

Press release

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Vattenfall's second quarter 2015: Substantial impairment losses and continued low electricity prices

Vattenfall reports a substantial second quarter loss due to impairment losses of approximately SEK 36 billion. Higher provisions and low electricity prices also have a negative impact. Wind power generation is rising in line with Vattenfall's strategy to shift to a more sustainable energy portfolio.

January–June in summary

- Net sales of SEK 36,115 million (36,575) for the quarter and SEK 81,492 million (82,486) for the half-year period
- Underlying operating profit of SEK 2,966 million (4,086) for the quarter and SEK 10,703 million (13,163) for the half-year period
- Profit after tax of SEK -28,812 million (-2,323) for the quarter and SEK -23,825 million (-5,882) for the half-year period
- Impairment losses of SEK 36.3 billion (26.8 after tax effect), and SEK 3.9 billion in higher provisions had a negative earnings impact
- Electricity generation of 39.7 TWh (39.7) for the quarter and 86.1 TWh (89.8) for the half-year period

CEO's comments:

"Wholesale electricity prices continued to fall during the second quarter. The low electricity prices are having an ever-greater impact on Vattenfall's earnings, as our forward contracts entered into in previous years at higher prices are gradually expiring," comments Magnus Hall, President and CEO of Vattenfall.

Very low electricity prices have put pressure on margins for conventional generation. As a result of this, Vattenfall's board of directors has decided to recognise impairment losses. Weak profitability along with the subsequent closure of Ringhals 1 and 2 entail an impairment loss of SEK 17 billion. The lignite operations are also being affected by low prices and higher business risk, which together represent impairment losses of SEK 15 billion. Together with SEK 4 billion in impairment losses for the Moorburg plant and higher provisions, profit for the second quarter was charged with approximately SEK 40 billion.

"Naturally, this is a very negative development and unfortunately reflects the world we live in," comments Magnus Hall.

The German government has recently presented a proposal to transfer lignite-fired power plants to a capacity reserve in return for financial compensation to the owners for keeping the plants in standby mode. We believe that this proposal creates conditions for lower CO₂ emissions as well as security of supply in addition to providing greater clarity about the conditions for our work on finding a new owner for our lignite operations.

During the quarter, the sale of Vattenfall's fossil-based generation assets in Denmark was completed, in line with the strategy to shift to a more sustainable energy portfolio. Parallel with this, investments in wind power increased. The new wind farms – DanTysk in Germany and Clashindarroch in the UK – contributed to an increase in wind power generation corresponding to the electricity consumption of more than 400,000 households.

"Vattenfall's strategic transformation, with greater customer focus and more renewable power generation, continues. The business area organisation that we have now implemented provides favourable conditions to accelerate the pace of this transformation, but we must also continue working hard to reduce our costs. The personnel reduction programme announced during the preceding quarter is under way, but has been delayed somewhat due to the reorganisation. Activities to identify additional cost reductions are in progress in the entire organisation," concludes Magnus Hall.

The interim report in its entirety is available at corporate.vattenfall.se.

Vattenfall discloses this information pursuant to the Swedish Securities Market Act.

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