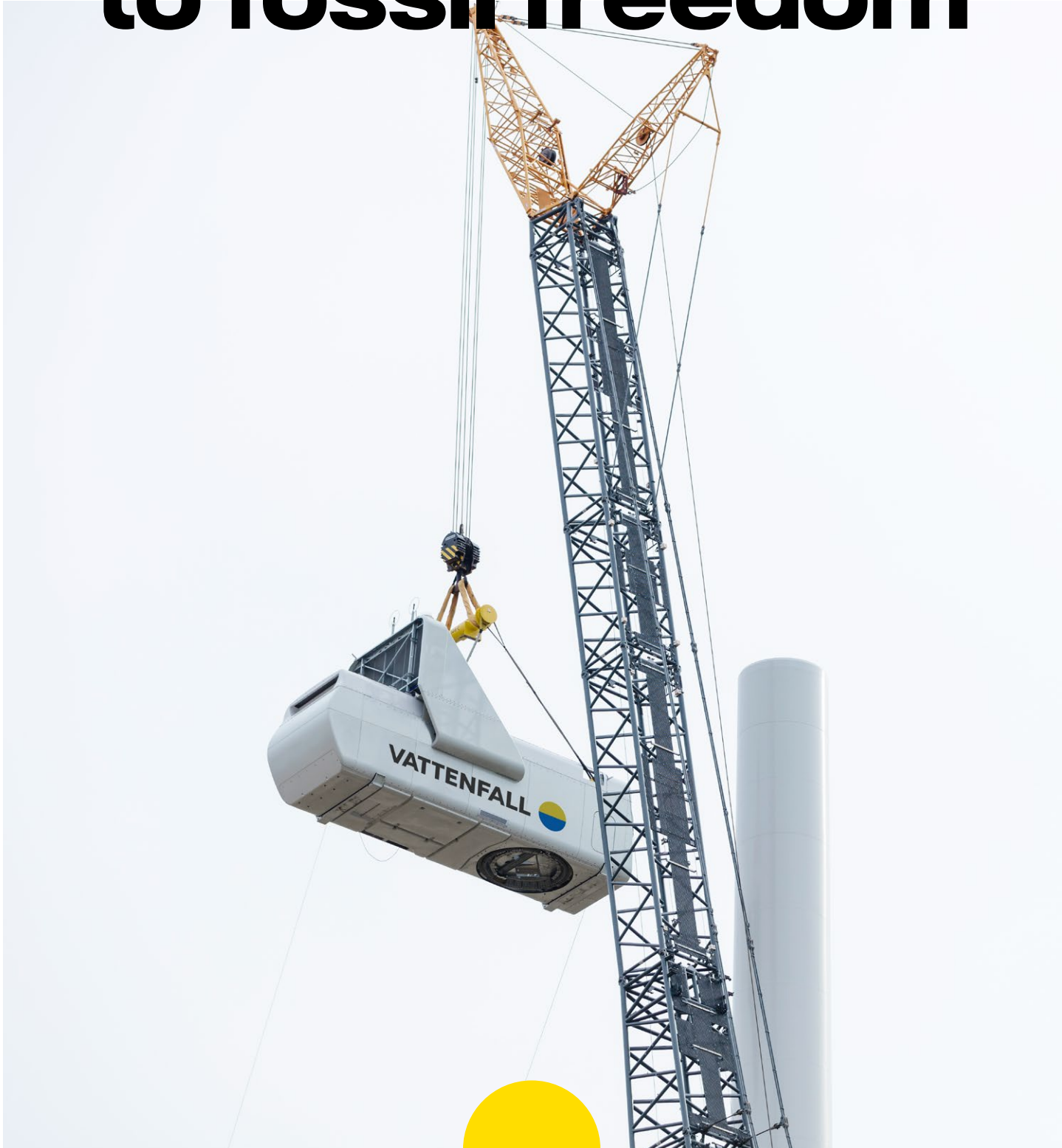


Vattenfall N.V. Annual Report 2022

Leading the way to fossil freedom



VATTENFALL

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Report of the Management Board

About Vattenfall NV

Vattenfall AB is one of Europe's largest producers and retailers of electricity and heat. Vattenfall's main markets are Sweden, Germany, the Netherlands, Denmark, and the UK. The Group has approximately 20,000 employees. The Parent Company, Vattenfall AB, is 100% owned by the Swedish state, and its headquarters are in Solna, Sweden. Vattenfall Group is organised in six cross-border Business Areas: Heat, Wind, Customers & Solutions, Generation, Markets and Distribution. In the Netherlands Vattenfall NV is mainly active in the Business Areas: Heat, Wind and Customers & Solutions.

Vattenfall's operations in the Netherlands are carried out by Vattenfall NV and its subsidiaries. Vattenfall NV also operates one gas storage facility located in Germany. Vattenfall NV produces and supplies electricity, gas, heat and cooling, offering its customers a wide range of energy-saving products and services. Vattenfall NV has approximately 3,750 employees (FTEs) and more than 2 million customers in the Netherlands. With net sales reaching almost EUR 6.5 billion in 2022, Vattenfall NV holds a top-three position in the Dutch energy market. The activities relating to market access, trading and power plant optimisation are centralised in one central Continental hub in Hamburg. The activities that serve and support Vattenfall NV's power plants and gas portfolio optimisation are also handled in Hamburg but are executed on behalf of Vattenfall NV. In this Annual Report Vattenfall NV is mentioned specifically for all items applicable for the Netherlands. Vattenfall AB or Vattenfall is mentioned when the activities are presented from a Vattenfall Group perspective.

Vattenfall AB has committed itself to the Swedish Corporate Governance Code (SCGC). Within the Vattenfall Group focus on the SCGC is therefore emphasised. More information about Vattenfall can be found in the 2022 Annual and sustainability report of Vattenfall AB and can be found at www.vattenfall.com. As part of Vattenfall, Vattenfall NV's financial and sustainability results are included in this Vattenfall report. More detailed information about Vattenfall's work with sustainability is also available at <https://group.vattenfall.com/who-we-are/sustainability>.

In Focus

Thinking beyond boundaries. This means collaborating with stakeholders throughout the value chain. A fossil-free society will require, at a minimum, developing sustainable and commercially viable goods, services, and technologies, partnering to decarbonise high-emitting industrial processes and addressing human impacts.

A turbulent year in the energy market

It is difficult to describe 2022 in any other way than a turbulent and a very challenging year with Russia's invasion of Ukraine having major consequences on an already strained energy market. Russia's invasion was and is a flagrant breach of international law and has terrible consequences for the people of Ukraine. It is hard to imagine the horrors and difficulties they are going through. Within Vattenfall NV we have personal connections or family ties to Ukraine and some of our employees have done and still do great work to help people in the country as well as those who have fled. The war also impacted the energy market in Europe. Even though we had already seen an increasingly turbulent energy market with volatile prices in the second half of 2021, 2022 was unlike anything we could have imagined.

Q1 - Beliefs of lower prices shattered by Russia's invasion of Ukraine

Electricity and fuel prices started to rise in the second half of 2021 in correlation with the higher gas prices caused by lower supply from Russia and unfavourable weather conditions. Prices declined briefly over the turn of the year, but in the wake of the Russian invasion of Ukraine, prices of both fuels and electricity surged to what was then record-levels, and emission allowances were also impacted to some extent. Prices were also driven by the announcement of the German Government that the approval (certification) of the Nord Stream 2 pipeline was suspended.

Q2 - Turbulent electricity markets when gas set prices

Turbulence in the electricity market increased in the second quarter. The big question of what the natural gas supply would look like in Europe in the coming winter was urgent, and rationing became an increasingly likely scenario. The uncertainty drove electricity prices to new record levels despite being in the middle of the summer when prices are usually lower. In the Netherlands, prices were three to four times higher on average compared to the corresponding period 2021.

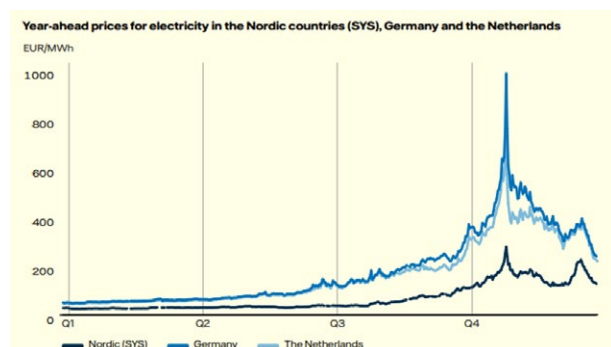
Q3 - Major market uncertainty following summer

Electricity market prices continued to fluctuate widely around historically high levels. High fuel prices remained the primary driver of electricity prices on the market but there were also other issues that worsened the situation such as outages in the French nuclear fleet.

Q4 - Calmer markets in year's final quarter

The weather was relatively mild in the fourth quarter and gas storage in the Netherlands and continental Europe remained

at good levels, which meant that the risk of winter rationing decreased significantly. As a result, fuel and electricity prices declined on the market and average gas prices halved compared to Q3. The supply of LNG supported stabilising the fuel and electricity prices.



Source: Vattenfall AB Annual and Sustainability Report 2022

Guiding customers through turbulent times

Customer service was never more important than in 2022. In response, Vattenfall staffed up its customer centres, and offered general information, concrete advice and hands-on assistance to customers.

Widespread concern for soaring energy bills and the upcoming winter

Confronted with soaring electricity and heating costs, high inflation, and potential unavailability of electricity, heat and gas, many customers across Vattenfall's markets were nervous and uncertain what to do ahead of the winter. Media attention related to the energy market and the war in Ukraine further fuelled customers' concerns. Customers reached out massively with questions and concerns to our customer service centres, while online logins to Vattenfall App and My Vattenfall increased by 390%. With the increased interest in energy, customers were often more well-informed than before and requested more detailed information, such as the difference between fixed and variable prices and how the energy market functions. To be able to maintain a high service level to our customers, Vattenfall's customer centres took steps to staff up.

From online advice to hands-on assistance

Vattenfall offers both general information, concrete advice, and hands-on assistance adapted to each individual market in order to offer help in the crisis. Customer service was never more important than in 2022 and was offered digitally, by phone, WhatsApp and in person. The main advice to customers was to prioritise lowering their energy consumption. The Vattenfall App allows customers to monitor their energy consumption on an hourly basis which is important, as energy savings starts with insights in one's consumption. Customers also received advice on how to

save energy with online tools and tips on Vattenfall's website. If more assistance was needed, customer energy advisors were available who could give personal energy advice via a video call.

In-person meetings

As partner of the so-called FIXbrigade, Vattenfall in Amsterdam went fully hands-on to help some of our customers with installing energy saving measures, such as draught excluders, sealing gaps, and installing LED lights and water-saving shower heads. As a result energy savings per household ranging from EUR 300 to as much as EUR 1,200 per year.

Energy poverty an increasing problem

We are taking our role in the field of energy poverty, and we are very active in preventing payment arrears, debt and poverty as much as possible. A number of examples. "We proactively inform our customers with a Signal, an email in which we tell them whether they are still correct with their instalment amount. We have our own field collection service and through Vattenfall Verlicht we work together with administrators so that they too can help their clients properly." To assist our customers even better, we work together with many partners. For example, Vattenfall has concluded a covenant with more than 350 municipalities in the field of Early Detection and we work together with, among others, Geldfit, the NVVK and the Creditors Coalition.

Important events in 2022

Start dismantling wind park Irene Vorrink

The 28 wind turbines have been dismantled and will be replaced by 24 new, more powerful ones. This means that more power can be produced from fewer turbines, taking another step towards Vattenfall's ambition to enable fossil-free living within one generation. For the blades of the Irene Vorrink wind farm, Vattenfall NV has made agreements with two companies, Gjenkraft from Norway and LIFE CarbonGreen from the Netherlands, to process the blades and explore options for reuse.

Expanding the E-mobility charging stations

The electrification of transport is another main area where we will support our customers to become fossil-free. We continue to extend our e-mobility services and our charging network in the Netherlands, capturing benefits of scale with the Group and enhancing value for our customers and key partners. Together with partners we execute the role out of 1,300 charging stations per year in 67 municipalities in the provinces Gelderland and Overijssel the upcoming years. In total a minimum of 4,000 will be realised. In July we provided the hundredth Dutch McDonald's with public fast chargers and in December we placed our 2,000th public charging station in Noord Brabant and Limburg as part of the realisation of 4,000 charging stations in these provinces. Over the coming ten years, the e-mobility industry will shift from building charging points to optimising the use of those charging points.

Opening wind farms Jaap Rodenburg II and Moerdijk

In March we opened the wind parks Jaap Rodenburg II and Moerdijk. The replacement wind turbines on Jaap Rodenburg II have more than double the capacity as is of the old turbines; together the 10 turbines can produce 38MW which is approximately the usage of 30,000 households. A.S.R will take over 8 and Almeerse Wind will become the owner of the other two turbines. The 7 turbines in Moerdijk can produce electricity which corresponds to the consumption of 20,000 households and Vattenfall NV will keep ownership of this park.

Opening of the combined Wind, Solar and Battery energy Park Haringvliet

The first part of hybrid renewable energy park Haringvliet has already been commissioned in 2020 and 2021. In March we opened the complete energy park consisting of six turbines, 115,000 solar panel and 12 containers with batteries all on one connection instead of 3. This hybrid park will play an important part in realising Vattenfall's strategy to enable fossil-free living within one generation. Wind, solar and batteries have many synergies if we develop them together, sharing infrastructure and having a stable and reliable production throughout the year.

Opening Museum of fossil fuels

In May the temporary exhibition 'Museum of Fossil Fuels' was opened in the Amsterdam Museum 't Kromhout. Here visitors could see how we will look back on today's car driving in the future. The visitors could smell the old-fashioned smell of gasoline and listen to stories of the car industry in the time before the electric cars took over.

Demolition Hemweg 8 & Fossil-free Energy Hub

After two years of preparations, the starting signal for the demolition of the coal-fired plant Hemweg 8 was given in April. The complete demolition will take about 2.5 years, after which the site will be ready to set up a fossil-free Energy Hub for various sustainable techniques, such as hydrogen production and battery systems.

Heat transport agreement (WTO)

In July Vattenfall concluded a heat transport agreement with Gasunie for heat transportation to Leiden. Following the covenant WarmtelingQ+ (WLQ+) Vattenfall will be the first to transport heat via the newly constructed heat transport network between Rijswijk and Leiden.

Award most popular website 2022 & International Customer Experiences awards

In November we won several Customer Experiences prizes; gold for 'Best CX Team of the year BtC', gold for

'Best Customer Experience in a crisis' and silver for 'Best Customer Experience Strategy BtC'. For this international award companies from various industries presented their strategy and working method for an excellent customer experience and customer loyalty. Next to that we won the 'Most Popular Website of the Year 2022' in the Energy category. In this annual election, the Dutch public chooses the best and most popular websites based on content, navigation, design and recommendation.

Investment decision 3 new solar farms Sas van Gent, Goirle and Echteld

In November, the green light was given for the construction of the solar farms Sas van Gent, Goirle and Echteld. The farms will jointly have a capacity of 47 megawatts and will be built in 2023. The amount of electricity they aim to produce corresponds to the consumption of almost twenty thousand households.

Construction of Electric boiler

Last year permits and subsidies were already granted and in November we took the decision to build an E-boiler. It will use fossil-free electricity to heat water for the district heating network of Amsterdam South and East, Almere and Diemen. Construction on the Vattenfall site in Diemen will start in January 2023 and will be completed at the beginning of 2025.

Acquisition of Warmtebedrijf Rotterdam (WbR)

In November Vattenfall NV took over the shares, all supply, purchase and maintenance contracts, the Nieuwe Warmteweg heat pipeline and heat assets including personnel of WbR. The purchase price was EUR 23 million (see note 3 of the financial statements). With the acquisition, we can ensure the current heat supply in Rotterdam for our customers and continue to build on our future heat supply to Leiden (Warmteling+).

Sale of gas-fired Magnum power plant

The Eemshaven gas-fired power plant was divested and handed over to RWE in January 2023. The focus within Vattenfall's heating activities is on district heating and cooling. Vattenfall focuses on making the heat supply to its customers more sustainable as part of that, Vattenfall NV is phasing out of natural gas in the Netherlands. The proceeds of this transaction will give Vattenfall more resources to invest in the energy transition, such as offshore wind and district heating and cooling.

Markets and regulations

2022 was another turbulent year. After the Russian invasion of Ukraine, the high energy prices were exacerbated by a disruption of supply following the post-covid recovery in the last quarter of 2021. Price volatility was extremely high because of a tight supply and demand balance and the weather-dependent output of renewables production. Ad-hoc governmental policy was adopted with the aim to support the most vulnerable citizens hit by the high prices.

Debate about electricity market design

A rise in gas and electricity prices led to a debate in both the EU and in the Netherlands on how to shield customers and industry from price volatility. This resulted in the adoption of several EU-wide Emergency Regulation and a proposal for a targeted reform of the electricity market design by the European Commission in March 2023.

Inframarginal price cap in the Netherlands

The European Commission implemented a price cap for inframarginal power generation technologies which includes nuclear, lignite and most renewables – with exceptions for some types of hydropower, biomass and biogas permitted. The Dutch government decided to implement the inframarginal cap on a level of 130 EUR/MWh. The calculation is done per month, and for the period that the Regulation applies. This means a one-time payment to the Dutch Emission Authority after 30 June 2024 for each month that the Regulation is in force (1 December 2022 – 30 June 2023).

Gas market regulation

Following the disruption of Russian gas supply and corresponding high prices, EU-wide market interventions were introduced, including maximum gas price on EU wholesale markets. Although still subject to implementation, the cap is currently set to be triggered if the front-month Title Transfer Facility (TTF) gas derivative settlement price exceeds EUR 180 for three working days, and the month-ahead TTF price is EUR 35 higher than a reference price for LNG on global markets for the same three working days.

Heat Act 2

The Ministry of Economic Affairs & Climate Policy is preparing a new law, the Collective Heat Supply Act (also known as 'Heat Act 2'). This law will replace the current Heat Act and aims to accelerate the growth and sustainability of heat networks in the Netherlands. It contains rules on, among other things, the market model, tariff regulation, sustainability and security of supply. In October 2022 the Dutch government announced a mandatory majority public ownership of district heating networks within the upcoming new Heat Act, with a transitional period of (maximum) 30 years for existing heat networks. This decision has a strong risk to delay the heating transition in the built environment, while deteriorating investment security for private heat companies. The dialogue with government and stakeholders is expected to continue in 2023 with the aim to agree upon terms how to create investment security and how to honour the property rights of the existing heat networks. According to the current planning the legislative proposal for this new Heat Act – also introducing a new tariff regulation and decarbonisation path – will be sent for advice to the Council of State and to the House of Representatives in 2023, aiming to enter into force in 2024.

Decarbonisation industry

Decarbonisation of industry has been fully in focus of the Dutch government, with work being done on tailor-made agreements with the largest greenhouse gas emitters, subsidies for CCS and electrification options, and expansion of the energy-saving obligation. In addition, tightening of the national CO₂ Tax Industry and the introduction of a minimum CO₂ price for the industry have been announced. In anticipation of the announced obligation from Europe for the industry to use renewable hydrogen, the Dutch government has indicated that it wants to start with a national obligation as early as 2026.

The construction of new infrastructure for hydrogen and CO₂ and the expansion and reinforcement of the electricity infrastructure are an important condition for the decarbonisation of the industry. In 2022 it became clear that capacity shortages in the electricity grid are an important bottleneck for the electrification of the industry.

Offshore Wind

Vattenfall was not successful in the Hollandse Kust West offshore wind tenders. End of 2022 and beginning of 2023 the focus will be on the tender method for the next offshore wind sites IJmuiden Ver-IV (total 2 tenders of 2 GW). These will be beauty contests with a financial bid (tender closes Q4 2023), with besides criteria on circularity and International Corporate Social Responsibility, the tender for sites I-II focusing on ecology and the tender for III-IV focusing on system integration. It is likely that auctioning will take over as allocation method for the remainder of the offshore wind tenders for 2030, but this will be decided based on a market review prior to the next tender.

In 2022 the Dutch government published offshore wind target ambitions while the roll-out of the already increased target for 2030 is moving on. Around 2030, installed capacity should be ~21 GW. The ambitions for 2040 (~50 GW) and 2050 (~70 GW) will be established definitively in 2023 in the National Energy System Plan. The government expects that after 2030 offshore wind energy will largely be converted at sea into hydrogen and that energy hubs will be developed in future areas and further away from the coast. The government is committed to realising several demonstration projects for offshore hydrogen production in the coming years.

Compensation for energy bills households

A compensation scheme for the energy bill for consumers and SMEs has been developed in 2022. For November and December households received a fixed compensation given of EUR 190 per month. For 2023 a price ceiling scheme has been developed, which compensates the gap between the market price and the ceiling which energy suppliers are to tailor to households. The ceiling applies to

a maximum of 2,900 kWh for EUR 0.40/kWh and 1,200 m³ for EUR 1.45/m³. In addition, an emergency fund is available for households that face payment problems. A dedicated support regimes for SMEs has been devised.

Energy Act

The Energy Act will replace the current Gas Act and Electricity Act 1998 and includes the implementation of the EU Electricity Directive and aspects of the Dutch Climate Agreement. It includes among others TSO and DSO regulation, consumer protection regulations, and data regulations. In a 2023 Council of State advise, the body recommended a revision of the draft legislation. The cabinet aims to send the Energy law to parliament in 2023.

Onshore renewables

Onshore renewables (both wind and solar) face an uphill battle in the densely populated Netherlands. The climate agreement put a limit on the subsidy for onshore renewable power production at 35 TWh in 2030. Since the agreed Regional Energy Strategies point out that this sub-target is achievable and potential is significantly higher (54 TWh), the Minister decided to give room for the higher onshore target by lifting the existing subsidy cap of 35 TWh.

Our investment plan

Vattenfall AB's investment strategy reflects the commitment to the 1.5-degree target¹ and the goal of enabling fossil-free living within one generation. Substantial growth investments will be made in fossil-free generation (renewable production). Other key investment areas are growth and maintenance of the electricity grids and decarbonisation of our district heating business. Total planned net investments of Vattenfall AB for 2023 and 2024 amount to SEK 77 billion (EUR 7.6 billion). Gross investments amount to SEK 87 billion, where the difference is mainly attributable to partnering on Hollandse Kust Zuid as well as some develop-to-sell assumptions within onshore wind and solar projects. The investment strategy reflects Vattenfall's goal to enable fossil-free living within one generation. The following figures are all presented in net investments.

Around SEK 17.5 billion (EUR 1.7 billion) of the growth investments are planned for investments in the Netherlands. The plan includes expenditures for major offshore projects that are planned to be completed the coming years, like Hollandse Kust Zuid 1-4 (1,500 MW ~ investments are done together with the other owners BASF and Allianz) and onshore wind projects like Windplan Blauw (77 MW). In addition, development costs for potential wind power projects further ahead in the future like IJmuiden Ver are also included. This means that a number of projects in the investment plan will take more than five years to complete as large-scale offshore projects require many years from design to completion. Vattenfall NV is also investing in solar and

battery projects and in large scale onshore wind projects as part of our 'asset owner flexibility' strategy. This 'asset owner flexibility' strategy implies that Vattenfall NV is developing and constructing wind farms that will be sold or (partly) divested after completion to free-up cash for the financing of new projects. The operational management of these projects can nevertheless stay within Vattenfall NV also due to partial sale of a project.

Other major growth areas include the development of district heating networks in order to connect new customers in residential areas. In October 2022 a letter was sent by the Dutch Ministry of Economic Affairs and Climate to the parliament. An important point in the letter was the required future majority public ownership for new heat grids and for existing heat grids after a transition period. Vattenfall NV is in discussion with the ministry and cities as a representative of the Dutch heat sector to discuss how investment security can be guaranteed for private heat companies to enable continuous growth of new heat customers and continuation of investments in the coming decades and legal clarity on the future handover of existing heat grids and heat companies. An implementation of the Heat act is foreseen after Q2 2024. Parallel to the discussions with the Dutch ministry, the Dutch heat sector had to put specific large investments on hold due to the lack of investment security by the ministry. Even though there is unclarity on the heat grids, Vattenfall continues to invest in the decarbonization of the heat sources of the existing heat grids. At the Diemen site we have plans for a biomass boiler with 100 MWth capacity and started with the preparation of building a 150 MWe electrical boiler. At other locations we are developing sustainable heat sources like heat from data centres and geothermal heat.

Further growth activities include investments in electric vehicle charging stations, new energy solutions, heat supply and decentralised heat solutions. This also includes investments of the Dutch service company Feenstra. Besides these growth activities, Vattenfall NV is planning significant investments in maintenance, modernisations and replacement of the existing assets.

These investments in property, plant and equipment at Vattenfall NV are as much as possible funded from operational earnings. Furthermore the (partial) sale of wind farms frees up cash that is used for investments in newly constructed wind farms or other investments in property, plant and equipment. Investment planning within Vattenfall AB is done centrally as well as securing financing for these investments for instance through looking for partnerships and issuing green bonds. Vattenfall AB will ensure that sufficient funds are available at Vattenfall NV through providing credit facilities or making capital contributions when necessary. For more information we would like to refer to the Vattenfall AB Annual and Sustainability Report 2022.

¹SBTi publicly discloses temperature alignment based on the ambition of a company's Scope 1 and 2 targets

Operational performance

Our operational results in 2022

The EBIT (earnings before interest, taxes), decreased from EUR 537 million positive in 2021 to EUR 1,912 million negative in 2022. The volatile and high market prices have substantial impact on this decrease of EBIT. The unrealised negative price development on our power and gas contracts are the main cause of the loss in 2022. The unrealised fair value loss is partly offset by the release of the provision for onerous contracts and the positive hedge results on gas and CO₂. The provision for onerous contracts was recognised in 2021 for a portion of the fixed-price electricity and gas contracts concluded by our customers. Our business activities which are servicing our customers present a deteriorating EBIT-contribution due to higher operational costs, lower sold (gas) volumes and pressure on margins. Wind activities have benefitted from the price increases of electricity. The volatility of market prices has the largest impact on Markets. The table below shows the EBIT per segment for 2022 compared to 2021 and includes the impact of items affected by volatility of market prices.

Amounts in EUR million, 1 January-31		
December	2022	2021
Customers (Electricity, Gas & Heat), Heat Grids & Projects, Staff	87	137
Production (Wind and Heat Condensing Generation)	291	197
Markets	-2,290	203
Operating profit (EBIT)	-1,912	537
Items affected by volatility of market prices		
Unrealised fair value loss/gain power and gas contracts	-4,060	1,986
Provision onerous fixed-price customer contracts	1,848	-2,199
Hedge result gas and CO ₂	449	209
Revaluation of gas stock	-164	269
Total Items affected by volatility of market prices	-1,927	265
Operating loss/profit (EBIT) excluding items affected by volatility of market prices	15	272

An unrealised fair value loss on power and gas contracts² of EUR 4,060 million (2021: gain EUR 1,986 million) has been recognised in 2022. Loss in power of EUR 1,487 million is mainly due to a net short position resulting from hedges for production assets as well as from hedges for sourcing the customers business while market prices increased. The loss in gas of EUR 2,601 million is mainly due to the realisation of gas hedges with positive fair values built up in prior periods and the related derecognition of the fair values leading to a negative fair value result in 2022. The other negative effect of EUR 28 million is related to CO₂ emission rights,

coal, biomass, freight and foreign exchange results. A large opposite effect in 2022 was related to the usage of provision for onerous contracts related to contingent losses from pending transactions from fixed price contracts with customers leading to a gain of EUR 1,848 million. The recognition of the provision of EUR 2,199 million in 2021 was due to increased energy prices on the commodity markets in combination with the timing difference between the actual entering into new contracts with customers and the sourcing of electricity and gas. The fair value swings of hedged commodity items leads to results based on spot price movements whereas the settlement with the customers takes place upon delivery - usage of the electricity and gas. Due to surging prices for both gas and electricity during the last quarter of 2021 a portion of the fixed-price contracts became onerous from the perspective of Vattenfall NV.

