

## 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 Communications

**Åsa Jamal:** Please take a seat.

**Mats Granryd:** Thanks.

**Åsa Jamal:** You know, it doesn't feel like that long ago since last time we sat here, but that's probably because it's been a very intense year, geopolitical tensions, a deteriorating security situation in many ways. We have high inflation, we have high interest rates, we have a number of factors that have affected Vattenfall. But we also have an industry continuing on the path towards net zero, and an EU that has come to an agreement on a common market design. The COP finally stated that fossil fuels in fact are causing climate crisis we are in. Vattenfall has also experienced lower prices in the market: up to 60% down from the record year of 2022. Anna, all of this has affected us, but tell us in what ways?

**Anna Borg:** Yes, in many different ways, I would say. All of the dynamics you describe naturally affect us in various ways, and in general we have to deal with greater uncertainty in the world around us, but then it is also good that we have a stable financial position. We have a strong balance sheet and we have good liquidity, so we can be flexible and deal with all these challenges that we see now and that will continue going forward too. As you said, we have seen lower prices in the market. We have also seen lower volumes because it has been warmer than normal. Vattenfall has gained more customers, so there are more people choosing Vattenfall, and we also had a better result this year, I mean in 2023, than we had the year before, up by around SEK 10 billion. Then you have to remember that there were some one-off effects in 2022, but it is definitely a much better result for 2023. And when it comes to the world around us that you describe, there are things that affect us every day really, I would say, and one of the things we've had to do is tougher prioritisations. We saw some examples of that here, such as the sale of the Norfolk offshore wind zone in the UK, which we sold to RWE and made a profit of SEK 4.6 billion for Vattenfall, so it was a profitable deal in the end, but it was a project we chose not to complete. And then we also have the sale of Heat Berlin, which is a matter of priorities too: we have to ensure that we can invest enough into the projects that we will develop going forward. So tougher prioritisations is something that will also be needed going forward, you could say. But otherwise, the focus has been on our long-term strategy. It is important to manage both the here and now and the longer-term and to find a good balance, so we can continue to work towards fossil freedom in the longer-term and ensure that we can do things right now that will get us there step by step. Another area that we've actually focused on more than before, and not just this year but for the last few years, is our security work. And that is because it is necessary in the world we live in nowadays. It's the same for all the other energy companies and also for others working with critical infrastructure, but it is also notable, I would say.

**Åsa Jamal:** Dealing with a changing world has become part of everyday life in many ways.

**Anna Borg:** Yes, that's true.

**Åsa Jamal:** But the transition is ongoing, it has not stopped.

**Anna Borg:** No, no, it really hasn't. In fact, we could wish for it to go faster in many respects. It is absolutely vital from a climate perspective, but it is also desirable, I think, in the sense that, if you want to be a competitive company, you have to be able to reduce your emissions of greenhouse gases, and also address other issues such as biodiversity and so on, in order to remain competitive. I think it's important to ask ourselves how many successful companies there will be in 20 years' time that are both profitable and emitting large amounts of carbon dioxide. I don't think there will be that many, so the way forward is clear in that regard.

**Åsa Jamal:** Mats, when we were sitting here a year ago, you were hoping for a slightly calmer 2023. How do you think it turned out?

**Mats Granryd:** Yes, I'm not sure it was much calmer, but it was certainly different. In 2022, if we remember, we had massive fluctuation in prices and that created a lot of stress in the system from a financial perspective. 2023 has been much calmer. Prices have come down to a low level, down by 60% from 2022. Instead we have focused on Heat Berlin, and we have focused on Norfolk. On the part of the Board of Directors and Executive Group Management, I think we have done a very good job of trying to understand how Vattenfall should position itself for the future, and in fact that is what we have done this year. And I also want to take the opportunity to thank all the employees at Vattenfall who have done a fantastic job during 2023, and the Board of Directors too. We also have 3,000 new employees, and I would like to wish them a warm welcome to this fantastic company, Vattenfall.

**Åsa Jamal:** The climate issue, it's hard not to come back to that. Many of us wish things would move a little faster and I know that there are many people here today who are also very engaged with this issue. What is your view on Vattenfall's role and contribution, Anna?

