

Discussion with Mats Granryd, Chairman of the Board of Directors and Anna Borg, President and CEO**Speakers:**

- Anna Borg; Vattenfall; President and CEO
- Mats Granryd; Vattenfall; Chairman of the Board of Directors
- Åsa Jamal; Vattenfall; Head of Group Staff Function Communications & Acting Head of Staff Function People & Culture

Åsa Jamal: We are here to put 2024 in the books. What a year it has been. Falling electricity prices, economic uncertainty, geopolitical instability in our immediate area. We have an American president who has just celebrated his first hundred days in office, Donald Trump, and he has done a lot. He has started trade war and he has left the Paris Agreement for the second time. We also see European governments working hard to get their defence budgets in order and who are thinking of European competitiveness. At the same time, we see many companies that are, so to say, keeping a stiff upper lip and continue to work toward their transition goals, climate ambitions and efforts to reduce carbon dioxide emissions. So I am curious to hear how Vattenfall is reasoning in all this?

Anna Borg: The reality you just described is exactly what we are all living in, with major geopolitical uncertainty, a lot of focus on security issues and a trade war that is affecting us all in one way or another. It is a fact that we simply have to deal with. It also means that many companies as well as countries need to prioritise differently when dealing with many types of expenses and issues simultaneously. We need to remember that. In terms of Vattenfall's operations, we do not have any operational activities in the US then for example, as we have our operational activities in Europe. So in that sense, we may not immediately see the impact of this trade war. However, we are seeing an impact on our suppliers in the US and Asia as well as other parts of the world. Above all, we are seeing the impact on our large industrial customers in Europe, and that is perhaps what is the most worrying in the long-term I would say. Because we need a strong European industry, we need economic growth in Europe to finance all the challenges that we are facing and to be competitive as a region. In that respect, access to sufficient fossil-free electricity at competitive prices is absolutely crucial, I would say. For Vattenfall, 2024 was a good year, if coming back to that. Our result improved from the year before, but there are also some one-off effects as we saw in these videos. For example, we sold the Norfolk projects in the UK and we made a transaction with BASF regarding the Nordlicht projects. If you look at our return on capital employed, it is at 12.4%, which is a good return, but if you adjust for the one-time effects, it lands at 6.3%, a bit lower than we would like it to be in the long-term. So we are continuing to make continuous improvements, increase cost efficiency, and so on, to ensure it comes up a bit. We are also working hard to reduce our CO₂ emissions, which we have been doing for a long time, but we continue to do so. I think that in the type of situation we are in now, it is incredibly important to simultaneously think long-term and short-term. In the short term, you need to have your business in order, it is the here and now, it is about efficiency and making sure to deliver on our projects and operations. And at the same time, we need to think about how we enhance our long-term competitiveness and make the right investment decisions - in which business, in which projects, and which projects that are fundamentally good in the long-term for us as a company. So, despite the turbulence,

we still have a very clear direction for development, though the pace of it has been affected quite a lot.

Åsa Jamal: If we stay at the climate issue for a bit, we see that it has partly fallen off the political agenda, or has at least been somewhat down-prioritised. We also see, for example, that our private customers are struggling with increased living costs, among other things. How does this affect Vattenfall's ambitions and our approach?

Anna Borg: The climate issue is very tangible in many respects and although it is true that a lot of other things are being focused on, I think it is important to mention that the climate negotiates with no one. Regardless of who is signing or breaking agreements, it remains as real and tangible, and we must deal with it while dealing with all other issues. For me, it is also very clearly linked to a company's long-term competitiveness. It will have a cost, it already does, and there will be a cost in many different ways, whether in the form of an emissions trading system like we have in the EU, in the form of taxes and fees, or in the form of everyone being forced to pay for the consequences of climate change. And a very concrete example is when parts of Los Angeles were on fire and the houses were not insured because insurance companies knew that there was a high probability of extreme drought due to climate change. The fires were therefore devastating in this particular area. So for me, profitability and sustainability are not at odds. If you want to be competitive in the future, you must also be sustainable. We have not altered our sustainability targets, they remain the same. We still aim to be net-zero by 2040 in all parts of our operations. Both in our own operations where we buy from our suppliers and in what we deliver to our customers. And those targets are also certified and approved by the Science Based Targets Initiative. So far, we have reduced emissions by approximately 53% compared to the base year of 2017. In 2024, the reduction was 5%, if I remember correctly. We have come some way, but we are still not where we want to be. These net-zero 2040 targets apply, and they apply to Scopes 1, 2 and 3. We have milestones along the way that are measured the same way as we measure our financial and other targets – and we measure in terms of absolute emissions, going forward.