Other effects due to price volatility are a positive hedge result for gas and CO₂ of EUR 449 million (2021: EUR 209 million gain) mainly due to significantly higher average spot prices for gas and CO₂, partly offset by higher power prices affecting power hedges negatively. Revaluation of gas stock in the gas storages has a negative effect of EUR 167 million due to lower spot prices, while 2021 presented a gain of EUR 269 million. Vattenfall NV applies hedge accounting only to a limited extent for powerplants (own-use exemption). The settlements in the gas storages were much lower due to a steep decrease of gas prices at the end of 2022 leading to buy back of hedges instead of using gas storages, only partly compensated by the positive weather effects. Buying back hedges implies that they were bought back at lower prices and sold on the higher forward curve in Q1 2023.

Another effect is related to power sourcing for our wholesale customers, which had a negative impact due to volatile market prices and increasing imbalance costs for our customers.

The European Commission implemented a price cap for inframarginal power generation technologies which includes nuclear, lignite and most renewables – with exceptions for some types of hydropower, biomass and biogas permitted. The Dutch government decided to implement the inframarginal cap on a level of 130 EUR/MWh. The calculation is done per month, and for the period that the Regulation applies. Our business area Markets has taken into consideration the inframarginal cap based on the available information about regulation by the Ministry of Economic Affairs in Q4 2022. For wind and solar farms the production volumes multiplied by market prices per end of December 2022 have been recognised for 90% per asset. The relevant market prices

² no hedge accounting or own-use exemption applied except for power plants in Heat

are weighted APX-prices or average Day Ahead prices. The imbalance fees and SLA fees have not been recognised. The condensing power plants are not in scope because these are all gas-fired plants.

Wind farms have benefitted from the higher electricity prices in 2022, while in 2021 there was a higher EBIT-contribution due to divestments of wind projects (e.g. princess Ariane Wind Park). Revenues from ancillary services and heat delivery by Heat powerplants have also increased (with an opposite effect in Markets and Heat Grids & Projects), partly offset by lower margins.

Customers & Solutions

Vattenfall's Customers & Solutions business provides electricity, gas and energy solutions to retail and business customers, with 4.6 million contracts in the Netherlands. 39,600 electric vehicle charging points are connected to the InCharge platform of Vattenfall AB. Vattenfall NV is one of the market leaders in the retail and business segments of energy sales in the Netherlands.

Customers & Solutions is responsible for sales of electricity, gas and energy services as well as e-mobility charging solutions for people's homes, businesses and in large cities across our Dutch market. The Customers & Solutions business aims to be the decarbonisation partner of choice for our customers. In leading customers through the transition, we provide a wide range of smart, data-driven and decentralised sustainable energy solutions (e.g. solar panels) and services to retail and business customers. We provide flexibility services that help customers optimise their energy consumption and contribute to balancing of the electricity system. We focus on decentralised generation (in particular solar (PV) and heat pumps) through our subsidiary Feenstra. We leverage Vattenfall's fossil-free generation to offer a diversified commodity portfolio that covers an increasing share of fossil-free electricity and its connected Guarantees of Origin. To stay competitive, our focus is on growing our customer base while reducing the cost to serve. Vattenfall strives to optimise the customer experience by accelerating digitalisation and offering bundled and integrated solutions.

In the spring of 2022, the Russian invasion of Ukraine disrupted the free flow of natural gas to Western European countries, followed by import restrictions. This in turn led to anxiety about supply security, record high prices for power and gas and the inability for many households and businesses to pay their bills. The Dutch government intervened by announcing a price cap for retail customers. Customers & Solutions in the Netherlands was committed to promoting alleviation of the financial burden for the Dutch citizens. The implementation of the price cap in

second half year of 2022 placed substantial demands on our organisation in time and resources.

The experience and expertise of Customers & Solutions is used to contribute to stabilisation of the situation for our customers in these turbulent times, by closely cooperating with governments and organisations to mitigate the high electricity and gas prices and providing support to vulnerable customers. The Dutch government has decided to set up a new emergency fund which is equally funded by energy suppliers and the Dutch government and consists at the start of EUR 50 million. The emergency fund aims to compensate the high energy tariffs for vulnerable customers with a low income. This fund will pay part of the energy bill for these customers. Vattenfall NV participated actively in a lobby towards this fund and will support its deployment through customer communication. On behalf of the Dutch government we have compensated households in the Netherlands with 190 euro in November and December via a direct payment on the bank account of the customer. Besides the one-off compensation we participated in the development of the price cap measure which is implemented in December 2022 compensating Dutch customer for high energy prices during 2023.

Our retail customer base stabilised during the year in the Netherlands, including powerpeers and the customers from the Dutch supplier DELTA Energie. The market has become increasingly more risky given the developments in the wholesale market and unprecedented energy savings. It led to an increased focus on retention of our customers and being a partner in these difficult times. Our absolute Net Promoter Score (NPS) rolling 12-months average for the Vattenfall NV consumer market in the Netherlands dropped to +18 (excluding powerpeers and DELTA Energie). This is a downturn of 3 points compared to 2021 which is connected to tariff increases, reachability of customer service, but also distrust towards large energy companies regarding abuse of the price cap measure introduced by the Dutch government. The challenging market conditions lead to high number of customer requests in these uncertain times. Nevertheless, we try to keep high customer service standard and extra capacity has been recruited to handle requests. We keep emphasising the recognisable purpose (fossil-free living within one generation) of Vattenfall in our contacts with our customers. Our churn moves clearly below the market churn due to our strong attention, reward and appreciation for our loyal customer base. This is a good result compared to the market churn development (2022: 9.5%). Customers are increasingly demanding sustainable solutions. The electricity supply mix to our consumers in the Netherlands reached 100% renewable sources of Dutch origin, making us one of the suppliers with the highest share of Dutch renewable sources in the

retail market. We aim to offer 100% Dutch Guarantees of Origin (GoO)-certified electricity to B2C customers in the Netherlands the coming years as well. We also offer biogas, via green gas contracts, to our consumers and we aim to start the roll-out of a high-temperature heat pump system in the Netherlands in 2023. This can replace gas-fired boilers without large direct investments in changing the heat delivery system (radiators) and large-scale insulation, which reduces switching costs.

Consumer bills increased significantly in the Netherlands due to the steeply increased energy prices and the high gas dependency. Regulations have been put in place to encourage reduced energy usage and limit the financial impact on customers. Energy consumption decreased as an effect of the crisis while demand for decentralised energy solutions such as solar panels and heat pumps increased. Supply chain shortages and limitations to installation capacity are increasingly becoming a bottleneck. Competition in both the commodities and e-mobility business is fierce, and new entrants are entering the market. By securing supply through early investments and expanding our business across the value chain, we aim to stay ahead of competition and continue meeting our customer demand.

At Vattenfall NV, we take our responsibility when it comes to the affordability of energy. We do this in our own billing process by offering customers various solutions, such as choosing your own payment date and payment arrangements, to prevent increasing debts. In addition to providing solution through our own billing process, we work closely together with partners, like municipalities. We have contracts with all available municipalities in the Netherlands for early signalling of debts. Municipalities are obliged to follow up on these signals and signals of housing corporations, water suppliers and health insurers. Vattenfall NV works closely together with numerous municipalities, debt relief organisations and the ministry of Social Affairs to improve the quality of early signalling of debts. We also work closely together with over 1.000 Vattenfall Verlicht partners – which give financial aid partners together with our customers a lot of extra insights and means to monitor payment and usage of their customers of Vattenfall NV. Another example is our cooperation with Geldfit and Geldfit for Business, an initiative to support, advice and connect consumers to financial support.

We invest in becoming a leading operator of e-mobility charging points in northwest Europe to support the electrification of transport. Early 2022, Vattenfall InCharge Netherlands won the tender to exclusively place and operate public charging stations in the provinces of Gelderland and Overijssel. In this concession, the placing period has a minimum of 3 years. The operational period is

10 years. Placing charging stations in Noord-Brabant and Limburg started out with some challenges, but in 2022 Vattenfall InCharge Netherlands managed these well and monthly installation numbers have gone up since. Mid 2022 both provinces prolonged the installation period with us with an additional 2 years. At the end of 2022 an important milestone was achieved when the 2,000th charging station in this concession was placed.

Data is becoming more and more important. Not only to determine the best location of new public charging stations, but also to manage the performance of our charging station assets and inform our customers and EV drivers. Vattenfall InCharge developed several new products and services related to making better use of data. Another important theme in 2022 was the rise in energy costs. This threatens the affordability of electrical driving. The rising costs of electricity also lead to a demand for greater price transparency.

In the B2B and B2C-segment, together with our partners, Vattenfall InCharge Netherlands managed to raise the sold number of B2B/B2C charge stations by 35%. Over the past few years we have developed a strong cooperation with several leasing companies, such as Athlon, VWPFS and WEVI. This way, Vattenfall InCharge has contributed to help electrify corporate fleets in the Netherlands. Furthermore, usage of our McDonald's DC charging network also increased after recovering from COVID-19, almost doubling the amount of kWh sold in December 2022, compared to January 2022. In 2022 we also placed the 100th McDonald's DC charging station. Furthermore, in December 2022, Vattenfall InCharge closed a semi-public deal with Bilderberg hotel group in the Netherlands, which shows that Vattenfall InCharge has the willingness to invest, fasten and facilitate the energy transition to fossil-free mobility and to make sure there are sufficient charging solutions everywhere we go.

Vattenfall InCharge now operates more than 22,000 charging points, making the transition to sustainable, electrified transport easier. In the Netherlands, Vattenfall operates more than 18% of the public charging stations and offers its customers access to around 95% of all public charging stations in the country through roaming agreements. In addition, together with our partners we are building InCharge to become one of the biggest charging networks in Northern Europe.

Total volumes of sold electricity and gas in the consumer market (Vattenfall NV consumer market, DELTA Energie, powerpeers) and business market stabilised for electricity (0.1%) and reduced significantly for gas (-18.3%) compared to 2021. Net sales increased mainly due to substantial higher electricity and gas prices in the Netherlands partly

offset by decreased gas volumes related to warm weather in 2022 compared to 2021. The Declaration of Compliance with the Code of Conduct for Suppliers and Metering companies operating under their responsibility is included in the section Other Information.

Planned activities

- Expand offering of fossil-free electricity and develop portfolio of energy solutions to enable the energy transition in our continental markets, including biogas, heat pumps and other energy saving solutions
- Expand flexibility offering, including storage solutions, to give customers control over how and when to consume energy, reduce costs and integrate decentralised energy
- Growth in powering electrified transport by expanding our charging network and providing competitive offers to our consumers
- Continue our involvement with governments and organisations addressing energy poverty and developing support systems for customers who have difficulties paying their bills

Wind

Wind business is responsible for development, construction and operation of Vattenfall's wind farms as well as for large-scale and decentralised solar power and batteries. Vattenfall's ever-growing renewables operations in northwestern Europe are key to achieving a sustainable energy system and form the backbone of a wide-spread electrification of society. Vattenfall is one of the pioneers within wind power in Europe, especially in the UK and the Netherlands, both on- and offshore.

We own a portfolio of wind turbines with a total installed capacity of approximately 0.44 GW (2021: 0.44 GW) in the Netherlands. Next to wind power we operate solar power (PV) technology and battery storage. We now operate/own 70 MW (2021: 70 MW) of solar power comprising decentralised and large-scale projects out of which 6 MW relates to Solar park Eemshaven, which is held for sale together with the power plant at the end of 2022. We have installed 24 MW (2021: 15 MW) of battery capacity in the Netherlands. In 2022, Onshore Wind commissioned A16 Klaverspoor (34 MW) and Solar and Batteries commissioned a battery at Haringvliet (12 MW). Construction of Windplan Blauw (77 MW) and Hollandse Kust Zuid (1.5 GWh, 51% Ownership) is ongoing.

Regarding Onshore Wind and Solar and Batteries, Vattenfall NV is having an 'asset ownership flexibility' strategy. This 'asset ownership flexibility' strategy implies that Vattenfall NV is developing and constructing wind farms that will be sold or (partly) divested after

completion to free-up cash for the financing of new projects. The operational management of these projects can nevertheless stay within Vattenfall NV also due to partial sale of a project. Examples of these divestments in 2022 are Jaap Rodenburg 2 (36 MW Onshore Wind Farm) and Nieuwe Hemweg (27 MW Onshore Wind Farm).

With the current energy market turmoil and the global drive for full decarbonisation and energy independence, the demand for new wind and solar power assets, that are the cheapest new-built power sources³, has increased even further in 2022. Both wind and solar power will see strong double-digit growth in Vattenfall's markets towards 2030 and beyond. Additionally, battery storage solutions, that are often co-located with wind and solar assets, are seeing high interest and growth, driven by the electricity price volatility and grid constraints across Europe. This unprecedented industry growth has led to intensified competition between new and established renewables players and to supply chain bottlenecks that are putting project delivery under pressure. Also, an increasing share of new wind and solar projects will be realised without subsidies, requiring developers to rethink project business cases.

It is Vattenfall's ambition to remain a leader in the energy transition by developing, constructing and operating on and offshore wind farms, large-scale solar PV, onshore wind and co-located battery storage. We aim to further strengthen our project pipeline by greenfield development and by bidding for, or acquiring, attractive projects in all our renewable energy technologies.

One part in reducing costs is to continue to innovate in operations and maintenance and keep focus on digitalisation of our entire value chain to improve performance. Another part is to sustainably integrate renewable production assets into the power system by combining generation technologies and integrating storage solutions. This will potentially enable us to deliver new wind and solar projects without subsidies. We continue to focus on creating partnerships with industrial offtakers of renewable electricity to support them in their decarbonisation endeavours by directly linking the generation of fossil-free electricity (contractually) to power demand. Another goal of creating partnerships is to stabilise revenues for renewables projects in our ownership and to make them bankable. The ambition of being an industry frontrunner by delivering environmentally and socially sustainable solutions is paramount for us. In order to deliver on our growth ambitions, we continue to focus on reducing greenhouse gas (GHG) emissions, increasing circularity, working with suppliers to sustainably procure goods and services, protecting biodiversity, and fostering social sustainability. Amongst others, Vattenfall

³ cf. Bloomberg New Energy Finance H1 2022 LCOE Update

joined the SteelZero and NearZero cement initiatives, thereby committing to a transition to procuring 100% net-zero steel by 2040 and 10% near-zero cement by 2030. We consider it as important to give advice to authorities on regulatory changes and we generally strive to protect the environment in a risk- and cost-conscious manner and closely collaborate with authorities, academia, and NGOs.

At the Hollandse Kust Zuid project (1,500 MW) in the Netherlands, all foundations have been installed and first power was delivered in mid-2022. Recyclable blades were procured for three turbines as a first step to deliver on our blade waste targets. Vattenfall has sold 49.5% of the shares of Hollandse Kust Zuid (HKZ) offshore wind farm to BASF in 2021 and in turn BASF has sold 25.2% of the shares to Allianz. This wind farm has an installed capacity of 1,500 MW. Once fully operational in 2023-2024 it will be one of the world's largest offshore wind farms. This wind farm will be realised completely subsidy free. In the Netherlands, we completed the Jaap Rodenburg 2 (38 MW) and Moerdijk (27 MW) projects. At Nieuwe Hemweg (13 MW), we achieved a 25% environmental impact reduction of the Balance of Plant⁴ via award criteria during procurement. Several projects, including Windplan Blauw nearshore (130 MW, of which 77 MW will be owned by Vattenfall), Ny Hiddum Houw (19 MW) and A16 wind farm (34 MW), are currently under construction. Decisions for 2 new Onshore projects (with a combined capacity of more than 100 MW) are pending in 2023. At the decommissioned project Irene Vorrink, we found a recycling solution for all blades, getting ahead of our blade waste targets. In 2022, the development of the large-scale solar PV and battery storage pipeline continued, and several projects were completed. The Dutch hybrid renewable energy park Haringvliet (22 MW onshore wind, 38 MWp solar PV, 12 MW battery) and the Dutch solar PV project Kooypunt (13 MW) were inaugurated during the year. At the same time, construction started for the Dutch agri-PV project Symbizon (0.7 MW solar) – a first for Vattenfall with integration of solar PV projects within an agricultural activity. Investment decisions for Echteld (12 MW solar), Goirle (14 MW solar) and Sas van Gent (16.5 MW solar) have been taken in 2022 and commercial operation date together with project Kooypunt is expected in Q3 2023. Investments in princess Alexia Wind farm (14 MW battery) have been postponed to 2023.

Vattenfall NV's renewables production was 1.0 TWh in 2022. On top of own renewables production, Vattenfall NV is also optimising wind- and solar parks for third party developers, resulting from 1.3 TWh renewable energy production under management in 2022 to a forecast 3 TWh in 2025.

Planned activities

- Increase the partnerships with industry to support the decarbonisation of sectors beyond our own
- Collaboration with suppliers to alleviate supply chain bottlenecks
- Develop minimum sustainability requirements and award criteria in large procurement tenders
- Supply chain sustainability initiatives to understand best practice and develop joint industry standards
- Live up to our Vattenfall Supplier CO₂ Emission Reduction (SCORE) target to reduce emissions from supplier goods & services by 50% by 2030 (2020 baseline)
- Increase knowledge on the environmental impacts of our wind and solar farms as well as mitigation actions, biodiversity enhancement measures and co-use.

Heat

Vattenfall Group is one of Europe's largest producers and distributors of district heating to growing metropolitan areas in the north-western part of the region, including Berlin, Amsterdam and Uppsala. The Heat operating segment comprises Vattenfall's heating and condensing businesses, including waste-to-energy plants. District heating supply is mainly based on the operation of large, combined heat and power plants (CHPs), but with the sustainability targets of Vattenfall, decentralised and flexible energy solutions are increasing, including mini-CHPs, heat pumps, boilers, storage options, solar panel installations and third party excess heat infeed (TPI). The segment also includes Vattenfall's condensing power plants, consisting mainly of gas-fired power plants in the Netherlands. We are not only supplying heat to households but also to B2B customers as well as large private and publicly owned property companies where we see a significant growth potential in Germany, the Netherlands, and the UK. The district heating market in Sweden is mature with limited potential for organic growth. Heat business has a focus on setting up partnerships with cities for realisation of carbon reduction plans, supported by a track record of fulfilling previous reduction targets. Heat production and distribution systems are also used as platforms to integrate other energy solutions, like district cooling, e-mobility charging solutions, wind and solar.

The CO₂ emissions from the building sector in Europe account for more than a third⁵ of the total CO₂ emissions where almost 50% of the heating is generated by natural gas⁶. District heating systems in urban areas are an important part of the heating sector decarbonisation since they allow for integration of flexible and clean energy sources such as geo and aqua thermal, power-to-heat, bio-fuels, and excess heat sources from third-parties like industries and data centres thus reducing dependency

⁴ Balance of Plant (BoP) refers to all supporting components and auxiliary systems needed to deliver the energy, other than the generating unit itself

⁵ European Commission, Department: Energy, Energy Efficiency in buildings, Brussels 17 February 2020, https://ec.europa.eu/info/sites/default/files/energy_climate_change_environment/events/documents/in_focus_energy_efficiency_in_buildings_en.pdf

⁶ European Commission, Brussels, 16th of February 2016, An EU Strategy on Heating and Cooling, COM(2016) 51 final, <https://eur-lex.europa.eu/legal-content/EN/TX/?qid=1575551754568&uri=CELEX:52016DC0051>

on natural gas. Local district heating, when available, tends to be highly competitive compared to individual heating solutions like oil- or gas boilers and heat pumps, and is even more so in the current high-price environment.

The ongoing energy crisis has made it totally clear that dependency on fossil fuels is untenable and decarbonising our heat operations will be key for Vattenfall to achieve net zero in 2040. With increased speed, we are focusing our efforts on replacing fossil fuels with fossil-free and sustainable alternatives. In the Netherlands Vattenfall NV does not own any operational coal-fired plants. We will reduce our exposure to fossil gas to the minimum by expanding the broad mix of sustainable technologies in our systems, including geo and aqua thermal heat sources, power-to-heat solutions, and seasonal storage options. In parallel, we are increasing our partnerships in order to integrate a higher share of third-party industries heat sources. Any remaining required gas asset will be fit to be powered by fossil-free hydrogen or biogas. Our country-specific CO₂ reduction roadmaps are based on a broad mix of sustainable technologies, including geo- and aqua-thermal heat sources, heat pumps, e-boilers, (seasonal) storage options, and hydrogen. We are also partnering with major industry players to integrate third party excess heat from industries or data centres. In the Netherlands we are investigating the feasibility of lowering heat network temperature. This would minimise heat losses and enable the integration of more renewable third-party heat sources as most excess heat is supplied with lower temperature than conventional power plants and fed in heat from industry and waste incinerators. We aim to grow our customer base by connecting additional new and existing buildings to both new and existing heat networks, and by implementing smart hybrid and decentralised low carbon heating and cooling solutions, to ensure a reliable heat supply - enabled by digitalised operation.

The total produced electricity amounts to 10.4 TWh in 2022 (2021: 11.6) by our gas-fired plants in the Netherlands. The decrease in production was mainly related to lower (off-peak) clean spark spreads on our gas-fired plants. The number of heating customers, measured in dwelling equivalents increased to 260 thousand in 2022 (2021: 252 thousand). Total sold heat amounted to 5.7 PJ in 2022 (2021: 6.9) and total realised CO₂ reduction in 2022, compared to 2021, was around 260,000 ton CO₂ (2021: 301,000).

The decision has been taken to start the construction of a 150 MWth Power-to-Heat boiler early 2023 at our Diemen site and progress has been made with the design of residual heat utilisation from a datacentre that will be replacing heat from natural gas. The Eemshaven gas-fired

power plant was divested and was handed over to RWE in January 2023. The dismantling of the coal-fired power plant Hemweg 8 has started with the aim of redeveloping the site into a sustainable hub for the production, conversion, and storage of fossil-free heat, power, and hydrogen. The Ministry of Economic Affairs and Climate has announced the intention for mandatory public ownership of heat networks. Vattenfall NV is investigating the impact of this development and how sufficient investment security and certainty can be achieved in order to understand the implications on our planned investments (see Our investment plan at page 7).

Vattenfall NV is working to increase sustainable heat in different district heating networks. We are increasingly using and exploring sustainable heat sources like geo- and aqua-thermal, power-to-heat, bio-fuels, and excess heat sources from third parties to decarbonise our heat networks. For our heat grid in Amsterdam, Diemen, and Almere we are in close dialogue with local and national government and stakeholders regarding a potential biomass-fired heat-only boiler. Additionally, the heat generation capacity will be expanded with aforementioned power-to-heat boiler that will enable balancing of the power grid.

The Annual Statement 2022 in the framework of the Heat Act is presented in the section Other Information. An overview of energy sources of the heating networks and the environmental impact is presented in the district heating label (Other information) and is also published on www.vattenfall.nl.

Planned activities

- Continue to utilise excess heat from the cooling water of existing and future data centres in Amsterdam
- Developing geothermal heat sources in Amsterdam and Lelystad

Fuel Mix supply

Electricity suppliers in the Netherlands are required by law to publish the fuel supply mix of the electricity they supply to customers. Our supply mix is shown in the figures on the next page, which illustrates that the share of renewable electricity in 2022 was 62.0%. The share of renewable electricity represents the number of Guarantees of Origin used for green electricity supplied to end-customers.

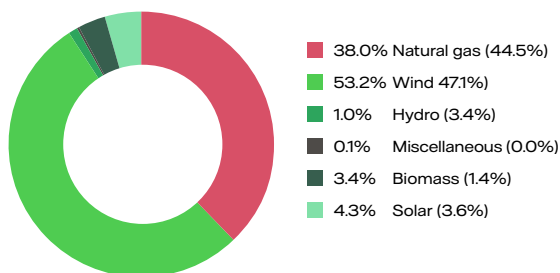
From January 2020 onwards electricity suppliers must disclose their complete supply mix ("full disclosure"), which means that they must not only cancel Guarantees of Origin for renewable sources, but also Certificates of Origin for other sources, for the complete quantity of electricity supplied to their end-customers. Their fuel supply mix is

based on the percentage of the different types Guarantees of Origin and Certificates of Origin used in that activity.

Our supply mix is shown in the figures below which illustrates that share of renewable electricity increased

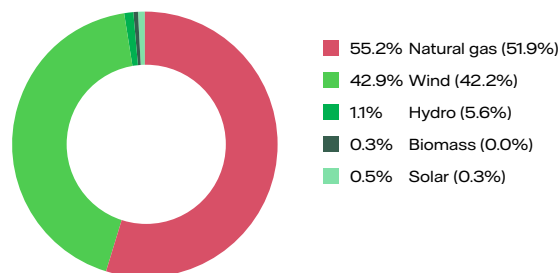
by 6.5% from 55.5% in 2021 to 62.0% in 2022. The share of renewable electricity represents the number of Guarantees of Origin (GoO) used for green electricity supplied to end-customers. More information and definitions are published on www.vattenfall.nl/stroometiket.

Fuel mix energy supply Vattenfall NV



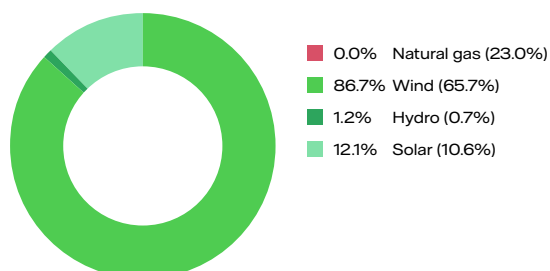
Fossil-based energy	38.0%
Renewable energy	62.0%
CO ₂ emissions rate	144.4 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply business market



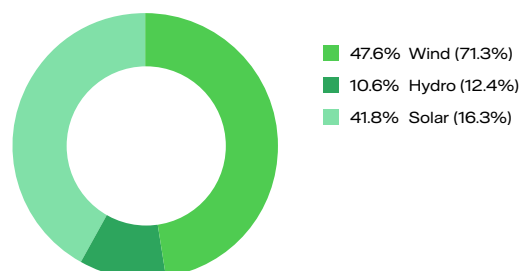
Fossil-based energy	55.2%
Renewable energy	44.8%
CO ₂ emissions rate	209.6 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply consumer market



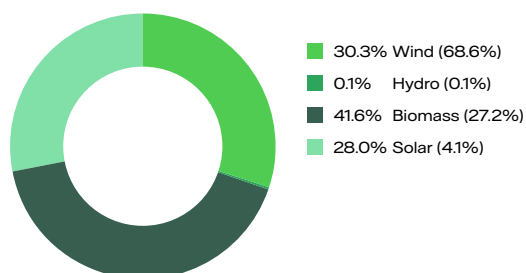
Fossil-based energy	0.0%
Renewable energy	100.0%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply powerpeers



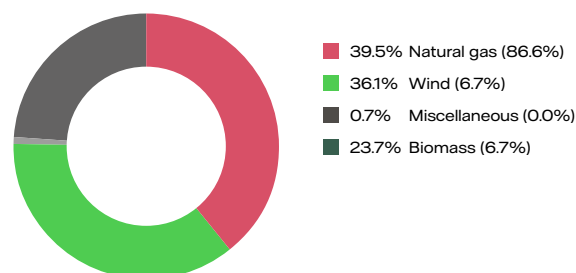
Fossil-based energy	0.0%
Renewable energy	100%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply Delta Energie



Fossil-based energy	0.0%
Renewable energy	100.0%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Full mix energy supply Vattenfall Energy Trading Netherlands



Fossil-based energy	39.5%
Renewable energy	60.5%
CO ₂ emissions rate	152.6 g/kWh
Radioactive waste rate	0.00000 g/kWh

Financial Performance

Income statement

The table below shows the results for 2022 compared to 2021.