**Anna Borg:** Well, the climate issue is the most important issue of our time for any leader to deal with. We have to ensure that we can leave a world behind us for future generations that is habitable and safe, and that is a big challenge considering what needs to be done all round the world, but also in Europe, in Sweden and in our own business, we have to try to tackle it, bit by bit, in different ways. As a society, we have been slow to pick up the ball. You mentioned the COP earlier, and of course it's great that there is more agreement now than before, but I think many of us would like things to be even clearer and to move forward even faster in all parts of the world and in everything that has to do with different types of greenhouse gas emissions. But things do seem to be moving in the right direction, just not quite at the pace that we would like. I am fully convinced that it is entirely possible to live a modern and comfortable life with an acceptable climate footprint. But we have to show how to achieve this through the products and services that we offer and through the various technologies that we use ourselves and are also involved in developing in other industries. Energy alone will not solve the climate issue, but it is a very important piece of the puzzle because when you are to phase out different types of fuel and emissions in other sectors, electrification is often the answer, directly or indirectly. Either direct electrification or via green hydrogen, which must then also be produced from fossil-free electricity, so we are a very important enabler in that sense, in all kinds of ways I would say. Something I think it is important to consider in this context is to

really make use of all the fossil-free technologies that exist. There is technology, there is knowledge of how to use the technology, and there is also capital that wants to get involved and finance these changes, but we also have to make sure that it happens. This discussion about whether it should be one technology or the other is not meaningful in my perspective, rather we need everything we can come up with. I'm not worried about that too much will be built of anything when it comes to the fossil-free technologies, but I am quite worried about that too little will be built of everything, and most of all a little too slowly. Then it is important for us to play our part as well. We saw the goal here in the film when we came in. We have undertaken to reach net zero by 2040 considering all of our greenhouse gas emissions. We have this certified by the Science Based Targets Initiative, but 2040 is not enough, we have a number of targets for 2030 as well. By then we should have reduced 77% of our emissions and the emission intensity from our operations, and already now, we have reduced them by 56% compared to the base year of 2017, so we are on our way. We know where we are going. And when it comes to our own emissions, I would say that we have them under control, and we know what to do. When it comes to our suppliers and also what we deliver to our customers, we of course need to cooperate with them to be able to maximize the exchange, so we focus on this a lot. And when it comes to what we offer to our customers, the conditions are very different in different parts of Europe. In both Germany and the Netherlands, for example, natural gas is still used to a large extent to heat their homes, and there we have to be able to offer other solutions on a large enough scale and quickly enough to be able to phase it out too. At the same it has to be something that households can afford, or we will run into other problems instead. So, yes, it is a puzzle, and it's far from completed, but we're on our way.

**Åsa Jamal:** There has been a lot of focus this year on nuclear and the role of nuclear power in this transition, how we can contribute to the energy transition via new nuclear power, how quickly it can be put in place, and so on. We presented parts of the feasibility study that we completed at year-end a while ago now. What is the next step on the path towards new nuclear power in Sweden?

**Anna Borg:** There are two things in focus, I would say, and one is actually the existing nuclear power, we mustn't forget that. It is an important piece of the puzzle for our core business and has been for a very long time. We are continuing to invest in and develop our existing nuclear power, and we are also looking into extending its lifetime. It is currently technically and economically optimised to run for 60 years, and we are looking into whether it could be prolonged to 80 years. It will require a lot of investment, but we think it's a good thing to do. We are also looking into capacity increases in the existing operations. For example, we have invested in additional capacity in Forsmark 1. Now we need to get that out on the grid as well, and we have received a notice that we will get access to grid capacity to allow us to do that. And you should remember we're not talking small amounts of money. When it comes to new nuclear power, as you mentioned we have just completed the feasibility study about small modular reactors. We're also looking at large-scale reactors, which is the technology we're used to, so to speak, and both cases concern light water reactors because that's what we know how to do and where we find that the market is most mature. So we haven't decided on the exact technology, we're talking to suppliers of both large-scale and small modular reactors to get a bit more insight into what it's actually going to cost in practice, but also what risk they're prepared to take in the projects, and so on. In the meantime, we are doing everything that still needs to be done before we come to that decision, which means assessing the land and making

