

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



The macro environment

Market deregulation

- * The Polish power exchange's share of physical trading continues to be under 2%
- * TPA should be available for household customers as of July 1, 2007 in accordance with the EU-directives

Regulatory regime

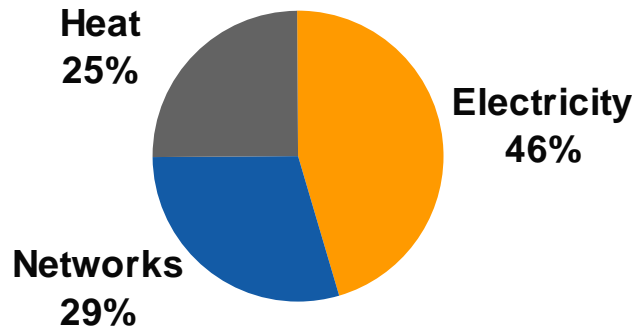
- * The regulation is based on a cost-plus ex-ante model at least in the medium-term, which does not reward operating restructuring

Energy sector privatisation

- * Only the privatisation of CHP Lodz (medium sized) was completed in 2005
- * The privatisation process of some small to medium sized power plants was continued in 2005: Ostrołęka, Dolna Odra and Koźienice as well as CHP Bydgoszcz
- * The Government is determined to create "local champions" in the energy sector by means of consolidation of generation assets into BOT and PKE most probably followed by vertical integration of some of the network companies into these groups

