Vattenfall today - A European energy company

Facts of today
Number of employees: 40,026
Net sales: 205,407 M SEK
Operating profit: 27,938 M SEK
Electricity generation: 158.7 TWh
Heat generation: 37.9 TWh
Number of customers: 7.5 million electricity
2 million gas

Vattenfall is a leading European energy company
• Operations in eight markets
• Number 5 in electricity generation
• Number 1 in heat production
<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>Germany</th>
<th>Netherlands</th>
<th>Denmark</th>
<th>Finland</th>
<th>Poland</th>
<th>Belgium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity generation</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>&gt;10</td>
<td>7</td>
<td>N/A</td>
</tr>
<tr>
<td>Electricity trading</td>
<td>Top 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity distribution</td>
<td>2</td>
<td>4</td>
<td>N/A</td>
<td>N/A</td>
<td>2</td>
<td>5</td>
<td>N/A</td>
</tr>
<tr>
<td>Electricity sales</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>N/A</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>District heat</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>10</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>Gas sales</td>
<td>N/A</td>
<td>N/A</td>
<td>1</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>3</td>
</tr>
</tbody>
</table>

Vattenfall’s market position today

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Context for a revised strategic direction

Changing business context
- Weaker market outlook
- Transition to a sustainable energy system

Specific challenges for Vattenfall
- Increase profit and value creation
- Strengthen balance sheet
- Reduce CO2 exposure
- Focus on core markets

New articles of association
"The object for the Company's activities is to generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production"
"Vattenfall will create a strong and diversified European energy portfolio with sustainable and increased profits, significant growth options and will be among the leaders in developing environmentally sustainable energy production."

<table>
<thead>
<tr>
<th>Profit and value creation</th>
<th>Focus on core markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce CO2 exposure and grow in low CO2-emitting energy production and gas</td>
<td>Three products - electricity, heat and gas</td>
</tr>
</tbody>
</table>
Vattenfall's revised strategic direction in brief

**CONSOLIDATION FOCUS**

*Next 2-3 years*

- Improve operating performance
  - Cost reduction and revenue improvement
- Create financial flexibility
  - Revised CAPEX and divestment of non-strategic business operations
- Start reshaping the business portfolio
  - Focus on core markets and reduced CO2 exposure

**GROWTH FOCUS**

*2013-2020*

- Growth in low CO2-emitting energy production and gas
- Secure strong positions in core European markets
- Focus on wind, nuclear, biomass, hydro and gas power
- Focus on core markets with potential to maintain or build strong size - currently Sweden, Germany and the Netherlands

New business-led organisational structure

*Operational Jan 1, 2011*
Prioritised actions

<table>
<thead>
<tr>
<th>Improve operating performance</th>
<th>Create financial flexibility</th>
<th>Reshape the business portfolio</th>
<th>Supported by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explore possibilities to divest assets which do not support the new strategic direction</td>
<td>Focus on core markets with growth opportunities where Vattenfall has or can build a strong position</td>
<td>Pursue a diversified portfolio and grow in low CO2-emitting energy production and gas</td>
<td></td>
</tr>
<tr>
<td>Maintain single A category rating</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Our actions will strive for the highest standards of Corporate and Social Responsibility
## Strategic implication by business

<table>
<thead>
<tr>
<th>Category</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROW</strong></td>
<td>Wind power, Trading, Biomass, Options for growth:</td>
</tr>
<tr>
<td></td>
<td>- Nuclear power, Gas-fired plants, Hydropower</td>
</tr>
<tr>
<td><strong>MAINTAIN/IMPROVE</strong></td>
<td>Nuclear power (S), Hydropower (S, DE), Distribution (S, DE)</td>
</tr>
<tr>
<td></td>
<td>Heat (integrated, large positions), Sales (NL), Gas fired plants (NL)</td>
</tr>
<tr>
<td><strong>OPTIMISE</strong></td>
<td>Lignite fired plants, Hard coal fired plants (condensing)</td>
</tr>
<tr>
<td><strong>TURN AROUND</strong></td>
<td>Nuclear power (DE), Sales (DE, S)</td>
</tr>
<tr>
<td><strong>DIVEST</strong></td>
<td>Non-strategic assets</td>
</tr>
</tbody>
</table>
## Growth in low CO₂-emitting energy production and gas

