

Press Release
September 22, 1999

Celsius:

Kockums Naval Systems and HDW merge to become leading global player in submarines

Celsius, Babcock Borsig and Preussag have signed a contract concerning the formation of a European shipbuilding company as a result of a merger between Howaldtswerke-Deutsche Werft (HDW) and Kockums Naval Systems.

According to the terms of the agreement, Preussag will sell 25 percent plus one of its HDW shares to Celsius. At the same time, HDW will acquire all shares in Kockums Naval Systems from Celsius. The transaction will be completed on October 1st, 1999. HDW's new ownership structure will thereby comprise Babcock Borsig (50 percent plus one share), Celsius (25 percent plus one share) and Preussag (25 percent minus two shares). Subsequent to an integration phase running to the end of the year 2000, the parties will discuss the shareholding structure.

HDW's purchase of Kockums creates a new international company that will be a leading global player in the conventional (non-nuclear) submarine and naval surface vessel sectors. Furthermore, an agreement has been reached between Celsius and HDW settling the acquisition of Celsius' 49-percent stake in Australian submarine builder, Australian Submarine Corporation (ASC).

The newly merged 'HDW Group' will have annual sales of c. SEK 9 billion and an order backlog exceeding SEK 31.5 billion and 4 300 employees. Operations will be located in Kiel, Germany, Malmö and Karlskrona in Sweden and Adelaide in Australia, and the Group will be headquartered in Kiel. Celsius will play an active role in HDW Group's executive management and on its board of directors.

The merger of these two shipbuilding companies creates the world's strongest builder of submarines, a company with the most advanced technology and a commanding position in the conventional (non-nuclear) submarine sector. The company will also be a strong player in the naval surface vessel sector. Both companies have developed advanced systems and products in their respective business sectors, and the merger will lead to strengthened research and development resources.

The signed agreements are subject to approval by the authorities concerned.

Lehman Brothers has acted as financial advisers to Celsius in this transaction.

You will find more information at www.celsius.se and www.hdw.de

Further details are available from Celsius CEO Lars G. Josefsson, on +46 (0)8-463 00 10, or +46 (0)70-563 22 10 (mobile)

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For those requiring further information, a **telephone conference will be held on Sept 22, at 13.00 CET** (Central European Time) 12.00 UK time – 07.00 US EST.

Celsius' CEO, Lars G. Josefsson, and CFO, Nils-Ove Andersson, will be available to answer questions. To participate in the conference, call +44 181 781 0596 from Europe and +1 334 323 4002 from the US.

European replay +44 181 288 4459, US replay +1 703 736 7336
access code for both: 629 892.

Presentation material will be available on the Celsius website at www.celsius.se