

Vattenfall Capital Markets Day

Presentation by

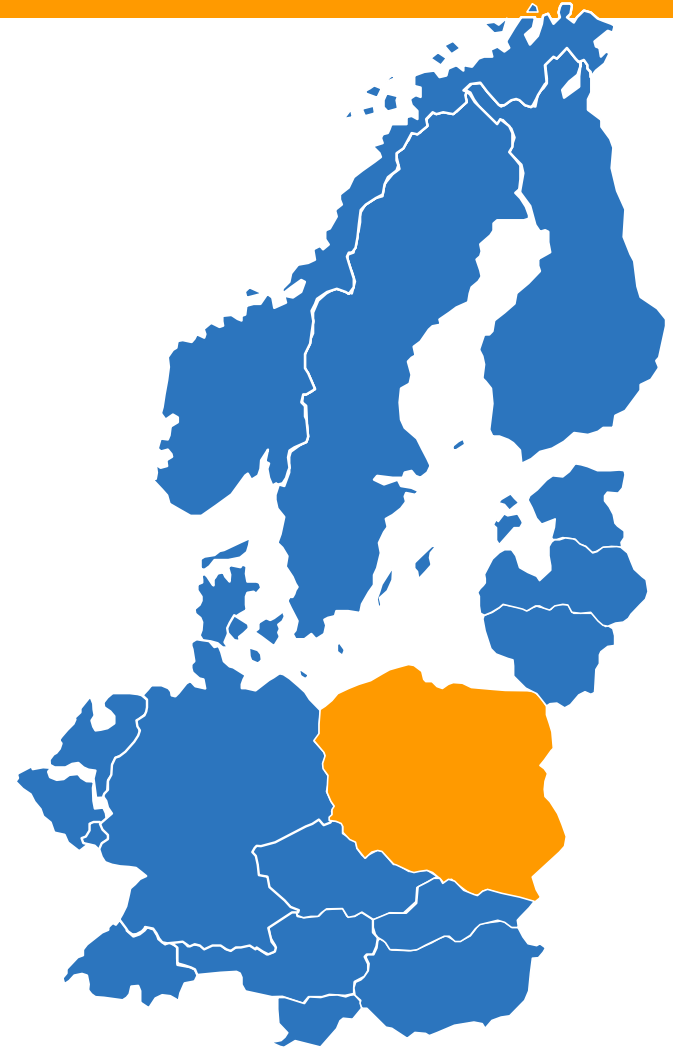
Tuomo Hatakka

Head of Business Group Poland

Gothenburg, 9 August, 2006

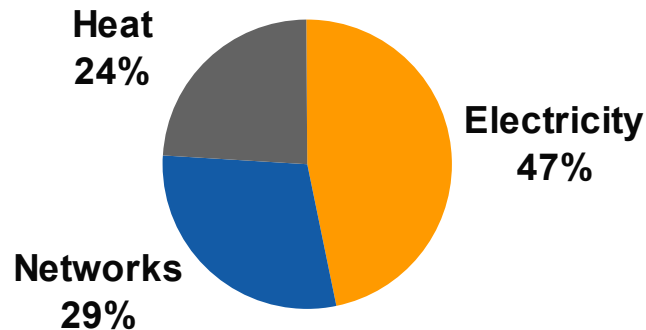
Polish energy market introduction

- 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



