

**Vattenfall (Discussion between Lars G. Nordström, Chairman of the Board,
and Anna Borg, President and CEO)**

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Corporate Speakers:

- Anna Borg: Vattenfall, President and CEO
- Lars G. Nordström: Vattenfall, Chairman of the Board
- Oskar Ahnfelt: Vattenfall, Senior Vice president, Acting Head of Communications

PRESENTATION

Ulf Thornander: I now yield the floor to Lars G. Nordström, Chairman of the Board, and Anna Borg, CEO, who have informed us that they will jointly report on the past year's work. Their discussion will be moderated by Oskar Ahnfelt, Vattenfall's acting Head of Communications. A report on corporate governance and on the work of the Board's committees is provided in the Corporate Governance Report, which can be found on pages 74 to 87 of the Annual Report as well as on the company's website. We will now first see a film that portrays a few of Vattenfall's highlights during 2020.

Oskar Ahnfelt: Yes, so we will now try to have a little talk here about the past year and perhaps look ahead a bit with the Chairman of the Board and the CEO. It was a very special year, 2020. Can you summarise it in some way and how the pandemic impacted Vattenfall? If we begin with you, Lars....

Lars G. Nordström: Yes, well, we are now in a period where everyone is an epidemiologist, and everyone is their own infectious disease doctor, and I think that it will take a few years before we can truly analyse and draw conclusions about what it was that actually happened. We are in the midst of a tumultuous period in many ways – for people, individuals and for companies. Clearly there are already conclusions now that one can draw about how we have handled this epidemic in Sweden as a nation. But I will refrain from that – there are so many others who already are doing this. On the other hand, I think one can draw certain conclusions with respect to Vattenfall's operations. And one who is very well-suited to do so is of course Anna.

Oskar Ahnfelt: What do you say, Anna, how has it impacted Vattenfall?

Anna Borg: Yes, from the company's perspective, of course we have mainly tried to focus on our customers and our employees. The entire time we have managed to deliver electricity and heat. No customer has had to do without. We also made sure that our employees were given the opportunity to work from home as quickly as possible. And for those who must be on site, at our facilities or in our offices, we made sure to quickly establish routines to work in shifts to avoid groups of people meeting each other, that safety routines were in place, and so on. So it has been very palpable, I would say. We were quite well prepared – not exactly for this situation, but for some type of similar event – and had plans and routines in place, and it felt very good that they worked in this situation. We have also managed to continue delivering, such as with respect to building our projects, for example. In some cases this has required some imagination to get people and components to the right place, at the right time, but we did it. Thanks to our many talented employees and good planning.

Oskar Ahnfelt: That sounds good. And one of the major events during the year, of course, is that we got a new CEO: Anna. Lars, what was the Board's reasoning when you were faced with appointing a new CEO? What was important?

Lars G. Nordström: Yes, as it turned out we were looking for Anna Borg. As a matter of fact, when appointing a CEO you have to think about what it is that the CEO is to do. It's a quite common mistake when recruiting – not only CEOs, but in general – that you look at achievements and CVs, and then you say well this looks good, and that you pay too little attention to what it is that needs to be done. Our analysis was quite simple and unanimous. Vattenfall has done a number of good things. We are on the right track in a number of areas. What's important is that we stay the course. Maybe do things a little more focused. Maybe do them a little faster. Now when we know what it is we are to do. And so in fact what is needed here is not someone from outside the industry; here we don't need some turnaround person, who will turn everything upside down; rather, what's needed here is someone who can refine and develop, and speed up what is already in progress. And it turned out that in the executive management – and it always quite good to have internal recruitment for a CEO, I would say – and on the Board, we share this opinion in this case. So there was a person who had served both as head of Markets and was CFO, and who on top of this had a long record of experience within the company and the industry, and in general very good merits, to take into consideration as well. So it gradually became quite a simple choice. But I will also say that we conducted quite thorough interviews with external help to see if Anna was the right person, and we grew more convinced that it was the right decision. And we have not had any reason whatsoever to change that conclusion, I can also say.

