

H2 Green Steel to build large-scale fossil-free steel plant in northern Sweden

H2 Green Steel (“H2GS”) will be a large-scale steel producer based on a fossil-free manufacturing process targeting large European OEMs. H2GS will be located in the Boden-Luleå region in northern Sweden that offers unique conditions for fossil-free steel production. The project includes a giga-scale green hydrogen plant as an integrated part of the steel production facility. Production will begin in 2024 and by 2030, H2GS will have annual production capacity of five million tons of high-quality steel. Henrik Henriksson, currently CEO of Scania, will lead the company.

The global steel industry is one of the world’s largest emitters of carbon dioxide, representing approximately seven percent of global CO₂ emissions. Demand for fossil-free steel is growing substantially with strong interest from global market leaders in sectors such as automotive, commercial vehicles, white goods, furniture, etc. The steel industry is struggling to accelerate the transition to fossil-free steel manufacturing at scale. H2GS will build a large-scale, greenfield steel manufacturing facility in the Norrbotten region in northern Sweden to enable production of fossil-free steel at a leading cost position.

An important source of inspiration for the initiative is the groundbreaking HYBRIT project and its founders SSAB, LKAB, and Vattenfall. H2GS looks forward to a close collaboration with the HYBRIT-founders, sharing the vision to position Sweden at the forefront of fossil-free steel production.

H2GS is built on the experience and lessons learned from the establishment of Northvolt. The business model is based on a close partnership with strategic customers, including a deep collaboration on product development, process technology, recycling strategies and logistics.

“We want to accelerate the transformation of the European steel industry. Electrification was the first step in reducing carbon dioxide emissions from the transportation industry. The next step is to build vehicles from high-quality fossil-free steel”, says Carl-Erik Lagercrantz, Chairman of the Board of H2GS and Northvolt.

“A Scania truck weighs about six tons and five of those are steel, which today unfortunately is produced with a substantial carbon footprint. By investing in and partnering with H2 Green Steel we are now further accelerating the journey towards emission free products across the whole value chain. It's a significant increase in ambition, which will not only contribute to Scania delivering on the goal of Paris Climate Agreement, but also raising the bar even further”, says Anders Williamsson, Executive Vice President, Head of Purchasing, Scania.

H2GS is forming a strong management team with complementary backgrounds and global experience from the steel industry, key customer segments, R&D, digitalisation, financing, and public affairs.

“We’re delighted that Henrik Henriksson will spearhead this pioneering venture. As CEO of Scania, Henrik has been one of the most visionary and active leaders for the business community in leading action on climate change and making progress towards a world without fossil emissions. We now begin an incredibly exciting journey together”, says Harald Mix, Chairman of the Board of Vargas.

“The climate crisis is the biggest challenge of our time - and given the steel's impact on other industries’ sustainable development, a rapid change of the steel industry is extremely important. H2 Green Steel will accelerate this change and make Swedish steel world famous, not only for its quality, but also as the world's greenest steel. I look forward to join this journey from the start, building Sweden's next export success”, says Henrik Henriksson, incoming CEO of H2 Green Steel.

This initiative has been developed in close collaboration between Vargas, and several strategic and financial investors that are global leaders in sustainability and digitalisation. H2GS is in the process of

closing its series A equity financing of €50 million from a select group of investors, including Vargas, Scania, SMS group, BILSTEIN GROUP, EIT InnoEnergy, Cristina Stenbeck, Daniel Ek, Altor Fund V, and IMAS Foundation.

”To be able to partner with the entrepreneurial investors behind Northvolt as they execute on their next bold vision to accelerate the introduction of green steel is a rare opportunity. It reminds me of the role long-term capital has played in building leading global companies more than half a century ago in Sweden. We all have a responsibility to help enable the creation of more efficient and sustainable alternatives for future generations. I am very proud to be a part of the H2 Green Steel initiative”, commented Cristina Stenbeck, an early supporter and H2 Green Steel investor.

The total financing for the first phase of the project amounts to approximately €2.5 billion, which will be raised through a combination of equity and green project financing. Morgan Stanley, Societe Generale and KfW IPEX-Bank, are acting as financial advisors to H2GS. Sweco is advising in the engineering and permit process.

H2GS will be located in the Boden-Luleå region, which also hosts a number of world-class companies and research institutions within the metals and mining industry. The region offers unique conditions for fossil-free steel production with access to abundant energy from renewable energy sources, high-quality iron ore and a large port in Luleå. H2GS is expected to create 1,500 direct jobs in the Norrbotten region, and the project will increase Swedish net export value by around SEK 30 billion. Large scale production starts in 2024.

H2GS will also contribute to building a knowledge cluster in Norrbotten – where industry, suppliers, municipalities, authorities, and academia work together to accelerate efforts to battle climate change, create new jobs and strengthen Sweden’s competitiveness.

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About H2 Green Steel

H2 Green Steel (H2GS AB) was founded in 2020, aiming to build a large-scale fossil-free steel production in northern Sweden. H2 Green Steel will produce 5 million tons of fossil-free steel by 2030. By doing this, the company will contribute to the decarbonizing of the European steel industry, one of the largest carbon dioxide emitters. H2 Green Steel will establish operations in Boden and Luleå. The founder and largest shareholder is Vargas, which is also co-founder and one of the largest shareholders in Northvolt.

www.h2greensteel.com

About Vargas

Vargas is an investment company that helps to establish and invest in businesses that challenge old truths and solve tomorrow's challenges through sustainable business ideas. Together with bold entrepreneurs, we help to initiate and realise ideas that drive change. This is how we contribute to sustainable development, meet future needs, and support European industrial development. Vargas Holding was established in 2014 by Carl-Erik Lagercrantz and Harald Mix. Among the portfolio companies are Northvolt, Polarium, and H2 Green Steel.

www.vargasholding.se