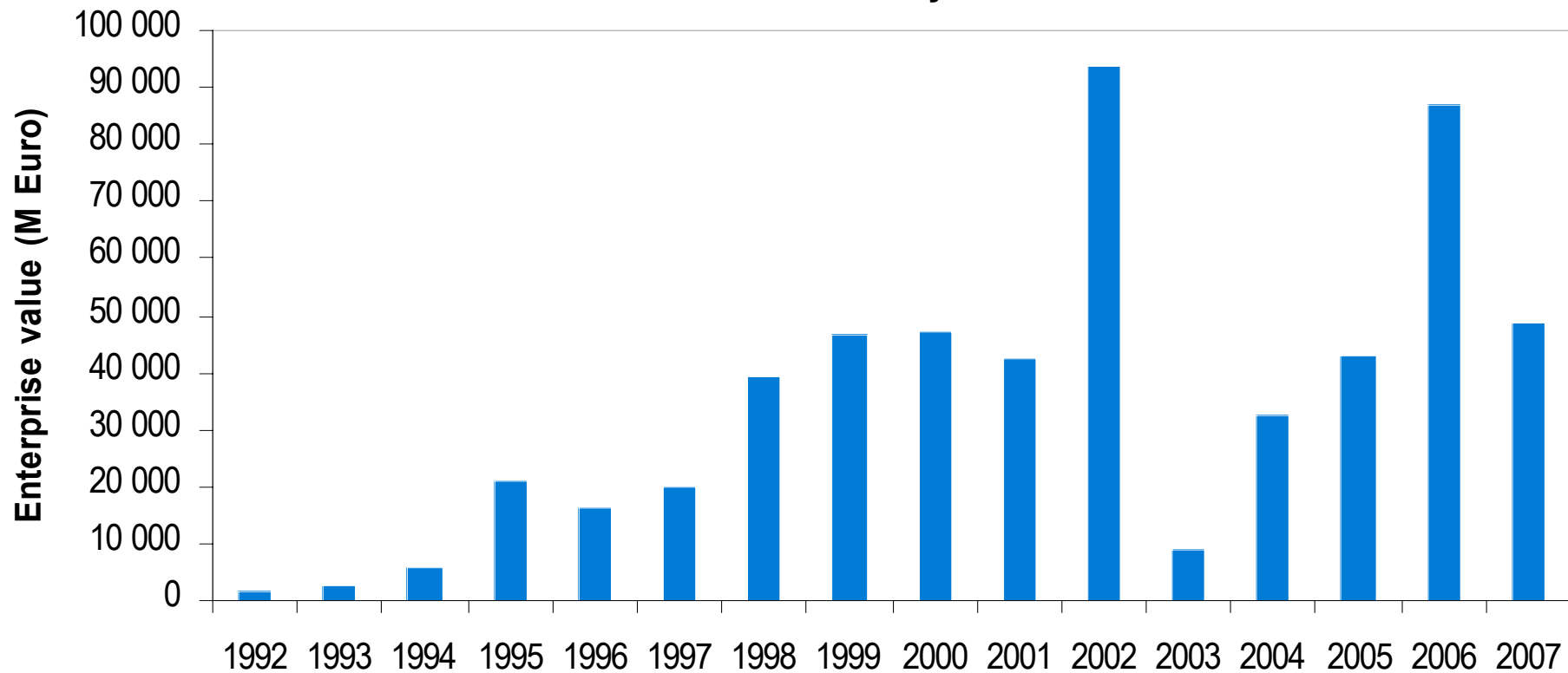


# How far will concentration go? Do smaller companies have a future?

FSR Annual Conference May 8, 2008  
Gunnar Lundberg, Vattenfall AB

# Continued consolidation of the industry to fewer and larger players

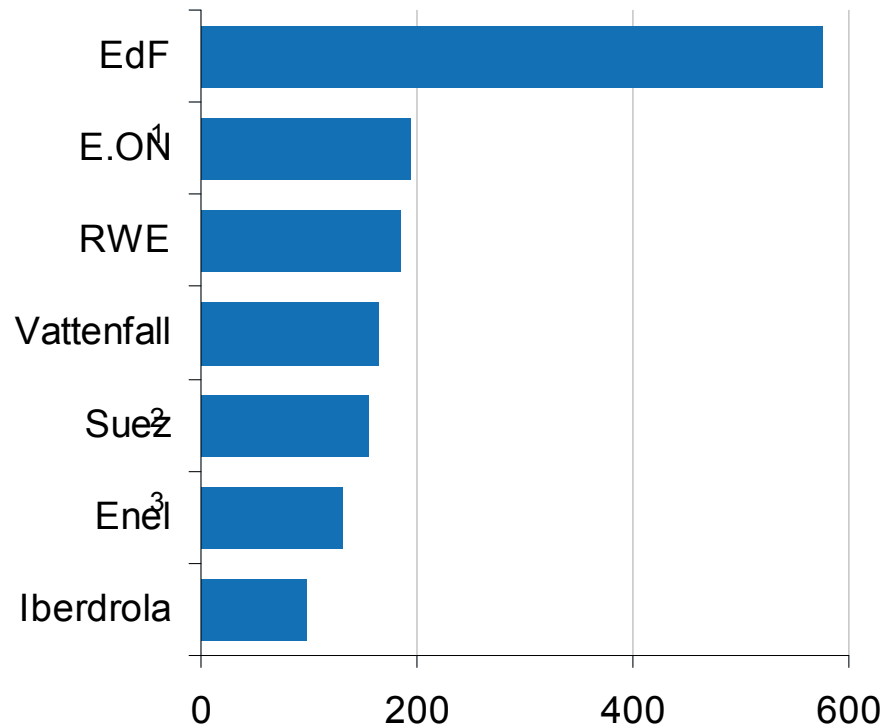
## Continued industry concolidation



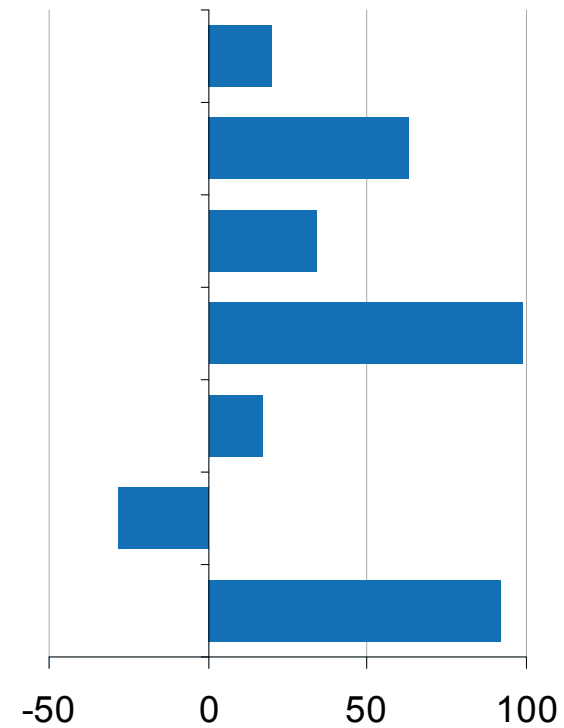