Amounts in EUR million, 1 January-31 December	2022	2021
Net sales	6,553	3,321
Cost of purchases	-7,626	-1,952
Gross Margin	-1,073	1,369
Other external expenses	-323	-301
Personnel expenses	-347	-318
Other operating incomes and expenses, net	6	12
Participations in the results of associated companies	6	-12
Operating loss/profit before depreciation, amortisation and impairment losses (EBITDA)	-1,731	750
Depreciation, amortisation and impairments	-181	-213
Operating loss/profit (EBIT)	-1,912	537

Net sales

Net sales increased by 97.3% to EUR 6,553 million in 2022. The gas and electricity prices have steeply increased in 2022 compared to 2021, affecting both the net sales and the related cost of purchases. Electricity volumes were at the same level as 2021. The gas volumes were lower compared to 2021 due to warmer weather and more focus on energy savings by our customers due to increased gas prices.

Gross margin

In 2022, the gross margin decreased by 178.4% to EUR 1,073 million negative. The gross margin is also in 2022, like in 2021, heavily affected by volatile and high market prices (See for detailed explanation Operational Performance on page 8). An unrealised fair value loss on power and gas forward contracts of EUR 4,060 million (2021: gain EUR 1,986 million) has been recognised in 2022, partly offset by usage of provision onerous contracts (2022: gain EUR 1,848 million vs 2021: loss EUR 2,199 million). Other effects due to price volatility are a positive hedge result for gas and CO₂, partly offset by higher power prices affecting power hedges negatively. Revaluation of gas stock in the gas storages has a negative effect due to lower spot prices. Another negative effect is caused by lower performance of the gas storages and a negative effect from power sourcing due to volatile market prices and increasing imbalance costs for wholesale customers. Wind farms have benefitted from the higher electricity prices in 2022 while in 2021 the divestments of wind-projects (e.g. Princess Ariane Wind Park) had a higher positive contribution to the gross margin than in 2022.

Other external expenses

Operating expenses increased by 7.3% to EUR 323 million in 2022. The increase is mainly due to increased expenditures for own staff and hired staff in our support

functions and the heat and consumer market segment. The consumer market paid the contribution to the energy fund, partly offset by lower marketing expenses. Our subsidiary Feenstra presents higher personnel costs affected by a one-off compensation for employees for high inflation. Maintenance costs in our heat operations, IT-overhead charges and activity costs for Communications and service units have increased as well.

Personnel expenses

The total number of FTE increased in 2022 to 3,763 FTE at the end of 2022; the number of FTE at the end of 2021 was 3,673. The largest growth was related to ongoing development of wind projects and due to increased staffing for support functions. This is connected to the increase of activities in the operating segments. In addition, the average salary cost of our technical personnel in our Heat business increased, due to the tight labour market.

Other operating income and expenses, net

The other income and expenses of EUR 6 million in 2022 mainly consists of dunning fees and capital losses on equipment. The other income and expenses of EUR 12 million in 2021 mainly consists of dunning fees and sale revenues of a land lot and for a minor part capital losses on equipment.

EBITDA/ EBIT

EBITDA (earnings before interest, taxes, impairment, depreciation and amortisation) heavily decreased from EUR 750 million positive in 2021 to EUR 1,731 million negative in 2022. An unrealised fair value loss on power and gas contracts of EUR 4,060 million (2021: gain EUR 1,986 million) has been recognised in 2022. Loss in power of EUR 1,487 million is mainly due to a net short position resulting from hedges for production assets as well as from hedges for sourcing the customers business while market prices increased. The loss in gas of EUR 2,601 million is mainly due

Balance sheet

Condensed balance sheet

Amounts in EUR million	31 December 2022	31 December 2021
Non-current assets	4,550	3,557
Current assets	5,403	4,993
Cash and cash equivalents	254	263
Total assets	10,207	8,813
Equity	2,188	3,259
Non-current liabilities	1,572	971
Current liabilities	6,447	4,583
Total equity and liabilities	10,207	8,813

to the realisation of gas hedges with positive fair values built up in prior periods and the related derecognition of the fair values leading to a negative fair value result in 2022. The other unrealised fair value loss of EUR 28 million is related to CO₂ emission rights, coal, biomass, freight and foreign exchange results. A large opposite effect in 2022 was related to the usage of provision for onerous contracts related to contingent losses from pending transactions from fixed contracts with customers leading to a gain of EUR 1,848 million. The provision has been recognised for a portion of the fixed-price electricity and gas contracts concluded by our customers in 2021 (loss EUR 2,199 million). Those contracts became onerous due to surging prices for both gas and electricity during the last quarter of 2021. The recognition and usage of a provision for onerous contracts in 2022 resulted in a net loss of EUR 16 million. Other effects due to price developments are a positive hedge result for gas and CO₂ (2022: EUR 449 million vs 2021: EUR 209 million) and negative impact of revaluation of gas stock in the gas storages (2022: loss EUR 164 million vs 2021: gain EUR 269 million). Our Wind activities benefitted from the high electricity prices, while in 2021 the divestment of wind farms contributed more to the increase in EBITDA than in 2022.

Depreciation, amortisation and impairments decreased from EUR 213 million to EUR 181 million in 2022. The main reason for the decrease is the intended sale of the Magnum power plant in Eemshaven. The depreciation of the plant stopped, due to the Held for sale classification as of 30 June 2022 (EUR 16.7 million). In addition, part of the previously recognised impairment was reversed (EUR 25 million). The regular depreciation increased in 2022, mainly due to executed maintenance investments in Heat and slightly increased depreciation charges for Feenstra. In 2021 the reversal of impairments of fixed assets at Feenstra amounted to EUR 8 million also resulting in higher depreciation charges in 2022. The depreciation charges for intangible fixed assets in the consumer market are lower due to a lower amount of acquired contracts in 2022 and previous years due to high energy prices and the COVID-19 pandemic.

The EBIT decreased from EUR 537 million positive in 2021 to EUR 1,912 million negative in 2022. The price volatility has a negative impact of EUR 2,192 million (2022: loss EUR 1,927 million; 2021: gain EUR 265 million) on this decrease of EBIT as highlighted already in the table on page 8 ('Our operational results in 2022'). Our business activities which are servicing our customers present a deteriorating EBIT-contribution due to higher operational costs, lower sold (gas) volumes and pressure on margins. Operational costs in the Heat segment have increased. Our subsidiary Feenstra presents higher operational costs, mainly due to a one-off compensation for employees, partly compensated by a higher gross margin and 2021 was positively affected by the reversal of an impairment also resulting in increased depreciation charges in 2022. Wind activities are benefitting from high electricity prices while our Heat power plants have benefitted from delivered ancillary services, increased heat sales revenues, partly offset by lower margins. The volatility of market prices has the largest impact on Markets. The operating profit (EBIT) excluding items affected by volatility of market prices is EUR 14 million (2021: EUR 272 million) with positive contributions from Wind and Heat production fully offset by reduced contributions from our business activities servicing our customers and the Markets segment.

Non-current assets

Non-current assets increased by 28% to EUR 4,550 million at the end of 2022. This increase is mainly due to higher investments in the Hollandse Kust Zuid windfarm compared to 2021. The investments in E-boiler Diemen have started in 2022, while the construction of Heat transfer station Hakfort has continued in 2022 whereas the Amsterdam South Connection has been finalised in 2021. The Magnum power plant in Eemshaven has been classified as held for sale as from July 1st, 2022, leading to a reduction of non-current assets. The position of derivatives has decreased related to the unrealised fair value loss on power and gas forward contracts due to steeply increased market prices. Deferred tax assets

increased with EUR 477 million primarily due to changes in trade derivatives positions and hedge transactions, representing the difference between the carrying amount and tax base, offset by a change in the valuation of the provision onerous contracts. The intended sale of the Magnum power plant resulted in a shift from a deferred tax asset into current tax. The acquisition of the Warmtebedrijf Rotterdam resulted in the recognition of a new deferred tax asset. Netting is only applied if the possibility exists to offset deferred tax assets and deferred tax liabilities within the same fiscal unity.

Current assets

Current assets increased by 8% to EUR 5,403 million at the end of 2022. The increase of trade receivables (wholesale trading power and gas) from related parties is affected by price increases. Trade receivables have increased as well due to a higher settlement position towards Vattenfall AB. Inventories have increased due to higher gas storages, offset by a lower valuation of gas stocks due to substantial lower gas prices per year end. The current position for derivatives has also steeply decreased related to aforementioned unrealised fair value losses on power and gas forward contracts including gas storage. The amount of accrued income related to delivery of gas and electricity and the outstanding debt to our customers have increased due to higher energy prices. Lower inventories due to sale of Jaap Rodenburg 2 and Nieuwe Hemweg in 2022. Wind applies the develop-to-sell strategy for some of the Wind projects, which means that projects under construction are recognized as inventories. The current tax asset has increased due to losses occurred in 2022 and the internal asset transfer of the Magnum power plant resulting in a reclassification of the deferred tax position into a current tax position. The intended sale of the Magnum power plant in 2023 is also reflected in the assets held for sale position.

Cash and cash equivalents

Cash and cash equivalents slightly decreased by EUR 9 million to EUR 254 million at the end of 2022. In 2022 Vattenfall NV bought Warmtebedrijf Rotterdam which increased the (net) cash position. The reduction in cash and cash equivalents is primarily related to payment of connection and transmission fees to the grid companies which was not settled per end of 2021 and is fully settled per end of 2022. From an operational perspective a positive cashflow from operations (EUR 871 million) is the result from a slightly positive EBIT (when excluding the unrealised fair value losses) and a large positive effect of changes in cashflow from operating assets and liabilities. This cashflow from operations was used for investments in property, plant and equipment (EUR 1,236 million).

Equity

Equity decreased by EUR 1,071 million to EUR 2,188 million. The negative result of EUR 1,417 million in 2022 is the main cause of this decrease, partly offset by capital contributions received from non-controlling interests (EUR 346 million). There was no dividend payment to Vattenfall AB for 2021. In 2022 there are minority owners with a share capital of EUR 658 million primarily due to BASF participating in Hollandse Kust Zuid for 24.3% of the shares and Allianz participating for 25.2% of the shares (in 2021 BASF bought 49.5% of the shares and in turn has sold 25.2% of the shares to Allianz). There are also minority owners for Wind farm Klaverspoor and the acquired unit ARX.

Non-current liabilities

Non-current liabilities increased by 62% to EUR 1,572 million at the end of 2022. The main reason for this increase is the amount of derivatives which have increased. This is related to the unrealised fair value loss on power and gas forward contracts. The recognised provision for onerous contracts with a maturity of more than one year has increased as well. This provision was created for fixed-priced electricity and gas contracts concluded with our customers, which have become onerous due to surging prices for both gas and electricity during 2021 and 2022. The acquisition of Warmtebedrijf Rotterdam (Warmtebedrijf Holding B.V.) has also led to the recognition of a provision and a received advance payment for future investments.

Current liabilities

Current liabilities increased by 41% to EUR 6,447 million. The increase relates primarily to higher trade payables for power and gas in the markets segment, which is related to increased prices. Also, the amount of derivatives have increased. The accrued expenses regarding the purchase of emission rights have decreased with as opposite effect the increase of accrued expenses for electricity and gas as well as the obligation to our business customers due to bandwidth related volume effects at the benefit of our business customers. Deferred income for Heat is lower compared to 2021. The recognised provision for onerous contracts covering the customer contracts with a maturity of less than one year has been utilised almost fully in 2022. The margin call received in 2021 from one of our external trading parties was repaid in 2022 and the delayed payment of connection and transmission fees to the grid companies was delayed in 2021, leading to a higher liability in 2021, but now settled before year end 2022. The current tax position decreased to zero due to a steeply decreased result in 2022.

Net cash position

Reconciliation net cash position

Amounts in EUR million	31 December 2022	31 December 2020
Cash and cash equivalents	254	263
In-house Vattenfall group cash pool	250	792
Less: Restricted cash and cash equivalents	–	–
Total free cash	504	1,055
Non-current interest-bearing liabilities	192	207
Current interest-bearing liabilities	39	40
Gross debt position	231	247
Net cash/(debt) position	273	808

The net cash position at the end of 2022 amounted to EUR 273 million, compared to a net cash position of EUR 808 million at the end of 2021. The cash position with Vattenfall AB has decreased substantially due to increased investments compared to 2021. Vattenfall NV bought Warmtebedrijf Rotterdam in 2022 which increased the (net) cash position. The delayed payment of connection and transmission fees to the grid companies in 2021 has led to an increased cash position per end of 2021 which is now reduced to zero again per end of 2022. The decrease in the net cash position is mainly due to ongoing investments in Hollandse Kust Zuid wind farm and onshore wind farms, which is, besides the Vattenfall cash pool, financed from a positive cashflow from operations due to positive effect of changes in cashflow from operating assets and liabilities. The other financing of Hollandse Kust Zuid wind farm is done by BASF and Allianz. They

are participating in Hollandse Kust Zuid for 49.5% of the shares (in 2021 BASF has bought 49.5% of the shares from Vattenfall and afterwards sold 25.2% of the shares to Allianz) with a capital contribution of EUR 346 million by BASF and Allianz in 2022. The financing of Hollandse Kust Zuid in 2021 due to the partial divestment of 49.5% of the shares amounted EUR 560 million. The received sales revenues from the divestment of windfarms Jaap Rodenburg 2 and Nieuwe Hemweg is lower (EUR 150 million) in 2022 compared to 2021 when Princess Ariane Wind farm has been sold (EUR 324 million). The increase of investments in 2022 is mainly related to the Hollandse Kust Zuid windfarm. Investments in 2022 were also done for onshore windfarms, E-boiler Diemen (started in 2022) and Heat Transfer Station Hakfort, while 2021 contained investments in onshore windfarms, Heat transfer station Hakfort and the Amsterdam South Connection.

Our people

Our people are crucial for Vattenfall's success as our goal to enable a fossil-free living can only happen if the right people with the right competencies and skills choose to join and stay with us. Vattenfall's operations in the Netherlands are carried out by Vattenfall NV and its subsidiaries. What is stated about 'Our people' from an overall Vattenfall perspective is applicable for the Netherlands as well due to the cross-country organisational set up. We see empowerment as the key to unlock the potential within each individual, which is why we strive endlessly to make sure that all of us feel empowered in our daily work. We value diversity highly because we believe that a breadth of ideas is important, that open dialogue helps us to learn from each other – and that to truly perform we all need to feel welcome and be able to be ourselves at work.

At Vattenfall, we are committed to empowering, engaging and developing employees so that everyone is able to perform at their peak, while ensuring a safe, inspiring, inclusive and caring workplace. We offer fair remuneration, flexible working hours in close dialogue with the manager as well as a challenging and international work environment with the possibility to work with some of the best in the field. Vattenfall's culture rests on four guiding principles: Active, Open, Positive and Safety. It should empower us all to achieve at our best and in a way that drives operational excellence and long-term value creation for the business. An integral part of creating the culture that we want is to promote a diverse and inclusive workplace – a place where everyone can be themselves and succeed on merit. Vattenfall works actively so that all employees have the same opportunities and rights. Moreover, we are convinced that diversity contributes to build a more profitable and attractive company. We work hard to spread awareness, take action and measure our progress.

Vattenfall encourages employees to develop their skills as part of our work to build a high performance culture. We strive to create an open, active, positive and safe learning culture where our people continuously grow and develop their competencies – with a special focus on the critical capabilities and strategic skills needed to drive the innovations that accelerate the energy transition. Every year we conduct many initiatives to retain people with key competencies (e.g. via mentoring and coaching tools) and to provide support for employees to continuously develop their strengths and feel empowered. There is an ongoing investigation to identify and map the opportunities and needs of Vattenfall's workforce regarding development and learning. We are committed to continuing and strengthening the current activities. We offer a wide range of training opportunities and e-learning courses to all our employees. There is strong demand for talent and competence in the energy sector and this trend only intensified in 2022. The

driver is the accelerating energy transition, but also because critical competences necessary to deliver a fossil-free society are scarce. Securing and retaining talent is becoming more and more central and from a strategic perspective we are focusing on three key areas: 1) Attract – Attracting the right talent⁷; 2) Develop – Development through limitless learning and 3) Attend – A culture of performance and feedback.

Vattenfall's ambition to enable fossil-free living within one generation can only be realised by operating in a safe, inspiring, and caring work environment for everyone working at and for Vattenfall. Therefore, Health and Safety (H&S) is at the heart of Vattenfall's strategy and a key component in running a sustainable business. Vattenfall aims to achieve world-class H&S. World-class H&S means being in the top three, compared to our competitors, in H&S performance and reporting, using indicators to promote and monitor H&S improvements and benchmarks. The long-term goal is zero accidents, injuries, or work-related illnesses. Vattenfall has a company-wide three-year H&S strategy with four focus areas: 1) Management accountability; 2) Contractor H&S management; 3) Healthy work environment and 4) H&S Culture. There are multiple activities conducted in 2022 for these areas. Management have continued to make site visits, audit site standards, recognise good practice and focus on working to take better care of our sites and operations. Vattenfall has a long-term ambition to strengthen the H&S performance of contractors, extending our H&S approach beyond our corporate borders. Workshops have been carried out to share knowledge and identify best practices within current processes. In addition, interdisciplinary dialogues were held to develop a holistic understanding of our current performance, strengths, and weaknesses. All employees in Vattenfall are covered by occupational health care. Training on occupational health and safety is provided based on local work requirements. During 2022, several initiatives were conducted aiming to keep and develop a healthy work environment. For example, a mental health month during September, centred around mental health best practices. Mental health can be negatively impacted by financial stress. Therefore, Vattenfall NV has a cooperation with NIBUD, to provide support to employees in financial difficulties. The sick leave rate for the Netherlands has increased to 4.7% opposed to 3.8% in 2021 (excluding Feenstra).

Vattenfall's operations are potentially dangerous and accidents, incidents, injuries, and work-related illnesses are preventable. Therefore, we aim to encourage a H&S culture where best practices are shared, and active hazard reporting is used to detect and mitigate serious hazards and risks before they result in incidents. Vattenfall is committed to zero incidents, and we have a robust process to learn from incidents when they occur. Generally, incidents are followed up with a Root Cause Analysis. Then, the insights are used to update H&S procedures, such as continuous assessment and risk identification processes, as well as to adapt training and implement new preventive

⁷ All activities at Vattenfall in the area of recruitment and selection are carried out with diversity and inclusion in mind. In addition, we take responsibility for public security and safety by having a well-functioning and structured approach to pre-employment screening of all employees as part of our recruitment processes, as well as security vetting for the security classed positions.

and corrective actions. The LTIF (including Feenstra) in the Netherlands decreased from 1.1 in 2021 to 0.5 in 2022.

Vattenfall firmly believes a diverse, equitable and inclusive work environment is a cornerstone in enabling fossil-free living and one which creates value for Vattenfall, its employees, and society in general. We are embedding D&I by 'Living our principles' (e.g. via employee e-learning and an introduction session for new employees). Furthermore, Vattenfall has as focus area 'Thinking broadly and driving all dimensions of diversity'. An example is a series of videos promoting diversity and inclusion for social media, the Vattenfall website and internal communication. Vattenfall aims to include everyone and our managers will lead the way: a Leadership Toolbox offers managers self-led workshops for creating more inclusive teams. Development started on an Leadership Self-Assessment to strengthen positive behaviours, followed up by expert coaching. Planned activities also include implementing the learnings from the yearlong Collaboration for Inclusive Recruitment Project, mitigating bias in the recruitment process, as well as piloting our Leadership Self-Assessment to drive inclusive leadership.

In the Netherlands, the number of employees increased from 3,673 FTEs in 2021 to 3,763 FTEs in 2022, of which 972 are female and 2,791 male. One of the ways we use to measure the success of our efforts is the annual employee survey, My Opinion conducted in Vattenfall. The survey tracks how well our employees feel connected to Vattenfall's purpose, how each individual feels about their contribution and identifying opportunities to make everyone feel more empowered, included and engaged.

Integrity

Stakeholders expect Vattenfall and its counterparties to operate with integrity and comply with its core values. They depend on us to conduct our business in a fair and responsible manner. What is stated about 'Our people' from an overall Vattenfall perspective is applicable for the business activities conducted by Vattenfall NV as well due to the cross-country organisational set up. We have a zero-tolerance policy for bribery and corruption, and we are a member of the Partnering Against Corruption Initiative (PACI), a cross-industry collaboration launched by the World Economic Forum and the Business Integrity Forum of Transparency International Sweden. We require that all employees take personal responsibility to act in accordance with the company's ethics guidelines, which are laid out in the Vattenfall Code of Conduct and Integrity. Tailor-made face-to-face training programmes, e-learning tools, instructions, flowcharts, and Q&A documents support these ambitions. Equally, we expect our suppliers and business partners to act ethically and in full compliance with the applicable rules in every country they do business, as outlined in the Vattenfall Code of Conduct for Suppliers and Partners. Read more about Vattenfall's integrity organisation

in the Corporate Governance Report in the annual report of Vattenfall AB. The Vattenfall Code of Conduct and Integrity applies for all employees worldwide as well as temporary staff (such as consultants and contractors) acting on behalf of Vattenfall. It describes the behaviour we expect of all representatives of Vattenfall. Every employee is required to do an e-learning on the Code. Furthermore, supplier compliance is fundamental to our Sustainable Supply Chain Roadmap ensuring that suppliers meet our minimum standards.

Additionally, all members of the Executive Group Management and all managers three levels below, as well as other relevant employees (such as those with external contacts on a regular basis), are required to participate in the Vattenfall Integrity Programme (VIP). The VIP includes both e-learning and instructor-led training on the Code of Conduct and Integrity, the whistleblowing function, antitrust/ competition issues, anti-corruption and conflicts of interest. The purpose of the VIP is to raise the level of awareness, ensure that all employees understand our integrity standards and ensure a common compliance culture throughout the Group. It is the responsibility of every manager to lead by example and to ensure their team members understand our way of working. Suspected misconduct in Vattenfall is to be reported to the employee's immediate manager, to the Internal Audit department or to the Whistleblowing Function, for example via the online Whistleblowing Channel. Incident investigations are led by appointed independent investigators, for example from Vattenfall's Group Internal Audit unit, HR department or Corporate Security & Resilience unit. Additionally, we have since many years locally appointed external ombudspersons (attorneys) and a website WhistleB to whom suspected improprieties can also be anonymously reported. If, despite all efforts to prevent non-compliance, non-compliance is determined, mitigating actions are defined and followed-up on. Reported incidents and improprieties are investigated and subject to a lessons-learned process to ensure continuous improvement within the company.

Our integrity work is not just an internal issue – we also have strict requirements on our suppliers and counterparties. We require our suppliers to comply with the Vattenfall Code of Conduct for Suppliers and Partners, or an equivalent standard agreed together with us. In the integrity area, the Code of Conduct for Suppliers and Partners puts special emphasis on business integrity, anti-corruption, conflicts of interest and competition law as well as information on how to use the whistleblowing function. It is based on, among other things, the UN Global Compact, the UN Guiding Principles for Business and Human Rights, ILO declarations and the OECD Guidelines for Multinational Enterprises. Additionally, Vattenfall has a process for managing counterparties where we seek to actively identify, manage and control the risk of transacting with counterparties that may be involved in money laundering, tax fraud, terrorist financing or that may be subject to EU sanctions or have poor performance on environment, social and governance issues.

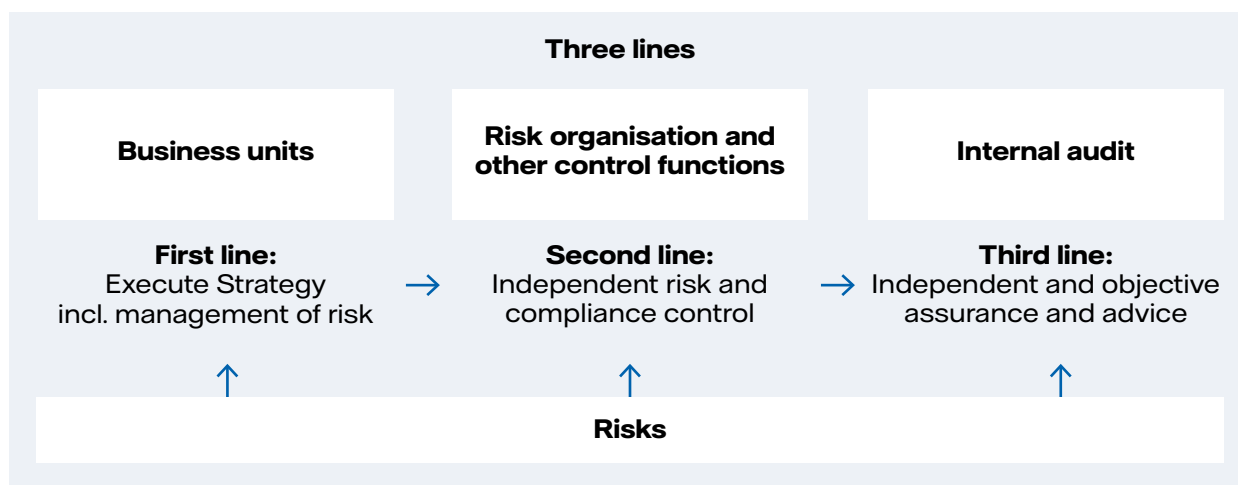
Business risks and Risk management

Risk management

Vattenfall NV is exposed to a number of risks that could have an adverse impact on operations and outcome. A better understanding of and control over these risks can potentially generate better results from the business activities. The Vattenfall NV Management Board is responsible for the

company's risk management and control system. Vattenfall NV strives for transparency with regard to risk exposure and recognises all risks that may impact the company.

Vattenfall NV, as part of Vattenfall, applies the 'three lines' model for the management and control of risks. The first line consists of the business units, which own and manage risks. The risk organisation makes up the second line and is responsible for monitoring and controlling risks. The internal audit function is the third line.



The following paragraphs describe the performed risk management efforts.

The Vattenfall Risk Management Framework

The objective of the Vattenfall Risk Management Framework is to provide reasonable assurance that the achievement of strategic and operational objectives is effectively monitored, that the financial reporting is reliable, and that current laws and regulations are complied with.

The framework is part of Vattenfall NV's Governance and designed to ensure an acceptable risk exposure, based on a thorough and transparent analysis of Vattenfall NV's risks, thus facilitating the in-control situation and risk exposure based on an appropriate assessment of the risk-reward balance. The framework facilitates the monitoring of risks with a potential impact on the organisation and is based on a set of best practice policies, procedures and internal control mechanisms. All risks as reported and discussed are continuously reconciled with the risk appetite defined by Vattenfall NV.

