

Financial targets and performance 2010

Vattenfall's overarching financial target is to create economic value by generating a competitive return over time. Based on this, Vattenfall's owner has set four financial targets – for profitability, interest coverage, credit ratings and the dividend. The targets are long-term, which means that they are to be evaluated as averages over a business cycle (approx. 5–7 years). They are also the foundation for the business planning process within the Group. These financial targets form the framework for Vattenfall's business control.

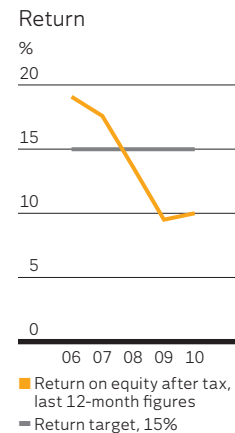
Profitability

Target

- The owner's long-term target for Vattenfall's earnings is that profit after tax should amount to at least 15% of average equity.
- Internally, Vattenfall also uses a target for return on net assets of 11% before tax.

Outcome 2010

- Return on equity after tax was 10.0% (9.5%).
- Return on net assets was 9.1% (10.0%).



Interest coverage

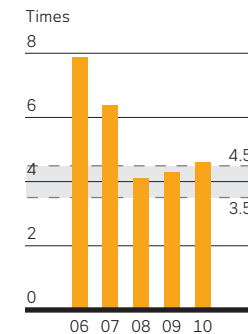
Target

The owner's long-term target for Vattenfall's interest coverage is that the cash flow interest coverage ratio after maintenance investments should amount to 3.5–4.5. This target has been set to ensure that Vattenfall always has sufficiently high cash flow to be able to cover its interest expenses even after bearing the cost of maintenance investments. By maintenance investments is meant primarily investments in maintenance and productivity improvements in existing plants.

Outcome 2010

- The cash flow interest coverage ratio after maintenance investments was 4.6 in 2010.

Cash flow interest cover after maintenance investments



Ratings

Target

Vattenfall's goal is to maintain a long-term credit rating in the "single A" category from both Moody's and Standard & Poor's (S&P). A rating from these rating agencies is a balanced assessment of a company's creditworthiness based on quantitative credit metric analysis as well as qualitative assessment of the company's business risk. Ratings are therefore a good indication of a company's financial position. The "single A" category is defined as A1 – A3 by Moody's and A+ – A- by S&P. The ratings are monitored continuously by the rating agencies.

Outcome 2010

Vattenfall's current long-term and short-term ratings are A2/P-1 from Moody's and A/A-1 from S&P. Moody's affirmed its rating on 22 December 2010 and S&P affirmed its rating on 10 November 2010. The outlook for Vattenfall's rating is stable from Moody's and negative from S&P. S&P changed its outlook from stable to negative on 23 December 2009.

Dividend

Target

Vattenfall's dividend to the owner should amount to 40%–60% of profit after tax over the long term. However, yearly decisions on the dividend shall take implementation of the company's strategy, financial position and other economic targets into account.

Outcome 2010

The proposed dividend for 2010 is SEK 6.5 billion, corresponding to 50% of profit after tax. The level of the dividend is higher than a year earlier (40.6%).

