

# Vattenfall Revised Strategic direction & Structure

Presentation of strategic direction 2020

20100920

# 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

# Vattenfall's market position today



	Sweden	Germany	Nether- lands	Denmark	Finland	Poland	Belgium
Electricity eneration	1	3	3	2	>10	7	N/A
Electricity rading	Top 3						
Electricity istribution	2	4	N/A	N/A	2	5	N/A
Electricity ales	1	4	2	N/A	3	5	3
District i	4	1	2	2	10	1	N/A
Gas sales	N/A	N/A	1	N/A	N/A	N/A	3

# 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 CO<sub>2</sub> 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"

# New vision and overall strategic direction

"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 "

**Profit and value creation**

**Focus on core markets**

**Reduce CO2 exposure and  
grow in low CO2-emitting  
energy production and gas**

**Three products - electricity,  
heat and gas**

# 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 CO<sub>2</sub> exposure*

New business-led organisational structure  
*Operational Jan 1, 2011*

## **GROWTH FOCUS**

**2013-2020**

Growth in low CO<sub>2</sub>-emitting energy production and gas

Focus on wind, nuclear, biomass, hydro and gas power

Secure strong positions in core European markets

Focus on core markets with potential to maintain or build strong size - currently Sweden, Germany and the Netherlands

# Prioritised actions

## Improve operating performance

6 BSEK cost reduction (11 %)

## Create financial flexibility

5 year CAPEX 2011-2015  
165 BSEK  
(2010-2014 201 BSEK)

Explore possibilities to divest assets which do not support the new strategic direction

Maintain single A category rating

## Reshape the business portfolio

Remain an integrated but generation-focused utility; keep electricity, heat and gas

Focus on core markets with growth opportunities where Vattenfall has or can build a strong position

Pursue a diversified portfolio and grow in low CO<sub>2</sub>-emitting energy production and gas

## Supported by

**New business-led organisational structure January 1<sup>st</sup> 2011**

*Five new Business Divisions  
Strengthened Staff Functions*

**Our actions will strive for the highest standards of Corporate and Social Responsibility**

# Strategic implication by business

## GROW

- Wind power
- Trading
- Biomass
- Options for growth:
  - Nuclear power
  - Gas-fired plants
  - Hydropower

## MAINTAIN/IMPROVE

- Nuclear power (S)
- Hydropower (S, DE)
- Distribution (S, DE)
- Heat (integrated, large positions)
- Sales (NL)
- Gas fired plants (NL)

## OPTIMISE

- Lignite fired plants
- Hard coal fired plants (condensing)

## TURN AROUND

- Nuclear power (DE)
- Sales (DE, S)

