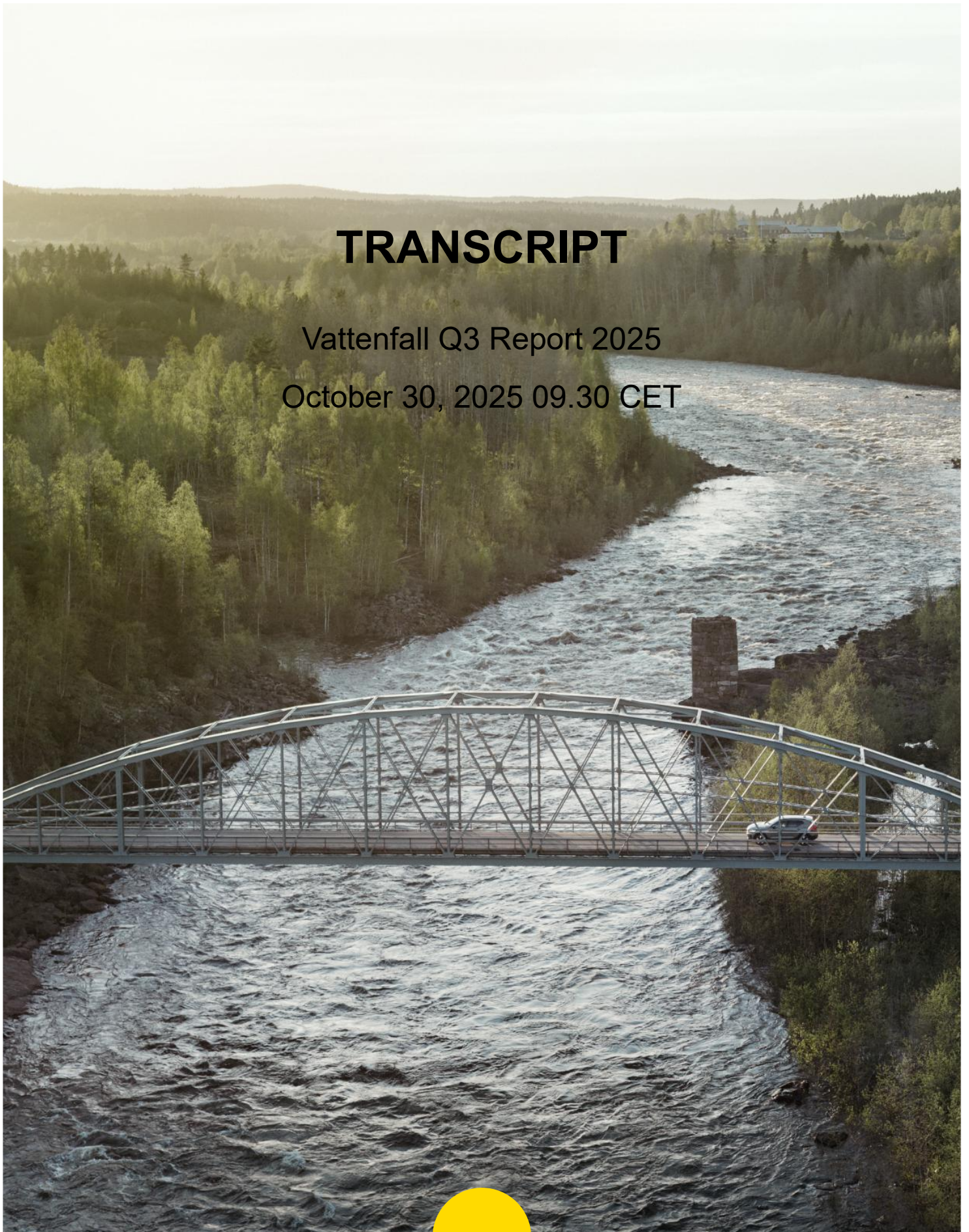


TRANSCRIPT

Vattenfall Q3 Report 2025

October 30, 2025 09.30 CET



VATTENFALL

Corporate Participants

- Anna Borg; Vattenfall AB; President, Chief Executive Officer
- Kerstin Ahlfont; Vattenfall AB; Senior Vice President, Chief Financial Officer
- Andreas Regnell; Vattenfall AB; Senior Vice President, Head of Strategic Development

Presentation

(Video Start)

Let's look back at some of the key moments and decisions for Q3 2025.