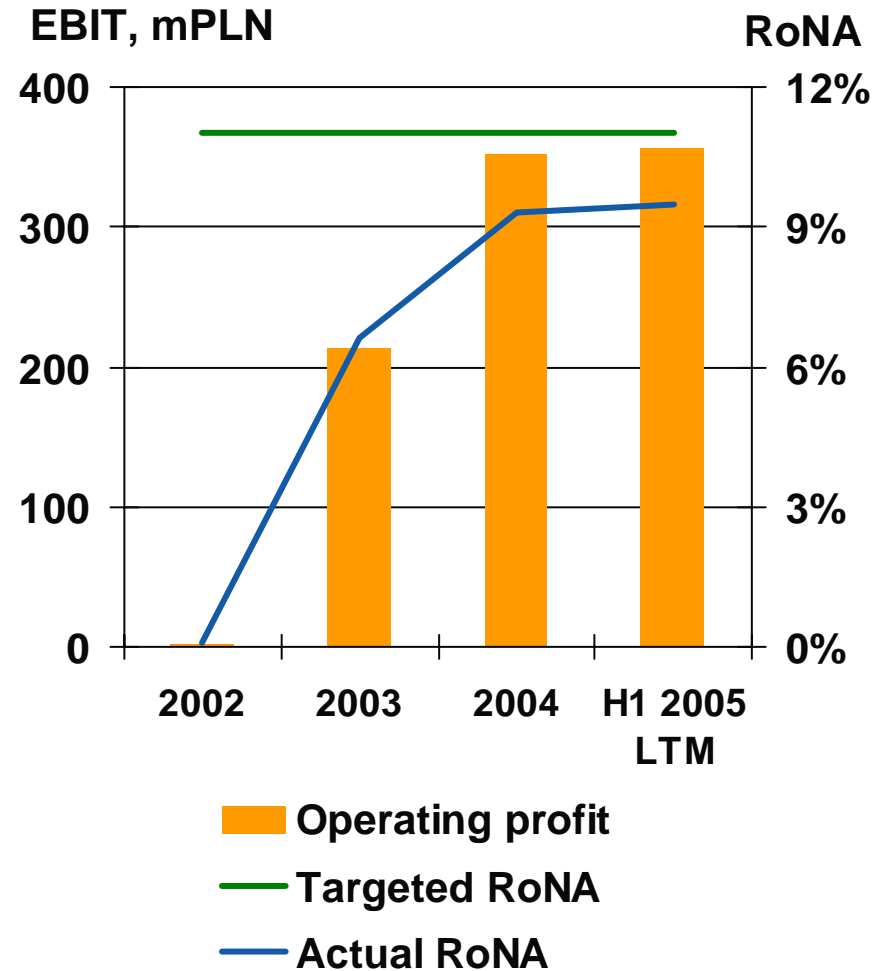
Business Group Poland introduction

- Vattenfall acquired 75% of shares in EWSA and 75% of shares in GZE between 2000-04
- Total investment in Poland: 907 mEUR
- Vattenfall Poland's sales revenue in 2004: 3,678 mPLN (920 mEUR)
- Vattenfall has a 7% share of the Polish energy market
- Vattenfall Poland - sales revenue by activity:



Performance, 2002 - 2005

- Strong profit growth in Poland over the past four years and an improvement in RoNA



