

Vattenfall NV Annual Report 2023



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 21,000 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 3,900 employees (FTEs) and more than 1.9 million customers in the Netherlands. With net sales reaching almost EUR 7.5 billion in 2023, 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. The paragraphs where the operating segments are described start with an introduction of Vattenfall AB and continues with describing the specific situation for Vattenfall NV.

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 2023 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

The energy supply of tomorrow needs not only to be environmentally friendly but also reliable and affordable. This means we need to think beyond our boundaries. To address this challenge we need to intensify our collaboration with stakeholders throughout the value chain. To become net zero 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.

Vattenfall NV developed a CO₂ roadmap that describes how Vattenfall NV, intends to become net zero by 2040 in the Netherlands.

Staying the course in a turbulent time

In 2023, the world was uncertain in many ways. It was sadly a year of continued geopolitical tensions due to the ongoing war in Ukraine and the escalation of conflict in the Middle East. The geopolitical conflicts affected global trade and inflation and interest rates went up. Economic growth slowed down and with that the situation on the energy markets relaxed in 2023. Europe's and also Dutch security of supply was ensured in the winter months. And in the midst of this we are at the epicenter of an energy transition that has left the starting blocks and is picking up speed.

Partnering key to long-term success

A fossil-free energy system needs a rapid massive build out in order to meet the climate targets – and that creates many opportunities. However, there is still uncertainty on how the energy transition will be executed. While the goal to decarbonise society is clear, there is still uncertainty about how different technologies will develop and regulatory frameworks and subsidies are in many cases still not finalised. The recent market development has sharpened the focus on energy policy, which has created even more momentum for the transition but also a greater push for state intervention in the energy markets. To some extent, this has created additional uncertainty. In this environment, financial strength and stability, flexibility, and diversification have become more important than ever. In light of this, resource sharing and collaboration have come in focus and partnerships have proliferated across the value chain. Collaborations and partnerships are essential to expand renewable electricity, support customer decarbonization, develop and enable new technologies and secure a sustainable supply chain.

Guiding customers through turbulent times

Customer service continued to be a primary focus area in 2023. We continue to offer general information, concrete advice and hands-on assistance to customers. After assessing the impact of the high energy prices on vulnerable households, Vattenfall together with partners, launched an emergency fund in 2022 to support these households. In collaboration with the founding partners and NGOs Schuldenlab and Geldfit, we advocated for establishing a comprehensive nationwide emergency fund.

In February 2023, the National emergency fund was officially launched, endowed with a total funding of over EUR 59 million, with equal contributions from energy suppliers and the Ministry of Social Affairs. We directed our customers with payment difficulties towards the emergency fund, to bridge the financial gap between what a customer was obligated to pay and what they could afford. The calculations were conducted by an independent foundation which examined the income and energy expenditures. In the course of 2023, our collection efforts and that of our peers, enabled us together with our peers to support over 45,000 Dutch households in the settlement of their energy bills. In addition we founded 'Vattenfall Verlicht' to provide help to customers with payment problems. A collaboration with financial counselors and administrators in which we help customers gain financial insight and save energy. We want to ensure that energy bills are and remain affordable.

Important events in 2023

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 EUR 430 million proceeds of this transaction will give Vattenfall more resources to invest in the energy transition, such as offshore wind and district heating and cooling.

Opening wind farm Klaverspoor

In April we opened the wind farm Klaverspoor. Wind farm Klaverspoor consists of six turbines with a combined capacity of more than 34 MW. The expected power production corresponds to the average annual consumption of approximately 30,000 Dutch households. The province, municipalities and Vattenfall have involved the surrounding area from the start in the design and implementation of the wind farm, and residents participate through a neighbour arrangement and agreements in

25 percent local ownership of joint venture Klaverspoor V.O.F. With the Klaverspoor wind farm we contribute to North-Brabant's ambition to use 100 percent sustainable energy by 2050. To achieve this, the province, together with 4 municipalities, has taken the initiative to realise wind energy along the A16. Wind farm Klaverspoor is the first wind farm to be opened within this project called 'Energie A16'. A total of 28 wind turbines will be located along the A16.

Expanding the E-mobility charging stations

The electrification of transport is another main area where we will support our customers. 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 rollout of 1,300 charging stations per year in 67 municipalities in the provinces Gelderland and Overijssel until 2025. In total a minimum of 4,000 charging stations will be realised. Each charging station has two charging points. In September we placed our 8,000th public charging point in North-Brabant and Limburg. Together with the 6,000 charging points which were already operational we now have a total of 14,000 public charging points 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 farm Hollandse Kust Zuid

In September King Willem-Alexander officially inaugurated the Hollandse Kust Zuid wind farm and celebrated the completion of one of the largest offshore wind farms together with directors from Vattenfall, BASF and Allianz. Hollandse Kust Zuid is located in the North Sea, about 18 to 36 kilometers off the Dutch coast between Scheveningen and Zandvoort. The 139 turbines have a total capacity of 1.5 GW. The expected power production corresponds to the average annual consumption of approximately 1.5 million Dutch households. The wind farm is expected to be fully operational in 2024 and will be maintained from the port of IJmuiden.

Big clean Up

Employees of Vattenfall NV came with the idea of collecting two hundred kilos of waste in one year with three activities. The Big Clean-Up started last April with six boats, staffed by Vattenfall NV, through the Amsterdam canals. The second activity was in June where we collected a huge mountain of waste on the beach of IJmuiden. In October a small group of colleagues found a striking amount of waste around the square near our office in Amsterdam. In total more than 200 kilo waste was collected so the Big clean Up was successful.