Source: Mergermarket, announced deals > 200 MEUR EV

# Strong growth of key competitors...

Electricity generation in Europe 2006 (TWh)



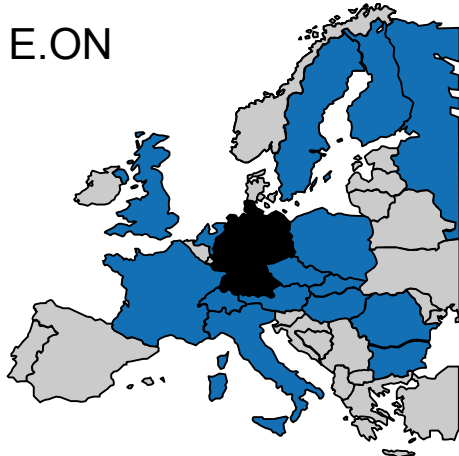
Growth 2000 – 2006 (percent)



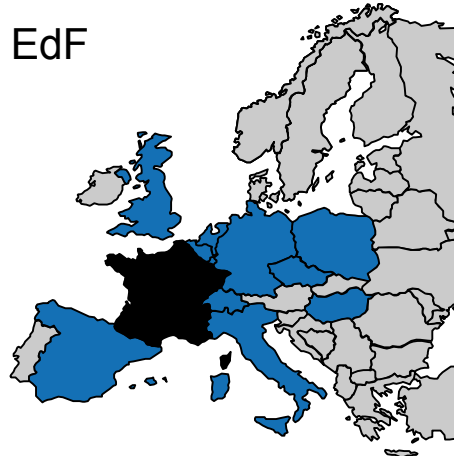
1) Excluding Endesa and Russian acquisitions 2) Excluding GdF merger 3) Excluding Endesa and Russian acquisitions