The Vattenfall Risk Management Framework focuses on ensuring that the most important risks are identified and that appropriate control measures are executed to manage these risks. The Framework is based on the COSO Enterprise Risk Management (ERM) Framework and the three lines model.

The ERM is executed as a continuous process for identifying, assessing, managing and following up on risks at all levels of the business at an early stage. An update of the risk situation is presented periodically for discussion at Management and Supervisory Board level.

Important components of Vattenfall NV's governance to manage risks are:

- The Vattenfall Management System (VMS) which Vattenfall NV, as part of Vattenfall, implemented and which contains regulations, guidelines and procedures that are relevant for all Vattenfall employees and for the relationship between Vattenfall AB and its subsidiaries, Business Units, Staff Functions and other Vattenfall companies. VMS includes the Vattenfall Code of Conduct and the Whistle-blower Policy, which are publicly accessible at www.vattenfall.com. VMS also comprises the IFRS accounting manual and the reporting manual;
- The Vattenfall Code of Conduct, which sets the behavioural rules for all employees. The Code of Conduct fosters an honourable business culture in which the rules applicable to employees are clear. Breaches of the Code of Conduct, if they come to the attention of Vattenfall, will be investigated and may lead to sanctioning;
- The Risk Management organisation, headed by the Chief Risk Officer of Vattenfall, supports Vattenfall NV

in applying Vattenfall's risk framework. The Risk Management organisation monitors market risk on a daily basis, manages credit risk, oversees compliance with policies and risk limits, and guides the group-wide reporting of significant business risks. Together with other specialist risk stakeholders (for example health and safety, information security), the Risk Management organisation supports the Business Units in the identification, quantification, mitigation, monitoring and reporting of risks:

- The Integrity function, which advises and reports on issues with regard to competition, anti-bribery/corruption, conflict of interest, the whistleblowing function and inside information. In addition, the function advises management on measures to enhance compliance and monitoring compliance risks, and it stimulates awareness of the Code of Conduct. The Vattenfall NV Integrity, Fraud and Incidents report is submitted semi-annually to the Vattenfall NV Management Board and Supervisory Board. This report focuses on integrity developments, fraud and other incidents reported in the Netherlands and is a combined report of Internal Audit and the Integrity department;
- The Legal department, which submits the Claims & Litigation report to the Management Board of Vattenfall NV. The report contains a summary of current legal proceedings and disputes;
- The Vattenfall Internal Financial Control Framework (IFC), which reports on the effectiveness of the controls which aims to assure reliable financial reporting and which is partly based on the results of the key controls for the primary processes within the different business areas;
- The planning & control cycle, in which annual budgets are assigned for each organisational unit and the outcome of which is subsequently discussed between the Management Board and the Business Units;
- The periodic reporting on Business Units' financial and operational performance, partly based on the system of Key Performance Indicators (KPIs);
- Business Areas within Vattenfall NV report risks into the ERM which enables Risk Management to create Enterprise Risk Report, which summarises the most significant risks facing the organisation. The Vattenfall NV Risk reports are produced semi-annually: in the beginning of the year providing the risk values for the following Business Plan period and mid-year, whereby changes to the risk levels are highlighted but the values are not recalculated. The reports are discussed with the Management and Supervisory Board;
- The responsible management's confirmation at corporate and unit level of the reliability of the financial reporting through signed Letters of Representation;
- The execution of audits by the Internal Audit department in conformity with the annual plan, which

is approved by the Supervisory Board. The outcome of their audits are discussed with management and summarised for the Supervisory Board;

- The follow-up of findings from internal and external audits by the Business Units, which are periodically reported on to the Management Board and summarised for the Supervisory Board.

All risks are quantified both with regard to exposure as well as with regard to probability according to the agreed ERM methodology. The Management Board periodically discusses all aspects of the framework, including all reported individual and aggregated quantified risks. This includes conclusions with regard to either the acceptance of the ultimate risks, or the instigation of actions to reduce risks, as well as with regard to the reconciliation with the risk appetite.

Main risks and mitigation

This section describes the most important risks within Vattenfall NV.

- Market Price Risk Assets. The revenues (Gross Margin) from Vattenfall NV's generation assets are highly dependent on the pricing developments on the energy markets. Over the course of 2022, both prices and volatilities continued to increase. The situation is amplified by the Ukraine war exacerbating Europe's security of supply for natural gas. The market was extremely volatile over 2022, dry weather conditions in the summer and lower power plant availability put a strain on electricity supply in most of Europe. At the end of 2022, European power prices fell significantly amid an improved gas supply situation, milder weather and high wind levels. Less wind and high prices in Europe on gas, coal and CO₂ are all factors that affect the price of electricity in addition to demand levels.
Mitigation(s): Risk is actively managed and monitored via the Hedge Strategy Process on Vattenfall level.
- Loss of margins due to a decrease of sales volume or unfavourable pricing structure. Developments in energy efficiency and decentralised generation could lead to lower consumption and demand for electricity and gas resulting in lower margins on commodities. Furthermore, usage of discounted pricing structures could lead to significant loss of margin under rising market prices.
Mitigation(s): Decrease operational costs and development of volume independent solutions (e.g. solar lease, energy roof, storage). Optimising management of contract portfolio.
- Consumption Risks Sourcing Adjustments captures the sourcing related financial impact on gross-margin due to potential demand fluctuation of the current customer base during delivery. Temperature is an important driver for

- gas and heat volumes. In warm winters the volume offtake will be lower with a negative impact on gross margin. Mitigation(s): Continuous refinements of forecasting process coupled with customer specific risk charges. Temperature as well as impact on volume offtake is monitored. Explore product innovation to make sales less temperature dependent.
- Credit risk for various counterparties. Credit risk is the risk that a counterparty cannot or will not meet its obligations to Vattenfall and exists across all activities. Mitigation(s): Robust credit check and credit monitoring processes. In case of trading counterparties and business customers, requesting additional securities and certain credit clauses.
 - Operational and Compliance risks. This includes all risks of operating the business and includes breakdown of technical processes, data and information security risks and non-compliance with law and regulation. Fraud and unethical conduct could disrupt operations as well and have negative impact on people and environment. Mitigation(s): Maintenance, Business Continuity plans, Code of Conduct and Integrity, Code of Conduct for Suppliers, Compliance officers for dedicated risk areas.
 - Increased competition. Missing profit due to increased competition both on current customer base and innovation. Mitigation(s): Continuously monitor the market for competitive products & new developments; develop non-traditional business models and actively work together with start-ups and other market entrants; attract right capability and create multi-disciplinary teams and foster customer co-creation.
 - Fraud Risk: Management override of controls. Management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Mitigating action(s): via our Internal Control Framework we take into consideration this presumed risk via checking the appropriateness of e.g. journal entries by restricting system access to limited number of finance employees with the right competences, by requesting supporting documentation and by approval of the journal entry via an authorised person. These procedures are also applicable for other adjustments made in the preparation of the financial statements (e.g. manual corrections) and via signaling of significant transactions, if any, outside the normal course of business for the entity via applying system authorisations and a Tax review on material/non-routine transactions with a minimum of twice a year. Next to that, financial reports are analysed and discussed within both the Management Board and the Supervisory Board. Main risk of management override is reduced, since the CEO and CFO are not paid any variable pay dependent on Vattenfall's financial results; for other management a limited variable pay is in place, mainly based on Vattenfall AB group results.
 - Fraudulent financial reporting: this includes the risk of overstating the revenue – sales of electricity, gas and heat to end-users (consumers and businesses) and sales of wind-generated power to businesses. These sales are e.g. recognised as revenue at the time of delivery. The types of revenues with the assessed highest materiality could potentially result in a material misstatement due to fraud. Mitigating actions are: actuals are on a monthly basis reported and analysed versus previous year and plan value. The accuracy of sales prices, the accuracy and completeness of the registration of meter readings and information on EAN -codes is established via an internal control framework, which includes amongst other things authorisations and 4-eye principle of sales prices entered into the invoicing system. So the billing process, as connected process of revenue recognition is secured via internal controls. Further, we refer to controls mentioned above at Fraud Risk – Management override of controls.
 - Fraud Risk – Data theft: In 2022 a customer service representative photographed the data of customers, such as bank account details, and passed it on to external persons to defraud people with bank card fraud. The issue was reported to the police and data protection authority. These fraud might negatively impact Vattenfall's reputation and cause claims from customers and a fine from the data protection authority. Mitigating action(s): Vattenfall NV adapted procedures, such as reduced the search possibilities into the customer database, increased monitoring of user logs, and tightened the process of hiring new employees.
 - Fraud Risk – Other, such as breach of procurement rules (risk of vendor favouritism, corruption, non-compliance with EU tender law and of conflict of interest). Mitigating action(s): Vattenfall maintains a framework of internal controls, as further described in the section 'The Vattenfall Risk Management Framework'. Also, where applicable or pertinent, (forensic) investigations are requested both internally and externally. In 2022, a legal opinion by a specialised law firm and an external forensic investigation were requested to assess compliance with procurement law and potential supplier favouritism. The investigation was finalised in 2023. Outcome was that there were no indications of supplier favouritism and that no breach of procurement law took place.
 - Going concern: The risk includes the ability to continue as a going concern for at least twelve months. Mitigation(s): Creating budget and liquidity forecasts, including expected future cash flows in relation to market developments, developments in the macro-economic environment, future pricing curves for power and gas, climate-related developments, investment projects and the relevant information, including, among other things, the cash flow projection of the five-year business plan obtained as part of the non-current assets impairment testing. Evaluation of the credit facilities and capital structures and requesting additional loans or capital injections from the parent company Vattenfall AB.
- Note 29 to the financial statements provides further qualitative and quantitative information on financial risk management.

Responsibility

Vattenfall NV's Management Board is responsible to ensure that the design and operation of Vattenfall's internal risk management and control system is effective. During the year, the design and operation of this system was monitored and evaluated, amongst other based on the business control information, the Internal Audit reports and the management letter from the external independent auditor.

The Vattenfall NV Enterprise Risk Management Framework does not provide absolute assurance as to the achievement of the corporate objectives, nor does it guarantee that material errors, losses, fraud or violations of laws and regulations will not occur in the operational processes and/or the financial reporting.

With due regard to the above, the Management Board is of the opinion that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly with regard to the financial reporting risks in the year under review.

The above was also discussed with the Supervisory Board in the presence of the internal and external independent auditor.

Outlook 2023

Our portfolio of energy solutions will be scaled by establishing sales channels that support our growth targets coupled with automated low-cost operations. This will be especially relevant for the Dutch market, where a national climate agreement was passed in the Parliament in 2019, which among other things aims at gradually phasing out natural gas. We are expanding our district heating network, connecting new customers and increase the sourcing of green heat from industrial facilities owned by third parties as well as heat from other sources. 2022 was largely characterised by the challenging market situation due to the war in Ukraine, with record high electricity prices in Europe and extreme volatility. Many customers are struggling with their electricity and gas bills, and together with the government we were able to implement a cap on energy prices. We try to help our customers on a case-by-case basis to the best of our ability since price volatility of electricity and gas is expected to remain also in 2023. We also would like to emphasize that we continue our involvement with the Energy Poverty Initiative and further develop support systems for customers who have difficulties paying their bills.

Vattenfall's ambition is to enable a climate smart life of our customers and to offer our products to more customers. We strive to provide an easy and simple customer experience and continue to seek opportunities to maintain our customer relationships in these challenging times. We will continue to work towards exceeding our customers' sustainability expectations with our products and services. We plan to grow our customer base organically while also working on retention initiatives, just as we will act upon acquisition opportunities when they arise as well as to further develop a portfolio of products and services that help our customers to reduce their CO₂ emissions. We will expand offering of fossil-free electricity and develop portfolio of energy solutions to enable the energy transition in our markets, including Power-as-a-service solutions, biogas, heat pumps, and other energy solutions as an example the roll-out of a high-temperature heat pump system as an alternative to gas boilers. Additionally we will expand flexibility offering, including storage solutions, to give customers control over how and when to consume energy, reduce costs, and integrate decentralised energy solutions. In 2023, we will take further steps in reducing direct emissions from our own activities and indirect emissions from purchased products and services from our suppliers as defined in Scope 1 and Scope 2 of the Science Based Targets initiative.

The electrification of transport is another main area where we will support our customers to become fossil-free. We continue to extend our e-mobility services and our charging network in the Netherlands, capturing significant benefits of scale with the Group. We will increase service levels to end customers by collaborating with customers that provide e-mobility charging points at their premises. Grow in powering electrified transport by expanding our public charging network and providing competitive offerings to our consumers. We will continue to set-up partnerships and we will enhance value for our customers and key partners, such as leasing companies and car makers. In provinces Noord-Brabant and Limburg we will install the remaining 2,000 of the 4,000 charging stations until 2024. We will also continue our pilots in smart charging to better match charging of EVs with renewable production.

Renewable energy is key in supporting Vattenfall's purpose to Power Climate Smarter Living and realise the transition to fossil-free living. We aim to further strengthen our project pipeline by greenfield development and by bidding on, or acquiring attractive projects across all our renewable energy technologies. We continue to focus on forging partnerships with industrial off-takers of renewable electricity to support them in their decarbonisation endeavours as well as to stabilise revenues for our renewables projects. Being an industry forerunner by delivering environmentally and

socially sustainable solutions is paramount for us. We continue to focus on reducing greenhouse gas emissions, increasing circularity, working with suppliers to sustainably source goods and services, protecting biodiversity, and fostering social sustainability. Sustainability is the basis for Vattenfall's strategy and is a prerequisite for long-term profitability. In 2023 we will continue to forge more industry partnerships to support decarbonisation beyond our own sector, seek collaboration with suppliers to alleviate supply chain bottlenecks and develop minimum sustainability requirements and award criteria for major procurement tenders.

There are investments planned in wind farms, solar projects, heat grids and biomass fired heat-only boiler and an e-boiler in Diemen. Regular investments are primarily related to planned major overhauls of some of our power plants. The investments will be financed through positive cash flows from operations and revenues from sale of wind farms and if necessary by internal loans and a capital injection from our parent company Vattenfall AB. We have a credit facility in place with our parent Vattenfall AB of EUR 500 million, which is currently not utilised. The aforementioned growth scenario and the corresponding investment program is accompanied by an expected increase of workforce for Heat, Wind, E-mobility and Feenstra. For Heat the increase of activities and maintenance requires more workforce, while the development of wind farms and solar and battery projects implies additional staffing for Wind. Feenstra has the ambition to increase in mechanics while E-mobility is foreseeing growth of e-mobility services and the charging network as well.

With the announcement in October 2022 by the Government that within the upcoming new Heat Act the district heating networks should be mandatory majority public owned. This decision has a high risk in delaying the heating transition in the built environment, while deteriorating investment security for private heat companies. We will continue the dialogue with government and stakeholders with the aim to agree upon terms how to create investment security and how to honour the property rights of the existing heat networks. We will re-asses our investments given this new regulation.

Composition of the Management and Supervisory Board

During 2022 the Management Board was enriched with a female Chief Commercial Officer, bringing female board seats at 1/3. The Supervisory Board shows a mirrored distribution with 2/3 of the seats filled with female members. Given the well balanced distribution of board seats between men and women in both the Management as well the Supervisory Board Vattenfall meets the guidelines of the Act on Management and Supervision.

A final word

The past year was once again turbulent, leaving the covid pandemic gradually behind us but with Russia's invasion leading to many concerns on many fronts. Concerns about the people in Ukraine and for the colleagues who have family and friends in Ukraine. Concerns about the consequences of this war for the relations in Europe, and for the security of supply and affordability of energy. And concerns for each other, for our customers and for our own colleagues.

The workload was high, again. Never before has energy been so much in the spotlight of customers, politics and the media as last year. Topics such as energy poverty, energy savings and the price ceiling were discussed daily. The supply of heat changed from a matter of course into a political issue. And never before has the addition of new, sustainable electricity production from wind and solar been so present.

We look back with pride on an eventful year in which a lot has come our way, but in which we always remained on course for that one ambition: fossil-free living within one generation. We have a stable and loyal customer base. Both in our district heating business as well as in our renewable portfolio, especially with the building of offshore windpark Hollandse Kust Zuid, we have taken further steps to deliver on our ambition to reduce CO₂ emissions. All these achievements would not be possible without the dedication and enthusiasm of our employees and our business partners who go the extra mile on a daily basis. Our gratitude and admiration goes out to all our employees and business partners in these challenging times and we are extremely proud of all their great work. Thanks to curious, open and committed mindset we were able to take another step into fossil-free living.

Amsterdam, 17 May 2023

The Management Board

Martijn Hagens, Alexander van Ofwegen and Cindy Kroon

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Consolidated accounts

Consolidated statement of comprehensive income

Amounts in EUR million, 1 January - 31 December	Note(s)	2022	2021
Net sales	4	6,553	3,321
Cost of sales	5	-7,626	-1,952
Other external expenses	7	-323	-301
Personnel expenses	33	-347	-318
Other operating incomes and expenses, net		6	12
Participations in the results of associated companies	15	6	-12
Operating result before depreciation, amortisation and impairment losses (EBITDA)		-1,731	750
Depreciation, amortisation and impairments	6, 12, 13	-181	-213
Operating result (EBIT)		-1,912	537
Financial income	8	4	2
Financial expenses	9	-5	-5
Result before income taxes		-1,913	534
Income tax	10	496	-114
Result for the year		-1,417	420
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		-1,417	420
Attributable to owner of the parent company		-1,419	420
Attributable to non-controlling interests		2	-

Consolidated balance sheet

Amounts in EUR million	Note(s)	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets	6, 12	115	139
Property, plant and equipment	6, 11, 13	3,565	2,883
Participations in associated companies and joint ventures	15	50	44
Other shares and participations		1	1
Derivative assets	28	55	252
Deferred tax assets	10	653	176
Contract assets	4	1	5
Other non-current receivables	28	110	57
Total non-current assets		4,550	3,557
Current assets			
Inventories	16	411	371
Trade receivables and other receivables	17	3,517	2,234
Advance payments paid	18	1	2
Derivative assets	28	501	2,102
Prepaid expenses and accrued income	19	422	279
Current tax assets	10	131	5
Cash	20	254	263
Assets held for sale	21	420	–
Total current assets		5,657	5,256
Total assets		10,207	8,813
Equity and liabilities			
Equity attributable to owner of the Company			
Share capital and premium		2,895	2,895
(Accumulated losses)/retained earnings incl. result for the year		-1,365	54
Total equity attributable to owner of the Company	31	1,530	2,949
Equity attributable to non-controlling interests		658	310
Total equity		2,188	3,259
Non-current liabilities			
Interest-bearing liabilities	11, 22, 28	192	207
Provisions	24	461	415
Derivative liabilities	28	607	128
Deferred tax liabilities	10	3	1
Contract liabilities	4	309	220
Total non-current liabilities		1,572	971
Current liabilities			
Trade payables and other liabilities	25	4,392	1,779
Contract liabilities	4	25	37
Advance payments received	26	14	155
Derivative liabilities	28	1,510	51
Accrued expenses and deferred income	27	429	528
Current tax liabilities	10	–	92
Interest-bearing liabilities	11, 22	39	40
Provisions	24	26	1,901
Liabilities associated with assets held for sale	21	12	–
Total current liabilities		6,447	4,583
Total equity and liabilities		10,207	8,813

Consolidated statement of cash flows

Amounts in EUR million, 1 January-31 December	2022	2021
Operating activities		
Operating result before depreciation, amortisation and impairment losses	-1,731	750
Tax paid	-162	-98
Capital gains/losses, net	13	61
Interest received	2	2
Interest paid	-5	-5
Changes in the fair value of derivatives	3,736	-1,975
Other, incl. non-cash items	-1,873	2,190
Funds from operations (FFO)	-20	925
Changes in inventories	-40	44
Changes in operating receivables	-1,328	-1,510
Changes in operating liabilities	2,399	803
Other changes	-140	156
Cash flow from changes in operating assets and operating liabilities	891	-507
Cash flow from operating activities	871	418
Investing activities		
Acquisitions in group companies	-23	-9
Investments in associated companies and other shares and participations	-6	-21
Other investments in non-current assets	-1,205	-659
Total investments	-1,234	-689
Assets held for sale	13	-
Divestments	346	560
Loans granted	-53	-9
Loans repaid	-	2
Cash flow from investing activities	-928	-136
Cash flow before financing activities	-57	282
Financing activities		
Interest-bearing debt raised	-	6
Interest-bearing debt repaid	-44	-45
Cash flow from financing activities	-44	-39
Cash flow for the year	-101	243
Cash		
Cash at start of year	263	20
Cash flow for the year	-101	243
Cash related to acquired group companies	92	-
Cash at end of year	254	263

Consolidated statement of changes in equity

Amounts in EUR million	Attributable to owner of the Company			Attributable to non-controlling interests	Total equity
	Share capital and premium	Retained earnings / (Accumulated losses)	Total		
Balance brought forward 2022	2,895	54	2,949	310	3,259
Total comprehensive (expense)/income for the year	–	-1,419	-1,419	2	-1,417
Contribution to/from non-controlling interest	–	–	–	346	346
Total transactions with equity holders	–	–	–	346	346
Balance carried forward 2022	2,895	-1,365	1,530	658	2,188

Amounts in EUR million	Attributable to owner of the Company			Attributable to non-controlling interests	Total equity
	Share capital and premium	Retained earnings / (Accumulated losses)	Total		
Balance brought forward 2021	2,895	-420	2,475	–	2,475
Total comprehensive (expense)/income for the year	–	420	420	–	420
Dividends paid to owners	–	-196	-196 ¹	–	-196
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	–	250	250 ³	147 ²	397
Contribution to/from non-controlling interest	–	–	–	163 ²	163
Total transactions with equity holders	–	54	54	310	364
Balance carried forward 2021	2,895	54	2,949	310	3,259

¹ During the year 2021, dividends amounting to EUR 196 million were distributed to the shareholder. The dividend per share amounted to EUR 143.

² During the year 2021, the Company sold a minority share of its interest in the Hollandse Kust Zuid project to BASF.

³ The sale of the minority share in the Hollandse Kust Zuid project to BASF has resulted in a surplus value which is represented as a direct change in equity.

See also Note 31 to the consolidated accounts, Specifications of equity.

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Note 1 Company information

Vattenfall N.V. is a public limited liability company, registered in Amsterdam, the Netherlands. The most significant activities of Vattenfall N.V. and its subsidiaries comprise the production and supply of electricity, gas, heat and cooling to customers in the Netherlands, as well as a broad portfolio of energy-saving products and services.

'We', 'Vattenfall NV', 'the Company' or similar expressions are used in these consolidated accounts as a synonym for Vattenfall N.V. and its subsidiaries. 'Vattenfall AB', 'the Parent' or 'the parent company' are used in these consolidated accounts as a synonym for Vattenfall AB and its subsidiaries. Vattenfall NV is registered at the Dutch Chamber of Commerce with registration number 33292246.

Vattenfall AB, owned by the Swedish government, is the sole shareholder of Vattenfall NV. The financial data of Vattenfall NV is included in the consolidated accounts of Vattenfall AB.

These consolidated accounts for the financial year 2022 are authorised for publication by the Management Board and Supervisory Board on 17 May 2023. Subsequently, these consolidated accounts have been adopted by the general meeting of shareholders on 17 May 2023.

As the company income statement for 2022 of Vattenfall NV is included in the consolidated accounts, a condensed income statement has been disclosed in the company accounts in accordance with Section 402, Book 2, of the Dutch Civil Code.

Note 2 Accounting policies

Conformity with standards and regulations

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Commission for application within the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Going concern

These financial statements have been prepared on the basis that the Company will continue to operate as a going concern. The management board performed its assessment of the entity's ability to continue as a going concern and does not expect any impact on the going concern assumption as a result of the current uncertain market conditions following the Russian invasion of Ukraine or any other considerations involved in the analysis.

Important changes in the financial statements compared with the preceding year

Recalculation of financial statements for 2021

No recalculations were made.

Presentation of financial statements

In the Annual Report for 2022 the following amendment in the presentations were made compared to Vattenfall NV's 2021 Annual Report:

- In Note 27, Accrued expenses and deferred income, accrued liabilities is divided into energy related accrued expenses and energy related deferred income.

New IFRSs and interpretations effective from 2022

None of the amendments to the existing accounting standards effective from 2022 have had a material impact on the Vattenfall NV's financial statements.

New IFRSs and interpretations effective from 2023 and later

A number of accounting standards and interpretations have been published, but have not become effective. These are not considered to have a material impact on Vattenfall NV's financial statements.

Basis of measurement

Assets and liabilities are reported at cost or amortised cost, except for certain financial assets and liabilities and inventories held for trading, which are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Vattenfall NV uses valuation methods that reflect the fair value of an asset or liability appropriately. Financial assets and liabilities that are measured at fair value are described below according to the fair value hierarchy (levels), which in IFRS 13 is defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Classification into a level is determined by the lowest level input that is significant for the measurement of the fair value at the end of a reporting period. Vattenfall NV assesses whether reclassifications between the levels are necessary. Observable input data are used whenever possible and relevant. For assets and liabilities included in Level 3, fair value is modelled either on the basis of market prices with adjustments that consider specific terms of a contract, or on the basis of unobservable inputs such as future cash flows. The assumptions for the estimated cash flows are monitored on a regular basis and adjusted if necessary.

Determination of result

The result is the difference between the net sales and other income and the costs and other charges during the year. Income is recognised in the year in which it is realised. Losses are taken in the year in which they are foreseeable. Profit or loss is determined taking into account the recognition of unrealised changes in fair value of derivative financial instruments.

Functional and presentation currencies

The functional currency is the currency of the primary economic environment in which each entity of Vattenfall NV operates. The Company's functional currency is euro (EUR), which is also the presentation currency of both Vattenfall NV's consolidated and company financial statements. This means that the financial statements are presented in euro. Unless otherwise stated, all figures are rounded off to the nearest million euro (EUR million).

Significant accounting policies

The accounting policies of the Company described below and in each respective note to the consolidated accounts have been applied consistently for all periods presented in the consolidated financial statements.

Principles of consolidation

The consolidated financial statements cover Vattenfall NV, its subsidiaries, associated companies and joint ventures and joint arrangements that are reported as a joint operation according to IFRS 11.

Subsidiaries

Subsidiaries are all entities over which Vattenfall NV has control. Control is considered to exist when the following three criteria are met: (1) the investor is exposed to or is entitled to a variable return from the investment, (2) the investor has the opportunity to influence the return through its opportunity to govern the company, and (3) there is a link between the return that is received and the opportunity to govern the company. By influence is meant the rights that allow the investor to govern the relevant business, that is, the business which significantly influences the company's return. Business combinations are accounted for using the purchase method. Subsidiaries' financial statements, which are prepared in accordance with the Company's accounting policies, are included in the consolidated accounts from the point of acquisition to the date when control ceases.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about

the relevant activities require the unanimous consent of the parties sharing control. Joint ventures are reported in accordance with the equity method.

Associated companies

Associated companies are companies in which Vattenfall NV has a significant – but not controlling – influence with other owners over their operational and financial management, usually through shareholdings corresponding to between 20% and 50% of the votes. From the point at which the significant influence is acquired, participations in associated companies are reported in the consolidated accounts in accordance with the equity method.

Transactions that are eliminated upon consolidation

Intragroup receivables and liabilities, income and expenses, as well as gains or losses arising from intragroup transactions between Vattenfall NV companies, are eliminated in their entirety when preparing the consolidated accounts. Gains arising from transactions with associated companies and joint ventures are eliminated to an extent that corresponds to Vattenfall NV's holding in the company. Losses are eliminated in the same manner as gains but are treated as an indicator of impairment.

Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the day of the transaction. On the balance sheet date, monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate applicable on that day. Exchange rate differences arising from translation of currencies are reported in the income statement. Operationally derived exchange gains and losses are shown under Other operating income and Other operating expenses, respectively. Financially derived exchange gains and losses are shown as Financial income and Financial expenses, respectively.

Important estimations and assessments in the preparation of the financial statements

Preparation of the financial statements in accordance with IFRS requires the Company's management board to make estimations and assessments as well as to make assumptions that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimations and assessments are based on historic experience and other factors that seem reasonable under current conditions. The results of these estimations and assessments are then used to establish the reported values of assets and liabilities that are not otherwise clearly documented from other sources. The final outcome may deviate from the results of these estimations and assessments. The estimations and assessments are revised

on a regular basis. The effects of changes in estimations are reported in the period in which the changes were made if the changes affected this period only or in the period the changes were made and future periods if the changes affect both the current period and future periods.

Important estimations and assessments are described further in the following notes to the consolidated accounts:

- Note 6 Impairment losses and reversed impairment losses
- Note 10 Income taxes
- Note 12 Intangible assets
- Note 13 Property, plant and equipment
- Note 24 Provisions
- Note 28 Financial Instruments – valuation of level 3 derivatives

Influences of market volatilities

The developments in the energy markets affect Vattenfall's entire operation. During 2022, the high volatility and price levels observed last year in the European energy commodity markets continued. The situation was amplified by the Ukraine war exacerbating Europe's security of supply for natural gas. On top, current dry weather conditions and lower power plant availability strained electricity supply in most of Europe. As a result of the high energy prices the risk of a wider economic recession increased. The sharply rising commodity prices also caused a significant increase in the cash liquidity risk across the industry.

One of the main risks for Vattenfall are defaults by customers and counterparties caused by the continued high electricity and commodity prices. To reflect the increased risk of customer defaults due to high electricity prices, general high inflation and the expected decline in the economy the Expected Credit Losses accounted for in Vattenfall were increased. The rise in inflation also lead to increased costs, e.g. for raw materials and services which affected Vattenfall's operating activities and investments. For a description of risks, uncertainties and risk management, please refer to pages 62-71.

Note 3 Acquired and divested operations

Acquired operations

Acquisitions in 2022

On 1 November 2022 Vattenfall acquired 100% of the shares in Warmtebedrijf Holding B.V. which includes two subsidiaries owning and operating a district heating grid in the Rotterdam area in the Netherlands. Vattenfall acquired Warmtebedrijf Holding B.V. in order to secure continuation of providing heat delivery services to the Rotterdam and Leiden areas. The purchase price was EUR 23 million, and the fair value of total net assets acquired is EUR 23 million.

Fair value

	1 November 2022
Property, plant and equipment	22
Deferred tax assets	40
Trade receivables and other receivables	90
Cash and cash equivalents	92
Other interest-bearing liabilities	-72
Provisions	-31
Trade payables and other liabilities	-118
Total net assets	23
Total purchase consideration =	
Cash flow for the year	23

Acquisitions in 2021

On the 1st of September 2021 Vattenfall NV acquired 51% of the shares in ARX Groep Holding B.V. The total purchase price for the shares was EUR 1.0 million. ARX Groep Holding B.V. consists of a growing team of specialists who bring suppliers, real estate specialists and consumers together by creating digital convenience.

On the 30th of November 2021 Vattenfall NV acquired 100% of the shares in LINKD B.V. The total purchase price for the shares was EUR 5.2 million. LINKD B.V. is a service provider for housing market professionals. They offer tools to unburden customers during a hectic period.

Divested operations

Divestments in 2022

No major divestments during 2022.

Divestments in 2021

On the 24th of June 2021, Vattenfall NV sold shares in the following companies:

- Nehalennia 5 B.V. (100% of the shares)
- Nehalennia 6 B.V. (100% of the shares)
- Nehalennia 11 B.V. (100% of the shares)
- Nehalennia 12 B.V. (100% of the shares)
- Vattenfall Hollandse Kust Zuid 1&2 Beheer B.V. (49% of the shares)
- Vattenfall Hollandse Kust Zuid 3&4 Beheer B.V. (49% of the shares)
- Vattenfall Hollandse Kust Zuid 1&2 C.V. (49.5%)
- Vattenfall Hollandse Kust Zuid 3&4 C.V. (49.5%)

The total consideration received amounts to EUR 404.1 million.

On 29th of March 2021, Vattenfall NV sold its share in NoordzeeWind C.V. The consideration paid amounts to EUR 12.5 million. On the 31st of December 2021, Vattenfall NV sold the shares in Ingenieursbureau Ebatech B.V. The consideration received amounts to EUR 3.6 million. In addition, a number of small companies within business area Wind have been sold during the period, the total consideration received amounts to EUR 6.2 million.

Note 4 Net sales

Accounting policy

Net sales include revenue from sales and distribution of electricity and heat, sales of gas, energy trading and other revenues such as service and consulting assignments and connection fees. Materially all revenues are generated in the Netherlands.

Vattenfall NV offers customers discounts and bonuses on sale of both electricity, gas and heat through various campaigns. The Company recognises discounts and bonuses when the performance obligation to the customer is satisfied and are recognised over the contract term.

Various sales channels are used to sell Vattenfall NV's products which gives rise to different types of costs associated with sales activities. These costs to obtain a contract related to revenues from contracts with customers are shown under Note 12, Intangible assets. Capitalisation of costs to obtain is either based on a portfolio approach (BtC) or a contract-by-contract approach (BtB). BtC applied practical expedients by which all contracts with a duration of more than 1 year are deemed one portfolio and costs to obtain a contract associated to 1-year contracts are expensed when incurred. In accordance with IFRS 15, contracts with a variable term are considered short-term, the cost to obtain are therefore expensed when incurred. The amortisation schedule for contracts with a duration of more than 1 year depends on the contract duration by taking into consideration the probability that customers terminate their contracts prior to the end of the contractually agreed period.

Sales and distribution of electricity, heat and gas

Sales of electricity, heat and gas and related distribution are recognised as revenue at the time of delivery, excluding value-added tax and excise taxes. Depending on the system for metering of consumption, Vattenfall NV recognises revenues either based on expected consumption, with a reconciliation when the readout takes place, or based on actual consumption and adjusted for back-delivery.

Vattenfall has entered into long-term power purchase agreements which are supplied to the customers through physical delivery of electricity. The performance obligation is fulfilled over time and the income is reported within sales from electricity at delivery. These agreements do not contain derivatives nor are they to be treated as lease agreements.

Develop-to-sell projects

Vattenfall constructs Wind and Solar projects for the purpose of selling them. The assets under construction are accounted for as inventory and the sales proceeds are recognised as revenue in accordance with IFRS 15. Depending on the contract details, revenue is being recognised as the

performance obligation is satisfied at a point of time or over time. Most material develop-to-sell projects sold are listed below:

- Jaap Rodenburg Wind B.V. (EUR 46 million)
- Windpark Nieuwe Hemweg B.V. (EUR 25 million)
- Pampus Wind B.V. (EUR 8 million)
- Other (EUR 5 million)

Connection fees

Heat is responsible for physical connections of the Heating networks to houses and buildings. The fee for the physical connection is paid by the customer when the connection is established. Revenue from connection fees is recognised over time since Vattenfall NV handles maintenance and repairs of the assets used in the physical connection, which is satisfied over time. The basis for revenue recognition of connection fees is the useful life of the underlying assets.

Vattenfall NV recognises revenues from contracts with customers and other revenues through profit or loss.

	2022	2021
Sales of electricity	3,377	1,336
Sales of gas	2,436	1,131
Sale of heat and steam	259	196
Sales income Develop-to-Sell projects	84	305
Sales / lease of solar and battery assets	182	175
Service and consulting	103	93
Other revenues	112	85
Total revenues	6,553	3,321

Revenue from contracts with customers is recognised when the performance obligation is satisfied. The Company applies the practical expedient not to disclose information for performance obligations if the performance obligation is part of a contract that has an original duration of one year or less.

The payment recognised may not match the revenue for the period, which results in the recognition of contract assets and contract liabilities. The Company applies the practical expedient not to adjust for the effects of a significant financing component if it is expected that, at inception, the period between satisfying the performance obligation and the payment will be one year or less.

Contract balances	2022	2021
Contract assets	1	5
– of which, released as cost from opening balance during the year	6	12
Contract liabilities	334	257
– of which, released as revenue from opening balance during the year	–	–

Contract liabilities relate to cashbacks, obligations resulting from loyalty programs and construction contributions received. Construction contributions received are mainly attributable to district heating grids. The amortisation periods of these received amounts are equal to the depreciation periods of the underlying assets with a maximum of 30 years.

Note 5 Cost of sales

	2022	2021
Cost of sales	7,113	1,741
Addition to/(release from) the provision for onerous contracts	-1,863	2,215
Change in fair value of derivatives	2,376	-2,004
Total cost of sales	7,626	1,952

Total cost of sales includes the fair value movements of commodity derivatives and the costs in relation to the onerous contracts provision. The EUR 2,376 million (2021: EUR -2,004 million) represents the net effect of accounting for derivatives at fair value through profit or loss.

Note 6 Impairment losses and reversed impairment losses

Accounting policy

General principles

Assessments are made throughout the year for any indication that an asset may have decreased in value. If there is an indication of this kind, the asset's recoverable amount is estimated. For intangible assets that are still not ready for use, the recoverable amount is calculated at least annually or as soon there is an indication that an asset has decreased in value.

If the independent cash flow for an individual asset cannot be established for the assessment of any need for impairment, the assets must be grouped at the lowest level possible to identify the essentially independent cash flow (a so-called cash-generating unit). An impairment loss is reported when an asset or cash-generating unit's reported value exceeds the recoverable amount. Any impairment loss is recognised in profit or loss. Impairment of assets attributable to a cash-generating unit is allocated primarily to goodwill. Thereafter, a proportional impairment loss is conducted of other assets that are part of the unit.

Calculation of the recoverable amount

The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, the future cash flow is estimated and discounted by a discounting rate that takes into consideration the risk-free interest rate and the risk associated with the specific asset.

Reversal of impairment losses

Impairment of goodwill is never reversed. Impairment of other assets is reversed if a significant and lasting change has occurred in the assumptions that formed the basis for the calculation of the recoverable amount. An impairment loss is reversed only if the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had if the impairment loss had not been recognised.

Financial information

Process for impairment testing

To ensure that the best available information is used for impairment testing and that that information represents management's best estimate, the basis for all impairment calculations is data used by management for strategic decision-making. Part of this information are cash flow projections and NPV calculations. Cash flows of the asset clusters Condensing, Heat, Customers & Solutions and the separate windfarms within Wind are calculated on a yearly basis in the asset book process. Those cash flow estimates form the basis of the impairment test. The main assumptions that executive management used in calculating projections of future cash flows in cash-generating units with finite useful lives are based on forecasts of the useful life of the respective assets. The projected cash flows are based on market prices and on Vattenfall NV's long-term market outlook. The calculated revenues in these forecasts are based on Vattenfall NV's long-term pricing projections, which are the result of a large number of simulations of the prices of oil, gas, electricity and CO₂ emission allowances in the relevant commodity markets.

The long-term market outlook is based on internal and external input parameters and is benchmarked against external price projections. Based on the price assumptions, the dispatch of the power plants is calculated, taking technical, economic and legal constraints into consideration. Technical flexibility of the assets, that is the ability to adapt generation to changes in spot market prices, has been taken into account as well. Cash flow projections of other cash-generating units are based on the business plan for the coming five years, after which their terminal value is taken into account, based on a growth factor of 0%-0.5% (2021: 0%-0.5%). If the final year of the business plan horizon does not represent a reasonable basis for assessing the long-term value, an extended forecast may be required to arrive at a steady-state earnings situation on which to calculate the terminal value.

Future cash flows have been discounted to value in use using the following discount rates:

	2022		2021	
	Before tax	After tax	Before tax	After tax
Discount rate Condensing	11.4%	6.6%	8.1%	6.5%
Discount rate Heat	5.9%	4.5%	5.7%	4.4%
Discount rate Wind Onshore	8.2%	4.6%	6.6%	4.4%
Discount rate Wind Offshore	8.1%	4.7%	6.8%	4.7%
Discount rate Customers & Solutions	7.3%	4.9%	7.7%	4.9%

The discount rate varies for the various asset classes, depending on their risk. When setting the discount rate, consideration has been given to the extent to which the various asset classes are exposed to changes in the wholesale prices of electricity, fuel, CO₂ emission rights and regulatory risks. An increase in the discount rate by 0.5 percentage points would decrease the estimated value in use for the cash-generating unit Condensing by approximately EUR 34 million (2021: EUR 95 million). On the other hand, a decrease in the discount rate by 0.5 percentage points would increase the estimated value in use for the cash-generating unit Condensing by approximately EUR 39 million (2021: EUR 115 million). This would not give rise to an impairment.

Electricity prices and margins for generation assets represent another major value driver. Electricity prices are relevant for non-subsidised wind farms. The most important production margin is the "clean spark spread" for gas-fired power plants. This spread includes electricity prices as well as the respective costs for fuel and CO₂ emission allowances to produce the electricity, considering the fuel type and efficiency factors. Based on the assumptions used in the impairment testing, a decrease in future electricity prices by 5%, with unchanged costs for fuel and CO₂ emission allowances, would lead to a decrease in the value of gas-fired assets of 2% to 27% or approximately EUR 8 to 110 million. And a reduction of 5% in future margin would decrease the estimated value in use for the cash-generating unit Condensing segment by 9% or approximately EUR 101 million. This would not lead to any impairment. For the non-subsidised wind farms Hollandse Kust Zuid 1&2 en Hollandse Kust Zuid 3&4, the corresponding figure is 7% or approximately EUR 137 million. This would not lead to any impairment.

Vattenfall has performed impairment testing by calculating the recoverable amount of the cash-generating units. The structure of the cash-generating units, which represent the smallest group of identifiable assets that generate continuous cash inflows that are largely independent of other assets or groups of assets, is based on the Company's Business Area structure. During 2022 a change has been implemented relating to cash-generating unit BA Wind. The continuously growing activities of Vattenfall's Wind operations and an increasing number of partnerships and power purchase agreements for windfarms has led management to rethink the previous grouping of cash-generation units. Where appropriate, grouping will be based on internal synergies between individual windfarms. Otherwise, windfarms will be considered as stand-alone cash-generation units. However, the regrouping did not result in a need for impairment. The cash-generating units are part of the business areas Condensing, Customers & Solutions, E-mobility and Wind.

The Business area Condensing contains 4 gas-fired plants, necessary equipment and infrastructure. Some of these plants are for district heating in addition to electricity.

The Business area Customers & Solutions operates Vattenfall's downstream retail activities as well as other decentralised, but still consumer-oriented businesses. It is a margin business subject to churn and counterparty risk. The diverse portfolio is structured to minimise single commodity exposure by offering different commodities to different types of customers.

The Business area E-mobility is responsible for the sale of electric vehicle charging solutions at people's homes, business locations and in large cities in markets where Vattenfall NV is active.

Ever since Vattenfall has been focusing its investment strategy on generation of fossil-free energy, it has led to continuous growth in BA Wind. Vattenfall NV operates approximately 10 wind farms. For a large amount of future Wind assets investments, decisions have already been taken or the projects are close to commissioning which will lead to an even further growth in the near future. Two major projects in Offshore are Vattenfall Hollandse Kust Zuid 1&2 and Hollandse Kust Zuid 3&4.

Previously recognised impairment losses amounting to EUR 25.5 million were reversed in the income statement in 2022. This relates to the Eemshaven Magnum plant.

Impairment losses 2022

Impairment losses charged against operating result in 2022 are EUR nil.

Impairment losses 2021

Impairment losses charged against operating result in 2021 amount to EUR 7 million. The impairment relates to B.V. Nederlands Elektriciteits Administratiekantoor. Refer to Note 15, Participations in associated companies and joint ventures.

Note 7 Other external expenses

	2022	2021
Purchased services	61	62
IT expenses	19	21
Consulting expenses	97	71
Non-capitalised lease expenses	14	12
Marketing and selling expenses	27	32
Facility service costs	6	6
Other	99	97
Total	323	301

¹ Miscellaneous contains a.o. the following cost categories: insurance, legal, banking, education and training, office, travel, contributions and branche fees.

Note 8 Financial income

Accounting policy

Interest income is reported as it is earned. The calculation is made on the basis of the return on underlying assets in accordance with the effective interest method. Dividend income is reported when the right to receive payment is established. Interest income is adjusted for transaction costs and any rebates, premiums and other differences between the original value of the receivable and the amount received when due.

Financial information

	2022	2021
Interest income	4	1
Exchange rate differences, net	–	1
Total	4	2

Note 9 Financial expenses

Accounting policy

For calculation of interest effects attributable to provisions, discount rates have been used, see Note 24 to the consolidated accounts, Provisions, for the discount rates used. Issue costs and similar direct transaction costs for raising loans are distributed over the term of the loan in accordance with the effective interest method. Borrowing costs directly attributable to investment projects in non-current assets which take a substantial period of time to complete are not reported as a financial expense but are included in the cost of the non-current asset during the construction period. Leasing fees pertaining to finance leases are distributed between interest expense and amortisation of the outstanding debt. Interest expenses are distributed over the leasing period so that each accounting period is charged in the amount corresponding to a fixed interest rate for the reported debt in each period. Variable fees are carried as an expense in the period in which they arise.

Financial information

	2022	2021
Interest expenses attributable to loans	5	5
Exchange rate differences, net	–	-1
Capital losses from divestments of shares and participations	–	1
Total	5	5

Interest expenses, attributable to lease liabilities, amount to EUR 2 million (2021: EUR 2 million) and are included in interest expenses attributable to loans.

Note 10 Income tax

Accounting policy

Income taxes comprise current tax and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in Other comprehensive income or in Equity, whereby also the associated tax effect is reported in Other comprehensive income and Equity, respectively. Current tax includes the expected tax payable and receivable on the taxable income for the current year, using tax rates enacted or substantively enacted at reporting date, as well as (any adjustments to) tax payable and receivable with respect to previous years.

Deferred tax is recognised using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiaries to the extent that the entity is able to control the timing of the reversal of the differences and the differences will probably not reverse in the foreseeable future. The foreseeable future is defined as a period of 12 months from the end of the reporting period. However, this period may be extended depending on the facts and circumstances (including management intent). Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed.

Important estimations and assessments

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

The recognition of deferred tax assets is assessed annually. This assessment is mainly based on the business plan for the coming five years and on the assumption that future earnings after five years will be consistent with the business plan. For the assessment the enacted or substantively enacted tax rates and the applicable tax law at reporting date are considered.

Deferred tax assets related to unused tax losses, tax credits and deductible temporary differences are derecognised when it is no longer considered probable that future taxable profits will be available against which they can be utilised.

Financial information

Break down of the reported income tax

	2022	2021
Current tax expense (-)/ tax credit (+)	67	-171
Adjustment of current tax expense (-) / tax credit (+) for prior periods	-6	3
Deferred tax credit (+)	435	54
Total income tax credit/(expense)	496	-114

The difference between the nominal Dutch tax rate and the effective tax rate is explained as follows:

	2022		2021	
	%		%	
Result before tax		-1,913		534
Dutch income tax rate for the year ended 31 December	25.8	494	25.0	-133
Difference in tax rate in foreign operations	-0.1	-2	0.4	-2
Tax adjustments for previous periods	-0.1	-2	-0.8	4
Non-taxable income	0.2	4	-1.9	10
Revaluation of previously derecognised losses and other temporary differences	0.0	–	0.2	-1
Non-deductible expenses	0.0	0	0.2	-1
Energy investment allowance	0.2	4	-1.0	5
Changes in tax rates	-0.1	-2	-0.8	4
Effective tax rate	25.9	496	21.3	-113

Balance sheet reconciliation of current tax

	2022	2021
Balance brought forward net liability (-)	-87	-13
Change via income statement	61	-168
Taxes paid, net	157	94
Balance carried forward net asset (+)/ net liability (-)	131	-87

Breakdown of the deferred tax

	2022	2021
Property, plant and equipment	-34	123
Inventories	4	-6
Intangible assets	-6	-10
Non-settled derivatives	511	-562
Provisions	113	580
Liabilities	63	50
Other	-1	–
Total	650	175

The deferred tax positions for property plant and equipment, inventories and intangible assets (including surplus values) mainly represent the differences between the carrying amount and the tax base of the power-generating facilities, operated heat-grids, develop-to-sell projects and IFRS 16 Right-of-use-assets, measured at the enacted or substantively enacted tax rates expected to apply to taxable income in which temporary differences are expected to be reversed. The deferred tax position in respect of derivatives represents the temporary differences in valuation between the carrying amount and tax base. The deferred tax position for liabilities represents mainly the difference between the carrying amount and tax base of IFRS 16 related interest-bearing liabilities and other liabilities. The deferred tax

position for provisions mainly represents the difference between the carrying amount and tax base of the provisions for onerous contracts and of the provisions for dismantling. The net deferred tax position changed with EUR 475 million during 2022, mainly caused by the change in non-settled derivatives and the change in provisions for onerous contracts.

Unrecognised deferred tax assets

Unrecognised deferred tax assets relate to the temporary differences in the valuation of tax losses carried forward and amount to EUR 50.9 million (2021: EUR 0.3 million). These tax losses carried forward relate to losses in the Netherlands where it is not considered probable that sufficient taxable profit will be available in the foreseeable future to utilise

the losses carried forward. From January 1, 2022 a tax loss can be carried forward indefinitely. To the extent that the taxable profit for the year is EUR 1 million or less, that taxable profit can be used in full to set off a loss of previous years. To the extent that the taxable profit for a year exceeds EUR 1 million, only 50% of that taxable profit in excess of EUR 1 million can be used to offset losses of previous years.

Note 11 Leasing

Accounting policy

Leased assets

A right-of-use asset along with a lease liability are recognised on the balance sheet for all lease contracts except for leases for which the underlying asset is of low value or if the contract duration is 12 months or less. For these types of lease contracts the practical expedient is applied whereby costs incurred are expensed directly.

The right-of-use-asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, while the leasing payments are reported as interest and amortisation of the debts.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using Vattenfall NV's incremental borrowing rate, which is updated by the Treasury department twice a year. After the commencement date, the amount of lease

liabilities increases to reflect the accretion of interest and is reduced for the lease payments made. The commitment to pay future leasing charges is reported as a non-current or current liability.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments
- Variable lease payments that depend on an index or rate
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that Vattenfall NV is reasonably certain to exercise
- Lease payments in an optional renewal period, if Vattenfall NV is reasonably certain to exercise an extension option
- Penalties for early termination of a lease unless Vattenfall NV is reasonably certain not to terminate early.

Assets leased out

Assets that are leased out under finance leases are not reported as property, plant and equipment, since the risks associated with ownership are transferred to the lessee. Instead, a financial receivable is entered for the future minimum lease payments.

Assets leased out under operating leases are reported as property, plant and equipment and are subject to depreciation.

Leased property, plant and equipment

As a lessee

Vattenfall NV leases different assets, including but not limited to land, office buildings, vehicles and other. More detailed information about leases for which the Company is a lessee is presented on the next page.

Right-of-use assets	2022				
	Land	Buildings	Vehicles	Other	Total
Balance brought forward	123	28	11	50	212
Depreciation for the year	-6	-5	–	1	-10
Additions to the right of use asset during the year	27	1	6	–	34
Other changes to the right of use asset during the year	2	-3	-6	-34	-41
Balance carried forward	146	21	11	17	195

Right-of-use-assets	2021				
	Land	Buildings	Vehicles	Other	Total
Balance as of 1 January	150	19	13	17	199
Depreciation for the year	-5	-7	-2	-19	-33
Additions to the right of use asset during the year	15	1	5	50	71
Other changes to the right of use asset during the year	-37	15	-5	2	-25
Balance carried forward	123	28	11	50	212

Lease liability development	2022	2021
Balance as of 1 January	216	204
Additions to the liability	33	73
Repayment of the liability	-37	-41
Other changes	-9	-20
Balance carried forward	203	216

Total leasing related cash-outflows amounted to EUR 40 million in 2022 (2021: EUR 43 million) of which EUR 2 million (2021: EUR 2 million) is related to interest expenses.

Maturity analysis - contractual undiscounted cash flows	
< 1 year	38
1 - 5 years	57
> 5 years	136
Total as of 31 December 2022	231

Lease payments amounting to EUR 14 million (2021: EUR 12 million) have not been accounted for as right-of-use assets as a result of the practical expedients relating to short-term contracts and low value items or because they related to variable components of contracts.

Leasing revenues

Leasing revenues and future receivables relate mainly to leases of production facilities and heating equipment to consumers. On 31 December 2022, cost of assets reported under operating leases amounted to EUR 537 million (2021: EUR 526 million). Accumulated depreciation amounted to EUR 394 million (2021: EUR 393 million) and accumulated impairment losses amounted to EUR 9 million (2021: EUR 9 million).

Future leasing related cash-inflows for this type of facility are broken down as follows:

<i>As of 31 December 2022</i>	Operating leasing
2023	96
2024	93
2025	95
2026	8
2027	5
2028 and beyond	11
Total	308

<i>As of 31 December 2021</i>	Operating leasing
2022	96
2023	93
2024	90
2025	87
2026	5
2027 and beyond	8
Total	379

The district heating grids belonging to Alliander N.V. which had been placed within a cross-border lease, were subleased to Vattenfall Warmte N.V., which is part of Vattenfall NV, as of mid-2008 until mid-2025. This sublease is terminated prematurely on 1 December 2022. It has been agreed with Alliander N.V. to continue the rental of the district heating grids as much as possible on the basis of the agreements from the terminated sublease until 1 December 2023.

Note 12 Intangible assets

Accounting policy

Intangible assets

Intangible assets such as concessions, patents, licences, trademarks and similar rights as well as renting rights are reported at cost less accumulated amortisation and impairment losses.

Principles for amortisation

Amortisation of intangible assets other than goodwill is reported on a straight-line basis in the income statement over the estimated useful life of the asset, provided the useful life is not indefinite.

Important estimations and assessments

Intangible assets are tested for impairment in accordance with the accounting policies described in Note 6 to the consolidated accounts. Impairment losses and reversed impairment losses. The recoverable amount for cash-generating units is determined by calculating the value in use or fair value less costs to sell. For these calculations, certain estimations must be made regarding future cash flows along with other adequate assumptions regarding the required rate of return, for example.

Financial information

	2022		
	Concessions, customer lists and similar rights with finite useful lives	Cost to obtain a contract	Total
Cost			
Cost brought forward	256	74	330
Investments	8	-4	4
Transfer from development projects in progress	5	–	5
Divestments/disposals	-17	-36	-53
Accumulated cost carried forward	252	34	286
Accumulated amortisation			
Amortisation brought forward	-85	-54	-139
Amortisation for the year	-22	-11	-33
Divestments/disposals	17	36	53
Accumulated amortisation carried forward	-90	-29	-119
Impairment losses			
Impairment losses brought forward	-52	–	-52
Accumulated impairment losses carried forward	-52	–	-52
Carrying amount carried forward	110	5	115

	2021		
	Concessions, customer lists and similar rights with finite useful lives	Cost to obtain a contract	Total
Cost			
Cost brought forward	228	81	309
Acquired companies	9	–	9
Investments	5	10	15
Transfer from development projects in progress	14	–	14
Divestments/disposals	–	-17	-17
Accumulated cost carried forward	256	74	330
Accumulated amortisation			
Amortisation brought forward	-53	-49	-102
Amortisation for the year	-18	-18	-36
Divestments/disposals	-14	13	-1
Accumulated amortisation carried forward	-85	-54	-139
Impairment losses			
Impairment losses brought forward	-63	-4	-67
Divestments/disposals	11	4	15
Accumulated impairment losses carried forward	-52	–	-52
Carrying amount carried forward	119	20	139

Estimated useful life

Concessions, customer lists and similar rights	1-63 years
Costs to obtain a contract	2-3 years

Estimated useful lives are unchanged compared with the preceding year.

