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Vattenfall becomes majority shareholder in HEW

Vattenfall will acquire the shares in Hamburgische Electricitäts-Werke AG (HEW) formerly owned by Sydkraft AB, Malmö, and E.ON Energie AG, Munich, thereby becoming a majority shareholder. This is a major step towards achieving Vattenfall's objective of establishing a strong market position in Germany.

In a memorandum of understanding, the three companies involved have agreed that Sydkraft and e.on Energie will sell all of their shares in HEW to Vattenfall. In return, Vattenfall will pay a cash amount of SEK 4,210 million (€ 495 million) and transfer shares and interests in companies in Sweden, Norway, Lithuania, and the Czech Republic to the other two companies.

The agreement means that Vattenfall, which already owns 26.2 % of the shares in HEW, will acquire another 37.2 % of the voting rights and share capital. Vattenfall has also agreed to acquire 7.8 % of the shares in HEW from institutional investors and thus will have a stake of 71.2 %.

HEW is Germany's fifth largest power Group with around one million customers, a turnover equivalent to € 2,326 and close to 7,000 employees. This acquisition is a major step in realising Vattenfall's vision of becoming a leading European energy company.

"We want to become a company with a European identity, in which the Swedish-German formation is a central element. A majority holding in HEW gives us a solid base in Germany from which we can act as a leading player on the German market. Our long time ambition is to achieve a 20 % market share in Germany. Such a development will contribute to positive industrial development and to customer satisfaction in Germany as well as in other countries where we do business," comments Lars G Josefsson, CEO of Vattenfall.

Dr. Manfred Timm, spokesman of the executive board in HEW, declares:

"One year ago, I said that the Senate of Hamburg had paved the way for HEW's future by deciding in favour of Vattenfall. The current process is a consequence of this decision. Furthermore it is a result of the liberalisation and the European convergence of the electricity market. With Vattenfall as a strategic partner we have reached a European dimension. Vattenfall supports us in our efforts to become majority shareholder in Bewag and VEAG and then become the 'fourth force' among German power companies."

The following assets held by Vattenfall will be transferred to e.on and Sydkraft as a part of the agreed swap: shares in Forsmark Kraft AB, representing 8.5 % of the share capital; the network business formerly run by Forskraft Distribution AB; Vattenfall's shares in Hafslund AS, Norway (20.5 % of the share capital); Vattenfall's shares in Fredrikstad Energiverk AS (40 % of the share capital) and Fredrikstad Energinett AS (35 % of the share capital), Norway; Vattenfall's shares in Vattenfall Naturgas AB

(51 % of the share capital); Vattenfall's shares in Baltic Cable AB (33 % of the share capital); Vattenfall's shares in Lithuanian Power Company, Lithuania, (10 % of the share capital); Vattenfall's shares in Vychodoceska Energetika, Czech Republic, (42 % of the share capital).

The deal will be closed in January 2001. The transactions also require approval from the boards of the respective companies and from cartel authorities.

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Vattenfall is one of the largest energy companies in Europe, accounting for 25 percent 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 millions 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 the Baltic countries, Germany, the Netherlands, Poland, the Czech Republic, Austria, Southeast Asia and South America.