## DIVEST

- Non-strategic assets

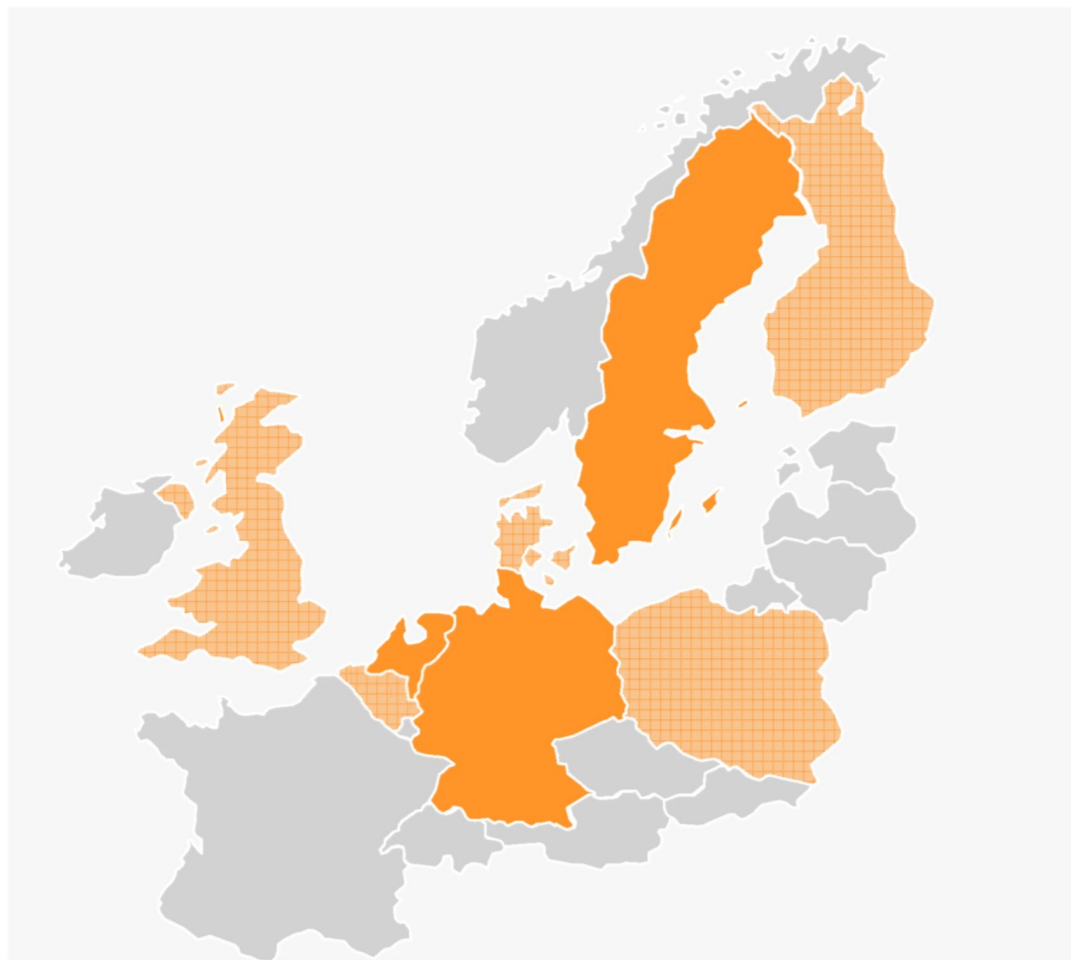


# Growth in low CO<sub>2</sub>-emitting energy production and gas

Wind power	Nuclear power	Biomass co-firing	Hydro power	Gas fired power	Coal power
<b>Significant growth opportunities</b> <ul style="list-style-type: none"> <li>• Profitability dependent on support system</li> <li>• Vattenfall has competitive advantage in offshore wind</li> </ul>	<b>Gaining increased support in Europe</b> <ul style="list-style-type: none"> <li>• Vattenfall has a competitive advantage being one of few operators</li> </ul>	<b>Good potential to reduce CO<sub>2</sub> exposure</b> <ul style="list-style-type: none"> <li>• Reduced emissions for Vattenfall</li> <li>• Dependent on support systems</li> </ul>	<b>Increasing attractiveness</b> <ul style="list-style-type: none"> <li>• Vattenfall is one of the largest operators in Europe with clear competitive advantages</li> </ul>	<b>Bridging fuel for CO<sub>2</sub> reduction</b> <ul style="list-style-type: none"> <li>• Lower specific emissions than other fossil fired plants</li> <li>• Become more competitive when CO<sub>2</sub> price increases</li> <li>• Benefit from increasing volatility caused by more wind power</li> </ul>	<b>Cornerstone of the European energy system</b> <ul style="list-style-type: none"> <li>• Optimise the existing coal portfolio</li> <li>• Construction of Boxberg and Moorburg will be finalised</li> </ul>

**The revised strategic direction will enable faster reduction of specific CO<sub>2</sub>-emissions (g/kwh<sub>el</sub>) than the average market reduction rate by 2020, reducing Vattenfall's CO<sub>2</sub> 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 23<sup>rd</sup>