Åsa Jamal: Mats, let us turn to you. When we were here a year ago, we saw that nuclear power was on the agenda. Nuclear power continued to be on the agenda throughout 2024. At that time, an investigation around financing had just commenced. How have the progress and discussions been?

Mats Granryd: Discussions are proceeding excellently, and we are working on a continued focused approach, I would say. The discussion with our owner is going really well. It is very complex. It will take many, many years. It is a long process. You would think it is reasonably easy to decide on one thing or another, but it is not. There are many aspects and factors that need to be taken into account when making a decision like this. I think both Anna and I are pretty happy with where we are in the process. During the year there has been many in-depth discussions about nuclear power. At the last board meeting, I think we spent half the time on nuclear power alone. It was a very good exercise, and we have had several deep dives into technology, new construction and financing model, among other things. It is complex, but extremely important.

Åsa Jamal: What do you say about the proposal regarding the risk sharing model?

Mats Granryd: We think the foundation of it is quite good, but we will need to adjust the parameters quite a lot to make it a long-term profitable business for Vattenfall, because after all, that is how we are measured. We need to be profitable. In order for us to be able to make this investment, the risk sharing model needs to work for us. It cannot be something that we have to pay for, but rather something we get back from.

Åsa Jamal: As Mats has said, there is a lot of work going on regarding this. Anna, can you explain what this means for us in more tangible terms?

Anna Borg: Yes, we are working hard down at the site at Ringhals on the Värö peninsula. We are working on several aspects. We are in the process of site preparation, which means that we have purchased land in the area that we need to have access to when we build. We have also requested to revoke a nature reserve adjacent to the existing nuclear power plants and we are waiting for a response from the County Administrative Board. We have identified plants and wildlife on site as part of the requirements for applying to the Land and Environmental Court for the environmental permit we need, so there has been a lot of focus on the flora and fauna of the area, and how we can ensure that they are protected in the future as well. We have also done a lot of work on supplier evaluation, which Mats also talked about. We started with 75 suppliers, and now we are down to four. They have of course been on site to see how the facilities can be laid out, and how logistics and construction time can be managed, which also takes up a lot of space. You also need to remember that we have existing operations at this location that need to continue without too much disruption. So that is what we are working on. We have also requested a lot of information from the suppliers we are evaluating in different regards, and we have also sent our own staff out on several occasions to close to all relevant comparable projects to see what they have done there. What can we learn from it? What should be avoided? What absolutely needs to be considered, and so on. The other week, we also started a new nuclear power company, Videberg Kraft AB. Videberg Kraft AB is intended to be the company that is responsible for developing new nuclear power and that will be used for applying for the risk-sharing model Mats talked about. Keep in mind though that we are not just talking about new nuclear power. We have a lot of nuclear power in our existing operations as well. It is part of the backbone of what we do, and has been for a long time, along with hydro power and these days also wind power. So we are investing in our existing facilities as well as looking at extending the operating time of the reactors that we have today, from 60 to 80 years. That is an incredible amount of fossil-free electricity over a 20-year period that will benefit Swedish businesses and customers, but these are also large investments, around SEK 50 billion, that we will be making at the same time. All in all, there is a lot of focus on nuclear power.