Oskar Ahnfelt: Anna, you took office on the first of November. Tell us about your initial time, what have you done during these months?

Anna Borg: Well it has certainly been different since the situation has been different, so I feel that it has been very reassuring that I have worked in many different parts of the company. I know the company. And I also know many of the managers and employees since previously. It has certainly been helpful in this situation. And then I wasn't able to travel in the same way that I would have liked. So I have met many customers, partners and employees via video, and that is working well. But it is not quite as fun as it would have been to meet in person. So it has been a start that has felt good in many ways, and I feel very confident with our strategy and our direction and where we are headed. But it is unfortunate to not be able to meet with customers and employees face-to-face.

Oskar Ahnfelt: I think everyone will attest to that. But if we look back at 2020 and Vattenfall's operations, what highlights would you like to note?

Anna Borg: Yes, then it would be that we have continued to deliver on our strategy, then, despite rather tough conditions in the world around us. We continue to phase out fossil fuels from our operations. We decided, for example, to close Moorburg, our coal-fired plant in Hamburg. We continue to expand our fossil-free energy production. We had the inauguration of the Princess Ariane onshore wind farm in the Netherlands. We started construction of Kriegers Flak in Denmark. And the project surrounding the building of Hollande Kust Zuid, the world's largest offshore wind farm, is going full steam, also. So I would say these are good examples. We continue to grow in infrastructure for e-vehicle charging. We closed Ringhals 1 according to plan, as we had thought. And in other respects I think that we also – it is also worth mentioning the inauguration of HYBRIT, the pilot plant that also was held in 2020, in Luleå. And now it is up and running, for real.

Oskar Ahnfelt: And Lars, if you look back on 2020 from your perspective, what would you like to highlight?

Lars G. Nordström: I agree with Anna that those were important events. We are remarkably often in agreement on many matters, I would like to say. It is in fact so that when you hold the annual meeting, and

when you produce an annual report, then you look at the year you are reporting on, so to say. And that is good, and then it is these events that are important, the ones that stick out. But is also so that what transpired in 2020 was in some cases prepared in 2019 and 2018. And what was prepared for in 2020, it will transpire at some point in the coming years. And so therefore I think that for me it is also important to note that we find ourselves in a period in which we are following through on and refining the strategy that we have and are carrying out the measures that we have decided to tackle, and these span over a period of several years. And I think it is – in addition to what Anna said – a strength to be able to note this.

Oskar Ahnfelt: If you look ahead, is there anything you think we have done now, but that we will notice in one, two, three, four years – that you have in mind?

Lars G. Nordström: Yes, I don't want to name anything in particular on that point, in fact, but rather what we do – it is the execution of our strategy that is important. The best strategy a company can have is the one that can be carried out – some genius once said – and I think there's a lot to it. We have done very many good things in line with our strategy, and all indications are that we will continue to do so.

Oskar Ahnfelt: Anna, but you gave an example of an event that happened – that Moorburg has been closed. Vattenfall has set the goal to enable fossil-free living within one generation. Where are we on that journey? How far have we come in the energy transition?

Anna Borg: I would say that we are at the beginning of the transition. We know where we are going, and we are taking steps – step by step the entire time – but this is of course a long-term endeavour, and it is a large part of our operations that must be transitioned. And this goes not only for Vattenfall, nor only for the energy companies, but if we look at the development that is taking place in Europe, and to some extent also globally, there are large parts of power generation in Europe that will be rebuilt – fossil fuels are being phased out. Large parts of the transmission and distribution grid – the infrastructure will either be modernised or expanded, or both, and then also large parts of industry and industrial processes will be converted to reduce CO₂ emissions. And this dynamic is taking place at the same time in all three areas. So I would say it is a gigantic transformation that not only we, but all of Europe is at the start of. And there our strategy to enable fossil-free living is spot-on. But now we must deliver, and we must pick up the pace of our delivery.

