

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: Yes, a very eventful year for Vattenfall, but also a year that's been marked by a great deal of drama in the world around us. When we last gathered together for the AGM, the war in Ukraine was new, unimaginable, and it's continuing. But we've also had inflation, collapsing supply chains and lots of other things – not least the energy price crisis. How has Vattenfall been affected by all this upheaval in the outside world?

Anna Borg: It has been a very turbulent year in many ways. We have seen record-high prices, we've seen record-high volatility in prices, and it's been very, very difficult for many customers. And despite that, Vattenfall has continued to remain stable during this period. We have good liquidity, a strong balance sheet and good underlying results in the operations. And we've also seen more customers choose Vattenfall. We've gained around 400,000 new customers over the year, so there have been both ups and downs. The challenge has been thinking in both a short and long-term manner at the same time. In other words, to both handle this more or less crisis situation here and now, which has been constantly changing, one blow after another – but simultaneously to make sure we don't lose our way with the transition and projects in progress. So yes, it's been an unusual year, to say the least.

Åsa Jamal: I know that many customers have contacted you directly, Anna.

Anna Borg: Yes, that's right. I've had an enormous amount of contact with our customers, and I actually like that. Of course it's sad when they aren't satisfied or when they're struggling. Many of the conversations I've had this year have touched me deeply. We talk to thousands of customers every day. That's many more than usually contact us, and it's also an indicator of how important this issue is. What we try to do is to offer advice about what type of agreement can be the best for this particular customer, what they can do to reduce their energy consumption and also to offer payment plans if necessary. We've also seen that demand has actually fallen. Many customers are using less electricity in 2022 than normally, both in Europe as a whole and in Sweden. And there is still a lot to do if we look at how buildings are constructed and so on. If I was to say something positive about all of this, it's that the energy issue has been high on the agenda, so many people now know a lot more about energy issues and energy systems than before. And that's good, because we need this joint discussion about how we can continue to move the transition forwards.

Åsa Jamal: Are we finished yet?

Anna Borg: No, of course we're not. There are still many things we must do in the future. For example, we have major projects in progress. And this year alone we'll be inaugurating three

major wind power projects: the offshore Hollandse Kust Zuid, which we just saw in the video. But we also have South Kyle, which is a land-based wind power project in Scotland, and the Vesterhav projects in Denmark. And we also have a lot of projects underway but which are a little earlier in the development phase. And there's also the SMR pilot study that was mentioned here too. So you could say there's more on all fronts.

Åsa Jamal: And Mats, this has been your first year as Chairman of the Board. Of course it's been a very strange year to take up that role, but how has it been for you?

Mats Granryd: Yes, it's been something of a baptism of fire, knowing nothing of this a year ago. But I do have a few observations about this year. One is that in tough times, as a leader you either go under or you grow. And I think that Vattenfall, with you, Anna, and the management team, have had a really good and structured approach to the events and have truly given the company the leadership it needed. And I think you and the management team deserve our warmest thanks for that. It's not at all an easy task. True leadership emerges in tough times. The other is that I've learned to appreciate Vattenfall and the enormous amount of know-how and passion there is in the company to achieve the climate transition, to implement new energy systems and take social responsibility. So despite the turbulence of this year, it's definitely left me with a very positive impression.

Åsa Jamal: How do you see Vattenfall's role?

Mats Granryd: Vattenfall plays an incredibly important role, not just in Sweden, but in the whole of northern Europe. And we often say... Well, I often say, and I think it's true, that Sweden is leading the climate transition in the rest of the world. In my other job, I work globally, and there... there are often references to Sweden and how well the climate transition is being handled in Sweden. And Vattenfall is leading in Sweden, so you can probably draw the conclusion that Vattenfall is the world leader. And I believe that is the case. I think we're leading a good deal of the climate transition. We have enormous passion for finding fossil-free energy sources. I think that this figure that we often mention, 300 terawatt hours by 2045, it's really important for Sweden. Because it's not at all obvious that it will happen. It's only if we succeed, together with the other energy suppliers, at creating energy that's both fossil-free but also cheap and where it's actually needed. Otherwise there's a risk that industry will move elsewhere and say "It's actually cheaper and safer to move our production, our factory, to countries X and Y." So for Sweden it's really important, and of course for Vattenfall too.