Note 13 Property, plant and equipment

Accounting policy

Property, plant and equipment are reported as assets on the balance sheet if it is likely that there will be future financial benefits for the Company and the cost of the asset can be calculated in a reliable manner. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of directly attributable expenses included in cost are delivery and handling, installation, land registration and consulting services. Borrowing costs directly attributable to investment projects in property, plant and equipment, which take a substantial period of time to complete, are included in the cost of the asset during the construction period.

Subsequent costs

Subsequent costs for property, plant and equipment are only added to the acquisition cost if it is likely that there will be future financial benefits associated with the asset for the Company and the cost can be calculated in a reliable manner. All other subsequent costs are reported as expenses in the period when they arise. What is decisive for the assessment when a subsequent cost is added to the acquisition cost is whether the cost concerns the replacement of identified components, or parts of them, whereby such costs are capitalised. Also, in cases where new components are created, the cost is added to the cost of the asset. Any undepreciated reported values of replaced components, or parts of components, are retired and carried as an expense in connection with the replacement. Repair and maintenance costs are expensed as incurred.

Depreciation principles

Depreciation is reported on a straight-line basis in the income statement over the estimated useful life of the asset. The Company applies component depreciation,

which means that the components' estimated useful life provides the basis for the straight-line depreciation. Estimated useful life is described below in this note. Assessments of the residual value and useful life of an asset are conducted annually. Land and water rights are not subject to depreciation.

Important estimations and assessments

Property, plant and equipment are tested for impairment in accordance with the accounting policies described in Note 6 to the consolidated accounts, Impairment losses and reversed impairment losses. The recoverable amount for cash-generating units is determined by calculating the value in use or fair value less costs to sell. For these calculations, certain estimations must be made regarding future cash flows along with other adequate assumptions regarding the required rate of return, for example.

The current commodity markets are characterised by extremely high volatility resulting in sharp fluctuations in forward price curves. In addition, central banks pursue an aggressive interest rate policy to combat inflation, which leads to sharp fluctuations in interest rate curves. Based on our calculations of the future cash flows, which are impacted by these major uncertainties, no impairments and/or reversals of prior years' impairments are recognised related to the CGU Condensing NL, except for the reversal of prior years' impairment with respect to Eemshaven Magnum power plant (refer to note 6).

Estimated useful life

Hydro power installations	5-40 years
Combined heat and power installations	5-40 years
Wind power installations	10-25 years
Solar power installations	5-25 years
Office and warehouse buildings and workshops	25-50 years
Office equipment	5-10 years

Estimated useful lives are unchanged compared with the preceding year.

Property, plant & equipment

	2022				
	Land and buildings ²	Plant and machinery and other technical installations	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward ³	255	5,657	389	783	7,084
Acquired companies	–	48	–	–	48
Investments ⁴	27	21	11	1,177	1,236
Capitalised/reversed future payments for decommissioning, restoration	7	10	–	–	17
Transfer from construction in progress	–	78	5	-88	-5
Divestments/disposals ¹	-10	-703	-39	–	-752
Other reclassifications	8	–	-15	–	-7
Assets held for sale	–	-1,705 ⁵	-21	–	-1,726
Accumulated cost carried forward	287	3,406	330	1,872	5,895
Accumulated depreciation					
Depreciation brought forward	-57	-1,725	-186	–	-1,968
Acquired companies	–	-26	–	–	-26
Depreciation for the year	-17	-117	-40	–	-174
Divestments/disposals ¹	5	331	35	–	371
Other reclassifications	–	1	–	–	1
Assets held for sale	–	255 ⁵	–	–	255
Accumulated depreciation carried forward	-69	-1,281	-191	–	-1,541
Impairment losses					
Impairment losses brought forward	-14	-2,194	-25	–	-2,233
Reversed impairment losses for the year	–	26	–	–	26
Divestments/disposals ¹	–	368	–	–	368
Assets held for sale	–	1,050 ⁵	–	–	1,050
Accumulated impairment losses carried forward	-14	-750	-25	–	-789
Carrying amount carried forward	204	1,375	114	1,872	3,565

	2021				
	Land and buildings ²	Plant and machinery and other technical installations	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward ³	256	5,475	383	416	6,530
Investments ⁴	18	12	68	617	715
Capitalised/reversed future payments for decommissioning, restoration	7	-1	–	–	6
Transfer from construction in progress	–	231	1	-246	-14
Divestments/disposals	-48	-23	-59	–	-130
Other reclassifications	22	-7	4	-4	15
Divested companies	–	-30	-8	–	-38
Accumulated cost carried forward	255	5,657	389	783	7,084
Accumulated depreciation					
Depreciation brought forward	-44	-1,643	-199	–	-1,886
Depreciation for the year	-19	-126	-40	–	-185
Divestments/disposals	6	17	49	–	72
Divested companies	–	27	4	–	31
Accumulated depreciation carried forward	-57	-1,725	-186	–	-1,968
Impairment losses					
Impairment losses brought forward	-14	-2,194	-38	–	-2,246
Reversed impairment losses for the year	–	–	8	–	8
Divestments/disposals	–	–	8	–	8
Other reclassifications	–	–	-3	–	-3
Accumulated impairment losses carried forward	-14	-2,194	-25	–	-2,233
Carrying amount carried forward	184	1,738	178	783	2,883

¹ Divestments and disposals consist of assets belonging to divested windfarms and (fully) depreciated and disposed assets.

² Cost for land and buildings includes cost of land rights amounting to EUR 1 million (2021: EUR 1 million), which are not subject to depreciation.

³ Government grants received, balance brought forward, amount to EUR 59 million (2021: EUR 63 million).

⁴ Government grants received during the year amounted to EUR 0 million (2021: EUR 0 million).

⁵ Movements in 'assets held for sale' relate to the sale of the Magnum power plant which is effectuated in the first quarter of 2023. Refer to Note 21, Assets held for sale.

Note 14 Shares and participations owned by Vattenfall NV and other group companies

The following list includes the significant subsidiaries and the share that Vattenfall NV holds in these entities.

Shares and participations owned by Vattenfall NV

	Registered office	Participation in % 2022	Participation in % 2021
Netherlands			
Vattenfall Customers & Solutions Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Duurzame Energie N.V. ¹	Amsterdam	100	100
Vattenfall Eemshaven B.V. ¹	Amsterdam	100	100
Vattenfall Energy Sourcing Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Energy Trading Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Hollandse Kust Zuid 1&2 C.V.	Amsterdam	50.5	50.5
Vattenfall Hollandse Kust Zuid 3&4 C.V.	Amsterdam	50.5	50.5
Vattenfall Klantenservice N.V. ¹	Amsterdam	100	100
Vattenfall Power Generation Netherlands B.V. ¹	Amsterdam	100	100
Vattenfall Power Solutions Netherlands B.V.	Amsterdam	100	100
Vattenfall Sales Nederland N.V. ¹	Amsterdam	100	100
Vattenfall Samen in Zon B.V.	Amsterdam	100	100
Vattenfall Storage Epe B.V.	Amsterdam	100	100
Vattenfall Warmte N.V. ¹	Amsterdam	100	100
Vattenfall Wind Development Netherlands B.V. ¹	Amsterdam	100	100
Vattenfall Windpark Wieringermeer B.V. ¹	Amsterdam	100	100
DELTA Energie B.V. ¹	Middelburg	100	100
Feenstra N.V. ¹	Amsterdam	100	100
Feenstra Veiligheid B.V. ¹	Amsterdam	100	100
Feenstra Verwarming B.V. ¹	Lelystad	100	100
Nuon Epe Gas Service B.V. ¹	Amsterdam	100	100
powerpeers B.V. ¹	Amsterdam	100	100
Warmtebedrijf Holding B.V.	Rotterdam	100	0
Windpark Slufterdam West B.V. ¹	Amsterdam	100	100
Zuidlob Wind B.V. ¹	Amsterdam	100	100
VO.F. Omgevingsvergunning Windpark Slufterdam	Rotterdam	50	50
Germany			
Nuon Epe Gasspeicher GmbH	Heinsberg	100	100

¹ Vattenfall NV has issued a declaration of liability for these subsidiaries. A complete list of subsidiaries, associated companies and joint ventures, as required by sections 379 and 414 of Book 2 Title 9 of the Dutch Civil Code, is filed with the Chamber of Commerce in Amsterdam.

Note 15 Participations in associated companies and joint ventures

Shares and participations owned by the Company or by other group companies

	Registered office	Participation in % 2022	Participation in % 2021	Carrying amount	
				2022	2021
Significant associated companies and joint ventures owned by Vattenfall NV				million EUR	million EUR
Netherlands					
Molenrak B.V. ¹	Amsterdam	58	58	21	21
Westpoort Warmte B.V. ¹	Amsterdam	50	50	28	23
Other associated companies and joint ventures				1	–
Total				50	44

¹ Joint venture

Financial information

	2022	2021
Balance brought forward	44	25
New share issues and shareholders' contributions	6	22
Impairment losses	–	-7
Profit participations and dividends	–	4
Balance carried forward	50	44

The activities of the joint ventures and associated companies mainly relate to the construction and operation of wind farms and heat grids. The joint ventures and associated companies have no other significant contingent liabilities or commitments as at 31 December 2022 and 2021, except for those disclosed in Note 32.

Vattenfall NV has issued a series of loans to Westpoort Warmte B.V., totalling EUR 57 million (2021: EUR 53 million) against an average interest rate of 2.6% (2021: 1.9%).

Participations in the results of associated companies

	2022	2021
Netherlands		
B.V. Nederlands Elektriciteit Administratiekantoor ²	–	-7
NoordzeeWind C.V. ¹	–	-10
Westpoort Warmte B.V. ¹	6	5
Total	6	-12

¹ Joint venture

² Associated company

These joint ventures and associated companies cannot distribute their profits without the consent of the other investors in the relevant joint venture or associated company.

Since no more future benefits are expected from our participation in B.V. Nederlands Elektriciteit Administratiekantoor, the shares have been impaired.

NoordzeeWind C.V. has been sold in 2021 to our former co-owner, Royal Dutch Shell plc, which has resulted in a loss of approximately EUR 10 million.

Note 16 Inventories

Accounting policy

Inventories (except for inventories held for trading) are valued at the lower of their cost and net realisable value. Net realisable value is the estimated sales price in operating activities, less estimated costs for completion and to bring about a sale. The cost of inventories is calculated, depending on the type of inventory, either through application of the first-in, first-out (FIFO) method or through the application of a method based on average prices. Both methods include costs that arose on acquisition of the inventory assets.

Inventories held for trading are valued at fair value less costs to sell. For CO₂ emission allowances that are held for trading, fair value is based on quoted prices (Level 1). For other commodities fair value measurement is derived from an observable market price, which means a categorisation into Level 2 of the fair value hierarchy. See Note 2 to the consolidated accounts, Accounting policies.

Develop-to-sell assets pertain to the operations within business area Wind, started during 2020, where Vattenfall NV constructs and builds wind- and solar farms with the purpose of selling to an external party. These are valued at the lower of their cost and net realisable value. Inventory sold through develop-to-sell transactions amounted to EUR 63 million (2021: EUR 256 million), pertaining to the sale of Jaap Rodenburg Wind B.V., Windpark Nieuwe Hemweg B.V. and Pampus Wind B.V.

Financial information

	2022	2021
Inventories held for own use		
Materials and spare parts	48	31
Other	2	3
Total	50	34
Develop-to-sell assets		
Develop-to-sell assets	47	87
Total	47	87
Inventories held for trading		
Fossil fuel	272	240
CO ₂ emission allowances/certificates	11	2
Biomass	31	8
Total	314	250
Total inventories	411	371

Note 17 Trade receivables and other receivables

Accounting policy

Trade receivables and other receivables are initially measured at fair value and subsequently at amortised cost. For trade receivables the calculation of the loss reserve is based on expected credit losses for the remaining term. A collective method is used where the receivables are grouped together per business line based on e.g., the number of days past due including any past-due receivables, and a credit loss percentage is calculated for the respective intervals, where in the model Vattenfall NV has based its calculations on experience from historic loss levels for receivables with similar credit risk characteristics while taking into account forward-looking macroeconomic conditions that may affect expected cash flows. For individual significant receivables, an individual assessment may be made.

Since the second half of 2021 and throughout 2022, Vattenfall has been facing a challenging market situation with extreme volatility in the energy markets and rising inflation across Europe. In addition, the war in Ukraine and the associated sanctions against Russia also have an impact on the unprecedentedly high prices on the energy market. Although the Dutch government has taken several measures in the course of 2021 and 2022 to compensate consumers and businesses for the historically high energy prices, Vattenfall NV has increased the provision for expected credit losses in 2022, as there is an estimated higher risk that more customers and companies will have payment problems than before.

The allowance for expected credit losses of trade receivables is reported in cost of purchases. Vattenfall NV evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in all Dutch regions and, in case of businesses, operate in several industries in largely independent markets.

Financial information

	2022	2021
Accounts receivable - trade	647	482
Receivables from related companies	2,857	1,730
Other receivables	13	22
Total	3,517	2,234

Note that that due to the homogeneous nature of BtC balances, debit as well as credit balances are summed into one Accounts receivable position.

Receivables from related companies

Receivables from related companies include the transfer of financial resources and ongoing clearing of transactions settled with or on behalf of group companies with Vattenfall AB and transactions related to trading activities with Vattenfall Energy Trading GmbH. Interest-bearing amounts receivable from Vattenfall AB group companies are charged with an interest rate based on the Euro short-term rate (€STR) - 0.1% (with a floor of 0.0%).

Age analysis

The collection period is normally between 10 and 30 days.

	2022				2021			
	Receivables, gross	Impaired receivables	Receivables, net	Expected credit loss	Receivables, gross	Impaired receivables	Receivables, net	Expected credit loss
Accounts receivable - trade								
Not due	554	7	547	1%	413	–	413	0%
Past due 1-30 days	65	4	61	6%	46	1	45	2%
Past due 31-90 days	22	2	20	9%	9	1	8	11%
Past due >90 days	35	16	19	46%	33	17	16	52%
Total	676	29	647	4%	501	19	482	4%

Note 18 Advance payments paid

	2022	2021
Margin calls paid, energy trading	1	2
Total	1	2

A margin call paid is a marginal security (collateral) that Vattenfall NV pays its counterparty as the holder of a derivative position to cover the counterparty's credit risk, either bilaterally via OTC or through an exchange. In Vattenfall NV's business activities, margin calls occur in energy trading and in the financing operations.

Note 19 Prepaid expenses and accrued income

	2022	2021
Accrued income, energy related	337	268
Prepaid expenses, other	83	11
Accrued income, other	2	–
Total	422	279

Note 20 Cash

	2022	2021
Cash and bank balances	254	263
Total	254	263

All liquid assets are freely available.

Note 21 Assets held for sale

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale a number of criteria must be met, see the heading "Important estimations and assessments". Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell and are not subject to amortisation or depreciation. Assets (and liabilities) held for sale are classified as current assets (current liabilities) when the sale transaction is expected to be settled within twelve months after the balance sheet date.

Important estimations and assessments

Certain criteria must be fulfilled to classify an asset as held for sale. The asset must be available for immediate sale in its present condition subject to usual and customary terms. Further, the sale must be highly probable within one year from the date of classification. The last-mentioned criterion means

that a plan for the disposal must have been prepared and approved at the appropriate level of management, an active programme for the disposal must have been initiated, and the asset must be marketed for sale at a price that is reasonable in relation to its current fair value. In the event shareholder approval is required before a sale can be carried out, Vattenfall is of the opinion that a transaction cannot be regarded as likely until shareholder approval has been obtained.

Financial information

Assets held for sale as per 31 December 2022 refers to the powerplant Eemshaven/Magnum within BA Heat which is sold in the first quarter of 2023. As per 31 December 2021 there were no assets held for sale.

	2022
Property, plant and equipment	399
Other non-current assets	21
Total assets held for sale	420
Trade payables and other liabilities	12
Total liabilities associated with assets held for sale	12

Note 22 Interest-bearing liabilities

Reported values for interest-bearing liabilities are specified as follows:

	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Liabilities to associated companies	–	–	–	–	–	–	–	4	–	4
Other liabilities	73	103	119	104	192	207	39	36	231	243
Total interest-bearing liabilities	73	103	119	104	192	207	39	40	231	247

Leasing liabilities are part of the other liabilities. The non-current portion amounts to EUR 167 million (2021: EUR 183 million) and the current portion amounts to EUR 36 million (2021: EUR 34 million). Further reference is made to note 11 Leasing to the consolidated accounts.

Note 23 Pension

Accounting policy

Vattenfall NV's pension obligations are defined contribution plans.

Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans according to which fixed fees are paid to a separate legal entity. There is no legal or constructive obligation to pay additional fees if the legal entity does not have sufficient assets to pay all benefits to the employees. Fees for defined contribution pension plans are reported as an expense in the income statement in the period they apply to.

Dutch pension plans

Vattenfall NV has various pension and similar plans for its current and former employees. The majority of the pension

obligations has been transferred to the ABP pension fund and the 'Metaal en Techniek' pension fund. In addition to these two main pension plans, Vattenfall NV has a small number of defined benefit plans that are in aggregate not material. The ABP and 'Metaal en Techniek' plans are classified and reported as defined contribution plans. The coverage ratio of the ABP pension fund amounts to 110.9% (2021: 110.2%) and the pension premium for 2022 amounts to 25.9% (2021: 25.9%). The coverage ratio of the 'Metaal en Techniek' pension fund amounts to 106.8% (2021: 106.1%) and the pension premium for 2022 amounts to 28.0% (2021: 28.0%).

Note 24 Provisions

Accounting policy

A provision is reported on the balance sheet when the Company has a legal or constructive obligation as a result

of a past event and it is probable that an outflow of financial resources will be required to regulate the obligation and a reliable estimate of the amount can be made. Where the effect of the time when payment is made is material, provisions are estimated by discounting the anticipated future cash flow at an interest rate before tax that reflects market estimates of time value of money. The discount rate does not reflect such risks that are taken into consideration in the estimated future cash flow.

Changes in discounted provisions for dismantling, restoration or similar measures, which at the time of acquisition have also been reported as Property, Plant and Equipment, are reported as follows: In cases where the change is due to a change in the estimated outflow of resources or a change in the discount rate, the cost of Property, Plant and Equipment is changed in an amount corresponding to the provision. The periodic change of the present value is recognised as a financial expense.

A provision for onerous contracts is recognised when the expected economic benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on any assets associated with that contract.

Important estimations and assessments

For provisions for future commitments for gas and wind operations and other environmental measures/undertakings, and for personnel-related provisions for non-pension purposes, or other provisions, the following discount rates are used, when discount effect is material:

- Personnel-related provisions for non-pension purposes: 3.00% (2021: -0.25%).
- Decommissioning provisions for new gas and wind operations: 2.00% (2021: 2.00%)
- Decommissioning provisions for existing gas and wind operations: 0.25% (2021: 0.00%)

Provisions for future commitments for heat and wind operations and other environmental measures/undertakings

Provisions are made in the Netherlands for the dismantling and removal of assets and restoration of sites where the Company conducts gas operations. Provisions are also made for restoration of sites where Vattenfall NV conducts wind operations and for environmental measures/undertakings within other activities carried out by the Company.

Personnel-related provisions for non-pension purposes

Provisions are made for future costs pertaining to:

- Long-term sickness. This covers the obligation to continue paying all or part of an employee's salary during the first two years of sick leave.
- Jubilee payments. This covers the jubilee benefits paid to employees for every 10 years of service and after retiring upon reaching the retirement age.
- Severance payments related to restructuring measures. This covers payments and/or supplements to benefits granted to employees whose employment contract has been terminated. These benefits and supplements are based on the Social Plan operated by Vattenfall NV and individual arrangements.
- Other costs for giving notice to personnel.

Provision for onerous contracts

The provision for onerous contracts relates to contingent losses from fixed-price contracts with customers. The recognition of the provision of EUR 387 million (2021: EUR 2,219 million) is largely due to increased energy prices on the commodity markets. The fair value swings of forward commodity purchase contracts lead to results based on spot price movements whereas the settlement with the customers takes place upon delivery - usage of the electricity and gas. In market situations with stable prices there is no significant impact on the settlement prices during the year. However, due to surging prices for both gas and electricity during 2021 and 2022 a portion of the fixed-price contracts have become onerous from the perspective of Vattenfall NV.

Other provisions

Other provisions include, among others, guarantee commitments.

Financial information

	Non-current portion		Current portion		Total	
	2022	2021	2022	2021	2022	2021
Provisions for future commitments of gas and wind operations and other environmental measures/undertakings	65	50	2	4	67	54
Personnel-related provisions for non-pension purposes	15	18	7	7	22	25
Provision for onerous contracts	377	343	10	1,876	387	2,219
Other provisions	4	4	7	14	11	18
Total	461	415	26	1,901	487	2,316

Movement schedule provisions

	Provisions for gas, wind and other environmental measures	Personnel-related provisions for non-pension purposes	Provision for onerous contracts	Other provisions
Balance brought forward	54	25	2,219	18
Acquired companies	–	–	31	–
Interest effects	1	-1	–	–
Additions	13	8	–	2
Provisions used	-3	-5	-1,848	-5
Provisions reversed	2	-5	-15	-4
Balance carried forward	67	22	387	11

Future commitments of non-current provisions

With the current assumptions, provisions are expected to result in outgoing payments as shown below:

	Provision for gas and wind operations	Personnel-related provision	Provision for onerous contracts	Other provisions	Total
2022					
2-5 years	3	10	377	4	394
6-10 years	10	3	–	–	13
11-20 years	3	1	–	–	4
Beyond 20 years	49	1	–	–	50
Total	65	15	377	4	461

Note 25 Trade payables and other liabilities

	2022	2021
Accounts payable - trade	817	283
Liabilities to related companies	3,252	926
Other liabilities	323	570
Total	4,392	1,779

Note 26 Advance payments received

	2022	2021
Margin calls received, energy trading	14	155
Total	14	155

A margin call received is marginal security (collateral) that Vattenfall NV's counterparty pays to Vattenfall NV as the holder of a derivative position to cover Vattenfall NV's credit risk, either bilaterally via OTC or through an exchange. In Vattenfall NV's business activities, margin calls occur in energy trading and in the treasury operations.

Margin calls received within energy trading are recognised on the balance sheet as Advance payments received and are thereby recognised in the statement of cash flows as cash flows from changes in operating liabilities.

Note 27 Accrued expenses and deferred income

	2022	2021
Accrued personnel-related costs	55	50
Accrued expenses, CO ₂ emission allowances	15	157
Other accrued expenses	223	11
Deferred income, energy related	74	94 ¹
Accrued expenses, energy related	4	138
Other deferred income	58	78
Total	429	528

1) In the 2021 Annual Report the items 'Deferred income, energy related' and 'Accrued expenses, energy related' were presented as one item: Accrued liabilities (EUR 232K).

Note 28 Financial instruments by measurement category, offsetting of financial assets and liabilities, and financial instruments' effects on income

Accounting policy

Classification and measurement

Financial assets

Financial assets are classified in various categories based in part on the objective (the business model) of holding the financial asset, and in part on the financial instrument's contractual cash flows, in the event they consist only of principal amounts and interest. The classification is determined at the original point of acquisition. Settlement day accounting is applied for spot purchases and spot sales of financial assets.

Amortised cost

Financial assets (debt instruments) are classified in this category if they are held in a business model whose objective is to hold financial assets in order to collect their contractual cash flows, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These instruments are measured at amortised cost, where the reported gross value is adjusted for expected credit losses. For Vattenfall NV this category includes Other non-current receivables, Trade receivables and other receivables, Advance payments paid, and Cash and bank balances.

Fair value through profit or loss

This category includes all of Vattenfall NV's financial assets (debt instruments) that are not measured at amortised cost. This includes assets held for trading, which entails that the objective is that they will be sold in the near term, and assets that Vattenfall NV is monitoring and measuring based on fair value. Debt instruments are also classified in this category if the contractual terms do not consist solely of payments of principal and interest.

Derivative assets are measured at fair value through profit or loss, except for derivative instruments designated as hedging instruments in an effective hedge, where the principles for hedge accounting are used. The assets in this category are remeasured on a regular basis to fair value with changes in value reported in profit or loss.

Financial liabilities

Financial liabilities at fair value through profit or loss

Derivative liabilities are always classified in this category. These financial liabilities are measured at fair value with changes in value recognised in profit or loss.

Other financial liabilities

In this category, interest-bearing and noninterest-bearing financial liabilities that are not held for trading purposes are reported. Other financial liabilities are measured at amortised cost. Trade liabilities have a short, anticipated term and are therefore valued at a nominal amount without discounting.

Impairment

Impairment of financial assets is based on models for expected credit losses. For trade receivables that do not include a significant financing component, a simplified method is used, where calculation of the loss reserve is based on expected credit losses for the remaining term. A collective method is used where the receivables are grouped together per business line based on e.g., the number of days past due including any past-due receivables, and a credit loss percentage is calculated for the respective intervals, where in the model Vattenfall NV has based its calculations on experience from historic loss levels for receivables with similar credit risk characteristics while taking into account forward-looking macro-economic conditions that may affect expected cash flows. For individual significant receivables, an individual assessment may be made. The allowance for expected credit losses of trade receivables is reported in cost of purchases. Vattenfall NV evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in all Dutch regions and, in case of businesses, operate in several industries in largely independent markets.

For other financial assets where the policies for impairment are applied, a loss reserve is reported that corresponds to 12 months' expected credit losses at initial recognition. If the credit risk increases significantly since initial recognition, a reserve corresponding to expected credit losses during the entire term is reported. Vattenfall NV presumes that the credit risk has not increased significantly if the instrument has a low credit risk on the balance sheet date, such as instruments with an investment grade rating. The credit risk is considered to have increased significantly if the counterparty's rating has been lowered to a lower rating than investment grade or, alternatively, if the counterparty already had a lower credit rating than investment grade at initial recognition and this rating was significantly lowered further. Expected credit losses are calculated by assessing the probability of default, the loss given default and the exposure at default.

Financial information

Risks arising from financial instruments are described in Note 29 Financial Risks of the consolidated accounts.

Financial instruments by measurement category

Presented below are assets and liabilities where the carrying amount differs from the fair value.

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost				
Other non-current receivables	110	114	57	60
Financial liabilities at amortised cost				
Other non-current interest-bearing liabilities	192	196	207	213

Offsetting financial assets and financial liabilities

Presented below are financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements.