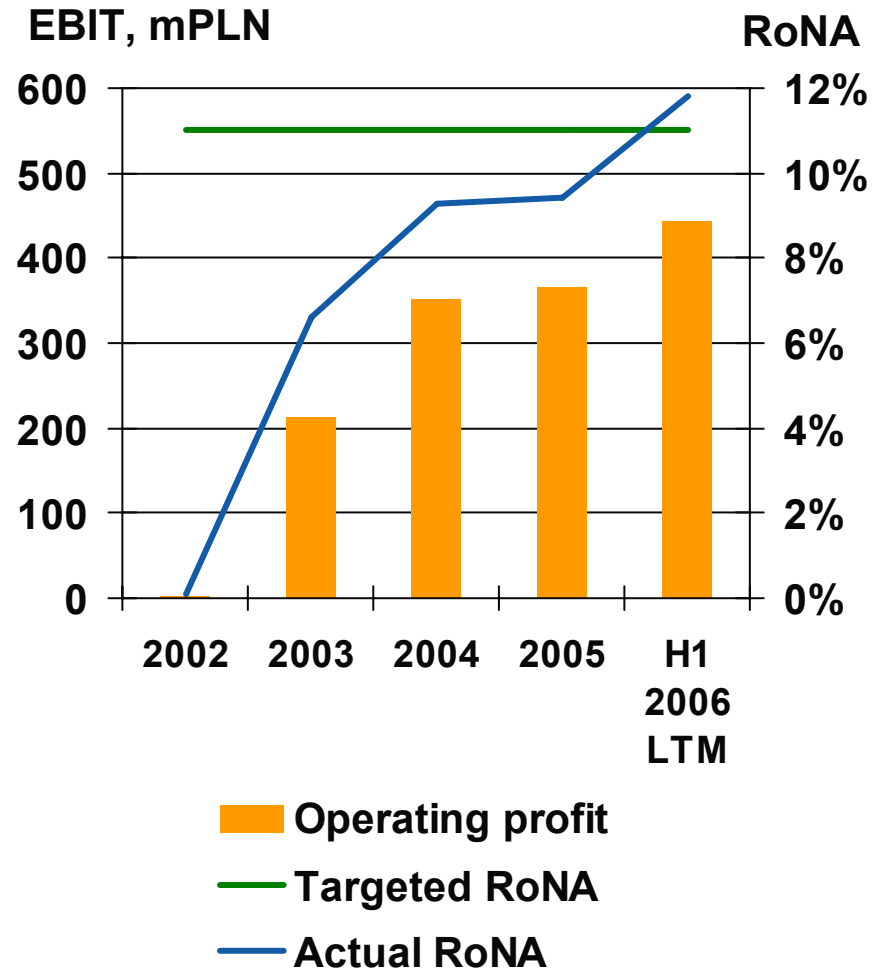
Business Group Poland introduction

- 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:



Financial Performance 2002 - 2006

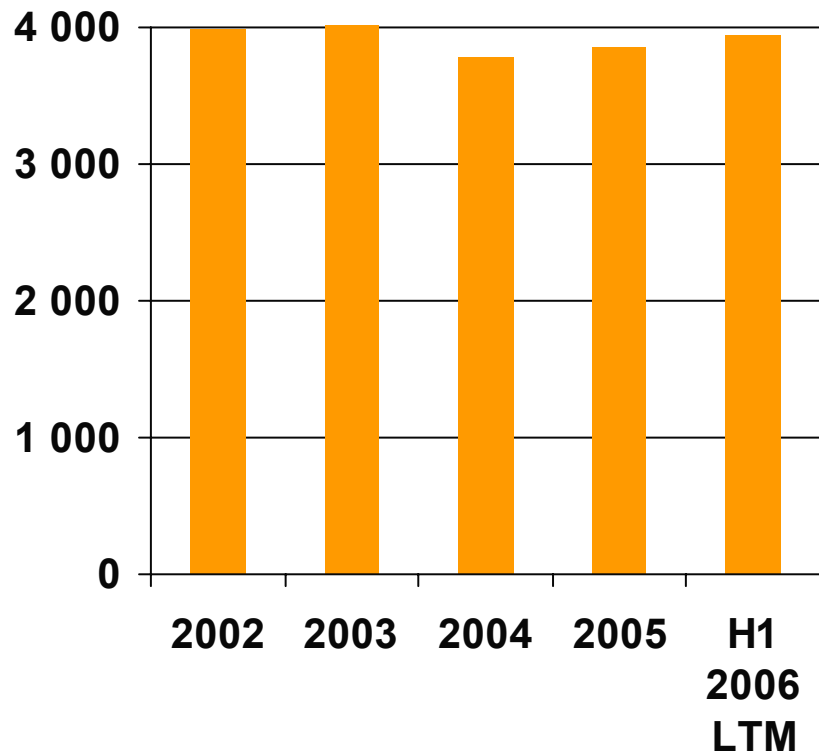
- Strong profit growth and improvement in RoNA in the last four years