Another step has been taken on the path towards new nuclear power as Vattenfall has decided to proceed with the American company GE Vernova and British company Rolls-Royce SMR. Both produce modular reactors and are considered to have the potential to deliver within a reasonable timeframe and budget, taking into account the conditions at the Värö Peninsula on Sweden's west coast. The process of selecting a final reactor supplier will now continue.

In the Netherlands, the permit for the Zeevonk project has been officially amended and approved by the Dutch authorities. Zeevonk, a joint venture with Copenhagen Infrastructure Partners, will now be developed in two phases. Phase 1 to include both offshore wind power and a floating solar power pilot. Phase 2 will add another offshore wind farm and more floating solar power, as well as system integration capacity. This phased approach helps us align project delivery with changed market demand for hydrogen. Phase 1 is expected to be completed in 2029, followed by Phase 2 in 2032.

A final investment decision has been made for the construction of Clashindarroch II onshore wind farm, located near the town of Huntly in Aberdeenshire. The 14 wind turbines will have a capacity of 63 MW, enough to power around 61,000 UK homes annually. The construction is expected to begin in spring 2026 and first power is anticipated in summer 2027.

Tützpatz, Germany's largest combined solar and agricultural farm, has officially been inaugurated. Developed in partnership with Deutsche Telekom, the site spans 93 hectares and features an installed capacity of 76 MW. It brings together solar power generation with arable farming and animal husbandry. The innovative technology of Agri-PV can make an important contribution to keeping valuable agricultural land in production and at the same time making it usable for electricity generation.

Vattenfall Eldistribution have been granted concession for two 170 kV overhead lines of approximately 10 kilometers between Hällmyran and Hertsöfältet. The new lines are an important part of enabling the electrification of Luleå to meet the increased demand for electricity from several sectors, like the construction sector, the transport sector, industry and society at large. By supplying fossil free electricity, Vattenfall contributes to both economic growth and reduced climate impact.

(Video End)

Andreas Regnell: Good morning and welcome to Vattenfall and this Q3 reporting event for 2025. I'm Andreas Regnell and with me in the studio I have, as always, our CEO Anna Borg and our CFO Kerstin Ahlfont.

As we usually do, we will go through the main events and the financial performance for the first nine months of 2025. After the initial discussion, we will open up for questions and the material is, as always, available on the website.

Talking about what we usually do. For the last few years, we talked about, sometimes we call it the messy environment and the very fast development in general, and how Vattenfall is coping with that situation. So, Anna, same question this time. How are we coping with the situation?

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Anna Borg: Well, I would say that it's a dynamic market environment, to say the least. But it's also, as you say, something that we've seen for quite a long time now. And I think that running a business in this market environment is very much about being able to be long-term and short-term at the same time.

And one example is also what we saw in the movie, our development around new nuclear, where we need to make sure that these investments hold for decades to come. And at the same time, we have to deliver here and now in order to enable the new nuclear, but also invest in and making sure that our existing operations are efficient and up and running. So that's a very sort of specific example in relation to that.

I would say that being an integrated utility, as we are, having both power generation, distribution, sales and trading, that has served us very well in this market environment where there's a lot of sort of volatility and so on. And that has forced us to navigate in this constant change. But it also means that we have the tool to do it because we have several different risks and businesses and stepping stones to work on.

And that also means that we have learned to leverage the sort of Vattenfall ability to pivot between different timings, between different geographical markets, between businesses, but also between business models. So that has served us well and will continue to do so.

