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## **Sydkraft to exchange HEW shares for assets in Vattenfall**

Sydkraft and Germany's E.ON Energie have now reached agreement with Vattenfall regarding the compensation that will be paid to both companies for their individual shareholdings in Hamburgische Electricitäts-Werke (HEW). A "Memorandum of Understanding" has been signed and it is estimated that the agreement will be finalized in January 2001 at the latest. In total, the agreement relates to slightly more than 37 percent of the shares in HEW. Sydkraft owns approximately 22 percent of the shares in HEW. In total, Vattenfall will pay slightly more than SEK 4 billion in cash and [share] participations in a number of companies in Sweden, Norway, the Czech Republic and Lithuania.

In an initial comment on the agreement, Sydkraft's CEO Lars Frithiof says:

"I am very satisfied with the agreement. Viewed as a whole, this provides us with a favorable exchange for our investment in Hamburg. We receive a direct financial contribution for our continued acquisition strategy at the same time as we and our partners in Norway are provided with greater opportunities to contribute actively to a more optimal energy market in the Oslo area. Through the acquisition of Forskraft in Östergötland, our focus on the Norrköping-Örebro area, and the links between them, will strengthened and made more efficient."

In brief, the compensation for Sydkraft's and E.ON Energie's holdings in HEW takes the following form:

1. Vattenfall will pay slightly more than SEK 4 billion in cash.
2. Vattenfall will transfer 8.5 percent of the shares in Forsmark Kraft AB, corresponding to 8.5 percent of capacity and equal to approximately 2 TWh of electricity.
3. Vattenfall will transfer the network area that was formerly Forskraft AB, and which conducts operations in Östergötland.
4. Vattenfall will transfer its shares (A and B) in the listed Norwegian company, Hafslund AS, corresponding to 31.7 percent of the votes and 20.5 percent of the share capital.
5. Vattenfall will transfer its shares in the Norwegian company, Fredrikstad Energiverk AS, corresponding to 40 percent of both the votes and share capital, and its shares in Fredrikstad Energinet AS, corresponding to 35 percent of both the votes and share capital.

6. Vattenfall will transfer its shares in Vattenfall Naturgas AB, corresponding to 51 percent of both the votes and share capital.
7. Vattenfall will transfer its shares in Baltic Cable AB, corresponding to one third of both the votes and share capital
8. Vattenfall will transfer its shares in VCE, in the Czech Republic, corresponding to 41.7 percent of both the votes and share capital.
9. Vattenfall will transfer its shares in LPC, in Lithuania, corresponding to 10 percent of both the votes and share capital.

Final negotiations are currently in progress and are expected to be concluded in January 2001. No formal Board decisions have yet been taken. The transaction is also conditional upon the approval of the relevant competition authorities.

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