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HEW and VEAG to merge to form Vattenfall Europe AG

Decision made on holding company

The merger of the German Vattenfall companies Bewag, HEW, VEAG and LAUBAG will shortly be concluded: On Wednesday, HEW AG's AGM agreed to the merger with VEAG as well as the name change to Vattenfall Europe AG. At August 22nd, the merger decision will be confirmed by VEAG's AGM.

The merger of the companies is a so-called push-down merger, where first the operative areas of the participating companies were disincorporated in order to merge the two parent companies in their new form together as the holding company. As early as June subsidiaries were formed to administer VEAG's power stations, transmission network and sales business. It was also decided to disincorporate the operative sections of HEW which continue the local business in Hamburg. In a similar process, the Bewag subsidiary, which has a different financial year, will be merged with the holding company over the next year.

"With the holding company, we have created a base for Vattenfall on the German energy market," said Dr Klaus Rauscher, CEO of the holding company: "I am happy and proud that we have carried out probably the most complex merger in recent German industrial history more swiftly than originally planned. By doing this, we have completed the restructuring of the German power industry which began with the opening up of the energy markets."

"This is a historical day for Vattenfall," said Lars G. Josefsson, CEO of Vattenfall AB and Chairman of the Board of Vattenfall Europe AG. "In recent years, we have taken a major step closer to the realisation of our vision of being a leading European energy company. We have reached a size which enables us to play a leading role on the European energy market, a role which also brings responsibility. Vattenfall sees part of its responsibility to be ensuring active competition on the energy market."

The merger of Bewag, HEW, LAUBAG and VEAG to form Vattenfall Europe AG has created the third largest energy group on the German market in terms of power generation and sales. The integrated company is organised into business units which are responsible for the different links in the energy industry's added value chain: The business of Vattenfall Europe ranges from strip mining in Lausitz via production and the transmission network to the sale of heat and power to more than three million end customers in Berlin, Hamburg and western Mecklenburg. Vattenfall Europe generates and sells around 80 TWh of power annually and employs around 18,000 employees.

The CEO of Vattenfall Europe AG is Dr Klaus Rauscher. Other members of the Board will be Hans-Jürgen Cramer (Heat & IT), Prof. Dr Kurt Häge (Mining & Power Generation), Berndt-Olof Helzén (Transmission Networks), Joachim Lubitz (Finance), Dr Martin Martiny (Human

Resources), Dr Hans-Joachim Reh (Sales).

The following new members of the Board were elected at the AGM:

Helmut Mehdorn, CEO of Deutsche Bahn AG

Dr Giuseppe Vita, former CEO of Schering AG

Alf Lindfors, Executive Vice President, Vattenfall AB

Lennart Billfalk, Executive Vice President, Vattenfall AB

Knut Leman, Senior Vice President, Vattenfall AB

The following persons have earlier been elected:

Lars Josefsson, CEO Vattenfall AB (Chairman), Dr Karl-Ludwig Kley, board member, Deutsche Lufthansa AG, Dr Otto Majewski, lawyer and former head of Bayernwerk, Matts Ekman, Senior Executive President, Vattenfall AB, Mats Fagerlund, Senior Executive President, Vattenfall AB.

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