Morphic Technologies AB (publ)
Karlskoga 09.06.2008

Morphic is acquiring 80 per cent of ScanWind AS

Morphic Technologies has entered into an agreement on acquisition of 80 per cent of the Norwegian wind-turbine manufacturer ScanWind Group AS. ScanWind manufactures and markets wind turbines with a capacity of 3.5 MW and over that have been specially developed for Wind Class IEC 1 and 2, extreme wind situations and demanding climates, e.g. sites near to the coast and offshore sites. The purchase price is NOK 189 million and the seller is Nord Trøndelag Elektrisitetsverk AS (NTE). Morphic also has an option to acquire the remaining shares in the company. The acquisition means that Morphic is broadening its product portfolio within the segment wind power and is opening up to completely new markets.

Scanwind is the world's lightest direct-drive multimegawatt machine. ScanWind's turbine has been designed on the basis of maximum production, durability and reliability. The principle is basically the same as for hydroelectric power stations, which are renowned for their high level of availability and low service requirement.

The turbine provides a superior relationship between electricity production and weight. The low weight is crucial to profitability, especially offshore. Competing direct-drive multimegawatt machines are far heavier, resulting in lower profitability. Turbines designed with gearboxes have a weight-power ratio on a par with ScanWind's turbines, though they do not cope well with locations near the coast and offshore installations, thus leading to high servicing costs, low availability and inferior profitability.

Since the first ScanWind wind turbine was erected in 2003 in Nærøy, a further 10 complete turbines have been built and sold on the Norwegian market. ScanWind will also be delivering a further four complete wind turbines before the end of summer 2008. In spring 2008 ScanWind's machine also demonstrated reliability of 97% as an average value for the whole wind farm. The Nærøy wind farm is located on Norway's west coast, in the very toughest wind conditions imaginable. The seller, NTE, also has a fully planned facility with planning permission for 20 turbines in a though wind location near the coast. This project is expected to be procured during autumn 2008 and represents a business opportunity for Morphic.

The acquisition of 80 per cent of ScanWind is initially being financed with a bank loan and existing liquidity. Morphic will in a short period of time be convening an extra general meeting and requesting authorisation for a preferential share issue during autumn 2008. The new share issue is intended to bring Morphic approx. SEK 400m, and in addition to repayment of the bank loan it will in part be used for continued aggressive investment in wind-power deals. In conjunction with the acquisition of ScanWind Morphic has obtained subscription undertakings, declarations of intent and share-issue guarantees approx. SEK 225m, and is reckoning on the new share issue being fully guaranteed.

In conjunction with the acquisition Morphic and Vattenfall have signed a declaration of intent regarding collaboration. Vattenfall is the Nordic countries' biggest investor in renewable energy, specialising in wind power on land and at sea, and plans an increase of 8 TWh by 2016. Vattenfall has long experience of offshore wind power, through both Horns Rev and Lillgrund wind-power farms – the biggest and third biggest in the world respectively. It will constitute important input regarding the development of ScanWind's wind turbine for offshore use. Provided the development of ScanWind's offshore turbines is successful, Vattenfall intends to sign a general agreement on volume deliveries with Morphic as from 2010. Morphic intends to gradually build up production capacity for the deliveries to Vattenfall and other customers.

”We need high-quality wind turbines that can cope with tough conditions. ScanWind's technology is promising, and if the development work is successful their turbines may proves to be the ones we are looking for,” says Anders Dahl, Vattenfall Vindkraft AB's CEO. ”Vattenfall's expertise in the fields of electricity transmission and construction and operation of offshore wind turbines will be of great help to us in quickly developing a powerful and profitable concept for Vattenfall and the global offshore market in general," says Jonas Eklind, Morphic Technologies' CEO and group manager.

ScanWind manufactures and markets wind turbines with a capacity of 3.5 MW and over, specially developed for extreme wind situations and demanding climates, e.g. sites near to the coast and offshore sites. Marked growth is expected in this market segment – Wind Classes IEC1 and 2. For example, BTM Consulting forecasts that offshore installations in Europe will increase by 5,800 MW during the years 2008-2011. In Sweden the Energy Agency has proposed generation of approx. 10 TWh of electricity from offshore wind power () by the year 2020 and approx. 20 TWh of electricity from wind power from land-based wind farms. By way of example, over the coming ten-year period Vattenfall intends to invest approx. 40 billion in wind-power installations – 50 per cent offshore and 50 per cent on land. Through the acquisition Morphic is establishing itself in a rapidly growing wind-power segment with a technology that has great competitive advantages, in part through a high production capacity and a high level of reliability and efficiency.

"ScanWind is a well-managed company with a unique technology that broadens our existing product portfolio within our business field of large-scale wind power. Our businesses also complement and rationalise each other – including in terms of production," says Jonas Eklind, Morphic Technologies' CEO.

The acquisition facilitates considerable synergies, chiefly in connection with development and sales, but also regarding sourcing of components and production. Several of the key components in ScanWind's wind turbines can be in sourced and manufactured at Morphic's production plant in Filipstad, and towers will be manufactured in the factory in Kristinehamn. Development and production of the turbines will continue to take place at ScanWind's existing production plants in Norway.

The two companies' businesses also complement each other very well in terms of marketing. Whilst Morphic's wind turbine has mainly been developed for inland use and sites near the coast with lower turbulence, ScandWind's turbine has chiefly been developed for offshore wind sites and wind sites near to the coast, and for sites with severe turbulence. Morphic now also intends to initiate canvassing of the Norwegian market with its inland machines.
The head office is in Trondheim (Norway). The business employs a total of 35 people. ScanWind's turnover for 2007 was the equivalent of NOK 253.6m, with a result before financial expenses of NOK -60.4m. A preliminary acquisition analysis will be presented in the three-month report for the 08/09 financial year.

For more information, please contact:
Johannes Falk, Executive Vice President Investor Relations, Morphic Technologies AB
Phone: +46 (0)70-676 7393, e-mail: johannes.falk@morphic.se

www.scanwind.com/
www.morphic.se

This is Morphic

Morphic Technologies is a Swedish industrial company that offers energy systems based on renewable electricity production and low-resource technology for production of components in large series. Business is carried out in Sweden (Karlskoga, Filipstad, Kristinehamn and Gothenburg), and in Japan, Greece, Italy and Switzerland. Since March 2008 the company's 'B' shares have been listed on OMX Nordiska Börs Stockholm. Further information on the company can be found at www.morphic.se.