# ...and they become more international

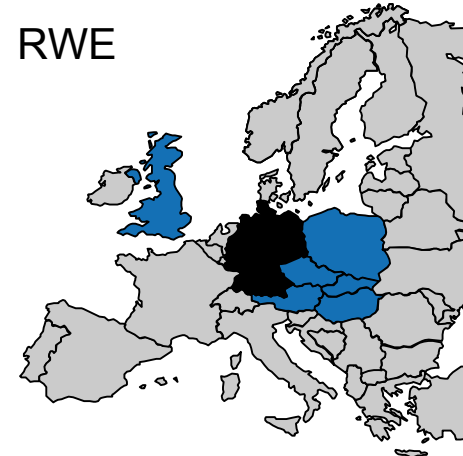
E.ON



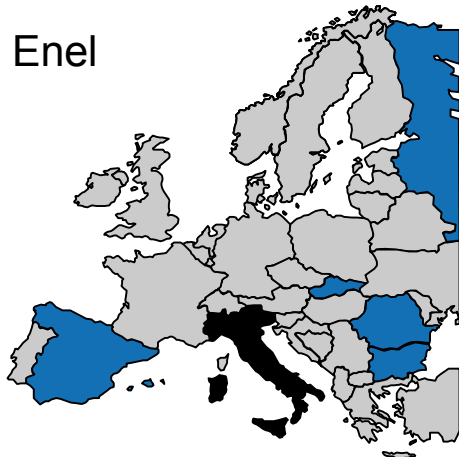
EdF



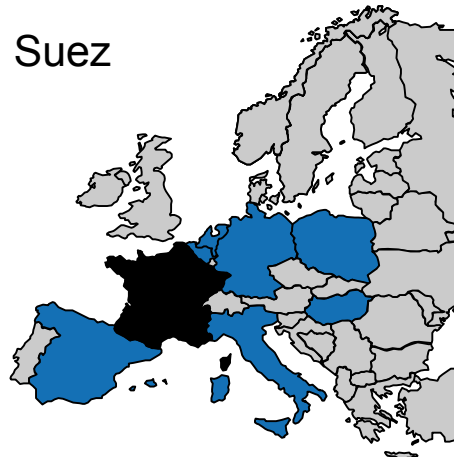
RWE



Enel



Suez



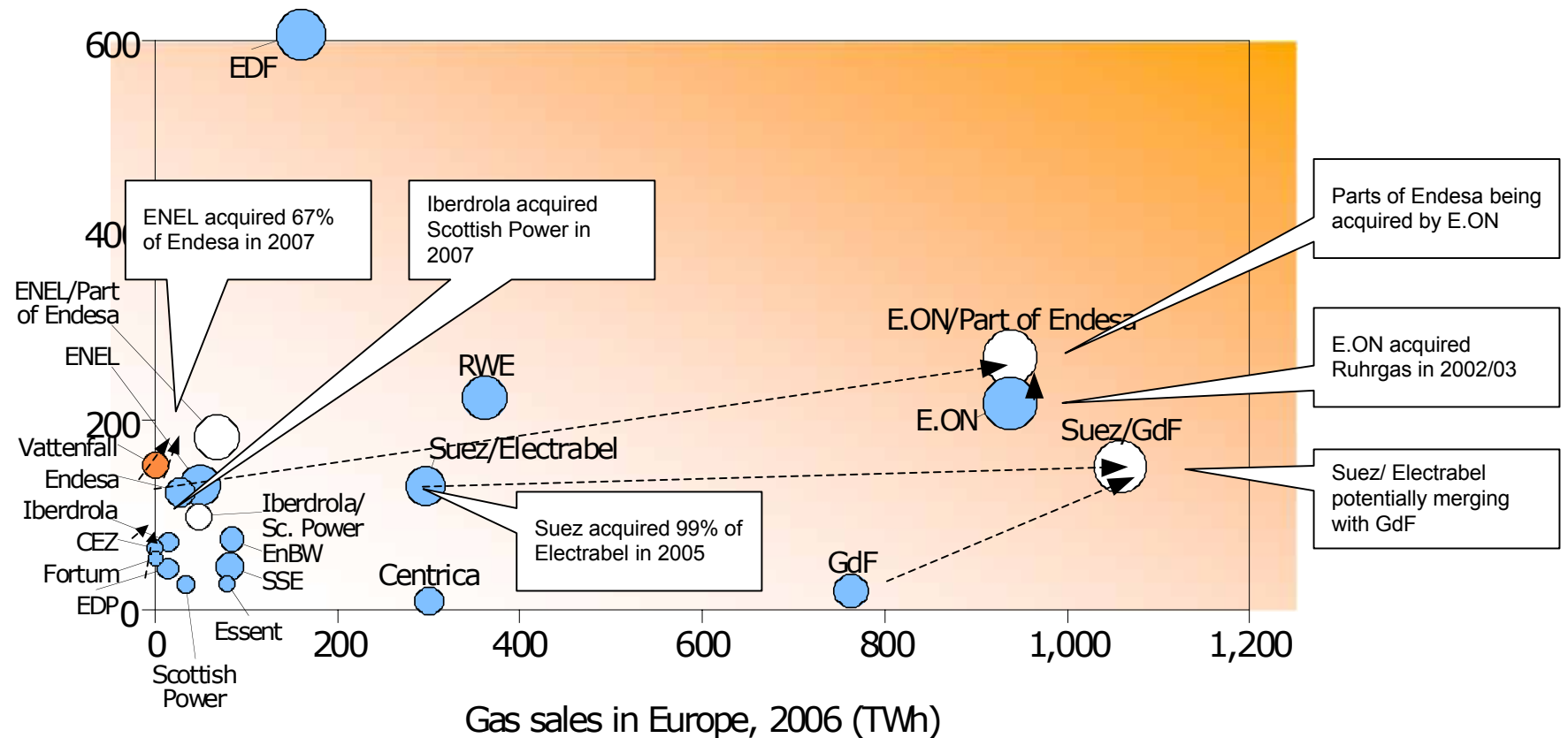
Iberdrola



Country of origin Markets in 2007

# Consolidation between gas and electricity

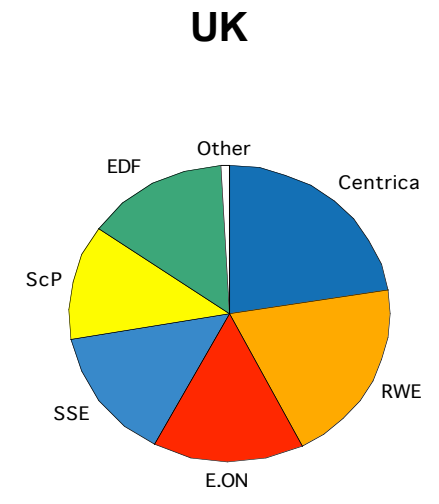
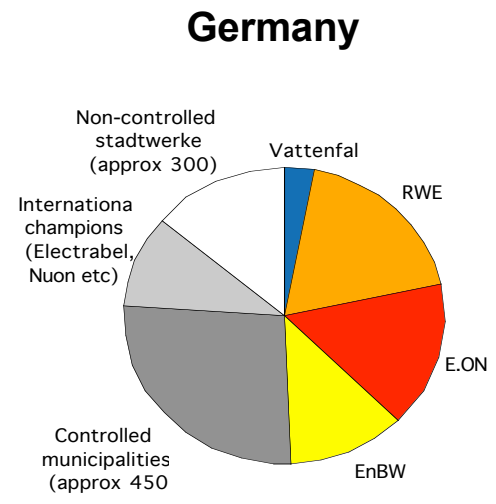
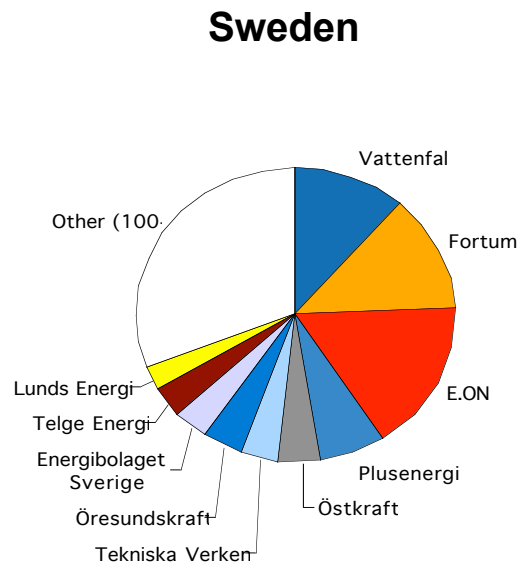
Electricity generation in Europe, 2006 (TWh)



Note: Bubble size represents company revenue. EDF includes 45% of EnBW and 51.6% of Edison.

# Nordic and German retail markets are very fragmented

**Distribution of electricity retail market shares**



# Generation

- Consolidation on Generation
- Companies active in several countries
- Not necessarily higher concentration on national level
- However, national markets have always been concentrated on generation
- Was managed in two different ways:
  - Split of company                      England and Wales
  - Market integration                    Nordic

# Further development needed

- Market Integration
- Regional Wholesale markets the practical way
- One PX
- One system operator, R10

# Retail Markets

- Remaining Price Regulation
- Few markets where Retailers buy at wholesale market prices
- Low margin business
  - Unmature?
  - Fragmented markets?
  - Underpricing?