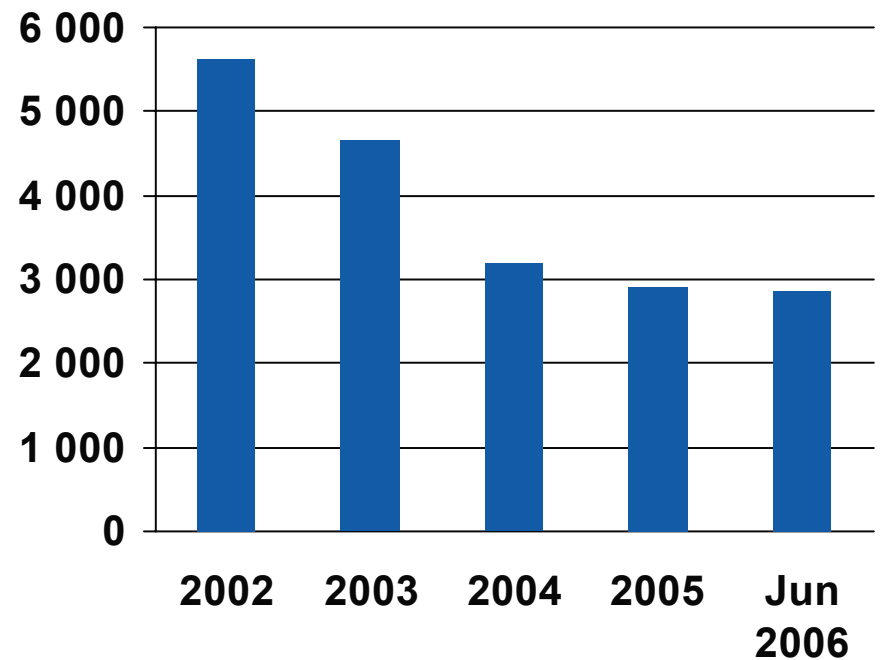
EUR/PLN = 4.0

Consolidated sales and employment reduction

Consolidated sales BG Poland,
mPLN



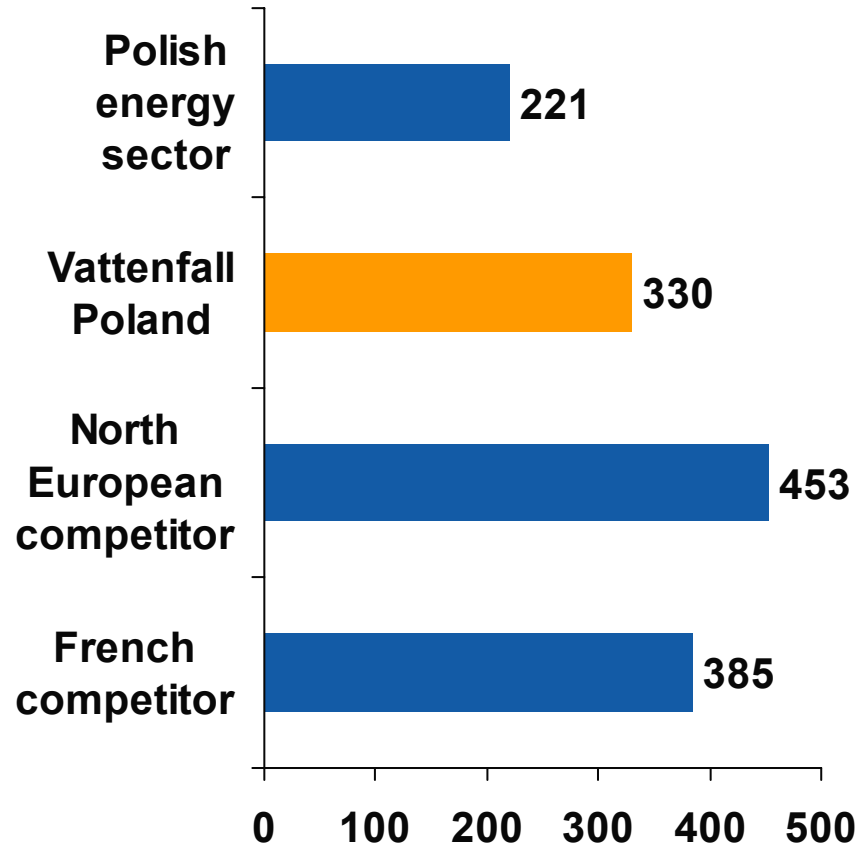
Total employment at BG Poland



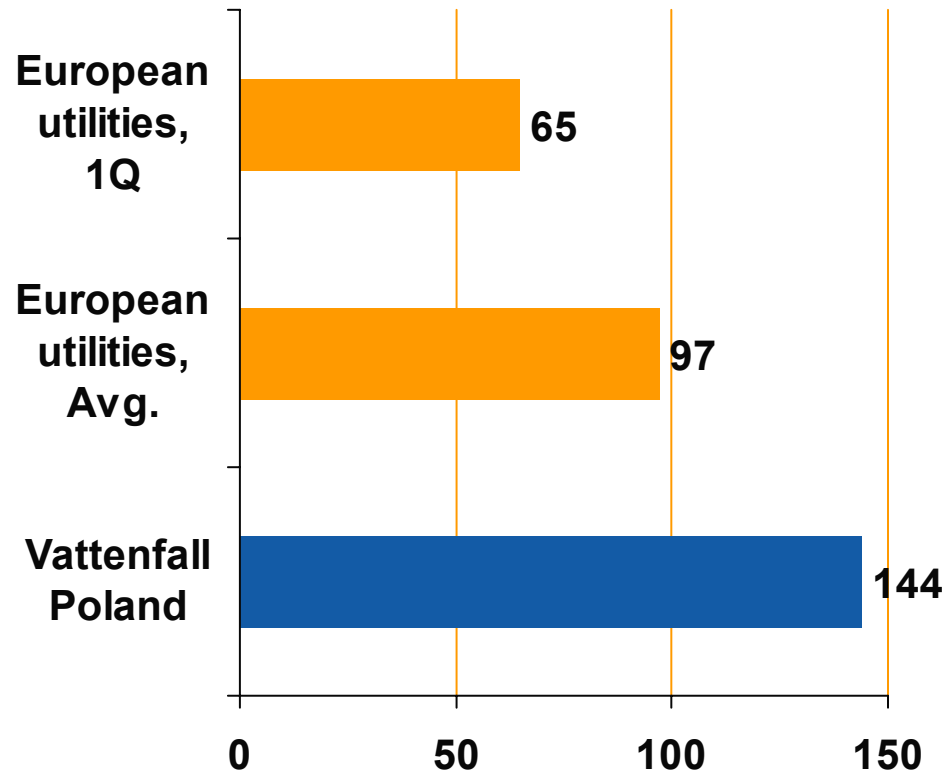
Productivity vs. Western peers

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

