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## **Codan A/S – ID code 1028863 – 8**

### **Declaration of the Board of Directors of Codan A/S in connection with RSA Overseas Holdings B.V.'s tender offer to the shareholders of Codan A/S**

- Declaration of the Board of Directors of Codan A/S regarding the tender offer announced on 24 May 2007 by RSA Overseas Holdings B.V. (a wholly owned indirect subsidiary of Royal & Sun Alliance Insurance Group plc.).
- The Board of Directors unanimously recommends the shareholders of Codan A/S to accept the public tender offer.

#### **Background**

On Thursday 24 May 2007, RSA Overseas Holdings B.V. (the "Offeror"), which is a wholly owned indirect subsidiary of Royal & Sun Alliance Insurance Group plc ("R&SA plc") announced a tender offer (the "Offer"), as described in the document that relates hereto (the "Offer Document"), to the shareholders of Codan A/S ("Codan").

As stated in the Offer Document, the Offeror has obtained a decision from the Danish Financial Supervisory Authority (the "FSA") on 14 May 2007, according to which the Offer and the Offer Document are not subject to the takeover provisions of the Danish Securities Trading Act (Consolidated Act No. 479 of 1 June 2006, as subsequently amended) (the "Act") and the Executive Order on Tender Offers (Executive Order No. 416 of 8 May 2006 on Tender Offers and Shareholder Disclosure Requirements) (the "Executive Order") as the Offer, in the opinion of the FSA, is not made with a view to acquiring a controlling shareholding in Codan and therefore the FSA does not believe it has the authority to review and verify the Offer Document. Irrespective of the fact that in accordance with the decision of the FSA the Offer is not subject to the Act and the Executive Order, the Offeror has chosen to prepare the Offer Document in accordance with the guidelines in these sets of rules, however, the Offer Document has not been reviewed by the FSA. Furthermore, the Offeror has decided to abide by these rules as if they had applied to the Offer and any reference in the Offer Document to "applicable rules" shall be construed accordingly. The Offer as well as acceptance thereof shall be subject to Danish law

According to the Offer, the Offeror is offering, subject to certain conditions, the shareholders of Codan to acquire their shares at a price of DKK 605 per share in cash (the

"Offer Price"), subject to any adjustment for dividends and other distributions made by Codan during the offer period.

The Offeror is the majority shareholder of Codan. As at the date of the Offer Document, the Offeror holds 71.66% of the share capital and the votes in Codan and 75.34% of the share capital and votes excluding the treasury shares that Codan currently holds on its balance sheet. The Offeror's ultimate parent company is R&SA plc which is the ultimate parent company of a group with operations in 27 countries and provides insurance products and services in over 130 countries (the "R&SA Group").

The members of Codan's Board of Directors (the "Board"), who are employed with the R&SA Group: Anthony Latham, Simon Lee, and Paul Whittaker, have not participated in the Board's discussion on the Offer and have not in any way interfered with or influenced the decisions and recommendation of the Board. Thus, where reference is made to the Board in this declaration, such reference is made to the members of the Board excluding the Board members who are employed with the R&SA Group.

The Board has negotiated the Offer Price and other terms of the Offer with R&SA plc. These negotiations resulted in the Offeror making the Offer of DKK 605 in cash per share of nominal DKK 20.

The Offeror has stated that the Offer reaffirms that Codan is a core part of the R&SA Group and integral to the R&SA Group's objective of delivering sustainable profitable performance.

The Board has been advised by Morgan Stanley & Co. Limited as financial adviser and by Plesner Svane Grønberg as legal adviser in connection with the Offer and this declaration.

### **Offer Document**

The details of the Offer are set forth in the Offer Document prepared by the Offeror and published by the Offeror on the date hereof.

### **Advantages and Disadvantages Pertaining to the Offer**

The Board has considered a number of factors in respect of the Offer, including the below mentioned advantages and disadvantages.