Assets 31 December 2022

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial liabilities, not intended to be settled net ¹	Cash collateral received	
Derivatives, commodity contracts	5,815	5,629	186	–	–	186
Total	5,815	5,629	186	–	–	186
Derivatives, not subject to offsetting	370	–	370	–	–	370
Total derivative assets			556			556

Assets 31 December 2021

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial liabilities, not intended to be settled net ¹	Cash collateral received	
Derivatives, commodity contracts	6,047	3,911	2,136	–	–	2,136
Total	6,047	3,911	2,136	–	–	2,136
Derivatives, not subject to offsetting	218	–	218	–	–	218
Total derivative assets			2,354			2,354

Net amounts of financial assets presented on the balance sheet with related parties amount to EUR 187 million (2021: EUR 2.258 million) as of 31 December 2022.

Liabilities 31 December 2022

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial assets, not intended to be settled net ¹	Cash collateral pledged	
Derivatives, commodity contracts	7,724	5,629	2,095	–	–	2,095
Total	7,724	5,629	2,095	–	–	2,095
Derivatives, not subject to offsetting	22	–	22	–	–	22
Total derivative liabilities			2,117			2,117

Liabilities 31 December 2021

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet		Net amount
				Financial assets, not intended to be settled net ¹	Cash collateral pledged	
Derivatives, commodity contracts	4,088	3,911	177	–	–	177
Total	4,088	3,911	177	–	–	177
Derivatives, not subject to offsetting	2	–	2	–	–	2
Total derivative liabilities			37			179

¹ These items cannot be settled net as each transaction has a unique due date and they were not entered into with the purpose to be settled net. Settlement can be entailed only in case of default and only when it is intended to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Net amounts of financial liabilities presented on the balance sheet with related parties amount to EUR 2.096 million (2021: EUR 179 million) as of 31 December 2022.

Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	645	-89	556
Total assets	–	645	-89	556
Liabilities				
Derivative liabilities	–	2,117	–	2,117
Total liabilities	–	2,117	–	2,117

Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	2,243	111	2,354
Total assets	–	2,243	111	2,354
Liabilities				
Derivative liabilities	–	179	–	179
Total liabilities	–	179	–	179

Sensitivity analysis for Level 3 contracts

For the determination of fair value of financial instruments, Vattenfall NV strives to use valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Entity-specific estimates are based on internal valuation models that are subject to a defined process of validation, approval and monitoring. In the first step the model is designed by the business. The valuation model and calibration of the valuation model is then independently reviewed and approved by Vattenfall NV's risk organisation.

If deemed necessary, adjustments are required and implemented. Afterwards, Vattenfall NV's risk organisation continuously monitors whether the application of the method is still appropriate. This is made by usage of several back-testing tools. In order to reduce valuation risks, the application of the model can be restricted to a limited scope.

Vattenfall NV's Level 3 contracts consist of CDM and virtual gas storage contracts. The net value as per 31 December 2022 has been calculated at EUR 89,2 million (2021: EUR 111.3 million) and is most sensitive to the optionality volatility. A change in the value of the daily

Derivative assets

	Non-current portion, maturity 1-5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Commodity and commodity-related contracts	55	252	–	–	55	252	501	2,102	556	2,354
Total	55	252	–	–	55	252	501	2,102	556	2,354

Derivative liabilities

	Non-current portion, maturity 1-5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Commodity and commodity-related contracts	607	128	–	–	607	128	1,510	51	2,117	179
Total	607	128	–	–	607	128	1,510	51	2,117	179

Changes in liabilities arising from financing activities

	2022				
	1 January	Cash flows	New leases	Other	31 December
Non-current interest-bearing liabilities	207	–	30	-45	192
Current interest-bearing liabilities	40	-35	3	31	39
Total liabilities from financing activities	247	-35	33	-14	231

Changes in liabilities arising from financing activities

	2021				
	1 January	Cash flows	New leases	Other	31 December
Non-current interest-bearing liabilities	202	–	60	-55	207
Current interest-bearing liabilities	29	-45	13	43	40
Total liabilities from financing activities	231	-45	73	-12	247

Note 29 Financial risks

The following risks can be identified with respect to financial instruments: market risk, credit risk and liquidity risk. These risks are managed on a Vattenfall AB level. Vattenfall AB's risk management to the extent to which it is relevant for Vattenfall NV are summarised below.

Market risk - commodities including electricity

Market risk for electricity and commodities refers to the risk of Vattenfall failing to achieve its financial targets as a result of an adverse change in commodity prices. Vattenfall AB's price hedging strategy is focused on the Nordic generation assets although in the last couple of years the strategy has extended to also hedging thermal asset production. Vattenfall NV does not apply hedge accounting for new transactions in its consolidated account, since 2017.

Risk management activities

Through our asset ownership and sales activities we are exposed to electricity, fuel, and CO₂ emission allowance prices, which are affected by several fundamental factors, such as the global macroeconomic situation, local supply, demand, and political decisions. We are active in the wholesale trading market to hedge our electricity position and fuel requirements through physical and financial forward contracts and long-term customer contracts. These contracts pertain to time horizons in which there is no possibility to hedge prices in the liquid part of the futures market, and stretch as far as 2030. Most volumes are hedged at the beginning of this time horizon, with falling volumes towards the end. The Vattenfall Risk Committee (VRC) decides how much generation is to be hedged within the mandates issued by the Board of Directors. To measure electricity price risk, we use methods such as Value at Risk (VaR) and Gross Margin at Risk along with various stress tests.

Portfolio structure

With the current portfolio structure, the dominant risk exposure is now coupled to Nordic nuclear and hydro

power baseload generation. In addition, Vattenfall's continuing operations generate a higher share of regulated revenue from distribution, heat and tendered wind power, which reduces the total risk exposure on the Continent (Germany, the Netherlands as well as the UK). Vattenfall continues to have some price exposure between electricity and used fuel/emissions on the Continent. Such an exposure has a lower risk profile than the outright power exposure in the Nordic countries. The market price risk of Vattenfall's production assets and hedges for electricity, fuel prices and emissions as well as the ancillary trading market price risks are monitored daily.

VaR levels

VaR calculation quantifies potential changes in the value of commodity positions as a result of market price movements. The inputs to the VaR calculation are positions (open volumes), current market prices and the variability of prices (volatilities and correlations), all of which are updated daily. The risk limits are designed to prevent maximum loss to exceed SEK 2.5 billion (approximately EUR 250 million), which can be compared to a VaR of EUR 21 million (2021: EUR 21 million), with a 99% confidence level and a 1-day holding period. Thus, the VaR measures the marked-to-market movement arising from a 1-day change in market prices, under normal market conditions, which should only be exceeded 1% of the time. The VaR levels for Vattenfall NV amount to EUR 3.3 million (2021: EUR 1.4 million).

Ancillary trading

In addition to commodity market risk resulting from our assets and sales activities, Vattenfall AB's Board of Directors has given the CEO a risk mandate to allow discretionary risk-taking and trading in the wholesale market. Most of our risk exposure in the ancillary trading portfolio is based on market prices (mark-to-market). In cases where market prices cannot be observed, modelled prices are used (mark-to-model). Mark-to-model positions arise mainly in asset- and sales-related portfolios, see Note 28 to the consolidated accounts, Financial instruments. Management of such valuation models is strictly regulated, and approval is required from the risk organisation before they may be used.

Volume risk

Volume risk pertains to the risk for deviations between anticipated and actual delivered volume.

Risk management activities

District heating volumes are managed by improving and developing forecasts for heat consumption. There is a correlation between electricity prices and generated electricity volume. Volume risk also arises in the sales activities as deviations in the anticipated volumes against actual volumes delivered to customers. Here, too, improved monitoring and forecasting capabilities are the most efficient risk management instruments.

Liquidity risk

Liquidity risk refers to the risk of Vattenfall not being able to finance its capital needs and arises if asset values at maturity do not match those of liabilities and other derivatives.

Risk management activities

Access to capital and flexible financing solutions are ensured through several types of debt issuance programmes and credit facilities on the level of Vattenfall AB.

Short-term financing

Vattenfall AB has a defined target for its short-term accessibility to capital. The goal is that funds corresponding to at least 10% of consolidated net sales, or the equivalent of 90 days stressed liquidity needs of the business (whichever is higher) to be available. As per 31 December 2022, available liquid assets and/or committed credit facilities amounted to 102% (2021: 104%) of consolidated net sales.

Long-term financing

Vattenfall is committed to maintaining financial stability, which is reflected in the company's long-term targets for capital structure. On 6 July 2021, Moody's affirmed Vattenfall's long-term A3 and short-term P-2 ratings, and its Baa2 rating for hybrid bonds. At the same time, the rating outlook was revised from negative to stable. On 26 November 2021, Standard & Poor's affirmed Vattenfall's long-term BBB+ rating and short-term A-2 ratings as well as its BB+ rating for hybrid bonds. The rating outlook was changed from stable

to positive. Vattenfall has a strong liquidity reserve but given our large future investments we aim to take advantage of the favourable market conditions for refinancing. Vattenfall has decided to use green financing in its funding activities. Investors should expect all future long-term financing to be made under Vattenfall's Green Bond framework.

Contractual cash flows

Vattenfall NV is financed via internal loans and credit facilities. To provide insight into the liquidity risk, the following table shows the contractual terms of the financial obligations (translated at the reporting date rate), including interest payments. The contractual cash flows of non-current assets as well as current assets combined with the internal loans and credit facilities available at Vattenfall AB cover the current need for liquidity as included in the table. The total facilities available at Vattenfall AB amount to EUR 500 million, of which none was utilised.

Interest rate risk

Interest rate risk refers to the negative impact of changed interest rates on Vattenfall's income statement and cash flow.

Risk management activities

We quantify interest rate risk in our debt portfolio in terms of duration, which describes the average term of fixed interest. The norm duration is based on Vattenfall AB's current financing need and desired interest rate sensitivity in net interest income/expense. Duration is to have a norm of five years with a permissible variation of +2/-1 year. The duration of Vattenfall AB's debt portfolio at year-end was 4.73 years (2021: 3.83 years) including Hybrid Capital.

Sensitivity analysis in relation to cash flows for variable interest assets and liabilities

Vattenfall NV is exposed to interest rate risk on its interest-bearing liabilities, see Note 22. A change of 100 basis points in the interest rates for the year ended 31 December 2022 would, assuming all other circumstances remain unchanged, have a pre-tax effect on Vattenfall NV's equity and financial income and expenses of EUR 0 million (2021: EUR 0 million) on an annual basis.

	Non-current portion maturity 1-5 years		Non-current portion maturity > 5 years		Total non-current portion		Current portion		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Interest-bearing liabilities	40	106	136	117	176	223	34	38	210	261
Derivatives	707	-767	-	-	707	-767	3,645	1,978	4,352	1,211
Trade payables and other financial liabilities	-	-	-	-	-	-	4,392	1,779	4,392	1,779
Total	747	-661	136	117	883	-544	8,071	3,795	8,954	3,251

Currency risk

Currency risk refers to the negative impact of changed exchange rates on Vattenfall's income statement and balance sheet.

Risk management activities

Vattenfall AB is exposed to currency risk through exchange rate movements attributable to future cash flows (transaction exposure). Currency exposure in borrowing is limited by using currency exchange rate swaps. We strive for an even maturity structure for derivatives. Derivative assets and derivative liabilities are reported in Note 28 to the consolidated accounts. Derivative assets and derivative liabilities. We have limited transaction exposure, since most generation, distribution and sales of electricity take place in the respective local markets. Sensitivity to currency movements is therefore relatively low. All transaction exposure that exceeds a nominal value equivalent to SEK 10 million is to be hedged immediately when it arises. The target for hedging translation exposure is to, over time, match the currency composition in the debt portfolio with the currency composition of Vattenfall AB's funds from operations (FFO).

Sensitivity analysis in relation to currency risk

Vattenfall NV's exposure to significant currency risks based on nominal values amount to EUR 1 million (2021: EUR 3 million). This exposure is reduced by derivatives concluded to hedge the currency risk for an amount of EUR 2 million (2021: EUR 6 million). The pre-tax effect that a possible increase or decrease in the value of foreign currencies relative to the euro would have, assuming all other circumstances remain unchanged, on Vattenfall NV's financial income and expenses and equity, taking into account the derivatives, amount to EUR -0.2 million (2021: EUR 0.3 million).

Credit risk

Credit risk can arise if a counterparty cannot or fails to meet its obligations and exists in all parts of Vattenfall's operations.

Risk management activities

We have a strict framework for governing and reporting credit risks to ensure that risks are monitored, measured and minimised so that the total credit exposure is kept within Vattenfall AB's risk appetite. The company's credit risk management involves the analysis of its counterparties, reporting of credit risk exposures, contract negotiations and proposals for risk mitigation measures (e.g., obtaining collateral).

Note 30 Specifications of the cash flow statement

Other investments in non-current assets

	2022	2021
Investments in intangible assets: non-current, including advance payments	-4	-15
Investments in property, plant and equipment, including advance payments	-1,202	-644
Total	-1,206	-659

Note 31 Specifications of equity

Authorised, issued and paid-up share capital

The authorised share capital of Vattenfall NV amounts to EUR 1,500,000,000 consisting of 300,000,000 shares, with a nominal value of EUR 5 per share. The total number of issued and paid-up shares amounts to 136,794,964 shares totalling a paid-up capital of EUR 683,974,820. All shares are held by Vattenfall AB.

Share premium

Share premium consists of the additional paid-up or contributed value to Vattenfall NV.

Retained earnings including result for the year

Retained earnings including result for the year include results of Vattenfall NV and its subsidiaries, associated companies and joint ventures.

Attributable to non-controlling interests

The sale of the minority share in the Hollandse Kust Zuid project to BASF in 2021 has resulted in an initial non-controlling interest of EUR 147 million and a subsequent contribution of the new partner in the project of EUR 509 million (2021: EUR 163 million).

Dividend policy

Vattenfall NV's dividend policy stipulates the following:

- The maximum dividend distribution shall be the net profit, adjusted for significant non-cash fair value movements on financial instruments;
- As a result of the dividend distribution the debt/equity ratio will not exceed 60/40;
- The dividend distribution can only be done to the extent that adequate liquidity lines are available to Vattenfall NV and a sufficiently sustainable cash position is maintained over the next 12 months as proven by the long-term cash forecast of Vattenfall NV.

Note 32 Contingent liabilities

As per 31 December 2022 contingent liabilities amounted to EUR 6,079 million (2021: EUR 4,106 million). The contingent liabilities mainly consist of capital expenditure commitments regarding property, plant and equipment. The outstanding capital expenditure commitments relate mainly to construction in progress, and other purchasing commitments. Most of these commitments are covered by guarantees provided by the Parent Company or various banks.

Sales and purchase commitments

Vattenfall NV has concluded a number of long-term purchase contracts with terms varying from 2022 to 2057. In addition, Vattenfall NV has concluded long-term sales contracts on varying terms and conditions. Vattenfall NV enters into energy commodity contracts for the sale and purchase of electricity, gas, biomass and emission allowances. The energy commodity contracts that are held for trading purposes and the energy commodity contracts that are designated as hedging instruments are recognised on the balance sheet at fair value. These contracts are not generally settled by means of physical delivery but by concluding opposite transactions in which only the net cash flows are settled.

Please refer to Note 29 Financial risks for the liquidity overview, which shows the contractual terms of all financial obligations recognised.

Legal proceedings and other contingencies

At the reporting date, Vattenfall NV (including its subsidiaries, associated companies and joint ventures) was involved in a number of legal proceedings and investigations by tax

and other authorities. Provisions have been made as far as deemed necessary in accordance with management's estimate and the accounting principles. Vattenfall NV believes that the ultimate resolution of these claims and proceedings will not, in the aggregate, have a material adverse effect on the Company's financial position, consolidated income or cash flows.

Vattenfall NV has provided several parent guarantees for its subsidiaries, joint ventures or associated companies, part of which are uncapped. On 31 December 2022, these parent guarantees amounted to EUR 1 million (2021: EUR 1 million).

Vattenfall NV has issued declarations of joint and several liability pursuant to article 403, Part 9, Book 2 of the Dutch Civil code for a number of its subsidiaries. The significant group companies for which such a declaration has been issued are included in the list of subsidiaries presented in Note 14 Shares and participations owned by Vattenfall NV and other group companies. As partners in a number of general and limited partnerships, subsidiaries of Vattenfall NV are liable for the obligations of these partnerships. The exposure under these obligations is not considered to be significant.

Vattenfall NV and the majority of its subsidiaries form a fiscal unity for both corporate income tax and VAT purposes. Consequently, every legal entity forming part of the fiscal unity is jointly and severally liable for the tax liabilities of the legal entities forming part of the fiscal unity.

Licences

Vattenfall NV has a licence for the supply of electricity, gas and heat and holds licences for constructing certain power and heat facilities.

Note 33 Number of employees and personnel costs

Number of employees at 31 December, full-time equivalents:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Netherlands	2,772	970	3,742	2,726	926	3,652
Germany	19	2	21	19	2	21
Total	2,791	972	3,763	2,745	928	3,673

Average number of employees during the year, full-time equivalents:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Netherlands	2,757	953	3,710	2,693	918	3,611
Germany	19	2	21	19	2	21
Total	2,776	955	3,731	2,712	920	3,632

Personnel costs:

	2022	2021
Salaries and other remuneration	266	243
Social security costs	45	40
Pension costs	36	35
Total	347	318

Benefits for Management and Supervisory Board members of Vattenfall NV

Amounts in EUR thousands	2022			2021		
	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs
Management Board	1,564	154	228	1,046	111	163
Supervisory Board	17	–	–	17	–	–
Total	1,581	154	228	1,063	111	163

Note 34 Related party disclosures

As of 1 July 2015, 100% of Vattenfall NV's shares are owned by Vattenfall AB. Vattenfall AB has a casting vote in the Supervisory Board and qualifies as a related party. Vattenfall NV also conducts transactions with subsidiaries of Vattenfall AB. Furthermore, Vattenfall NV and its subsidiaries have interests in various associated companies and joint ventures over which it exercises significant influence, but no control or only joint control of the operations and financial policy. Transactions with the parties classified as related parties are conducted at market conditions and prices that are not more favourable than the conditions and prices offered to independent third parties.

Disclosures of transactions with key persons in executive positions in the Company are shown in Note 33 to the Consolidated accounts, Number of employees and personnel costs.

The following transactions have taken place with related parties with regard to sales and purchases of goods and services, including leases.

Related parties transactions

	2022	2021
Sales of goods and services to Vattenfall AB and its subsidiaries	14,234	3,585
Sales of goods and services to associated companies and joint ventures	36	32
Costs charged by Vattenfall AB and its subsidiaries	-18,833	-4,725
Costs charged by associated companies and joint ventures	-3	-2

Various goods and services are bought or provided on normal commercial terms and conditions within Vattenfall AB. A cost-sharing program is in place, which entails that certain costs within the group are recharged to the users within Vattenfall AB based on actual usage. Vattenfall NV, in the ordinary course of business, trades commodities with

and via Vattenfall Energy Trading Germany (VET Germany). Since VET Germany is not an end-user, transactions with this party are treated as if VET Germany is an external party. Trade transactions with VET Germany are netted and presented as part of Cost of sales in the Consolidated income statement.

In the ordinary course of business, Vattenfall NV has outstanding payables and receivables with Vattenfall AB and its subsidiaries (refer to Note 17 and Note 25) as well as with its associated companies and joint ventures (Note 15). Vattenfall NV has also granted a limited number of loans to related parties. Where relevant, this has been disclosed in these consolidated accounts.

The members of the management board and supervisory board of Vattenfall NV have been identified as individuals who qualify as related parties. The employee benefits related to these individuals have been disclosed in Note 33.

Note 35 Events after the balance sheet date

Stichting Nuon claim-Vattenfall

On 30th March 2022, Stichting Nuon-claim ('the Foundation') started a 'class action' and summoned Vattenfall Sales NL, VET NL and Vattenfall N.V. The Foundation argues that allegedly 5,000 business customers suffered damage because they were charged a 'kilowatt-charge' (kW-charge) from 2002 onward. The Foundation stated that the kW-charge does not relate to any costs incurred or services performed by Vattenfall and that business customers have been misled. Vattenfall holds the view that the kW-charge is not misleading. The kW-charge is a component of the price for the supply of electricity. The supply price of these specific customers consists of a price related to the number of kWh delivered to the customer, a fixed fee per grid connection and a component that relates to the capacity of the grid connection expressed in Euro per kW. The supply price is not related to costs of the grid operator for the transport of energy as is being claimed. The procedure is ongoing and will take several years.

Sale Magnum Plant

In December 2022, the European Commission approved the sale of the Magnum power station to RWE. The transfer of the assets has been completed in the first quarter of 2023. The Magnum gas-fired electricity plant consists of three so-called combined cycle gas turbines, which together have a total capacity of 1,410 MW. The agreement also includes a solar park with a capacity of 5.6 MW.

Damaged wind turbine Eemmeerdiijk

In the night of January 4, the upper part of a wind turbine in the Eemmeerdiijk complex collapsed on the underlying road and meadow. The Eemmeerdiijk complex was already scheduled to be demolished in 2023. Vattenfall has decided to permanently shut down the wind turbines and to start demolition work. The investigation into the cause of the collapse of the turbine is ongoing.

Investigation on tariffs by the Authority for Consumers & Markets

On the 1st of February 2023, the Authority for Consumers & Markets (ACM) announced an investigation into the tariffs and tariff structures of the three largest Dutch energy suppliers: Vattenfall, Eneco and Essent. Vattenfall cooperated fully and on the 1st of March 2023, the ACM announced that Vattenfall's tariffs in 2022 and Q1 2023 are not considered to be unreasonable.

Right to change tariffs in Vattenfall's general terms and conditions

On the 24th of February 2023, the court of Amsterdam ruled that the right to one-sidedly change the tariffs, incorporated in the GT&Cs 2017 and used by all Dutch energy suppliers since 2017, is unfair and the provision was declared void. Several legal proceedings regarding the same terms and conditions used by other energy suppliers in the market are currently ongoing. Vattenfall is carefully considering its position.

Company accounts

Company balance sheet

Amounts in EUR million, before appropriation of result	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	2	31	42
Investments in subsidiaries	3	2,765	4,463
Deferred tax assets	5	1	2
Receivables from group companies	4	70	-
Other non-current receivables	5	98	46
Total non-current assets		2,965	4,553
Current assets			
Other receivables	6	2,294	1,252
Cash	7	9	96
Total current assets		2,303	1,348
Total assets		5,268	5,901
Equity and Liabilities			
Equity			
Share capital		684	684
Share premium		2,211	2,211
Legal reserves		467	1,810
Other reserves		- 413	- 2,176
Unappropriated result for the year		- 1,419	420
Total equity attributable to Vattenfall NV shareholder	8	1,530	2,949
Provisions	9	21	23
Non-current liabilities			
Interest-bearing liabilities	10	14	20
Total non-current liabilities		14	20
Current liabilities			
Trade payables and other liabilities		315	200
Interest bearing liabilities	10	9	14
Payables to group companies	11	3,379	2,695
Total current liabilities		3,703	2,909
Total equity and liabilities		5,268	5,901

Company income statement

Amounts in EUR million, 1 January - 31 December	Note	2022	2021
Result after taxation from subsidiaries		- 1,398	427
Other income less expenses after taxation	13	- 21	- 7
Result after taxation		- 1,419	420

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Note 1 Accounting policies

The company accounts have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code. In the company accounts, Vattenfall NV uses the option provided for in Part 9, Book 2 of the Dutch Civil Code to prepare the company accounts in accordance with the IFRS accounting policies that are used in the preparation of the consolidated accounts. The company income statement is presented in abridged form, as allowed by section 402, Part 9, Book 2 of the Dutch Civil Code. In addition to the accounting policies for the consolidated accounts, specific accounting policies for the company accounts are presented below.

Vattenfall NV applies the exemption provided for by section 382a, Part 9, book 2 of the Dutch Civil Code, that the audit

fee does not need to be disclosed. The financial figures of Vattenfall NV are consolidated in the annual report of Vattenfall. In the Vattenfall annual report the total audit fee of Vattenfall, including Vattenfall NV, is disclosed.

Investments in subsidiaries

Investments in subsidiaries are valued at net asset value, which is determined on the basis of IFRS accounting policies as used in the consolidated accounts.

Receivables from group companies

Loans and receivables from subsidiaries are stated at amortised cost, less impairment. The company makes use of the option to eliminate intercompany expected credit losses against the investments in subsidiaries.

Note 2 Property, plant and equipment

	2022			
	Land and buildings	Equipment, tools and fixtures and fittings	Construction in progress	Total
Cost				
Cost brought forward	64	243	3	310
Investments	2	4	–	6
Transfer from construction in progress	–	3	- 3	–
Divestments/disposals	- 2	- 4	–	- 6
Accumulated cost carried forward	64	246	–	310
Accumulated depreciation				
Depreciation brought forward	- 35	- 233	–	- 268
Depreciation for the year	- 9	- 8	–	- 17
Divestments/disposals	2	4	–	6
Accumulated depreciation carried forward	- 42	- 237	–	- 279
Carrying amount carried forward	22	9	–	31

	2021			
	Land and buildings	Equipment, tools and fixtures and fittings	Construction in progress	Total
Cost				
Cost brought forward	51	240	2	293
Investments	14	3	2	19
Transfer from construction in progress	–	–	- 1	- 1
Divestments/disposals	- 1	–	–	- 1
Accumulated cost carried forward	64	243	3	310
Accumulated depreciation				
Depreciation brought forward	- 27	- 224	–	- 251
Depreciation for the year	- 8	- 9	–	- 17
Accumulated depreciation carried forward	- 35	- 233	–	- 268
Carrying amount carried forward	29	10	3	42

For further disclosure, reference is made to Note 13 to the consolidated accounts, Property, plant and equipment.

Note 3 Investments in subsidiaries

	2022	2021
Balance brought forward	4,463	3,605
Result from transactions with owners in their capacity as owners	–	250
New share issues and shareholders' contributions	–	181
Dividends received	- 300	–
Share in result	- 1,398	427
Balance carried forward	2,765	4,463

In 2022 the company received a dividend of EUR 300 million from its subsidiary Vattenfall Customers & Solutions Netherlands N.V.

A list of directly and indirectly held participations in subsidiaries is included in Note 14, Shares and participations to the consolidated accounts.

Note 4 Non-current receivables from group companies

	2022	2021
Balance brought forward	–	26
Additions and loans received	70	–
Loans repaid	–	- 26
Balance carried forward	70	–

In 2022 the company issued a 3-year loan of EUR 70 million against an annual interest rate of 4.25% to group company Nuon Epe Gasspeicher GmbH as part of the financial restructuring of this entity.

The effective interest rate on the non-current receivables from group companies was 4.25% (2021: 0.0%).

Note 5 Deferred tax assets and other non-current receivables

	2022		
	Deferred tax assets	Other non-current receivables	Total
Balance brought forward	2	46	48
Loans granted	–	70	70
Loans and interest repaid	–	- 18	-18
Temporary differences charged to profit or loss	- 1	–	- 1
Balance carried forward	1	98	99

2021

	Deferred tax assets	Other non-current receivables	Total
Balance brought forward	3	38	41
Loans granted	–	1	1
Loans and interest repaid	–	7	7
Temporary differences charged to profit or loss	-1	–	-1
Balance carried forward	2	46	48

Other non-current receivables consist of loans and receivables (including incremental costs) with related parties.

Note 6 Other receivables

	2022	2021
Other receivables, external	149	11
Receivables from group companies	2,145	1,241
Total other receivables	2,294	1,252

Other receivables, external, increased mainly due to higher recoverable income taxes (2022: + EUR 128 million).