Sales per employee, kEUR



Efficiency of Administrative Functions

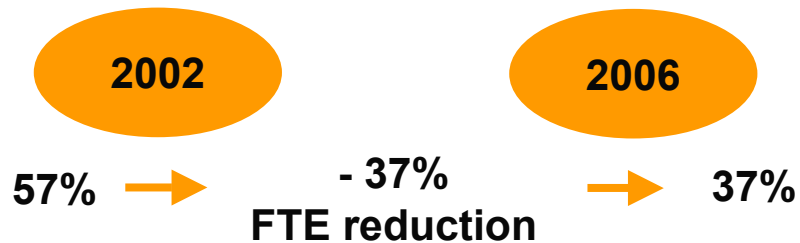


Number of staff and admin PY per thousand total staff

Employment Level at Siekierki and Żerań pre- and post restructuring

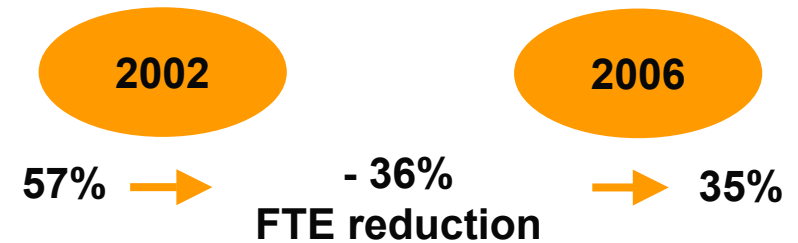
CHP Siekierki

Benchmarking gap
(%FTE)



CHP Żerań

Benchmarking gap
(%FTE)