Åsa Jamal: Vattenfall also has an international footprint, a northern European footprint.

Mats Granryd: Yes, we're in nine countries with 20,000 employees so of course the climate experience and passion for the transition that we gain in Sweden will also benefit other countries, like the Netherlands, Germany and the UK and many other countries.

Åsa Jamal: There's been a huge amount of political debate about energy issues this year, and I assume it's particularly challenging to be the chairman of a state company under these circumstances. What's your feeling on that?

Mats Granryd: It's a good question, and one I'm often asked. And of course the answer is that we're governed just like any other company. The difference is that we have *one* owner, and we have a very clear ownership directive that we follow. The dialogue with the owner is very positive, it's very frequent, which I appreciate, and I'm the person who takes on – or at least

tries to take on – the role of the owner. Even if you sometimes have your own meetings too, the collaboration works really well.

Åsa Jamal: One question that's received a lot of attention in the public debate, and politically, is nuclear power of course, which is right at the top of the agenda. Anna, I know that you've welcomed nuclear power entering the debate.

Anna Borg: Yes, I absolutely have. I think it's good that nuclear power is seen as a natural and welcome part of the Swedish energy system, because we need all possible types of fossil-free energy, and it's also important to think on a long-term scale when we talk about this type of operation where the investments needed are very large and also have a very, very long lifetime. So I think it's good. Above all, we're looking at this feasibility study on small modular reactors, and we're working hard on that. We're doing the work required to carry out an environmental impact description. You need one of these to submit an application to build one of these reactors. This means that we're doing a lot of mapping of what's in the area. We're preparing consultation to talk with the people who live in these areas, and it's primarily the area around Ringhals that's relevant in the first instance. And we're also talking to suppliers to get a better idea about how far the technology has come, what the costs might be and so on. So it's progressing well. But we mustn't forget the nuclear power we already have, because we need to make the most of that too. So we're also looking at the possibility of investing in our existing reactors so we can extend their service life further. As things stand, we've planned for them having a service life of 60 years, which is up to around 2040. And now we're looking at whether we should extend the service life for a further 20 years, up to 2060, which would be really useful now we see this increased need for energy over time. What level of investments would be required? And this is a major investment over a long time. It's important to choose the investment path at an early stage with nuclear power. So this discussion is already underway and we're also looking to see if we can increase the capacity for some of the plants we already have. I'm really glad that Ringhals R4 is fully up and running again, and I know that at least those of you who live in Stockholm probably noticed the frequency dip in the transmission grid this morning. At least I did when I was at home early this morning, and everything suddenly went dark and flickered, then the electricity came back on again. And as far as we know there was a frequency disturbance in the transmission grid, probably somewhere in the Täby area, which had after effects and meant that Forsmark R1 and R2 scrambled. So we hope to be able to get them running again during the day. But that's life in the energy industry.

Åsa Jamal: Exactly, things happen all the time.

Mats Granryd: I'd just like to say that the long-term perspective is incredibly important. We're talking about perhaps 2060, and the investments we're making now are major investments over a long period. So ownership stability, government stability are absolute essentials because otherwise it's impossible for us to calculate on this. Because we're a commercial company and we work in a competitive market.

Åsa Jamal: Those of us in the energy industry have sometimes perhaps been astonished at the polarisation between different energy sources, which a bit surprisingly also significantly affects the debate, at least in Sweden. Anna, what's your take on that?