Andreas Regnell: Thank you. And speaking of our business, Kerstin, how would you summarise the financial performance for the first nine months of 2025?

Kerstin Ahlfont: Well, I would say it is a good development where we report a higher underlying operating profit. And we also see a positive development in our financial targets. And our focus on financial resilience, but also operational excellence will continue to be crucial in this market environment that is characterised by change.

Andreas Regnell: Thank you. But before we dig deeper into the financial development, let's deep dive a bit in one of the events that was mentioned in the film. And tell us about what we have been, a bit more of what we've done in new nuclear.

Anna Borg: Happy to. I mean, we are developing that at the Värö Peninsula where we have our Ringhals reactors already today. We started out with a gross list of 75 suppliers and we communicated after the summer that now we're down to two.

It's GE Vernova and Rolls-Royce SMR that we continue to evaluate. They offer modular reactors, both of them. And that actually means that it supports the cost efficiency that we are after in the project, but also manages the spatial constraints that we have to take in consideration since it's a peninsula.

We will either build three or five reactors in a first project, depending on which supplier we choose in the end. And the risk-sharing model that the Swedish government have provided is instrumental in order for this to happen, because that enables us and other commercial actors to invest in these reactors.

Partnering is also important for us. And we have this close dialogue with the consortium of Swedish and global industrial companies called Industrikraft, which is progressing very well. And that's good because they need this power that the reactors will generate to fuel their business growth. They also have a long-term perspective on their business and they also aim to co-invest with us.

So I would say the fact that we have both sort of joined forces in terms of both when demand and supply will be needed also lowers risk in this project. And that is very, very helpful to us.

When it comes to the work at site, we've come quite far and we continue in a high pace. So we are meeting the suppliers. We are at the site. We are preparing the site, but we are also preparing three applications.

So one application is in order to take part of the risk sharing model, one application for an environmental permit and one application for a permit according to the Nuclear Act. And all in all, our prioritisation is a successful project. So what does that mean then? Well, to us, it means mainly three things.

It means that it's possible to invest, that the profitability and the risk profile of the project are acceptable and good to us. That it's feasible, which means that it's possible to actually do operationally at the site which we have chosen and within a reasonable time and budget. And finally, that it can co-exist with our existing operations at Ringhals. And that means both during construction and during operation. So we're continuing at a high pace. It's going well.

Andreas Regnell: Thank you. A truly exciting project. But if we then change focus a bit and we zoom in on the energy market, how would you summarise the development there?

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Anna Borg: Well, it's a bit different depending on what area you look at. So if you start by looking at the Nordics, we can see that there's been quite big price area differences. And the price in the northern part of Sweden have been lower compared to last year, quite a lot. That has to do with the hydrological balance.

It has to do with more wind power generation in the northern part of Sweden, but also the fact that it's been warmer. So the temperature has been higher. And this, of course, particularly hits our hydro operations in the northern part of Sweden. But I'm sure that Kerstin will come back to that later.

If we rather look at continental Europe, and that's also the prices that have a lot of impact on the southern part of Sweden. And of course, also Denmark is a part of that, where we also have a lot of operations. Then you can see that the prices have been higher, almost 25% higher compared to last year.

And that is mainly driven by two things. It's the increased gas prices, since gas prices have a huge impact on the electricity prices in continental Europe. And it's also the fact that there's been lower wind power generation. The speeds of wind have simply been lower compared to last year. So a bit of a mixed bag.

Andreas Regnell: Thank you, so moving back to financials. And Kerstin, how has this market development impacted the financial development?

Kerstin Ahlfont: Well, the underlying EBIT increased to SEK 21.5 billion for the first nine months this year. And that is actually SEK 5.3 billion higher compared to the same period last year. And then it is worth noting that the divested heat operations in Berlin was consolidated until the beginning of May last year, and that affects actually the comparison negatively with SEK 2.8 billion. So if you also take that into account, it's really a solid financial development. Although the sort of lower power prices in the north of Sweden has had a negative impact on the result.

