

TRANSCRIPT

Vattenfall Q2 Report 2025

July 18, 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 revisit some of the key moments and decisions for Q2 2025.

This quarter, Vattenfall advanced in projects across hydropower, offshore wind, e-mobility, and energy storage - demonstrating continued progress in delivering fossil-free solutions across Northern and Western Europe.

We begin in northern Sweden, where Vattenfall has decided to invest SEK 630 million at Sweden's largest hydropower plant Harsprånget, located on the Lule River. This follows the initial investment decision made in December and makes a total investment of SEK 1.3 billion. With the addition of an entirely new turbine, Harsprånget will increase its capacity by approximately 100 MW for a total capacity of 913 MW and an annual production of just over 2 TWh.

In the UK, the Muir Mhòr floating offshore wind farm has been granted onshore permit by the Aberdeenshire Council. The permit covers key infrastructure, including underground cabling and a substation. Muir Mhòr is a joint venture between Vattenfall and Fred. Olsen Seawind, and is one of the world's first commercial scale floating offshore wind projects. The wind farm is planned to be developed off the east coast of Scotland and have a total capacity of 1 GW. Pending a final investment decision, Muir Mhòr could begin generating electricity in the early 2030s and supply electricity to up to 1.2 million British homes.

In Germany, Vattenfall has been selected by the City of Hamburg to launch the city's new public charging network for electric vehicles. Under the agreement, Vattenfall will install 500 charging points by mid-2027 and operate them for eight years.

And finally, Vattenfall has signed two new agreements with energy storage companies to optimise battery storage. This adds flexibility to the renewable electricity production portfolio and contributes to a fossil-free and efficient energy supply. In the Netherlands, Vattenfall and Return have signed an agreement starting 2026, which means that Vattenfall will manage and optimise a large-scale battery park with a capacity of 50 MW. In Germany, Vattenfall and Terralayr have entered into a partnership where Vattenfall will lease 55 MW of battery capacity from Terralayr and optimise and market it on the energy market starting at the end of 2025.

(Video End)

Andreas Regnell: Good morning and welcome to this Vattenfall Q2 reporting audio cast. My name is Andreas Regnell and as usual I'm joined by our CEO, Anna Borg, and our CFO, Kerstin Ahlfont. Today we will guide you through the key developments and financial results from the first half year of 2025. After that we'll open up the floor for questions, and as usual, report and slide pack are available on our website.

Anna, we keep operating in a complex business environment with constant change. Somebody mentioned we should maybe have 15-minute reports instead of quarterly reports.

Anna Borg: Yes, I can certainly relate to that. It is a dynamic business environment to say the least. It's changing fast and sometimes also very sudden, so we need to maintain our flexibility and be ready to adapt.

I would say that to continue to deliver and perform and at the same time stay on course long-term is essential. Reasonably stable investment frameworks, that's key to enable the investments needed. And I think looking ahead it's actually good to see that the European Commission demonstrated its strength this month and decided to stay the course by proposing the long-awaited 2040 climate target, the 90% greenhouse gas emissions reduction. This target

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is essential, I would say, to unlock the right investment signals, but also to keep EU on track to reach net zero by 2050. And I think it's important to say that this new era of industrialisation that we are in will require fossil-free solutions, large investments, and quite a bit of action. So you can say that we have our work cut out for us.

Andreas Regnell: Thank you for that update. Zooming in on the energy markets, how has the development been here during the first half year?

Anna Borg: Well, if we start to look at the Nordics, we see a similar development as we did during the first quarter and resulting in a decrease by more than 20% in the price for the first half year. So we actually have record low prices. It is primarily due to the increased hydrology and that is impacting the electricity prices in northern Sweden mainly.

But we also had some transmission limitations in June that also had an impact on pricing for the individual price areas with very low prices in SE1 as a result. And then we also had more wind, especially in the first quarter and warmer weather that put further pressure on the Nordic power prices, so they are extremely low.

In continental Europe on the other hand, we actually see a price increase by approximately 35% for the first half year, compared to the same period last year that is. And here we had significantly higher prices during the first quarter, mainly due to higher gas prices and also lower production from wind power.

Andreas Regnell: Thank you. And Kerstin, how has this then impacted our financial development?

Kerstin Ahlfont: Well, we report a slight increase in underlying EBIT, which amounted to SEK 15.3 billion during the first half year and this is SEK 600 million higher compared to the corresponding period last year. However, it is worth noting that we divested the heat operations in Berlin and they were consolidated until early May 2024, and are thereby affecting the comparison negatively by SEK 2.8 billion. So taking that into account, there has been a solid financial development, although lower Nordic prices had a negative impact.