an environmental impact assessment down at the Värö Peninsula where we have Ringhals today. We are currently looking into whether we might need any part of the nature reserve that is there and, if so, how to handle and compensate for that. We are preparing consultations with people in the nearby surroundings that we will talk to, and we are also discussing with the authorities which will be processing these permits when we apply for them, to make sure that we are in sync considering both the timeline and the requirements and so on. This is happening step by step, but it's not a quick fix, so it won't happen anytime soon but, again, it's important to piece together this puzzle. The energy that we need to produce in the next five to ten years has to come from the projects that are already far into the development phase, and then those are mainly onshore and offshore wind. And in the long-term too, we need to put all of these technologies together to get electricity at a cost that Swedish industry and Swedish business can bear while remaining competitive. So there are a lot of pieces that have to be in place.

**Åsa Jamal:** Another issue that has been discussed a lot is the matter of financing models and the government. Our owners have appointed, or the state is our owner, but the government has appointed an investigator to look into risk-sharing models and financing principles. How is that dialogue going, Mats?

**Mats Granryd:** Well, it's going really well, as Anna says, this is very complex, very big, there's a lot of money involved and it takes a long time, so it is important to do a good feasibility study and understand all the risks. And then you have to remember that Vattenfall operates in a commercial market with several players, so what we say is just one input, but the dialogue with the government about risk-sharing models is working really well and we believe that a prerequisite for us to be able to build new nuclear, is that we share the risk. I don't think there is any nuclear power plant that has been built or will be built where the government and the state are not involved and bearing part of the risk in some way. And as Anna said, we are currently looking into whether we can prolong the life of the reactors we have up to 80 years. So these are decisions that will stay with us for, well, 60-80 years, maybe even longer. So this is very important and essential, and there's so much money involved that we have to get it right. Hence the risk-sharing discussion, hence our feasibility study.

**Åsa Jamal:** So 2023 was characterised by the discussions about the investments we should be making going forward, but we have also made a number of important decisions about existing operations. There was the strategic review of Heat Berlin that led to a sale, and also the decision to sell the Norfolk zone. This is freeing up some capital and creates some new opportunities. What are we going to use it for?

**Anna Borg:** As you say, there are many big decisions to be taken, both about what to invest in going forward and about what we feel we may not be able to do, considering where we want to make the investments. Here I would actually like to take the opportunity to thank all the employees who have worked on these very big deals and transactions, which are often extremely complex and cumbersome, but which have turned out very well in the end. We are investing at full speed in our operations. Just this year and the next, we will be putting SEK 40 billion into growth investments, and in addition to that we have the investments in our existing operations which are almost as big, so it is important to get it right, it is important for us to spread our risks in a good way to keep the company financially stable going forward. Given the uncertainty we talked about earlier, it is important to have that flexibility if and when we need it. But it is also about making profitable investments and choosing projects carefully, and

ensuring that we really can deliver the profitability we aim for and need to deliver in order to continue investing. And it's also about investing in order to reach our sustainability goals both in the medium- and long-term, so there are many things to take into account. But we're also well equipped for that with the strong balance sheet that we have, and we will ensure that we have the financial strength going forward too.

**Åsa Jamal:** Okay, in conclusion, Mats, what's your message for us at Vattenfall for 2024?

**Mats Granryd:** Well, first of all, a huge thank you because 2023 has meant that we have been taking clear steps to ensure that Vattenfall has a stronger position for the future. We have a clear plan. We have made some tough decisions. It was not an easy decision to divest Norfolk. We discussed it a lot, but it was the right thing to do, and likewise Heat Berlin, another such activity we are exiting. As executives, making profitable investments, it is important both to invest but also to divest some things, and the thing with divestments is that they are not always that easy. But I think that, in 2023, Vattenfall has really shown that we mean what we say and we actually do it too. So big thanks you from me and from the Board of Directors to everyone at Vattenfall. It's a great company. It's a company that plays an important role and will play an even more important role in the future.

**Åsa Jamal:** Thank you so much, both of you.

**Anna Borg:** Thank you.

**Mats Granryd:** Thank you.

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