Andreas Regnell: Thank you. But if we look at the profit for the period, if we just look at the numbers, it looks like a quite significant decline. But that's essentially comparison effects, isn't it?

Kerstin Ahlfont: That's correct. You might recall that we recorded a capital gain when we divested 49% of the shares of the Nordlicht 1 and 2 offshore wind projects in Germany. That amounted to SEK 5.1 billion last year. And just to be clear, that is the share that we then also at Vattenfall later repurchased in 2025.

We also recorded last year a capital gain when we divested the Norfolk offshore wind projects in the U.K. And that amounted to SEK 4.6 billion in 2024. And on top of that, we also recorded positive changes in market values of energy derivatives. And that amounted to SEK 9.8 billion in 2024.

So quite a lot of significant and large one-off and temporary effects that contributed to that the profit for the first nine months in 2024 actually is SEK 15.2 billion higher than this year.

Andreas Regnell: Thank you, and if we take that then into the financial targets, how are they developed?

Kerstin Ahlfont: Well, the financial targets have developed in a positive direction. And if we start with our target for profitability, which we measure with the underlying return on capital employed, here we see an increase.

It ends up at 7.6% on a rolling 12-month basis, which is an increase compared to the second quarter when it was 5.9%. And this is, of course, due to then the improved underlying EBIT that I just mentioned. So I think here we are moving in the right direction. And we remain committed to deliver on our target, which is then 8% underlying return on capital employed.

And if you then take the other financial target, looking at the capital structure, we have the target FFO over adjusted net debt. And here we remain on a solid level and we report a FFO over adjusted net debt at 50.5% for the third quarter, which is an increase compared to last quarter. And we actually report a higher FFO, as we had then a higher underlying EBITDA, but also a lower adjusted net debt due to positive cash flow effects from the operating activities.

So now we have a solid financial position and that together with the diversified portfolio that you mentioned earlier, this enables us to actually continue keeping a high pace in new investments, even though it is quite challenging market environment right now.

Andreas Regnell: Thank you. So good news. And if that is the totality, if we then look closer into our operating segments, Anna, how has the development been there?

Anna Borg: It's a bit of a mixed bag there as well. But if I start with Power generation, they are showing an increased underlying EBIT compared to last year. An increase by SEK 9.2 billion actually, so amounting to SEK 12.9 billion for the first nine months.

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That is due to improved results from hedges. It's also an improved trading result. We can see that the nuclear in Sweden is doing better than last year, primarily because of its higher availability.

And we also can see that the pumped hydro assets that we have in Germany is performing very well with an increased result. And they are, of course, very valuable from a flexibility perspective in this quite volatile market.

On the other hand, we have the lower prices in the northern part of Sweden, which is sort of dampening the result a bit. But overall, a strong increase in the underlying EBIT for generation.

Andreas Regnell: Thank you. And talking about hydropower, we also recently announced that we will purchase a new dam gate for our power station. What was the big thing about that?

Anna Borg: Well, this is not just any gate. This is actually the world's first dam gate that is produced by fossil-free steel. So it's 120 tons. So it's a big piece. And it's made out of fossil-free steel delivered from SSAB. It will be installed in our hydro power station in Stornorrfors in 2028. And it's a way for us to advancing the fossil-free value chains. That's an important part of driving the transition and finding new business models.

And I would like to mention one other thing in relation to that, if I may, because we also focus a lot on reuse of components. And we actually participated last week in the Dutch Design Week, looking into how we can reuse components from wind turbines and generated together with colleagues and other people there and an AI tool that we are using hundreds of ideas how we could actually reuse these components in our business, but also in other industries. So this is also something that we work quite a lot with to have a more circular approach.

Andreas Regnell: Thank you. So I think it's really two great examples of what it means in practice to work for fossil freedom. But let's now turn to the Wind operating segment. How has the development been there during the first nine months?