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

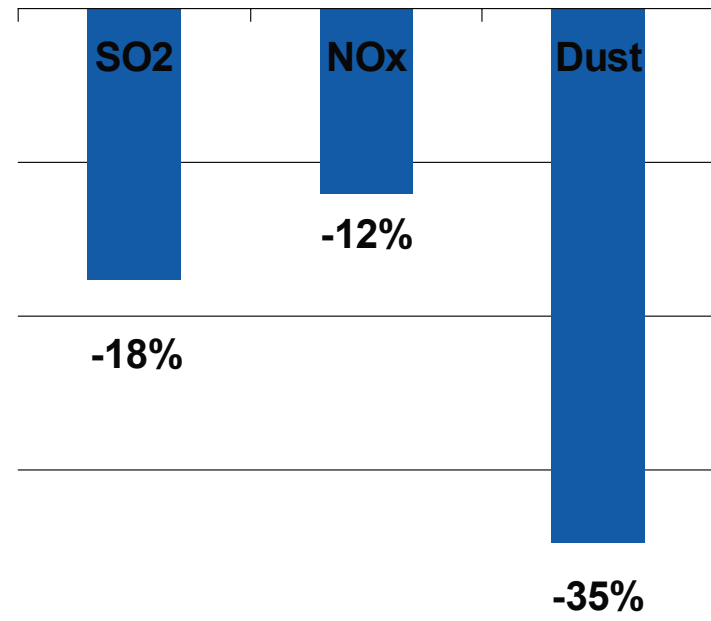
Restructuring of support functions

- Over 20% FTE reduction

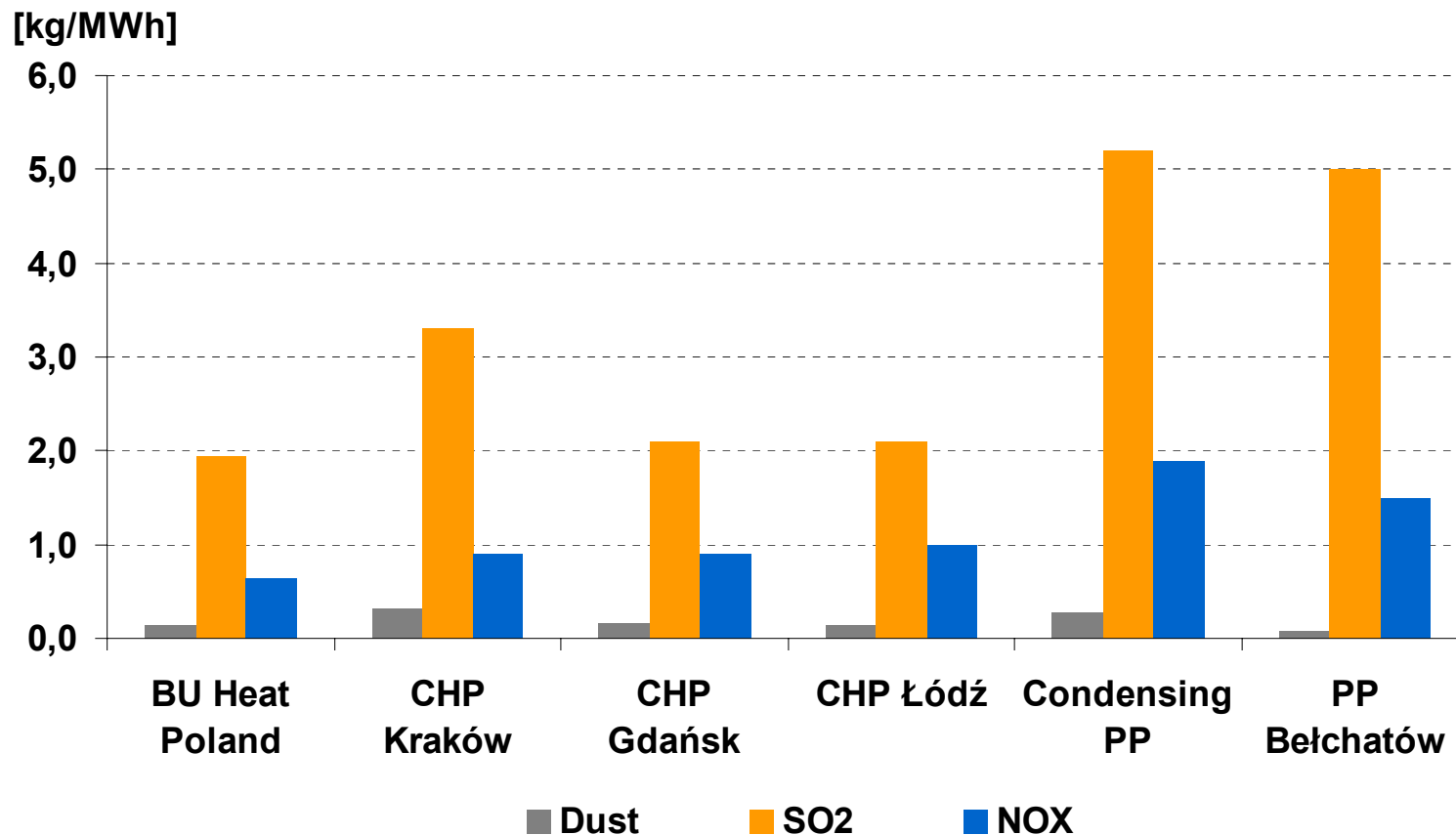
Change in emission levels

