

## CEO's address to Extraordinary General Meeting 2017

Dear meeting participants

In view of Vattenfall's updated financial targets, which are based on new market conditions, it would be fitting to say a few words about the transformation of the energy market and what it entails for us.

Formulating the problem is quite simple – the entire energy industry must eliminate its fossil fuel emissions in order to live up to the Paris Agreement at the same time that demands for cost-effective and reliable energy supply remain.

The solution is more complex and presents a clear challenge. But it also carries with it a wealth of opportunities. Today I thought I would outline just a few examples of what we are doing to create sustainable growth and profitability for the future.

Vattenfall continues to invest heavily in renewable energy. Wind power is today the single largest post in Vattenfall's investment plan. If we look back to 2012, when Vattenfall's financial targets were last revised, investments in wind power amounted to SEK 20 billion over a five-year period. Today we are investing just as much in wind and solar power in two years. We have thus more than doubled our rate of investment. And since the costs and risks for wind and solar power investments have fallen dramatically during this time, we are getting more production per krona from our investment. It is very positive that these industries are maturing, but at the same time, this is reflected in lower potential returns. It also requires increased investments in the grid to ensure that the power will be delivered to where it is needed.

But investing in renewable energy is not enough for us to fully utilise the potential we have to influence the climate issue in the right direction. It also requires that we capitalise on electrification opportunities in other sectors and develop new energy solutions that customers want. And here Vattenfall is already at the forefront with new business models and established partnerships for electrification of transports, heating and industrial processes. Not least we can provide new, decentralised energy solutions to our customers, for their specific needs – all with the goal of reducing fossil fuel emissions.

Take electric transports, for example. Battery prices for e-vehicles continue to fall, and we are actively involved in driving development of the necessary infrastructure. Already today we – together with our partners – have built up northern Europe's largest network with some 4,000 e-vehicle charging stations. Another example is our "Vattenfall InHouse" concept, where we deliver customised energy solutions for multi-family dwellings.

Parallel with this, we see that the entire value chain can be developed through increased digitalisation. This isn't something that can be achieved overnight – but we see that in several aspects we are becoming more and more like a software-driven company. This is a trend that is only strengthening with time and where we must stay on our toes to maintain our competitiveness.

On the customer side, it is obvious that this change is giving rise to growing competition and putting pressure on our margins. But we also see a wealth of opportunities. For example, we can automate the interaction with our customers and optimise sales with the help of smart customer service systems and digital platforms.

In our network and production operations, as well, we see clear advantages in digital development – not least that we can prevent maintenance in an entirely new way. By combining data we can optimise operations and avoid outages and loss of production. For example, we can predict when maintenance will be needed and thereby make it more need-adapted than in general and in this way reduce our use of resources.

With increased digitalisation and more data also comes a greater responsibility. Information must be safeguarded, and a large part of our security work is focused specifically on information security. Naturally, this is something that we attach very high priority to.

To meet all of these challenges, we need employees who understand both why and what, but who also want to participate in our journey forward. Through our stated purpose to always deliver climate-smarter solutions to our customers, we have gained a clear internal understanding for where we are headed. This is especially important for our success and ability together to drive Vattenfall in the right direction.

In summary, we see opportunities and challenges in a number of different areas. The energy transformation requires that we set the right priorities for our investments and at the same time capitalise on the opportunities arising from electrification and digitalisation. But the challenges mean that we must continue to maintain a strong focus on costs in order to achieve our goals. And this is important in all parts of our operations.

Vattenfall is a company that exists for its customers – today and in the future. This means that we want to help them with climate-smarter energy solutions, where the goal is to be fossil-free within a generation. We have all the conditions to excel in this ambition.

Thank you.