Anna Borg: It's a lower underlying EBIT the first nine months this year compared to last year. So it's SEK 0.8 billion lower compared to last year amounting to SEK 2.8 billion for the first nine months. That is due to lower volumes. And then we are back to the lower wind speeds that I talked about earlier in continental Europe. So simply it's less windy and lower speeds of the winds that are actually there.

But we also have a roll off of a subsidy from the DanTysk offshore wind farm that's been there and that is now rolling off and we are instead exposed to the market prices. But then on the other hand, we can see that there was a price increase in the continent and also in Denmark, and that has a positive effect on our wind business.

Andreas Regnell: Thank you. Kerstin, what about development in Customers & Solutions?

Kerstin Ahlfont: Well, in Customers & Solutions, we report a decline in the underlying EBIT of SEK 1.7 billion and it ends up then on SEK 3.9 billion. And that is due to the, sort of the competition we see in the German market, which has an impact on both our margins and the customer base. And we also, as we have said earlier, we have higher costs for the gas grid as well in Germany.

When it comes to the district heating operations, they actually have a mitigating effect now, these first nine months and here we report a positive underlying EBIT development, mainly actually in the Swedish heat operations.

Andreas Regnell: Thank you. And last but not least, how about the development in Distribution?

Anna Borg: Well, in Distribution, we report an increase of around SEK 600 million. So we end up at SEK 2.3 billion. And here we see an increase of the revenues as a result of the adjusted local grid tariffs. But we also have lower costs for energy losses as well due to the lower electricity prices that we have talked about earlier.

And we continue to invest a lot in the Distribution segment to reinforce the electricity grids, but also to secure the quality of supply and connect new customers. And this is, of course, strengthening our infrastructure. It also secures sort of future growth of our regulated earnings, but it also increases depreciations. And that you also see these first nine months that that has a negative impact in this period.

Andreas Regnell: Thank you. Great. So before we open up for the Q&A, any final thoughts, Anna?

Anna Borg: Yes, we will continue to seek business opportunities and we have the means to do that. But we will seek the business opportunities that both have robust business cases and that are sustainable. So the combination continues to be important to us. We continue to progress well in our operations, in our projects. And I think that is also a sort of sign of strength of the business and the organisation.

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The result that we're now showing, which is a strong increase compared to last year, and also compared to our targets, as Kerstin said, is, of course, a proof point that we are moving ahead in the right direction. And we continue to focus on efficiency as well and on the operational excellence initiatives that we have running in our business in order to enhance this even further.

I would say that we have the means, and with that I mean a strong balance sheet and diversified portfolio, the ability to be quite agile, as we discussed earlier. So we have the means to continue to invest and also position ourselves to be competitive, both today but also in the future.

Andreas Regnell: Thank you, quite a positive picture. And thank you for walking through the results together. And a reminder, all the material is, as always, available on the website. Let's now open up for the Q&A and please remember to state your name and organisation. Thank you.

Questions & Answers

So now to the Q&A. Claus Berger Skovholm. There are obviously significant price differences between northern and southern Sweden, which are putting pressure on revenues from hydro power. How does this affect Vattenfall's investment decisions in the Nordic region?

Andreas Regnell: Well, that is correct. We continue to see the price area differences and they have been especially harsh this winter or this year, you can say. And of course, it impacts the investment and the willingness to invest because the price is your income and your revenue for your project. So that, of course, makes everybody hesitate a bit when it comes to new investment.

On the other hand, I think it's important to say that when you look at these kind of investments, they are going to be there for decades. So then we are looking at the price development over a much longer time period than a single year. So you need to take that into account as well.

Andreas Regnell: Thank you. Next question from Jakob Magnussen. How do you see the market for striking attractive PPAs in your renewable investments currently? What's the trends in the PPAs?

Andreas Regnell: Yes, I mean, we see the demand development happening slightly slower in all of Europe compared to what would have been the case a couple of years ago if we had the same discussion. And there is a bit of hesitation to make large investments due to the uncertainties in the world around us. So in that sense, there is a slightly lower demand for PPAs.