'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

Profit and value creation

Focus on core markets

## Strategic direction

2020 perspective

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

Three products -  
electricity, heat and gas

## Prioritized Actions

Next 2-3 years

Improve operating  
performance

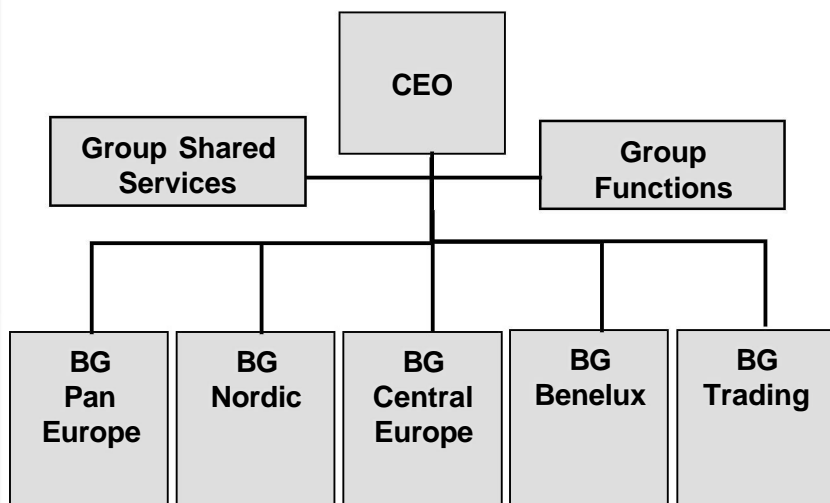
Create financial  
flexibility

Start reshape the  
business portfolio

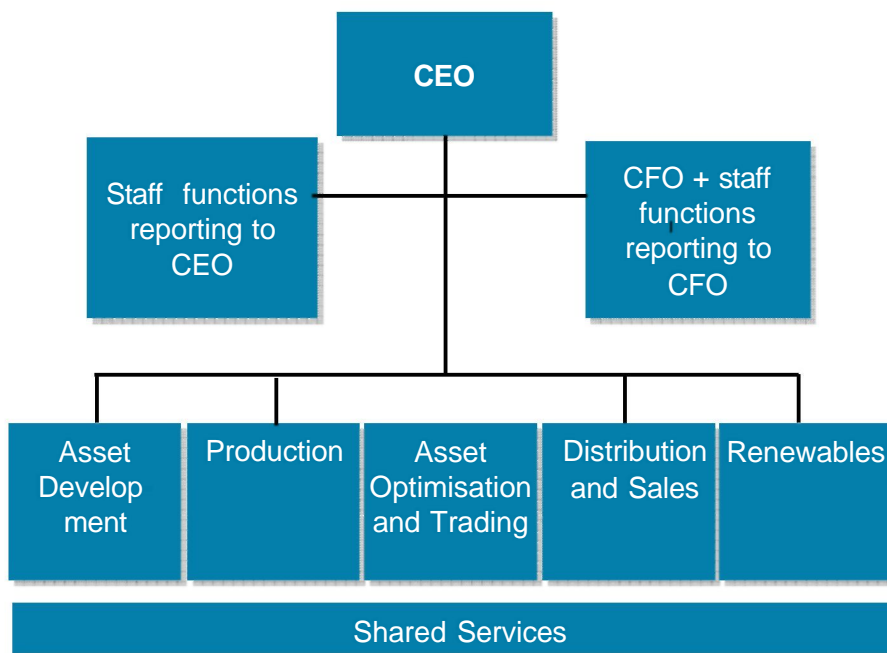
Create a business-led organisational structure

# Move from region-led to business-led organisation

*From...*



*... to*



**New organisational structure operational as of 1 January 2011**

# Vattenfall - Executive Group Management

## MANAGEMENT



**Mr. Øystein Loseth**  
President and CEO



**Mr. Jonas Florinus**  
Acting Chief Financial  
Officer (CFO)



**Mr. Huib Morelisse**  
Head of Asset  
Development



**Mr. Torbjörn Wahlborg**  
Head of Distribution  
and Sales



**Mr. Tuomo Hatakka**  
Head of Production



**Mr. Lars Gejrot**  
Head of Human Resources



**Mr. Harald von Heyden**  
Head of Asset Optimisation  
and Trading



**Mrs. Elisabeth Ström**  
Head of External Relations  
and Communications



**Mr. Anders Dahl**  
Head of Renewables



**Mr. Andreas Regnell**  
Head of Strategy

# 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

1

## **Increase profit and value creation**

Increase profit  
Increase value creation  
Strengthen the balance sheet

Short-term  
2-3 years

2

## **Reduce CO2 exposure**

Ambition to decrease absolute CO<sub>2</sub> emissions from 90 Mt\* to ~65 Mt

\*2009

Long-term 2020  
to deliver on EU 2020 targets

# Roadmap for implementation of strategic direction