Anna Borg: It's a meaningless discussion, to my mind. Because we need all fossil-free energy sources if we're going to be able to handle the challenges we're facing from the climate and increased demand for electricity. So we'll need all fossil-free energy sources. They all have different advantages and disadvantages. But to build a robust, stable, effective energy system, you need a mix of different properties, and you need a mix of different fossil-free energy sources. I usually say that I like all my fossil-free energy sources equally, so I think it's a bit unnecessary to add fuel to the discussion. What all of these energy sources have in common is the challenges represented by permit processes and environmental assessment. It takes time before you can start building one of these plants. And this doesn't mean there shouldn't be thorough permit processes or environmental assessments. Of course there should be! But we have to find a way to be able to work more quickly, because we simply must increase the speed of the transition.

Åsa Jamal: So if we look back at 2022. Mats, you mentioned leadership and expertise within the company. Is there anything you're particularly proud of, Anna?

Anna Borg: Yes, I'd say all the Vattenfall employees, who have often worked under extremely difficult conditions in the last year – in fact the last year and a half. Because the energy crisis in Europe actually began before the Ukraine war broke out. We were already seeing a significantly reduced flow of gas to Europe and significantly increased prices. We don't even really think about it now, but things were very dramatic in the energy market in autumn 2021 too. So I'm very proud of all of the work that Vattenfall's employees have done during that period. And also the fact that we've succeeded in keeping the company so stable in all dimensions throughout this extreme turbulence. But then is then and now is now, so we're focusing on the future.

Åsa Jamal: Well, exactly. If we look at the future, what does the investment plan look like for 2023?

Anna Borg: Well, to start with I should say that the turbulence we've seen in the last year probably isn't over. We aren't going to cheer just because it's a bit calmer and prices are a bit lower now, because the situation fundamentally hasn't changed. So it can very easily erupt again and be just as dramatic. I think we must be prepared for that. But with that said, we must continue with the long-term transition too. This year and next year, we'll be investing 77 billion SEK in our operations. 50 billion SEK of that is going to growth investments, and that's primarily in fossil-free electricity generation and the electricity network. And since this figure is for the coming two years, that means that the projects that have progressed furthest, will also require the investments at the moment. So for example Hollandse Kust Zuid, the Vesterhav projects and South Kyle, which I mentioned earlier, are projects we'll be seeing during the year. But the electricity network also needs to be reinforced, and we're one of several grid operators in Sweden but we'll be investing a lot in our network.

Åsa Jamal: You're also working on an exciting solar farm in Germany.

Anna Borg: Yes, that's right. It's actually quite a big solar farm that's also combined with sustainable agriculture where we could look at how to combine the two things together. It really is a very exciting project.

Åsa Jamal: OK. Mats, what do you want to wish for Vattenfall in 2023?

Mats Granryd: Well, I hope 2023 is a bit calmer and less turbulent than 2022. But of course we'll cope with it if it is. But I hope that in 2023 we get clarity on our SMRs and that we can actually start to order, that we continue expanding our wind power and that we continue to increase the output from hydro power. And exactly as Anna said, it's very important to include all fossil-free energy opportunities and expand them and make long-term investments in them.

Åsa Jamal: And finally: in a year, when we're here again, what do you hope we'll be proud of?

Anna Borg: I hope we manage to keep our rate of investment up. We need that for our customers' competitiveness to continue to be strong, and we need it to get all of the new fossil-free electricity. For example, to have got a bit further with our plans for hydro power and upgrading of it as we saw in the media the other day. But I hope we'll also have completed a lot of the structural deals we're working on. These are big projects that's also taking up a lot of effort inside the company. And I hope we'll have succeeded in attracting enough new employees, because we need to grow to do this job together.

Åsa Jamal: Anything to add?

Mats Granryd: No, I think that's about it. Employees, customers – both of course very important. We probably won't be expanding outside the nine countries we're currently in, but will be investing in the different energy sources, and of course in distribution too.

Åsa Jamal: Many thanks to both of you!