<table>
<thead>
<tr>
<th>Wind power</th>
<th>Nuclear power</th>
<th>Biomass co-firing</th>
<th>Hydro power</th>
<th>Gas fired power</th>
<th>Coal power</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significant growth opportunities</strong></td>
<td><strong>Gaining increased support in Europe</strong></td>
<td><strong>Good potential to reduce CO₂ exposure</strong></td>
<td><strong>Increasing attractiveness</strong></td>
<td><strong>Bridging fuel for CO₂ reduction</strong></td>
<td><strong>Cornerstone of the European energy system</strong></td>
</tr>
<tr>
<td>• Profitability dependent on support system</td>
<td>• Vattenfall has a competitive advantage being one of few operators</td>
<td>• Reduced emissions for Vattenfall</td>
<td>• Vattenfall is one of the largest operators in Europe with clear competitive advantages</td>
<td>• Lower specific emissions than other fossil fired plants</td>
<td>• Optimise the existing coal portfolio</td>
</tr>
<tr>
<td>• Vattenfall has competitive advantage in offshore wind</td>
<td></td>
<td>• Dependent on support systems</td>
<td></td>
<td>• Become more competitive when CO₂ price increases</td>
<td>• Construction of Boxberg and Moorburg will be finalised</td>
</tr>
</tbody>
</table>

The revised strategic direction will enable faster reduction of specific CO₂-emissions (g/kWh) than the average market reduction rate by 2020, reducing Vattenfall's CO₂ exposure.
Focus on Sweden, Germany, Netherlands

Reshape the business portfolio
Evaluate possibility to divest assets on commercially attractive conditions in order to:

- Focus on core markets
- Free resources for financial flexibility
- Grow in low CO2 emitting energy production and gas
**New vision and strategic direction**

**Articles of Association**
Adopted by BoD
August 23rd

"The object for the Company's activities is to generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production"

**Vision**

"Vattenfall will create a strong and diversified European energy portfolio with sustainable and increased profits, significant growth options and will be among the leaders in developing environmentally sustainable energy production"

**Core values**

- Safety
- Performance
- Co-operation

**Strategic direction**
2020 perspective

- Profit and value creation
  - Reduce CO2 exposure and grow in low CO2-emitting energy production and gas

- Focus on core markets
  - Three products - electricity, heat and gas

**Prioritized Actions**
Next 2-3 years

- Improve operating performance
- Create financial flexibility
- Start reshape the business portfolio
- Create a business-led organisational structure
Move from region-led to business-led organisation

From...

Group Shared Services
BG Pan Europe
BG Nordic
BG Central Europe
BG Benelux
BG Trading

Group Functions

... to

CEO

Staff functions reporting to CEO
CFO + staff functions reporting to CFO

Asset Development
Production
Asset Optimisation and Trading
Distribution and Sales
Renewables

Shared Services

New organisational structure operational as of 1 January 2011
Key advantages of the new organisation

- Five new Business Divisions
- Strengthened Staff Functions
- Achieve operational improvements
- Increase accountability and performance transparency
- Reduce costs and increase personnel synergies
- Improve execution of investment projects
- Increase customer focus
- Increase employee commitment
## Improvement areas

<table>
<thead>
<tr>
<th></th>
<th>Increase profit and value creation</th>
<th>Increase profit</th>
<th>Increase value creation</th>
<th>Strengthen the balance sheet</th>
<th>Short-term 2-3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Reduce CO2 exposure</strong></td>
<td>Ambition to decrease absolute CO₂ emissions from 90 Mt* to ~65 Mt</td>
<td></td>
<td></td>
<td>Long-term 2020 to deliver on EU 2020 targets</td>
</tr>
</tbody>
</table>

*2009
Roadmap for implementation of strategic direction

Consolidation Phase
Next 2-3 years

• New organization in operation Jan 1st 2011
• Cost improvement program -6 BSEK
• Divestment of non-strategic business operations
• Revised 5-yr CAPEX 165 (compared to 201 BSEK)

Growth Phase
2013-2020

• Focus on growth in low C02-emitting production and gas
• Focus on core markets with growth opportunities where Vattenfall has or can build a strong size position
• Reduced CO2 exposure

VISION

"Vattenfall will create a strong and diversified European energy portfolio with sustainable and increased profits, significant growth options and will be among the leaders in developing environmentally sustainable energy production."