EUR/PLN = 4.0

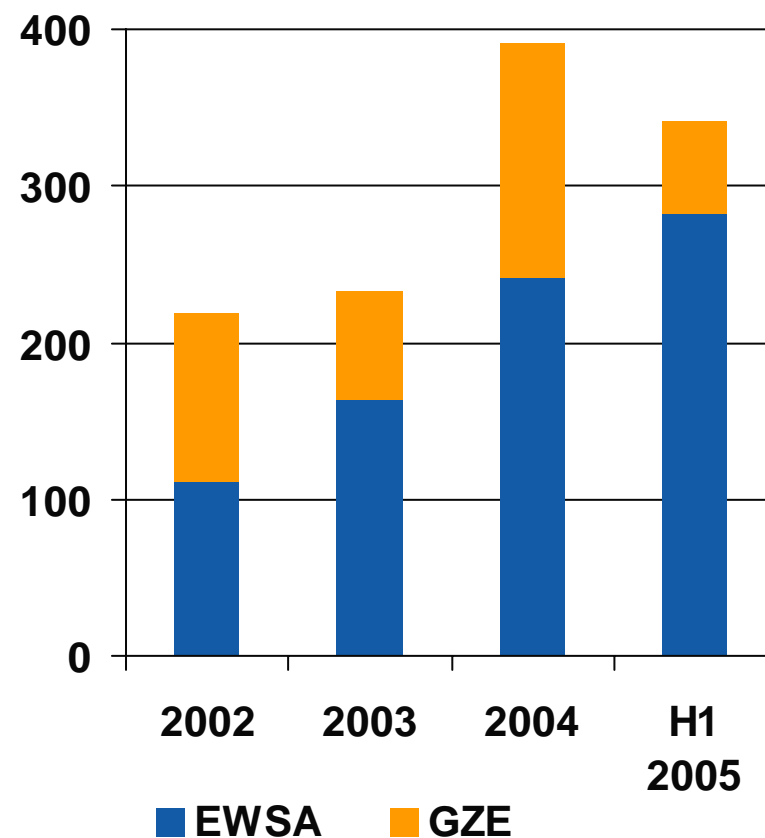
Capital expenditure

Capital expenditure, 2002 – 2004
mPLN

	EWSA	GZE	Total
2002	122	181	303
2003	56	113	169
2004	105	134	239
Sum	283	428	711

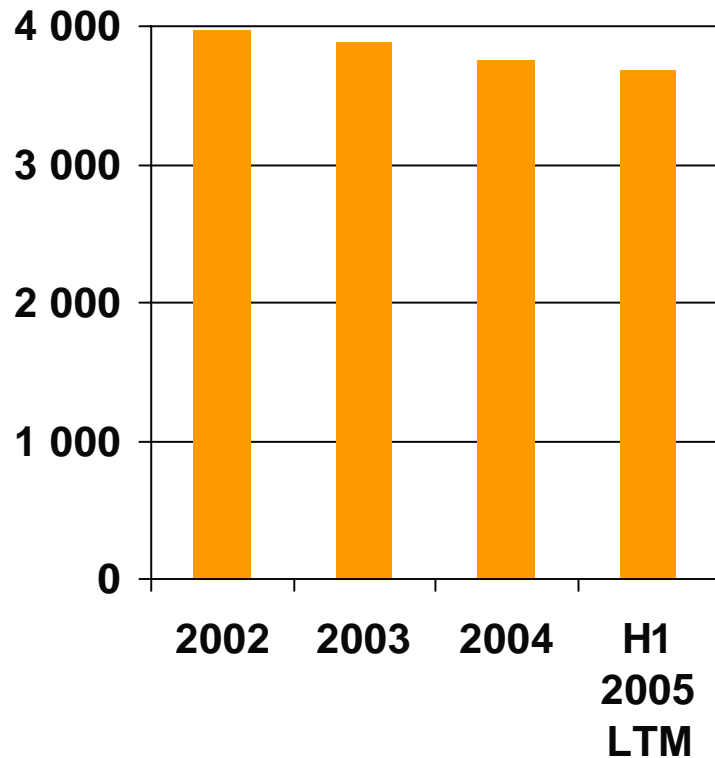
EUR/PLN = 4.0

Operating cash-flow at EWSA and GZE,
mPLN

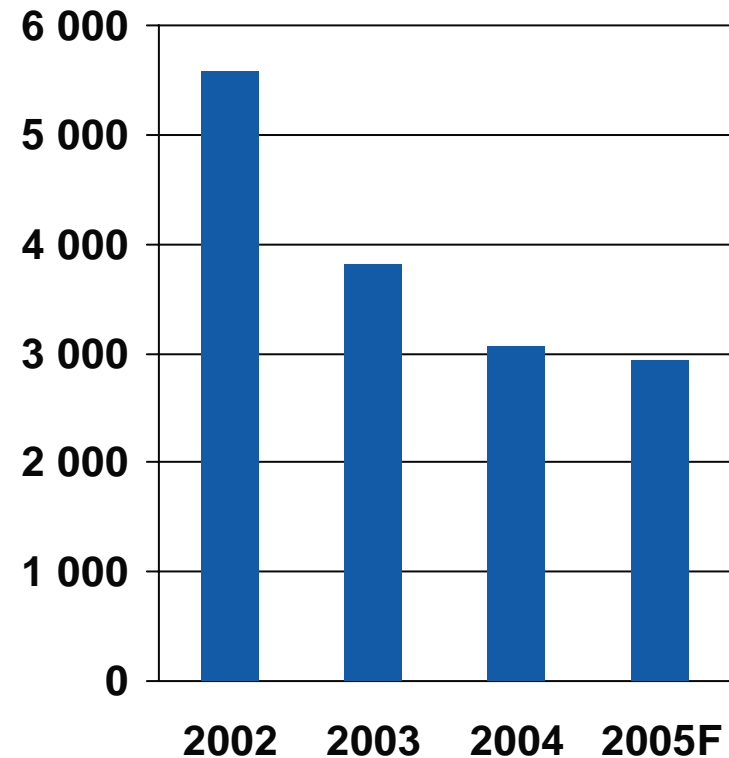


Consolidated sales and employment reduction