So, as for the profit for the period we report a decline of SEK 15.4 billion, bringing it to SEK 10.8 billion, and this is, this decline is mainly a comparison effect. If you recall last year, we reported a capital gain for the sale of 49% in offshore wind projects Nordlicht 1 and 2 in Germany, and that amounted to SEK 5.1 billion. And just to be clear, this 49% share in the project was then later repurchased by Vattenfall, which we also mentioned last quarter.

And last year we also reported a capital gain from the sales of the Norfolk offshore wind projects in the UK of SEK 4.6 billion, and on top of that we also had significant positive changes in market value of energy derivatives of SEK 9 billion during the first half of 2024. So quite a few large temporary effects during the last year that have impacted the comparison here, and if you take those into account, we actually have a positive development.

Andreas Regnell: Thank you, Kerstin for clarifying that. But if we take a closer look into each operating segment, Anna, how has the development been there?

Anna Borg: Well, it's a bit mixed. If we start by looking at the Power Generation segment, this is where we see the largest impact from the lower power prices in northern Sweden, with a negative effect on our hydropower operations. But despite this, we report an increased underlying EBIT of SEK 4.8 billion so amounting to SEK 9 billion. And this is mainly related to better development of hedges, as well as a higher trading result.

If we then look to the Wind segment, here we actually report a decrease of 1 billion SEK in underlying EBIT, bringing it to SEK 2.3 billion. And this is mainly attributable to lower generated volumes due to lower wind speeds, but also higher depreciation due to the fact that we now have added more assets that are up and spinning in our operations. So both of these effects had a negative impact on the underlying EBIT and the higher prices in southern Sweden and on the continent had a slightly offsetting effect.

The comparison is also affected by a positive one-off effect in the first half year last year, 2024, that related to a service agreement for the transition of the divested Norfolk offshore wind zone projects to the new owner.

Andreas Regnell: Thank you. And Kerstin, what is the development in Customers & Solutions?

Kerstin Ahlfont: Well, for Customers & Solutions we report a decline in underlying EBIT of around SEK 1.4 billion to a level of SEK 2.9 billion. And this is mainly due to lower wholesale prices as well as higher gas grid costs in Germany. Our district heating operations is partially mitigating these effects where we report a higher result, mainly from our operations in Sweden.

Andreas Regnell: Thank you. And lastly, how about the financial developments in Distribution, Kerstin?

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Kerstin Ahlfont: Well, for distribution we report an increase of around SEK 300 million to SEK 1.6 billion. And here we see higher revenues as a result of increased tariffs for local grids, as well as lower costs from grid losses due to lower electricity prices. There is an offsetting effect from higher purchase prices as well.

Andreas Regnell: Thank you. And what has all this meant for the development of our financial target, Kerstin?

Kerstin Ahlfont: The increased underlying EBIT has improved our profitability metric measured by the underlying return on capital employed, which increased to 5.9% from 4.7% in the first quarter this year. So we are moving in the right direction, as we of course aim to reach our ROCE target of a minimum of 8%.

If we look at the other financial target, our capital structure, it continues to be on a solid level. This is demonstrated by our financial target FFO over adjusted net debt, which increased since last quarter to 40.7% and the increase is driven by higher FFO based on rolling 12 months.

Andreas Regnell: Thanks, Kerstin. Anna, we heard about some business highlights in the beginning of this audio cast. I would also like to ask you about the recent developments in regards to new nuclear.

Anna Borg: Yes, we are moving ahead at a high pace when it comes to new nuclear at the Ringhals site down at the Varö peninsula. The work is continuing on the site and we're also preparing to send in the application to take part of the risk sharing model that the government has decided on. And we're also preparing for the applications that are needed to the authorities and to the environmental authorities in order to get the permits needed.

The collaboration with the industry consortium Industrikraft is moving ahead in a really good way and the ambition is still to have a first reactor operational at the earliest mid-2030s.

Andreas Regnell: Great. Before we open up for the Q&A, any final thoughts, Anna?

Anna Borg: Yes, just briefly I would like to circle back to what I said in the beginning, that the energy landscape is very challenging, and we are seeing slower progress when it comes to electrification than what was expected earlier, although the direction is still clear. So, we need to get the pace up and here the energy sector, industry and government all play a role. And what's needed now is more focus on reducing uncertainty and enabling industrial investments here and now. Partnerships and collaboration will be key, of course, both for competitiveness and for growth.