Åsa Jamal: Another issue that we have discussed is this investment dilemma, that is the balance between electricity prices, on the one hand, having to be low enough to be competitive for industry, and at the same time high enough for it to be profitable for the energy industry to invest in new electricity infrastructure. How is this affecting us?

Anna Borg: Yes, it is exactly that complex, exactly as you describe it. Things look a little different in Sweden than the rest of Europe. Sweden and the Nordic countries have the lowest electricity prices in Europe, we should not forget that. But it is difficult to make many of the present investment calculations work based on the market prices in both Sweden and Europe. In Sweden, the price is hovering around SEK 0.40 for the foreseeable time horizon. You cannot build much electricity generation for that, maybe a little solar energy and possibly some onshore

wind, but everything else costs more to build at the moment due to the development of supply chain costs, so it is a "chicken or the egg" kind of problem. The industry will not dare to invest unless it knows there will be more fossil-free electricity at a reasonable price, and the energy industry will not be able to invest if we cannot foresee that demand. So, at the moment, I think it is important to think of energy systems and perhaps even countries from a balance sheet perspective. These investments are not made solely to be profitable in the short-term, but rather as a building block for industry in general that need to be paid for over many decades. Then you simply need some of the risk-sharing models that Mats mentioned to get started. But you can also partner up. We are in discussions with Swedish basic industries and Swedish industrial companies in the industrial consortium that they have joined forces in, called *Industrikraft*, we are looking at how we together could invest in new electricity generation for example, so that is also a way to manage this. But again, it is about being both short-term and long-term focused at the same time. Having everything in order in the here and now, and making the right investments going forward. Not just new investments, but also assessing our current portfolio of operations, which is something we do continuously. One example is that we now have said that we will assess our district heating business, and determine whether we are really the best owner of it going forward. You should remember that district heating is an incredibly important piece of the puzzle in the entire energy system and in the energy transition and it is a good way to efficiently deliver large amounts of heat and cooling, but it will also require major investments going forward. We will have to prioritise between all our investment opportunities, and that means that we have said that we will assess whether we should own this in the future or not. However, it is important to say that we have not made any decisions yet. It is a step-by-step process. These are incredibly interesting times I would say, in terms of industrial development in Europe and Sweden in general and in terms of the energy market and development specifically. Here, Vattenfall has an important role to play and we are taking that role, and we intend to take that role going forward as well.

Åsa Jamal: Considering these circumstances, Mats, what should Vattenfall think of in 2025?

Mats Granryd: I think it is just like Anna says, the outside world now has a leader in the United States who views life in a particular way, we have a leader in Russia, we have a leader in China, and so on. You could say the world has a case of the hiccups, or a minor cold, but Vattenfall, what we are doing is very long-term, and I believe you need to keep that perspective, these are long-term projects. Europe must become stronger and Vattenfall plays an incredibly important role in delivering good electricity that is at least free from CO₂, if not renewable, for Europe, so that Europe can regain its competitiveness. So as a company I believe we are perfectly positioned for the future. I have had the privilege of being in the board for five years, and being the chairman for three and it is a company that is just growing on me. I think it is absolutely fantastic, not only the products but also the way in which you work with the issues. It is not easy to understand how to invest in something that might not be put into operation until 2030 or 2035, or what the prices will look like then. But Vattenfall has a clear and distinct view on all of that. So I am deeply impressed. And you practice this expertise together, with a big heart, a great passion for Sweden, and respect for energy delivery in general. So I am just so incredibly grateful to be part of this journey, as is the entire board I can say. And I just want to thank all the employees. I will not single anyone out to avoid missing someone, but a big thank you to all of Vattenfall and to you, Anna, for the meritorious, excellent job you have done in 2024. And I think 2025 will be just as exciting, if not more so.

Åsa Jamal: With that, we would like to thank you Anna and Mats. It is clear that the path forward is anything but straight, and maybe it never was, but the determination to continue leading the energy transition is crystal clear.

Mats Granryd: Crystal clear.

Åsa Jamal: Thank you for that.

Mats Granryd: Great, thank you.

[END OF TRANSCRIPT]