Consolidated sales EWSA and GZE, mPLN

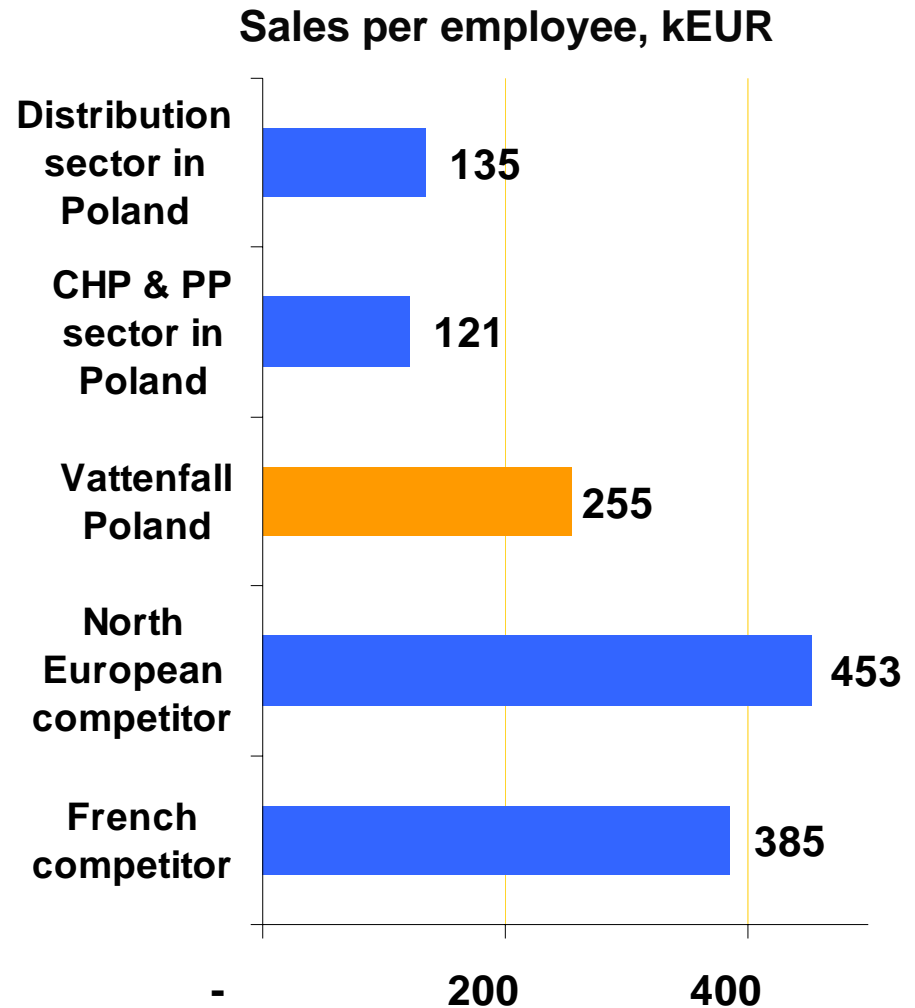


Total employment at EWSA and GZE



Productivity vs. western peers

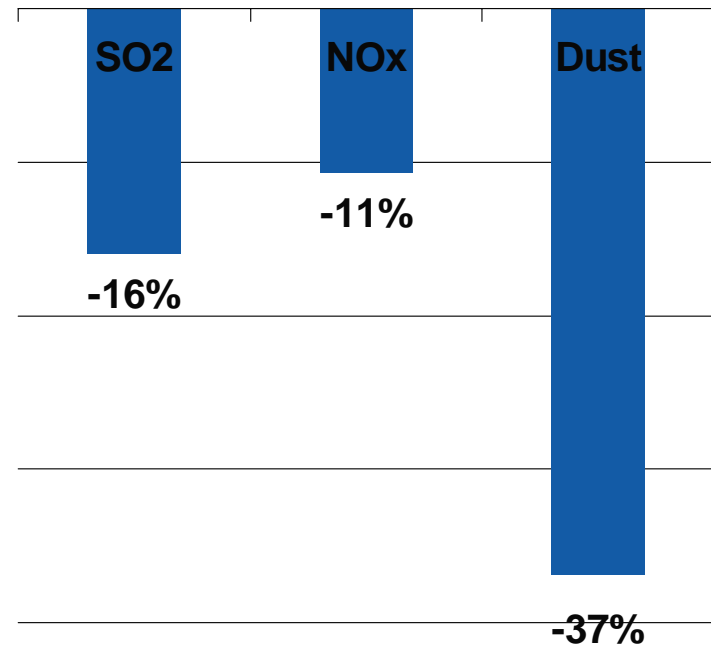
- Vattenfall's business in Poland is the established Polish benchmark for productivity and service level. However we still trail our international peers in this regard