On the other hand, the investments that are being made want to mitigate this uncertainty and would then benefit from a PPA. And the projects being built are also slightly fewer than before. So being sort of a solid partner that still can bring profitable and sustainable projects to the market, you are still a very attractive partner in those PPA discussions, I would say.

Andreas Regnell: Thank you. And next question from Philip Akoto from Energate. How does Vattenfall view the offshore wind power market in Germany? The BDEW advocates using RED III to postpone tenders and reform the tender design. Is this a good idea?

Anna Borg: Well, I don't have a view on whether that's a good idea for them or not. But what I can say is that we are developing an offshore wind project in Germany right now, which is the Nordlicht projects. It's actually two projects in a cluster.

And we have already made the final investment decision because we think that we have been able to close good contracts with our suppliers. And we also see that there is a good demand for these green electrons going forward.

I mean, Germany in particular and Europe in general is a market where there will be an increased demand for more electricity and especially green electrons. And if you are one of the players that actually have those electrons, we are quite sure that will be beneficial going forward. But I don't have a view on other companies' projects.

Andreas Regnell: Thank you.

Jones from, I guess, Creshia. When can we expect a decision on the two suppliers of SMRs?

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Anna Borg: Well, we've already made a decision on the two suppliers because they are now the two ones that we still have in our process. But we will eventually move to one supplier. And the plan is to do that during 2026.

Andreas Regnell: Thank you. Next question, Maz Plechinger. Slightly building on Claus's question, you recently submitted the environment permit application for Storlandet, aiming for 2035 with the first phase possibly already in 2032.

Taking the current market conditions in northern Sweden and the slow progress in Power-to-X into consideration, what would you need to change in order to make such a timeline viable? And what are your thoughts on the seemingly not yet resolved issues with Försvarsmakten?

Kerstin Ahlfont: I think when it comes to Storlandet, it's correct that we have submitted this permit application. And I think these are long processes with long timelines. And this we do in order to have the preparedness, should the demand come in the northern part of Sweden, to the extent where we would have sort of a positive business case for such a project.

And in these discussions, of course, we need to clarify also with all the different stakeholders around this project. And Försvarsmakten is, of course, one of those. But we will not comment specifically on those discussions, of course.

Andreas Regnell: Thank you.

Maz Plechinger, again. One more on offshore wind. When you received the onshore consent from Muir Mhòr this summer, it was stated that the project remained on track. And in today's report, the commissioning date in 2030 is repeated. What would it take to meet this timeline? And what are your views on Ming Yang's investment plans in Scotland? Would you rule out building the project with their equipment?

Anna Borg: Well, when it comes to Muir Mhòr, that's a project where we anticipate floating offshore. And we are still in a fairly early phase in that project. So, it is correct that it's running according to timeline. But it's also quite some work remaining before we know exactly what the sort of future outlook will look like and when.

Floating offshore is also happening slightly slower than what was anticipated a number of years ago. We still see a lot of fixed bottom projects being in the pipeline, but also some floating. So, it's a bit too early to say exactly what's going to happen with that. But it is correct as we state in the report that we continue to work on that and it is on track.

When it comes to suppliers of wind turbines, we don't have any contract today with Mingyang regarding supplies of wind turbines. And we, of course, don't have a view either on how they act or how others act in the market.

But in general, we like the fact that there is healthy competition on the supplier market, because it is also important to continue the trend and the curve that we've seen so far when it comes to lowering the cost for also offshore wind. But I don't have a comment on any of the specific suppliers.

Andreas Regnell: Thank you. And then, Alex, I guess from Blackburne. Two questions. Can you give some colour on Vattenfall's offshore wind pipeline beyond Zeevonk and Muir Mhòr? And second question, does the potential shift in CfDs by the Netherlands and Germany make it more or less likely that Vattenfall will participate in future offshore wind auctions in those markets? Shift to CfDs, yes.