- The investment programme implemented in our heat business has resulted in a significant reduction in emissions of SO₂, NO_x and dust

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



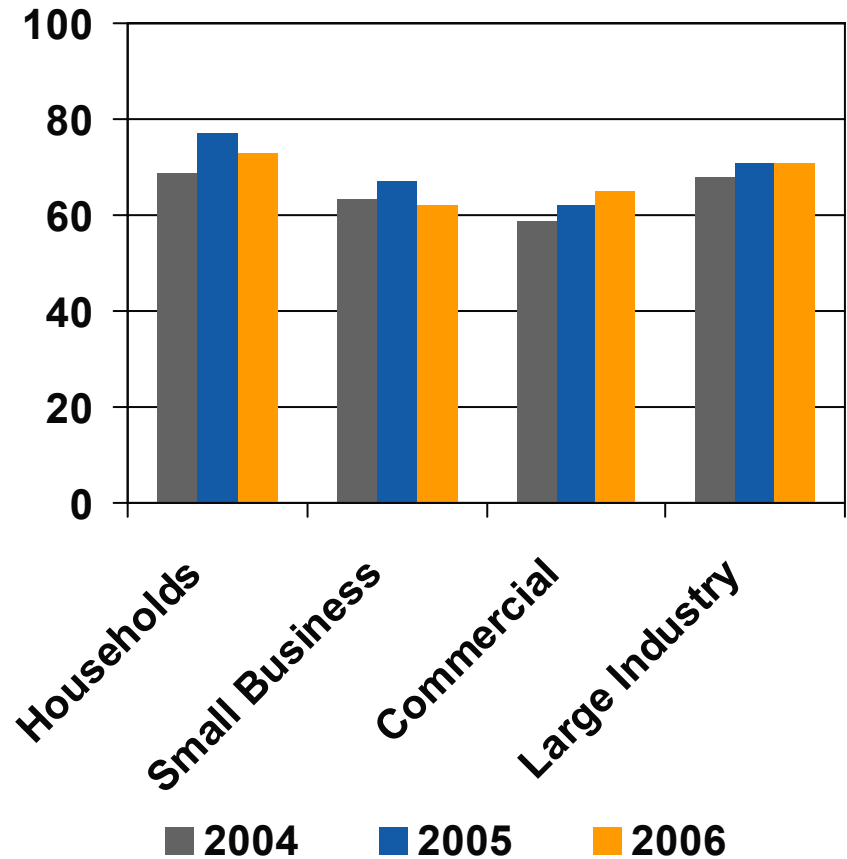
Emissions at BU Heat Poland vs. Polish peers