Oskar Ahnfelt: Anything you would like to add with respect to the energy transition and the European picture?

Lars G. Nordström: No, not more than that I return to this verb “do” – there are things that must be done, and it is not until they are done that the strategy will be a success. This is a big challenge – for Vattenfall, but for the industry as a whole. It is a big political challenge, too. This is not accomplished without considerable effort, and without considerable changes.

Oskar Ahnfelt: The Board has set new strategic targets for Vattenfall for 2025. What is the Board's view of Vattenfall's future? What is important looking ahead?

Lars G. Nordström: It is important that – if I may take another angle here.... It is important to note that Vattenfall is a company which, per its directive, is to generate a return. A market rate of return, the owners have decided. And it is important that we conduct our energy business in a professional manner. The owner has also stated this in its owner directive. And we are to be one of the companies that leads the development to environmentally sustainable energy production. And that is in tedious “bureaucratic Swedish”. But it is also what is to steer our business. It is our guiding principle. Then, on our own – and I think this is very brilliant – we have come up with the umbrella text stating that we will be fossil-free within one generation. And that is also a type of guiding principle that is very important for a company to have. And I think we have succeeded with this.

Oskar Ahnfelt: Is growth important for Vattenfall?

Lars G. Nordström: That is a special topic for me. I mean that growth in itself is never any end in itself. It has to be growth that is profitable, and it has to be growth that is manageable from a risk perspective. Only then is growth interesting. Many years ago I once heard the head of the US Federal Reserve Bank say in response to the question: “You who have been in the financial sector for so long, what is the first warning sign you have seen in companies or countries that wind up in financial difficulties?” And he answered: “Growth”. That was the first warning sign, according to him. And that may perhaps seem a little pessimistic, but he had quite a good view on many things. It was he who said that now we have decided that we will have a cost increase of 2%. But now it will be 2.9, that is, nearly 3. That is entirely unacceptable. That’s 50% more than the goal. Yes, well there are some who would say the difference between two and three isn’t that much. Of course it is, he said. Because next year, then you are up at 3.7, that is, 4. Then you’ve gone from 2 to 4. Totally unacceptable. There you have one of my idols. And that is why I say, sure, growth is good, but it must be controlled, both concerning profitability and risks.

Oskar Ahnfelt: One area that often pops up in the Swedish debate is nuclear power, of course. And this has been discussed not least in recent years in connection with Vattenfall’s closures of Ringhals 1 and 2. At the same time, one gets the picture that the need for electricity will be increasing in the years ahead. How does that equation balance out, Anna?

Anna Borg: For sure, nuclear power is an issue that attracts a great amount of attention and stirs up many feelings, I would also say, too. I think it is important to look at this from an overall perspective. In the very short-term perspective we have no shortage of electricity in Sweden. On the contrary. However, a development is taking place which over a little longer time entails that we will have higher demand. When we look at electrification and such. So over time we will definitely need more power generation. In the short- and medium-term perspective, the most important concern will be that we can expand transmission capacity and use the production resources that we have, in a good way. Quite a bit of expansion of power generation is already taking place in Sweden now – wind power, above all – so quite a lot of generation will be added in the years immediately ahead. And then this will depend on a few things, a little bit. What the cost situation looks like for building even more wind power, for adding storage and flexibility solutions, to be able to stabilise this. And it will also depend on how costs develop with respect to, for example, small modular reactors, which I believe perhaps is the technology that will be closest at hand then, if the question arises for new nuclear power. The existing nuclear power that we have at Vattenfall – we have invested in it so that it can be operated efficiently and safely a good bit into the 2040s. And then we will eventually be forced to make a determination if any of them can have an even longer lifetime, or not. And then we will also see over time how big this need is, and what can fulfil it best. How much the costs will go down for this new type of small modular reactors, for example. I have a very hard time envisioning new, large scale nuclear power on commercial terms in Sweden. It is both full of risk and expensive, and I don’t believe that any customer will pay more than what is necessary for electricity. But ample access to fossil-free electricity at competitive prices will be important.