Receivables from group companies include the transfer of financial resources and ongoing clearing of transactions settled with or on behalf of these group companies.

Interest-bearing amounts receivable from the Company's subsidiaries are charged with an interest rate based on the Euro short-term rate (€STR) + 0.085% (with a floor of 0.45%).

Interest-bearing amounts receivable from other Vattenfall AB group companies are charged with an interest rate based on €STR - 0.1% (with a floor of 0.0%).

Note 7 Cash

There is no restricted cash at the end of 2022 and 2021.

Note 8 Total equity attributable to Vattenfall NV shareholder

The Consolidated statement of changes in equity and disclosures to that statement are included in the Consolidated accounts. Reference is made to Note 31 to the consolidated accounts, Specifications of equity.

In addition to the Consolidated statement of changes in equity, a non-distributable legal reserve, in the form of a revaluation

reserve, is recognised for unrealised fair value gains on financial instruments that are recognised in income, and for which no frequent market quotations are available (Level 2 and Level 3 financial instruments). With regard to Vattenfall NV, this relates to energy commodity contracts for gas, electricity, biomass and emission allowances that are not traded through recognised exchanges (e.g. Amsterdam Power Exchange, Endex), known as over-the-counter or OTC contracts. A legal reserve of EUR 417 million in total is held for the unrealised fair value movements of these contracts (2021: EUR 1.766 million).

In addition, a legal reserve participations of EUR 50 million (2021: EUR 44 million) is recognised. The legal reserve participations includes the increases in net asset value of joint ventures and associates since their first inclusion, less any amount that can be distributed without legal restrictions.

Changes in the other reserves occurred following a reclassification from the legal reserve (EUR 1,343 million) and the addition of last year's result (EUR 420 million).

The legal reserve is not freely distributable.

Note 9 Provisions

	2022	2021
Balance brought forward	23	29
Reversed provisions	- 5	- 7
Provisions for the period	9	8
Interest effects	- 1	—
Provisions used	- 5	- 7
Balance carried forward	21	23
Current portion	7	7
Non-current portion	14	16

Note 10 Interest-bearing liabilities

The maturity of interest-bearing liabilities can be specified as follows:

	Short-term part		Long-term part	
	2022	2021	2022	2021
Leasing liabilities	9	10	14	20
Total	9	10	14	20

Note 11 Payables to group companies

Payables to group companies include the transfer of financial resources and ongoing clearing of transactions settled with or on behalf of these group companies.

Interest-bearing amounts due to the Company's subsidiaries are charged with an interest rate based on €STR - 0.1% (with a floor of 0.0%).

Interest-bearing amounts due to other Vattenfall AB group companies are charged with an interest rate based on €STR + 0.085% (with a floor of 0.45%).

Note 12 Contingent liabilities

Reference is made to Note 32 to the consolidated accounts, Contingent liabilities.

Note 13 Other income less expenses after taxation

Other income less expenses after taxation was EUR 21 million negative (2021: EUR 7 million negative) and consists mainly of income and expenses of company-wide activities at holding company level.

Note 14 Number of employees

The average number of employees in 2022 was 449 FTE based on a 38-hour working week (2021: 426 FTE).

The employee benefits related to the members of the Management Board have been disclosed in Note 33 to the consolidated accounts, Number of employees and personnel costs.

Note 15 Events after the balance sheet date

For subsequent events, see Note 35 to the consolidated accounts, Events after the balance sheet date.

Note 16 Proposed result appropriation

In accordance with the Articles of Association and the dividend policy, the Management Board, after consulting the Supervisory Board, proposes to distribute EUR 0 million to the shareholder and to subtract EUR -1.419 million from other reserves.

	2022
Dividend	
Dividend Vattenfall AB	—
Total dividend to be distributed	—
Result after taxation	-1.419
Dividend proposal: Dividend to be distributed	—
Amount to be subtracted from other reserves	-1.419

Amsterdam, 17 May 2023

Supervisory Board
Anna Borg
Anne Gynnerstedt
Jan Haars

Management Board
Martijn Hagens
Alexander van Ofwegen
Cindy Kroon

Other Information

Independent auditor's report

To: the general meeting and the supervisory board of Vattenfall N.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- the consolidated financial statements of Vattenfall N.V. together with its subsidiaries ('the group') give a true and fair view of the financial position of the group as at 31 December 2022 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Vattenfall N.V. ('the company') give a true and fair view of the financial position of the Company as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Vattenfall N.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2022;
- the following statements for 2022: the consolidated statements of comprehensive income, cash flows and changes in equity; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law,

including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Vattenfall N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the internal control system. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to section 'Main risks and mitigation' of the management board report, which includes the management board's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures, incident registration, and the internal semi-annual integrity, fraud and other incidents reporting addressed to the management board and supervisory board, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked the members of the management board, the members of the supervisory board, the head of the internal audit department, the general counsel, and the finance managers of the business areas whether they are aware of any actual or suspected fraud. This did not result in indications of a suspicion of fraud that may lead to a material misstatement in the financial statements due to fraud. We had multiple discussions with management about an incident reporting. We refer to the identified fraud risk 3 in the table below.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks

Our audit work and observations

1. The risk of management override of controls

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the presumed risk of management override of controls in:

- the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.
- significant transactions, if any, outside the normal course of business for the entity.
- estimates.

We evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries and other adjustments and making estimates. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties.

We performed our audit procedures primarily substantive based.

We selected journal entries based on risk criteria, including unexpected users and unusual account combinations in revenue and expenses, and conducted specific audit procedures for these entries. These procedures include, among others, inspection of the entries to source documentation. We also paid particular attention to consolidation and elimination entries, focusing on testing entries that affect revenue and results in the relevant fiscal year.

We performed substantive audit procedures on and evaluated the business rationale of significant transactions, which are outside the normal course of business of Vattenfall NV, such as the acquisition of Warmtebedrijf Holding B.V. We performed, among others, audit procedures on the purchase price allocation, including the provision for onerous purchase contracts.

We also performed specific audit procedures related to important estimates made by the management board, including:

- the valuation of the provision for onerous sales contracts,
- the valuation of the derivatives and derivatives-related positions and transactions,
- the completeness, accuracy, and valuation of the unbilled revenue,
- the valuation of the allowance for expected credit loss on accounts receivable,
- the valuation of non-current assets,
- the valuation as asset-held-for-sale in accordance with IFRS5 of the Magnum power plant.

We specifically paid attention to the inherent risk of bias of management in judgemental areas and estimates.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

2a. The risk of fraudulent financial reporting due to overstating the revenue – sales of electricity, gas, and heat to end-users (consumers and businesses)

As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue could potentially result in a material misstatement due to fraud.

Management has been given specific targets for growth in revenue. This could lead to pressure on management to overstate revenue by recognizing fictitious revenue. This risk is related to the assertion existence/occurrence.

We evaluated the design and implementation of the internal control system and assessed the effectiveness of relevant controls in the processes related to revenue reporting.

We performed our audit procedures in a mix of controls and substantive procedures.

We tested the effectiveness of automated and IT dependent manual controls regarding:

- accuracy of sales prices in the financial administration,
- accuracy and completeness of the registration of meter readings, and
- information on EAN codes (which are unique codes per connection/customer) to ensure that all applicable EAN codes are included in the billing system.

We performed substantive analytics on prices and volumes, using among others external market data, data obtained from the Vattenfall trading department in Germany, such as actual prices and volumes, forecasts, and budgets.

We tested, on a sample basis, the accuracy of sales prices in the billing system based on prices, which are authorised by the Vattenfall Pricing Board.

We performed data analyses to identify potential notable revenue entries in the fiscal year and performed specific substantive audit procedures on these entries.

Finally, we performed look-back procedures on the revenue in December 2022, since this month's revenue is largely based on estimated volumes. We compared these estimated volumes with the actual volumes, which became available in January 2023, to mitigate the existence/occurrence risk.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence/occurrence of the revenue reporting.

2b. The risk of fraudulent financial reporting due to overstating the revenue - sales of wind-generated power to businesses

As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue could potentially result in a material misstatement due to fraud.

Management has been given specific targets for growth in revenue. This could lead to pressure on management to overstate revenue by recognizing fictitious revenue. This risk is related to the assertion existence/occurrence.

We evaluated the design and implementation of the internal control system and assessed the effectiveness of relevant controls in the processes related to revenue reporting.

We performed our audit procedures in a mix of controls and substantive procedures.

We tested the effectiveness of IT dependent manual controls regarding the accuracy of sales prices in the financial administration,

We tested, on a sample basis, the sales prices based on external trading platforms for power. In addition, we tested, on a sample basis, the reconciliation of the quantity component of revenue with metering data from an external certified metering company. We performed substantive analytics on these prices and volumes.

We performed data analyses to identify potential notable revenue entries in the fiscal year and performed specific substantive audit procedures on these entries.

Finally, we performed look-back procedures on the revenue in December 2022, since this month's revenue is largely based on estimated volumes. We compared these estimated volumes with the actual volumes, which became available in January 2023 to mitigate the existence/occurrence risk.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence/occurrence of the revenue reporting.

3. Fraud risks with respect to procurement rules and tendering of contracts with suppliers

We identified the following fraud risks for our audit:

- The risk of vendor favouritism (related to the assertions accuracy, existence/occurrence, and rights & obligations).
- The risk of non-compliance with EU tender law (pervasive risk).
- The risk of conflicts of interest.

In the past an incident reporting was received, indicating, among others, that Vattenfall N.V. did not comply with European tender law. Therefore, the company's supervisory board engaged a forensic expert in 2022, who performed a forensic investigation. The forensic expert issued an intermediate report with respect to the first phases of the investigation on 31 August 2022 and a final report with respect to the full investigation on 14 March 2023.

The company's management board also engaged a specialised law firm, which performed a legal investigation if EU tender law was applicable to the tenders of a large investment project. The law firm issued a final report on 31 August 2022.

We evaluated the design and implementation of controls in the processes related to procurement rules and the tendering of contracts with suppliers.

We performed our audit procedures primarily substantively with the support of a PwC forensic specialist. We had several meetings with the supervisory board, the management board, the general counsel, and the head of internal audit.

We had meetings with the management's forensic expert. We evaluated the competence, capabilities, and objectivity of the management's forensic expert. We obtained an understanding of the work of the management's forensic expert, among others by reviewing the engagement letter of the management's forensic expert and assessing the scope of the agreed work, by reviewing the forensic reports and in discussions with the management's forensic expert.

We evaluated the appropriateness of the work performed by the management's forensic expert as audit evidence, which consisted among others of:

- determining relevant facts and circumstances.
- interviewing relevant persons.
- reviewing tender processes done by Vattenfall N.V. and/or its subsidiaries, exceeding €5 million contract value, for the period 2013 until and including 2022.
- performing an in-depth review of the contracts awarded to a specific supplier.
- performing background checks of relevant persons.

We reviewed the final report of the management's forensic expert and his conclusions. We evaluated the source data of significance to the management's forensic expert's work for relevance, completeness, and accuracy. We gained an understanding and evaluated assumptions and methods that are significant to the management's forensic expert's work for their relevance and reasonableness. We evaluated relevance and reasonableness of the management's forensic expert's findings and conclusions, and their consistency with other audit evidence. We concluded that the management's forensic expert's report can be used as audit evidence for our audit of the financial statements.

We evaluated the competence, capabilities, and objectivity of the specialised law firm, which was engaged by management. We obtained an understanding of the work of the law firm, among others by reviewing the engagement letter of the law firm and assessing the scope of the agreed work and by reviewing the legal report.

We evaluated the appropriateness of the work performed by the law firm as audit evidence, which consisted among others of considering the applicability of EU and local procurement laws and regulations with respect to the tenders.

We reviewed the final report of the law firm and its conclusions. We evaluated the source data of significance to the law firm's work for relevance, completeness, and accuracy. We gained an understanding and evaluated assumptions and methods that are significant to the law firm's work for their relevance and reasonableness. We evaluated relevance and reasonableness of the law firm's findings and conclusions, and their consistency with other audit evidence. We concluded that the law firm's report can be used as audit evidence for our audit of the financial statements.

Additionally, we performed substantive audit procedures for vendor favouritism, non-compliance with EU tender law and conflicts of interest.

We tested the risk of vendor favouritism by taking a sample from the projects, which were EU tendered in 2022. We inquired the procurement managers of these selected projects and reviewed the relevant tender and procurement documentation. We tested the individual evaluation and scoring of the submitted bids by the members of the project team in accordance with the tender and procurement documentation. We tested the procedure to combine the individual scoring into a group scoring. We tested the procedure of awarding the tender to the bidder with the highest group scoring.

We tested the risk of non-compliance with EU tender law by taking a sample from the expenditures in 2022, which were related to the projects, which were not EU tendered. We challenged the assessment made by the procurement managers of these selected projects for not applying the EU tender law and we reviewed the relevant procurement documentation. We tested if the thresholds for application of EU tender law were not exceeded for these selected projects. We also tested if the selected projects are part of a large project, which is intentionally disaggregated into smaller projects to remain below the thresholds for application of EU tender law.

We tested the risk of conflicts of interest by identifying four persons, who were involved in the tender process of a large investment project, and who are also involved in the preparation of the current year's financial statements. In addition, we performed background checks on public sources to identify any relationships or connections with (potential) suppliers of Vattenfall N.V. and tested expense reimbursements.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to non-compliance with EU tender law, vendor favouritism and/or conflict of interest.

We incorporated an element of unpredictability in our audit. We also reviewed lawyer's letters and correspondence with regulators. During the audit we remained alert to indications of fraud. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

As disclosed in section 'Going concern' on page 32 of the financial statements, the management board performed its assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate the management board's going concern assessment included, among others:

- Considering whether the management board's going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the management board regarding the management board's most important assumptions underlying its going concern assessment.
- Evaluating the management board's current budget, including expected future cash flows in comparison with last year, and taking into account market developments, developments in the macro-economic environment, future pricing curves for power and gas, climate-related developments, investment projects and the relevant information of which we are aware as a result of our audit, including, among others, the cash flow projection of the five-year business plan obtained as part of the non-current assets impairment testing.
- Analysing the financial position per balance sheet date, considering the existing credit facilities provided by the parent company Vattenfall AB and the current request to Vattenfall AB for additional loans and/or capital injections, in relation to the financial position per prior year's balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk, and liquidity management as disclosed in note 28 of the consolidated financial statements.
- Performing inquiries of the management board as to its knowledge of going concern risks beyond the period of the management board's assessment.

We concluded that the management board's use of the going concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 17 May 2023

PricewaterhouseCoopers Accountants N.V.

Original has been signed by:
K. Hofstede RA

Appendix to our auditor's report on the financial statements 2022 of Vattenfall N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Declaration of Compliance with the Code of Conduct for Suppliers and Metering companies operating under their responsibility

(hereafter: Code of Conduct for energy suppliers and metering companies)

regarding data available through small-scale consumption metering devices which are read remotely.

Name legal entity: Vattenfall Sales Nederland N.V.
Statutory place of business: Amsterdam
Period: 1 January 2022 – 31 December 2022

Vattenfall Sales Nederland N.V. in Amsterdam uses data obtained from small-scale consumption metering devices which are read remotely with the purpose to provide a good performance of its services. In addition to the General Data Protection Legislation ("GDPR"), suppliers and metering companies operating under their responsibility in the Dutch energy sector, set up a Code of Conduct on the use, the capturing, the sharing and the storing of data obtained from small scale consumption measuring devices which are read remotely.

We hereby confirm that Vattenfall Sales Nederland N.V. in Amsterdam has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2022.

Name legal entity: Powerpeers B.V.
Statutory place of business: Amsterdam
Period: 1 January 2022 – 31 December 2022

Powerpeers B.V. in Amsterdam uses data obtained from small-scale consumption metering devices which are read remotely with the purpose to provide a good performance of its services. In addition to the General Data Protection Legislation ("GDPR"), suppliers and metering companies operating under their responsibility in the Dutch energy sector, set up a Code of Conduct on the use, the capturing, the sharing and the storing of data obtained from small scale consumption measuring devices which are read remotely.

We hereby confirm that Powerpeers B.V. in Amsterdam has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2022.

Name legal entity: DELTA Energie B.V.
Statutory place of business: Middelburg
Period: 1 January 2022 – 31 December 2022

DELTA Energie B.V. in Middelburg uses data obtained from small-scale consumption metering devices which are read remotely with the purpose to provide a good performance of its services. In addition to the General Data Protection Legislation ("GDPR"), suppliers and metering companies operating under their responsibility in the Dutch energy sector, set up a Code of Conduct on the use, the capturing, the sharing and the storing of data obtained from small scale consumption measuring devices which are read remotely.

We hereby confirm that DELTA Energie B.V. in Middelburg has fully complied with the rules and obligations as set out in the Code of Conduct for energy suppliers and metering companies during 2022.

Amsterdam, 17 May 2023

Signed by
Martijn Hagens

Annual Statement 2022 in the framework of the Heat Act

Introduction

Heat supply company Vattenfall Warmte N.V. (VF Warmte) is part of the energy production and supply company Vattenfall NV.

Shareholders as at 31 December 2022

The shares of VF Warmte are fully owned by Vattenfall Energy Sourcing Netherlands N.V., a 100% subsidiary of Vattenfall NV. From 1 July 2015 the Swedish state-owned Vattenfall AB owns 100% of the shares of Vattenfall NV.

Supply areas

VF Warmte manages and operates large-scale heat networks in the provinces Gelderland, Flevoland, Noord-Holland and Zuid-Holland.

License

Based on the Heat Act, heat suppliers are required to register heating networks with the Authority Consumer & Market (ACM) and apply for a permit for the supply of heat at the ACM. On 8 March 2016 the permit has been granted by the ACM.

Tasks

The tasks of VF Warmte, which are based on the Warmtewet 2014 (Heat Act) and underlying ministerial regulations and decisions, have a regulated character and include: The distribution and delivery of heat to consumers with a connected load of up to 100kW at a legally established maximum price; ensuring the safety and reliability of the networks and connections. In 2020, the Warmtewet 2014 is updated. As result, collective heat contracts that connect multiple houses with one heat connection with a combined capacity above 100 kW are now also in scope of the Heat Act.

Income statement heat-supply

Amounts in EUR million, 1 January - 31 December	2022	2021
Heating revenue	191.2	147.6
Power revenue	0.5	1.9
Amortization construction contributions	9.0	8.5
Other net sales	47.2	39.7
Net sales	247.9	197.7
Heating cost of purchases	-104.1	-57.5
Other cost of purchases	-34.0	-28.8
Other external expenses	-49.9	-43.4
Personnel expenses	-34.5	-29.9
Other operating incomes and expenses, net	-1.0	-1.2
Operating profit before depreciation, amortization and impairment losses (EBITDA)	24.4	36.9
Depreciation	-31.8	-30.2
Operating profit (EBIT)	-7.4	6.7

Annual statement

This annual statement has been prepared based on the Heat act and the underlying ministerial regulations and decisions, which require to prepare separate financial information for each heat supply company as per 1 January 2014. Furthermore, these regulations require heat supply companies to publish an annual statement of their financial information. With this annual statement VF Warmte endorses this obligation.

The accounting policies and principles used in the annual statement are in accordance with the 2022 financial statements of Vattenfall NV and only includes the financial information of the operation of VF Warmte to which the regulation of the Heat Act applies, as VF Warmte also supplies non-regulated heat (supply of heat to consumers with a connected load capacity above 100kW). VF Warmte uses several allocation keys to allocate the total costs of VF Warmte to the regulated and non-regulated supply of heat. Variable purchase costs are allocated to the regulated and non-regulated activities based on the relative number of GJ sold to both customer groups. Fixed purchase costs and other costs are allocated based on the relative number of connections or the relative capacity of the connections.

The financial position and performance of VF Warmte have been included in the consolidated financial statements of Vattenfall NV. PwC has issued an audit opinion on the consolidated financial statements of Vattenfall NV (see page 65). Based on Article 2 403 BW VF Warmte is exempted from publishing independent financial statements. In relation to this, a liability statement as referred to in Article 2: 403 BW, is filed at the Dutch Chamber of Commerce.

Financial information for 2022

The tables below represent the financial information for 2021, as far as it concerns the regulated supply of heat (heat to consumers with a connected load of up to 100kW).

Balance sheet information heat-supply

Amounts in EUR million	31-dec-22	31-dec-21
Property, plant and equipment	509.4	505.1
Construction contributions	-209.6	-199.8

Explanation to the income statement

Amounts in EUR million, 1 January - 31 December	2022	2021
Breakdown of heating revenue	191.2	147.6
a1. Heat consumption	124.7	89.3
a2. Hot water consumption	10.5	6.2
b1. Fixed fee heat supply and metering services	44.9	41.7
b2. Delivery kit	11.1	10.4
Breakdown of cost of purchases	-104.1	-57.5
Variable heat purchase costs	-81.0	-31.9
Fixed heat purchase costs	-21.1	-23.9
Cold water purchase costs	-0.8	-0.7
Electricity purchase costs	-1.2	-1.0
Supplies		
Amount of heating supplied in GJs	3,951,527	4,236,296
Number of connections (<100 kW)	134,716	128,111
Amount of hot water supplied in m ³	946,347	1,081,344
Purchase		
Purchased heat in GJ	6,080,078	6,136,090
Purchased cold water in m ³	946,347	1,081,344
Purchase contracts according to Heat Act article 8	16	16
Vattenfall Power Generation B.V.	Production and transport of heat	Production and transport of heat
Vattenfall Warmte N.V. department Generation Operations	Production of Heat	Production of heat
Vattenfall Duurzame Energie N.V.	Production of heat	Production of heat
AVR Afvalverwerking B.V.	Production of heat	Production of heat
Eneco Warmte en Koude Leveringsbedrijf B.V.	Production and transport of heat	Production and transport of heat
Veolia Industriediensten B.V.	Production of heat	Production of heat
ARN B.V.	Production of heat	Production of heat
Indigo B.V.	Transport of heat	Transport of heat
Bio-Energie de Vallei B.V.	Production of heat	Production of heat
Bio-Warmte de Vallei B.V.	Transport of heat	Transport of heat
Primco BMC Lelystad B.V.	Production of heat	Production of heat
Warmtebedrijf Infra N.V. (Rotterdam - Hoogvliet)	Production and transport of heat	Production and transport of heat
Uniper Benelux N.V.	Production of heat	Production of heat
Warmtebedrijf Exploitatie N.V. (Leiden)	Production of heat	Production of heat
Warmtebedrijf Infra N.V. (Leiden)	Transport of heat	Transport of heat
Bio-Energie Almere B.V.	Production and transport of heat	Production of heat
Stichting VU (also known as VU Amsterdam)		Production of heat

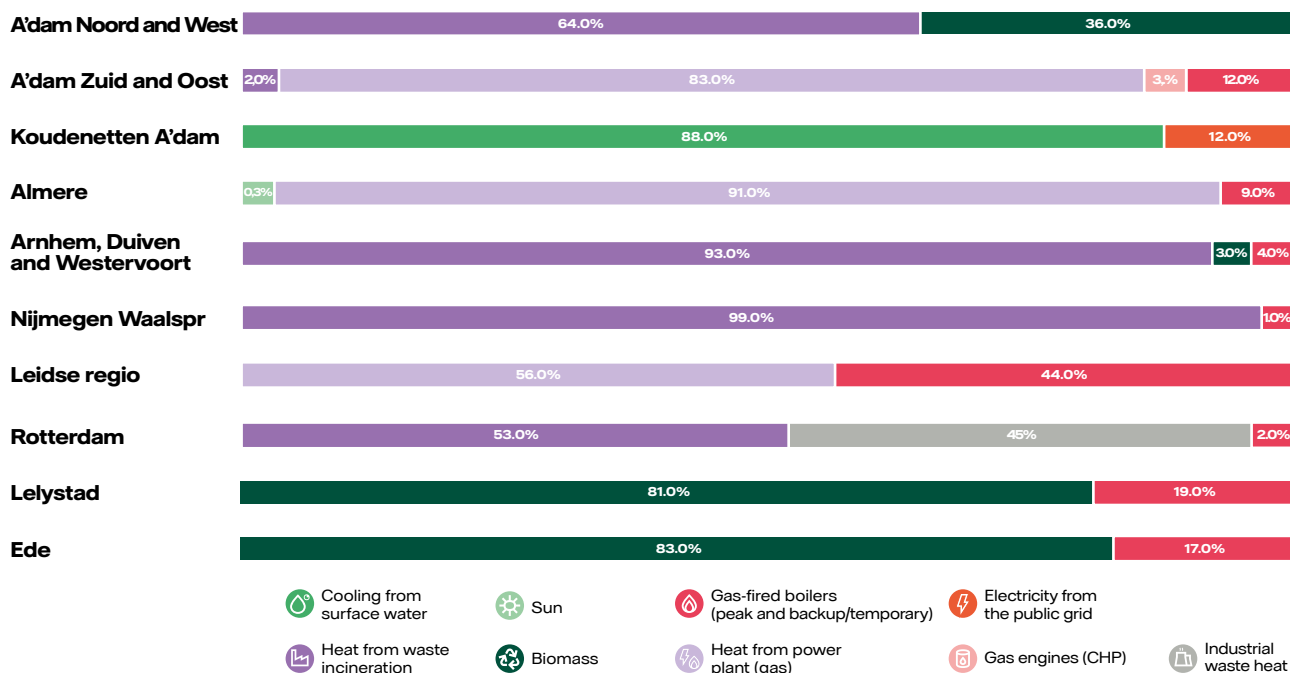
VF Warmte conducts transactions with subsidiaries of Vattenfall NV for the purchase of heat. Transactions with the parties classified as related parties are conducted at market conditions and prices that are not more favorable than the conditions and prices offered by independent external third parties. The transaction price for the purchase of heat from related parties is determined semi-annually in advance, based on forecasted commodity prices and related plant utilization. The list with purchase contracts includes the significant subsidiaries VF Warmte has transactions with. In

addition VF Warmte receives internal charges for services delivered by related parties within the Vattenfall group.

VF Warmte performs construction activities and exploitation services for third parties. Revenues and costs related to these activities are part of the presented income statement as 'Other net sales' and 'Other cost of purchases'. The margin resulting from the work for third parties is part of the regulatory activities and contributes to the coverage of overhead expenses.

District heating label 2022

Energy sources by area



Environmental impact per area

	A'dam Noord and West	A'dam Zuid and Oost	Koudenetten A'dam	Almere	Arnhem, Duiven and Westervoort	Nijmegen Waalspr	Leidse regio	Rotterdam	Lelystad	Ede
Renewable share ¹	76,0%	3,0%	88,0%	0,6%	82,0%	69,0%	-	23,0%	76,0%	79,0%
Share of residual heat ¹	10,0%	18,0%	-	41,0%	-	14,0%	21,0%	62,0%	-	-
CO ₂ reduction compared to HR gas boiler / compression cooling	80,0%	56,0%	65,0%	60,0%	79,0%	76,0%	29,0%	78,0%	64,0%	71,0%
CO ₂ emissions kg / GJ delivery	12,1	26,3	9,7	23,5	12,6	14,0	42,8	13,3	21,2	16,8
Residual heat	21,0%	21,0%	-	31,0%	24,0%	31,0%	21,0%	34,0%	40,0%	33,0%
Primary energy factor (HHV) per GJ delivery	0,16	0,51	0,17	0,46	0,18	0,18	0,84	0,21	0,41	0,33

¹ Calculation method in accordance with "Sustainability of heat and cold supply - Proposal for content of the reporting obligation under the Heat Act"