Kerstin Ahlfont: Now, when it comes to the wind pipeline that we have in offshore wind, I mean, we are now constructing, as Anna said, the Northlicht projects 1 and 2, which is 1.6 GW in Germany.

And we now got also positive decision on the permit when it comes to Zeevonk, which is another 1 GW in short term and then another 1 GW in the early 2030s. And beyond that, so we are quite sort of full when it comes to the closest five-year period, I would say.

But after that, we have Muir Mhòr. We have also some offshore interesting projects in Sweden. We have also in Finland. We are looking at Denmark, Germany, the U.K. and the Netherlands. So these markets, which we have said are sort of prioritised markets. But it's a long sort of time ahead. And we are monitoring closely where will the market conditions actually be the best so that we also can make these potential projects profitable.

And that we are following really closely, because at the moment, it is tough. You really need to have the best projects to be profitable. And that brings us maybe to the second question on the CfDs.

And I think this is important that short term in this environment that we have, we might need more support, both on demand, but also then on supply. So CfD could, of course, be an option where the Netherlands would get more, more sort of applicants in for projects.

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Andreas Regnell: Thank you. Then we get to Samu Wilhelmsson from Nordea Markets. Given that Sweden has ambitions now for significant increase in nuclear power, how much would you say the realistic split between larger reactors and SMRs would be given your investment appetite and the announced risk sharing from the Swedish state?

Anna Borg: Well, that's, of course, a very long-term question, because all the reactors we own and operate today are large scale. And we are investing in order to make sure that they are up and running in an efficient way.

And we have also made the first step towards an investment decision when it comes to prolonging the lifetime of those, which is also a huge investment. And that is all large scale. When it comes to this project that we're now discussing for new nuclear on the Värö Peninsula, then we have chosen the two suppliers that we are now evaluating to move ahead with.

And they are both offering modular reactors. They are not small, but they are modular. Still a technology that we are sort of used to, its light water reactors and the fuel that we are used to as well.

But what other projects regarding new nuclear that could eventually come live in Sweden and exactly what suppliers and thereby also what technology will be chosen in them is, of course, very difficult to say, but I'm quite sure that we will see a mix of both large scale and small modular reactors also going forward. If we look at the decisions to build new nuclear around the world, you can see that both technologies are evolving.

Andreas Regnell: Thank you. Another question for Samu Wilhelmsson from Nordea Markets. Are you seeing the increased activity and investment appetite on Nordic data centers could have a significance on Nordic power prices or project development?

Anna Borg: Well, not short term.

Kerstin Ahlfont: No, I think I mean, it's a lot of interesting discussions, of course, about data centers coming in and investing in our markets. But we are not commenting on sort of short-term power forecasts here.

But long term, we have been clear about what we believe about the demand. And there we see a significant increase in the 2030s. And that is, of course, because as you said earlier, when we are investing, we really have a long-term perspective on our investments. Short term no comment.

Anna Borg: Yes. And I think that the Nordics is a very attractive area to locate data centers, because we have space, we have quite a lot of electricity, it's lower electricity prices than in many parts of Europe. So we see a lot of interest in discussing with data centers.

Andreas Regnell: We certainly do.

Claus Skovholm from Energy Watch. Do you expect to meet your goal for workplace accidents in 2025 with an LTIF score of one or less?

Kerstin Ahlfont: I think I mean, we are not giving forecasts, as I said, but I think you have seen where we are in the third quarter. So that I would say is unlikely, actually, that we will reach that target and LTIF that is then the lost time injury frequency.

So it's the number of accidents that actually leads to some kind of, that you cannot go back to work, basically, per one million worked hours. And we have already worked so many hours the first nine months. So I would say it's not realistic, unfortunately. But we are working very hard on this topic, because it's really on top of our agenda.

Anna Borg: For sure.

Andreas Regnell: Thank you. No more questions. So thank you. And thank you for all the questions. And so this Q3 reporting event is now finished. And we welcome you back in the new year for the Q4 reporting event or the full year 2025. Thank you and goodbye.