Vattenfall Capital Markets Day

Presentation by

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Polish energy market introduction

- Population: 38 million
- Number of electricity customers: 15.6 million
- Total electricity consumption: 129 TWh
- Electricity consumption per capita is only 40% of EU-15 average
Vattenfall currently has a 75% shareholding both in VHP (Vattenfall Heat Poland, formerly EWSA) and in GZE.

- Total investment in Poland: 911 mEUR
- Annual sales: 3,837 mPLN (959 mEUR) in 2005
- A market share of 7% in the Polish energy market

Revenue mix of Vattenfall in Poland:

- Electricity: 47%
- Heat: 24%
- Networks: 29%
Financial Performance 2002 - 2006

- Strong profit growth and improvement in RoNA in the last four years

EUR/PLN = 4.0
Consolidated sales and employment reduction

Consolidated sales BG Poland, mPLN

Total employment at BG Poland

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Productivity vs. Western peers

- Vattenfall Poland has become the Polish benchmark for productivity; however we still trail our international peers

<table>
<thead>
<tr>
<th>Sales per employee, kEUR</th>
<th>Polish energy sector</th>
<th>Vattenfall Poland</th>
<th>North European competitor</th>
<th>French competitor</th>
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<td>221</td>
<td>330</td>
<td>453</td>
<td>385</td>
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Efficiency of Administrative Functions

- European utilities, 1Q: 65
- European utilities, Avg.: 97
- Vattenfall Poland: 144

Number of staff and admin PY per thousand total staff
Employment Level at Siekierki and Żerań pre- and post restructuring

**CHP Siekierki**

Benchmarking gap (%FTE)

- **2002**: 57%
- **2006**: -37%
- **FTE reduction**: 37%

**CHP Żerań**

Benchmarking gap (%FTE)

- **2002**: 57%
- **2006**: -36%
- **FTE reduction**: 35%
Continuous efficiency improvement – BU Distribution

Merger of maintenance companies
- Employment reduction of 143 FTE (18%)
- 9.3 mPLN annual cost savings

Substation automation
- 25 FTE reduction
- Reduction in maintenance costs

Electricity theft limitation
- 8,573 cases of illegal electricity consumption in 2005
- 10.6 mPLN of income from penalties alone

Restructuring of support functions
- Over 20% FTE reduction
Change in emission levels

The change in emission levels of air pollutants between 2001 and 2005

- SO2: -18%
- NOx: -12%
- Dust: -35%

The investment programme implemented in our heat business has resulted in a significant reduction in emissions of SO2, NOx and dust.
Emissions at BU Heat Poland vs. Polish peers

[Graph showing emissions by kg/MWh for BU Heat Poland, CHP Kraków, CHP Gdańsk, CHP Łódź, Condensing PP, and PP Bełchatów. The graph compares emissions of dust, SO2, and NOX.]
Customer satisfaction

- Satisfaction is improving among commercial and industrial customers thanks to enhanced billing procedures
- Service level to small businesses and households requires improvement
Quality of electricity deliveries

SAIDI in Vattenfall Group:

SAIDI index represents length of summed up interruptions (not shorter than 3 min.) per customer

- Poland: 4.96 hrs/customer
- Sweden: 2.38 hrs/customer
- Finland: 2.00 hrs/customer
Employee satisfaction levels

- Despite the restructuring the employee satisfaction level has improved significantly in the last three years.
Important events in 2006 – BG Poland

- Operational unbundling of GZE’s sales and distribution businesses has been completed
- VTS Poland has been successfully established and currently provides wholesale market access to all our businesses in Poland
- Re-branding
  - All business units trade under Vattenfall brand as of January 1, 2006
- Strengthening of senior management at BG Poland as well as Sales and Distribution Businesses
Important events in 2006 – Polish energy sector

• CO2-trading scheme
  – National register for CO2-trading has been established; the trading is likely to start by the end of 2006
  – Electricity prices have until now been unaffected by CO2-trading scheme

• Change in excise tax system
  – Power plants are currently burdened by a 20 PLN/MWh excise tax. It is likely that this tax will be transferred “downstream” in 2007

• Liberalisation of the electricity market
  – Continued low liquidity in the Polish power exchange as the balancing market rules and the PPA’s continue to impede market liberalisation
  – TPA should be available to all customer groups as of July 1, 2007

• Energy sector privatisation
  – The number one priority for the government is to create two vertically integrated “national champions” in the Polish energy sector
  – Further privatisation of the sector has been suspended and it is likely to continue so for the foreseeable future

• Regulatory
  – The Regulator is likely to continue the tariff regime for the supply companies even after market opening in July 2007
Vattenfall market position in Poland

- Current market position by business area:
  - Electricity generation – 7th
  - Electricity sales and distribution – 6th
  - District heating – 1st
    (heat production only)

- Vattenfall is in a chasing position with a 7% overall market share