Change in emission levels of air pollutants

- 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 2004 *

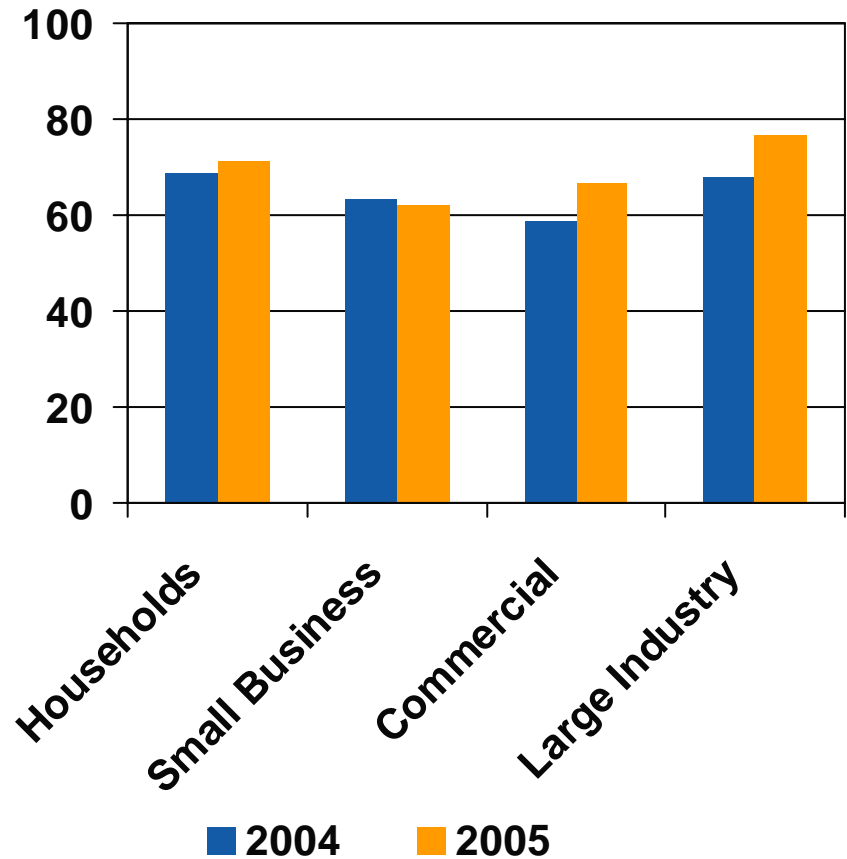


* In relation to energy content in fuel

Customer satisfaction

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

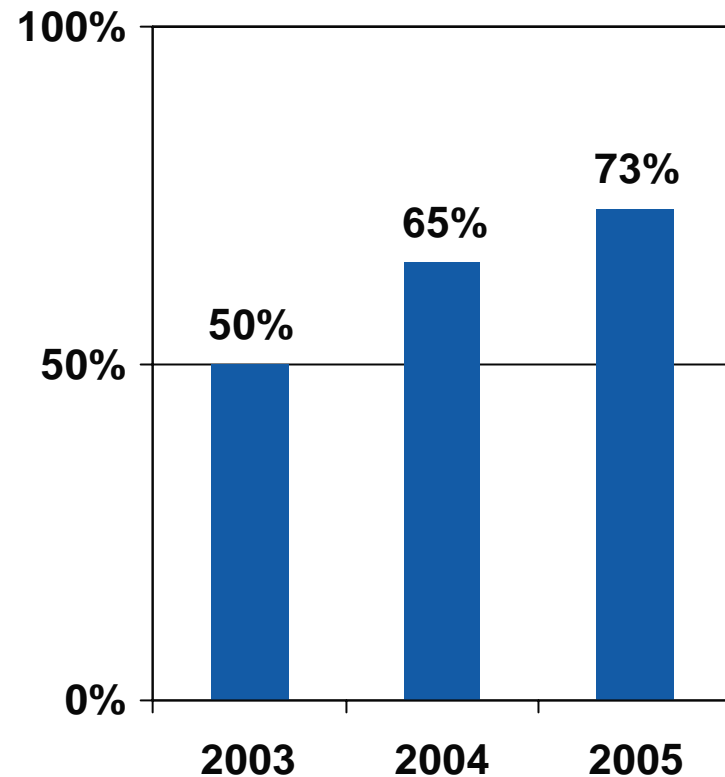
Customer Satisfaction Index



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 2005 – BG Poland

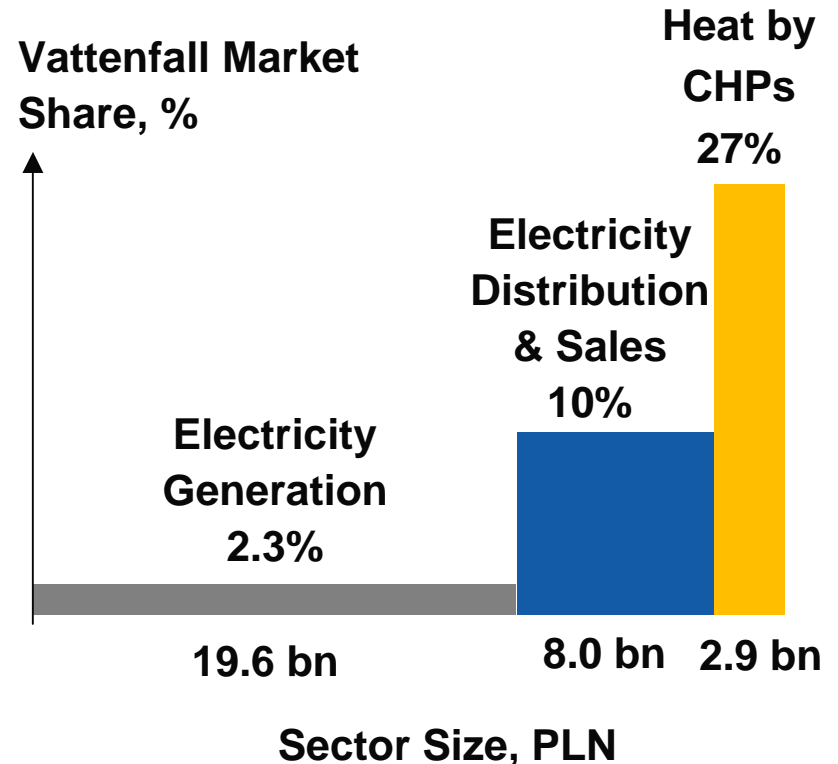
- Establishment of VTS Poland
 - Provides market access to the wholesale electricity market for all BU's in Poland
- Divestment of non-core assets
 - Two significant divestments nearing completion;
 - Estimated proceeds of almost 140 mPLN
- Re-branding
 - Introduction of Vattenfall brand in Poland as of January 1, 2006
- Unbundling
 - Work is under way to unbundle the sales and network activities of GZE

Important events in 2005 – Polish energy sector

- CO2-trading scheme
 - Polish power plants will be allocated sufficient free CO2-certificates for their requirements in 2005-2007. The commencement of the trading scheme is delayed until early 2006
- Change in excise tax system
 - Power plants are currently burdened by a 20 PLN/MWh excise tax, which is likely to change in 2006/2007
- Amendments to the energy law
 - The new energy law recognizes cost of capital as a legitimate cost for tariff purposes
 - Rules regarding the implementation of TPA continue to be ambiguous
- Liberalisation of the wholesale electricity market
 - The balancing market rules and the PPA's continue to impede market liberalisation
- Parliamentary and Presidential elections
 - Centre-right coalition is likely to win parliamentary elections at the end of September. The implications for energy sector privatisation are unclear given differences of opinion between the likely coalition partners

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



Targets and strategy for Poland

- Continue to streamline existing activity – focus on closing the gap and becoming a benchmark performer with respect to productivity and service level
- Continue profitable growth in order to achieve a 10% market share:
 - Entry to generation – Kozenice PP is currently targeted
 - „Bolt-on” acquisitions to bolster existing businesses – Bydgoszcz CHP is currently targeted