Vattenfall’s overarching strategy is focused on strengthening the company’s customer focus and on transforming to a more sustainable energy portfolio. Parallel with this, Vattenfall must be able to generate a market rate of return to the owner and be a long-term financially stable company.

Vattenfall – like other major European power utilities – continues to face a number of major challenges and must adapt to the changed market conditions. Its large-scale electricity generation must be adapted to a market situation characterised by weak demand and considerably lower electricity prices than previously. The production portfolio must be restructured towards more renewable forms of energy and greater business focus along the entire value chain. New financing solutions must be pursued to enable investments in renewable energy, mainly wind power. Rising demands by customers and society for new, sustainable products and services must be met.

Vattenfall’s overarching strategy for the years ahead is focused on the following three strategic focus areas:
- Strong customer focus and new customer-centric business models
- A more sustainable energy portfolio
- Increased business focus in all operations

New organisation effective 1 April 2015
On 1 April 2015 the regional structure that was adopted on 1 January 2014 will be replaced by six cross-border Business Areas in order to be able to better support the Group’s new overall strategy.

For further information about the company structure, see the corporate governance report on page 57.

1) The electricity distribution operations are regulated by the Swedish Electricity Act and the German Energy Industry Act (Energiewirtschaftsgesetz), and are unbundled from Vattenfall’s other operations.
Successful consolidation
Following a number of years of strong growth resulting from a series of acquisitions, a shift in strategy was made in 2010 towards consolidating the company and strengthening its financial position. While this strategy has been successful, it has fallen short of fully compensating for the increasingly challenging market conditions. Annual costs have been cut by more than SEK 13.7 billion, or 26% compared with the cost base in 2010.

The investment plan has been scaled back from SEK 201 billion for the period 2010–2014 to SEK 105 billion for the period 2014–2018, in order to be more closely aligned with the company’s anticipated cash flow. Effective from 2015, Vattenfall has limited its investment plan to cover only the next two years. Debt has been reduced through the divestment of a number of operations, such as the heat and electricity network businesses in Poland and Finland, the electricity distribution operation in Hamburg, the operations in Belgium, and several other operations that are considered to be non-core businesses. Availability of Vattenfall’s nuclear power generation has improved, from 74% in 2010 to 82.8% in 2014. Since 2010, CO₂ emissions have decreased from 94 million tonnes to 82.3 million tonnes in 2014.

New organisation with six Business Areas
On 1 January 2014 Vattenfall was reorganised into two geographical regions, Nordic and Continental/UK. This was done to be able to better deal with the various, national market conditions within the respective regions. The division was also designed to enable a broader ownership structure for operations outside of the Nordic countries over time.

During the autumn of 2014 Vattenfall’s portfolio strategy was reviewed, and the decision was made to study the possibility of selling the lignite operations in Germany. On the other hand, the other operations in the Continental/UK region – such as combined heat and power production, district heating, electricity distribution and wind power – will be retained and will continue to make up key parts of Vattenfall’s core business. To facilitate the shift towards more renewable and sustainable energy production, effective 1 April 2015 Vattenfall will be organised in six Business Areas. The aim is to increase the Group’s business and performance focus, and to capitalise on cross-border synergies. This new, business-driven cross-border organisation signifies that Vattenfall will continue to be a European energy company under Swedish ownership.

Vattenfall’s strategy starting in 2015
Vattenfall’s overarching strategy summarises how Vattenfall plans to meet the challenges and take advantage of business opportunities in the new energy landscape. The strategy covers each of the three dimensions Sustainable consumption, Sustainable production and Sustainable financial performance. Within each of these dimensions Vattenfall is working with a number of strategic objectives.

<table>
<thead>
<tr>
<th>STRATEGIC FOCUS AREAS</th>
<th>STRATEGIC OBJECTIVES</th>
</tr>
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<tbody>
<tr>
<td><strong>Sustainable consumption</strong></td>
<td>Vattenfall will offer a wide array of energy solutions to end customers, with high delivery reliability and a superior standard of service.</td>
</tr>
<tr>
<td><strong>Sustainable production</strong></td>
<td>Vattenfall will conduct safe and efficient large-scale conventional energy production at the same time that the Group will be a leader in wind power.</td>
</tr>
<tr>
<td><strong>Sustainable financial performance</strong></td>
<td>In the area of sustainable financial performance, Vattenfall will strive to continuously improve its operations and make them more sustainable, such as through a strong business focus and efficient use of resources.</td>
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