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## **Vattenfall welcomes HEW's acquisition of Veag and Laubag**

**Vattenfall welcomes the decision that its future subsidiary HEW in Hamburg is to be allowed to acquire the shares in the energy companies Veag and Laubag in eastern Germany that the leading German power groups RWE and Eon put up for sale some time ago.**

“This decision is a major step forward in our strategy to establish the Vattenfall Group as a leading European energy company and one of the largest players on the German electricity market,” says Vattenfall’s President and CEO Lars G Josefsson. “This strategy will make it possible for a competitive Vattenfall to remain the only major Swedish-controlled power company on the Swedish market.”

The decision means that HEW will acquire 81.25 per cent of Veag and 92.5 per cent of Laubag for a total of DEM 2.9 billion. The payment will partly be made by transferring HEW’s holdings in Sydkraft AB (15.7 per cent of the shares and 2.6 per cent of the votes) to Eon.

Veag is a major company in eastern Germany that provides safe, commercial and environmentally-aware electricity generation based on domestic brown coal. The company also runs the grid in eastern Germany. In an investment for the future that is without equal in Germany, Veag’s owners have invested approximately DEM 17 billion in power stations and networks over the last ten years. These investments, which will be written off within a few years, mean that the company will have Europe’s most modern power stations, with the highest environmental standards, and that the emissions from the combustion of brown coal will be dramatically reduced. This will be an important factor in helping Germany to achieve the targets set in the Kyoto Convention.

Veag and Laubag have a heavy capital load due to these investments, but have a lot of potential for the future as their variable costs are highly competitive.

When the major German energy groups RWE and Eon were formed, one of the conditions set by the European Commission before approving the mergers was that the groups should sell their holdings in Veag and Laubag in eastern Germany. Initially more than 30 companies from Germany and abroad announced their interest. Vattenfall and HEW finally proved to have the strongest bid.

“We are very pleased with this deal. I now hope that an agreement will soon be reached that will also make it possible to make Bewag in Berlin an integral part of Vattenfall’s strategy,” says Lars G Josefsson.

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Vattenfall is one of the largest energy companies in Europe, accounting for 25 per cent of total electricity sales in the Nordic region. The total electricity generation is 85 TWh. Vattenfall is a leading operator of regional and local distribution networks. About 2.4 million customers get their energy solutions or other services from Vattenfall. The Group also conducts operations in the areas of heating and natural gas, as well as transmission services and consulting for the energy sector. Vattenfall's biggest customers are energy companies, industrial enterprises, and retail customers in the Nordic region. Vattenfall is also active in Germany, Poland, the Netherlands, and the Baltic countries.