Oskar Ahnfelt: Exciting! Any comment from you, Lars, on nuclear power? What is your view on that discussion?

Lars G. Nordström: Well, it would be strange if I had any other view on this than Anna. I share her sentiment entirely. Then you could say that it’s a little... Of course we have nuclear power. Sweden has nuclear power. Vattenfall has nuclear power. And it is one of the important – one of the three key types of energy. Aside from hydro and wind power. As long as the market conditions exist, then we will continue to operate all three. We are – and it may seem daft to state the obvious – we are no energy policy instrument in this company. Rather, we are a company that has – a stock corporation that has clear directives from its owner about what are to do. One could think it is a bit reckless that Swedish Parliament is seriously discussing – nearly half of Parliament thinks we should not close Ringhals 1, when we ourselves have made the determination that, based on the criteria that the owner directive has established, that it is not

justifiable from market, safety or economic perspectives to continue operating that reactor. We have to be able to decide this ourselves. Or else the conditions in the market would have to be changed – through taxation, fees, or other types of economic steering.

Oskar Ahnfelt: If we look ahead here now, then, what do you see as the main risks and challenges going forward for Vattenfall?

Anna Borg: I would say the tempo of the expansion both of new power generation and perhaps above all of the electricity grid. The permitting processes take way too long. I was happy to see that the government came out a week or so ago and announced that it has the ambition to bring down the time it takes to receive a permit, to reduce it by nearly half, and it would be very welcome, because it is important and urgent. Both to be able to build more power generation but also to be able to build out the grids. I would say that the taxonomy issues in the EU are a risk and a challenge for us, also. Which types of power generation will people be willing to use in the rebuilding in Europe and what do the conditions look like for making long-term investments in it? I'm thinking of biomass, as an example. And another matter that is important for us, of course, is the final storage of spent nuclear fuel. It is an issue that has been discussed for nearly 40 years, and it was 10 years ago when the application was submitted. And now it is ready for a decision. It has gone through the review process, it should be on the government's desk. And it is a bit troubling that it is taking time, for as far as we know there is nothing that is missing to be able to make the decision. It costs roughly 800 million kronor for every year we wait to get started. It involves multi-billion kronor investments and continuous review. So it is not in any way so that this will be ready once the decision is made, but that the next step in the process will begin. And we are eager to get to the next step when it comes to responsibly taking care of the spent nuclear fuel.

Oskar Ahnfelt: If you look at Vattenfall's role, finally, do we – where do we have our unique competitive edge in this energy transition?

Anna Borg: In several places, I would say. Or in several areas. We have both a breadth and depth of knowledge about energy and energy use, and in such a situation as this in which you are rebuilding both the processes that use energy, the actual power generation, and the infrastructure that I mentioned earlier, then this knowledge will come to great use. We can think about how new, fossil-free business models can emerge in this development, and this is also what serves as the foundation for many of the partnerships we are entering into – not only the one with SSAB and LKAB surrounding HYBRIT, but also partnerships in industries that we are thinking about. We are also one of Europe's largest developers of offshore wind power. And we will benefit from this going forward also, both in projects that we are currently building now and in those that are in earlier stages, which we will develop eventually. So these are two examples of things that I think are long-term and sustainable competitive advantages.

Oskar Ahnfelt: Lars, what do you see as Vattenfall's unique edge?

Lars G. Nordström: In addition to what Anna has said, I think that we have a good balance. We have several types of energy, we have talented people, we have a stable business now. To go back to your earlier question, the risk is rather – I mean I see no such existential risks. I see no specific operational risks that we do not have control over. The risk is more general, as it is for all large companies, of not being sufficiently effective and forceful in driving the strategy that has been decided on. Of doing the things you have decided to do. Of losing tempo, of losing cost control and risk control, and so on. I would say in such case that this is a risk, but I believe it is fully manageable with the management we have, and the people we have.

Oskar Ahnfelt: Thank you very much! With those words we will cap off this discussion.