

4th July 2000

Letter of Intent regarding cooperation:

Sydkraft to acquire holding in Oslo Energi Gruppen

Sydkraft and Oslo Energi Holding today signed a Letter of Intent regarding owner cooperation. Among other factors, the agreement means that Sydkraft can acquire a 20-percent interest in the Norwegian company. Both parties are hopeful that the acquisition will be completed during the current year and that a partnership in the energy area can be started.

Oslo Energi Gruppen aims to become a leading player in Norway in connection with the restructuring of the country's electricity market. This will enable the company to build the greatest value for its owner, the Municipality of Oslo. Taking into account the severe competition prevailing in the Norwegian market, size and coordination gains constitute an important prerequisite for achieving improved earnings.

"During the past six months, we have discussed how we can further develop the assets of Oslo Energi Holding's owner. We have also conducted inquiries among the companies that are currently joint owners of our subsidiaries. Our conclusion is that, given the ongoing restructuring of the Norwegian electricity market, Sydkraft is the company that can provide Oslo Energi Gruppen with the necessary financial strength and strategic expertise," comments Bård Mikkelsen, President of Oslo Energi Holding.

"The agreement that we have entered into is highly attractive over the long term and Sydkraft is more than willing to participate jointly with Oslo Energi Holding in the structural transformation of the southern Norwegian energy market. Our current cooperation with Østfold Energi fits in extremely well with this development," says Lars Frithiof, Chief Executive Officer of the Sydkraft Group.

With its 550 employees, Oslo Energi Gruppen is one of the largest power constellations in Norway. The company has seven wholly or partly owned subsidiaries, of which Oslo Energi Produktion and the electricity company Oslo Energi are the largest. Statkraft, which is one of Sydkraft's owners, has a 20-percent holding in Oslo Energi Production and Vattenfall has a 49-percent holding in Oslo Energi. Sydkraft already owns 49 percent of Oslo Energi Konsult. Oslo Energi Gruppen is Norway's third largest producer of hydroelectric power and is the largest player in the electricity-trading sector, with approximately 300,000 customers.

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