Customer satisfaction

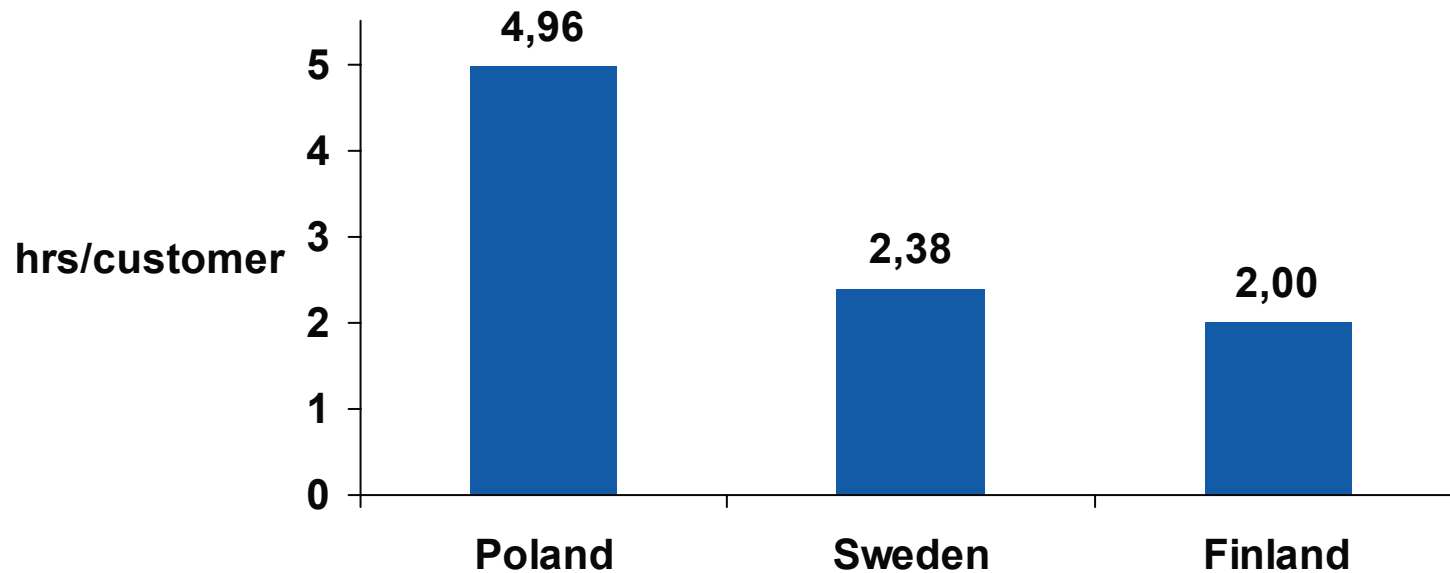
- Satisfaction is improving among commercial and industrial customers thanks to enhanced billing procedures
- Service level to small businesses and households requires improvement

Customer Satisfaction Index



Quality of electricity deliveries

SAIDI in Vattenfall Group:

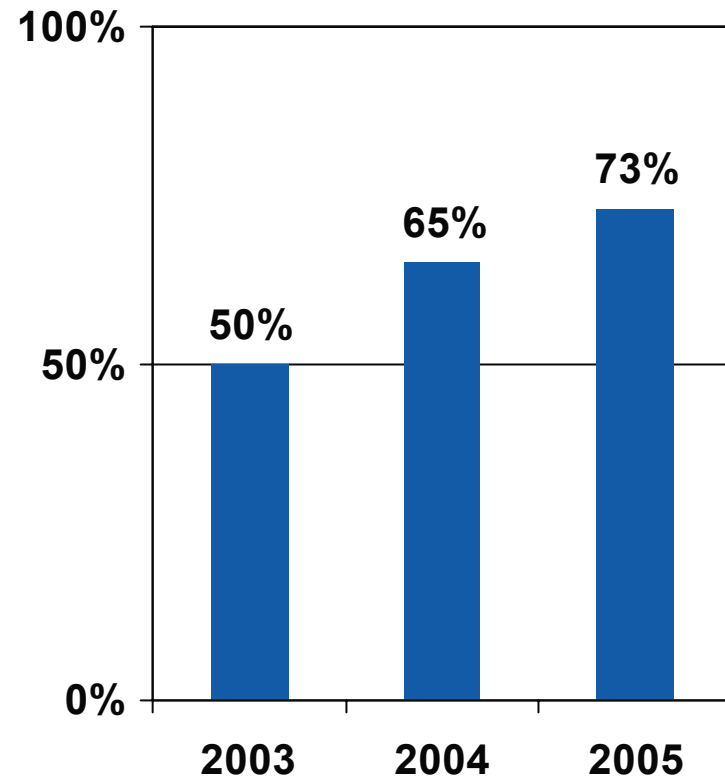


SAIDI index represents length of summed up interruptions (not shorter than 3 min.) per customer

Employee satisfaction levels

- Despite the restructuring the employee satisfaction level has improved significantly in the last three years

Employee satisfaction level based on „My Opinion”



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

