO, with significantly less execution risk for our shareholders”.

Information on parties to the transaction

About Skandia

Skandia Insurance Company Ltd. (publ.) is an international long-term savings and pension provider. Founded in 1855, Swedish-based Skandia currently operates in more than 20 countries, with the UK and Sweden as its largest markets. Skandia is one of the largest providers of investment products to the independent broker-dealer channel worldwide. Additional information on Skandia can be found at www.skandia.com.

About If

If P&C Insurance is the leading property and casualty insurance company in the Nordic Region, with approximately 3.8 million customers in the Nordic and Baltic regions. Gross premiums written in 2003 totalled SEK 38.9 billion. If offers property and casualty insurance to customers in the national markets of Sweden, Norway, Finland, Denmark and the Baltic countries. The company was formed in 1999, through a merger of the property and casualty insurance operations of Storebrand of Norway and Skandia of Sweden. At the beginning of 2002, the P&C insurance operations of Sampo were merged with If. For more information, visit www.if-insurance.com

For questions, please contact:

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