Looking at Sweden as one example, we have a very strong competitive advantage with 99% fossil free electricity, also strong security of supply and lower prices than the rest of Europe. But in order to maintain that position, electricity production and consumption need to grow approximately in parallel. And there is really a strong link between sustainability and competitiveness long-term. It will cost to be an emitter in some shape or form in all parts of the world. So to be profitable and sustainable is what is needed and the transition is what will keep us competitive.

Andreas Regnell: Thank you, both Anna and Kerstin, for walking us through the first half year of 2025. All material will, as always, be available on our website. And now let's open up for the Q&A and please remember to state your name and organisation.

Questions & Answers

Andreas Regnell: So, I can see that I already have the first question from Samu Wilhelmsson at Nordea. With Nordic prices down and continental prices up, what is your outlook on sustained price spreads and how this will affect future hedging decisions and regional generation mix?

Anna Borg: Well, we don't comment on forecasts of prices, but what is true is that there's still a lot of uncertainty. And I think that the correlations between the different markets and products are for sure not what it used to be before the energy crisis and we are not counting on that changing short-term either. So we will most likely see more of a separation between the continental market and the Nordics also going forward. And the uncertainty in the world around us, both in the Middle East when it comes to the energy situation, especially around gas in general globally, that will continue to have a big impact on the market in Europe. So, it will still be uncertain.

Connecting back to the question around our hedging, I mean, we are looking into our hedging strategy regularly, and we are also showing in our report how much we have hedged during which years. And we will try and keep sort of a balanced approach here also going forward, not assuming that these correlations will be very strong between the different markets. Again, that's basically the comment I can give.

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Andreas Regnell: Thank you for that, Anna. The next question from Alex Blackburne from Platts. There are two questions from him. Regarding Muir Mhòr, when do you expect to acquire full planning consent for this project? First question. Second question, what do you make of the UK's changes to the CFD regime, i.e. contracts extended from 15 to 20 years, non-permitted offshore wind projects allowed to bid, etcetera?

Anna Borg: Well, when it comes to Muir Mhòr, we have now some of the most important consents in place, but it's still, of course, quite a lot to do, and it's difficult to really foresee the timing for this. But so far, we can see that things are running pretty much according to plan. You're probably aware that this will be a floating project, and that also means there are some challenges that you wouldn't see in a fixed bottom project. And there hasn't been too many of the floating projects gone through this sort of pipeline until a final decision yet. So this is a bit uncharted territory in that sense.

When it comes to the UK's CFD regime, I mean, the CFDs are essential in order for these investments to happen. And the fact that they go from 15 to 20 years is actually reducing the risks in the project, so that's good. On the other hand, I think it's important that the projects that get awarded are actually being built. And of course, there is a higher risk if you award projects that are not permitted to enter to do that, but it's probably more a question for the government in UK than for Vattenfall.

Andreas Regnell: Thank you. And now a question from Andrew Moulder. You talked about reducing uncertainty to speed up the electrification process. What is the first thing that you expect to happen in this regard, and by when do you expect it to happen?

Anna Borg: Yes, it is true that the speed is uncertain, of course, and it will continue to be because this is actually a result of a mix of a lot of decisions in different companies and different industries, and that can, of course, not be steered. But I think that the first thing that needs to happen is that there is reasonable clarity and stability when it comes to the climate transition in Europe on the EU level and also on national levels, because that is to a big extent what will guide the investment decision among a lot of our large clients, but also in the energy industry.

Another thing that we are doing in order to facilitate this is working closely with collaborations with our customers to have a solid understanding for what they need and when. And that also means they can have a solid understanding for when we are planning to build something that can contribute to them. And we've also had several examples of where we either sign long-term PPAs or where we co-invest into production assets together with our customers. So, that's something that we hands-on can do ourselves.

Andreas Regnell: Thank you. Another question from Matas Kadusauskas from Covalis Capital. Can you please provide more details on positive ancillary income results in Customers & Solutions? Is that specifically for second quarter, ballpark contribution number?

Kerstin Ahlfont: It's true that we have improved ancillary income results. And if you look at the total Vattenfall, I think the main value pools, these two first quarters have been our Nordic hydro assets, as well as our pump storage assets in Germany. But it's also the case that we see an increased result when it comes to Customers & Solutions, and that is mainly from our Swedish heat operations where we see that ancillary service income result, and it is specifically for the second quarter. And ballpark contribution number, I mean, we are not giving any sort of specific details on that, but you have the total numbers of the heat operations in the report.

Andreas Regnell: Thank you for that. It seems like we have no more questions. Okay, no more questions. So thanks all for listening in to our second quarter results. And please feel welcome back for our third quarter results. Thanks a lot. Bye-bye.