#### *Advantages*

The Board believes that the Offer from the Offeror represents the following advantages to the shareholders of Codan:

- The Offer represents a premium of approximately 15% compared with the closing share price quoted on the Copenhagen Stock Exchange prior to announcement of the Offer, approximately 14% compared with the volume weighted average share price for the 30 days preceding the announcement of the Offer and approximately 18% compared with the volume weighted average share price for the last 3 months preceding the announcement of the Offer.

- The Offer represents a premium of approximately 34% compared with the average price at which Codan completed its latest share buy-back over the period of 19 June 2006 to 13 March 2007.
- The Offer considerably exceeds the 6–12 months consensus broker share price target of DKK 546 per share, which Codan analysts published prior to the announcement of the Offer (includes broker reports published post 4Q results announcement 8 March 2007).
- The Offer has been made without conditions regarding due diligence or financing prior to the expiry of the Offer.
- The Offer is not subject to any minimum acceptance condition or to any condition with respect to approval from antitrust or other public authorities and is subject only to a limited number of customary conditions, including a material adverse change condition, as set out in the Offer Document.
- The fact that the consideration to be paid to the shareholders of Codan is cash eliminates uncertainties in valuing the consideration to be received.
- The Board believes it is positive that the Offeror states that Codan is an integral part of the R&SA Group and that it has no current intention to implement material changes to Codan's organisation or the terms of employment of the employees as a result of the Offer.

#### *Disadvantages*

The Board sees the following possible disadvantages for the shareholders of Codan:

- Following completion of the Offer and, if the Offeror acquires more than 90% of the outstanding shares in Codan, subsequent redemption and delisting of Codan, the shareholders of Codan will not have the opportunity to participate in any possible future increase in the value of Codan.
- Shareholders will generally be taxed on the gain realised if they choose to sell their shares. As the tax consequences of accepting the Offer will depend on the individual tax position of each shareholder, the Board recommends that shareholders evaluate their own individual tax position and, if necessary, consult with their own professional advisor.

#### **Fairness Opinion**

In the context of its consideration of the Offer, the Board has received a fairness opinion from its financial advisor, Morgan Stanley & Co. Limited, dated as at 23 May 2007. The full text of the fairness opinion is set forth in the Schedule to this declaration.

#### **Other Considerations**

Codan has had a strong start to the year and on that basis Codan reiterates its guidance for the full year as outlined in Stock Exchange Announcement No. 1/2007 of 8 March 2007 (Announcement of results for 2006) of a combined ratio in a range of

90%-92% (based on the changed discounting approach as described in such announcement).

In the Offer Document the Offeror has stated that the Offeror has no current intentions to implement material changes to Codan's organisation or the terms of employment of the employees as a result of the Offer, the Offeror will continue from time to time to review Codan's plans and may consider and seek changes to Codan's existing plans concerning Codan, its operations and organisation.

The Offeror has stated in the Offer Document that if upon settlement, the Offeror owns more than 90% of Codan's outstanding share capital, it is the Offeror's intention to initiate a compulsory acquisition procedure with a view to acquire the remaining Codan shares not owned by the Offeror, and seek to de-list Codan shares from the Copenhagen Stock Exchange.

Neither the Offeror nor Codan has entered into any agreement concerning any post-acquisition compensation payable to any members of the Board or any member of the Codan management as a consequence of the Offer.

## **Conclusion**

The Board is pleased that the shareholders of Codan have been presented with this Offer. Taking into consideration the advantages and disadvantages of the Offer and considering the matters described in this statement, including without limitation the fairness opinion rendered by Morgan Stanley & Co. Limited, the Board has decided to unanimously recommend the shareholders of Codan to accept the Offer.

Codan A/S  
The Board of Directors

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This declaration has been prepared in the Danish language version and has been translated into an English language version. In the event of any discrepancies between the two versions, the Danish language version shall be the governing text.

This declaration may contain "forward-looking statements" (as defined in the US Private Securities Litigation Reform Act of 1995) with respect to certain of Codan's and/or the Board's plans and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events or circumstances which are beyond the control of Codan and/or the Board. As a result, the actual future plans and expectations may differ materially from the plans and expectations set forth in this declaration. Neither Codan nor the Board undertakes any obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation.

**Schedules**

Morgan Stanley & Co Limited's fairness opinion