Installation of 50,000 'Warmtelink'

Smart meters for the heat consumer segment need to be installed before 2027 in the Netherlands. Vattenfall NV has developed this fairly complex product in-house and introduced it into the market. In October we installed the 50,000 'Warmtelink'. This box makes the heat meter smart. The smart meter for heat, just like those for electricity and gas, is intended to help customers gain more control over their energy consumption. The smartening operation and all processes and customer contacts arising from it are carried out by employees from multiple departments from Vattenfall NV itself and from partners. The technicians who visit customers to install the Warmtelink must have knowledge of electrical and heating technology. We often train and help technicians ourselves and we support our contractors and partners with trainings. One of those partners is the Rotterdamse Beroepentuin, which trains people who are at a distance from the labor market to become smart heat meter technicians. They have now become our colleagues.

First power from IJsselmeer turbines Windplan Blauw

In November the first power was delivered from the first five turbines of wind farm Windplan Blauw in the IJsselmeer. Vattenfall NV is co-owner (58,33% ownership) together with SwifterwinT BV. A total of 24 turbines will be built in the IJsselmeer, in 2 rows. 14 turbines will be owned by Vattenfall NV. They will replace the 28 turbines of the Irene Vorrink wind farm that stood along the dike for years. The new turbines are much more powerful than the old ones. The amount of electricity that was produced with the 28 wind turbines of the Irene Vorrink wind farm is expected to be possible with 3 of the 24 new turbines. They have a combined capacity of 132 MW and the amount of electricity they produce corresponds to the consumption of more than 130,000 households. The wind farm Windplan Blauw consists of 61 turbines, spread over land (37) and water (24). The part on land is operational. The entire wind farm will be completed in 2024.

Expansion of auxiliary heating plant

In December we installed two extra heat boilers in the Pieter Wiersma auxiliary heating plant. Vattenfall NV supplies heat to more than 8,000 households and 18 major consumers in Nijmegen. In 2023, 94% of the heat came from ARN's waste-to-energy plant in Weurt. The rest of the heat comes from the Pieter Wiersma auxiliary heating plant in Lent. Since the expansion, the capacity of this auxiliary heating plant has amounted to a maximum of 74.5MWth gas input, which was 42MWth. The extra capacity of the auxiliary heating plant makes new connections to the Nijmegen heating network possible.

Temporary heating plant built in eleven weeks

On September 21, waste processor AVR (Rijnmond Waste Processing) experienced a fire in one of its incinerators, resulting in all AVR units being lost for both waste incineration and heat production. AVR is the main source for the heat supply in the Rotterdam area. Immediately after the incident a crisis team was set up to review the impact on the heat supply for the Rotterdam area. In the first phase the heat to our customers in Rotterdam Zuid and Hoogvliet was supplied by purchasing heat from Uniper and by installing temporarily small heating boilers in the grid. Vattenfall NV took additional mitigating measures, because Vattenfall NV, with winter approaching, quickly needed a new, stable heat source. In December, eleven weeks after the fire at AVR, a temporary heating plant of 50MWth in the harbour area was commissioned and connected to the grid. With this exceptional achievement by Vattenfall NV and in good cooperation with our partners (Gemeente Rotterdam, Havenbedrijf Rotterdam, Gasunie, Tennet, Stedin and the supplier of boilers ECO) heat delivery for the heating season of 2023/2024 was safeguarded. AVR is expected to restart its waste incinerator operations and heat delivery in October 2024.

Vattenfall Foundation NL

The social impact of employees spending hours on voluntary basis has grown further to 6,717 hours in 2023. More than half of the employees in the Netherlands participated in one of the activities at least once. The decision has also been taken by Vattenfall NV to introduce a formal leave scheme with effect from 2024, allowing all employees to use 4 hours of leave for an activity via the Foundation. In 2024 we expect further growth in the number of active contributions and therewith the social impact of the Foundation.

Markets and regulations

Both at European and national energy markets, emergency measures were taken to reduce the impact of the energy crisis. In parallel during 2023 the (price) situation on the energy market stabilised. Besides this also a fundamental discussion on market design started on European level resulting in a proposal for a targeted reform of the electricity market design by the European Commission in March 2023.

General elections

In July 2023 the Dutch Cabinet (Rutte-IV) resigned and general elections were held in November 2023. Based on the outcome of these elections the procedure towards a new government is ongoing. During this period, Cabinet Rutte IV is still responsible to deal with the current affairs.

Consumer protection regulation

Consumers are entitled to clear, complete and concrete information about the sustainability aspects of products and services. In 2023 significant regulatory steps are taken, both on European as well as on national level. On European level, the regulator focussed on the Green Claims Directive and the Unfair Commercial Practices Directive. In general, these directives define the labels to substantiate and communicate which products qualify as 'green'. On national level, the Netherlands Authority for Consumers and Markets (ACM) has published its 'Guideline regarding sustainability claims'. The guideline contains five rules of thumb that businesses must follow when communicating on sustainability aspects of products and services.

Inframarginal price cap executed 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 a tax payment for market income above the inframarginal cap on a level of 130 EUR/MWh for electricity generated in the period 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. 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.

Compensation for energy bills households

A compensation scheme for the energy bill for consumers and SMEs was developed in 2022 and executed in 2023. For 2023 a price ceiling scheme was implemented, 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 and 37 GJ for EUR 47.38/GJ. As Vattenfall NV we are quite proud of the support we were able to provide to the government in implementing and executing this price ceiling as an extra protection mechanism for all Dutch consumers and SME customers, who otherwise would have suffered even more from the energy crisis. In addition, an emergency fund is available for households that face payment problems. The government together with Vattenfall NV and other

energy suppliers contributed to the establishment of this emergency fund.

Collective Heat Supply Act

The Ministry of Economic Affairs & Climate Policy is developing the Collective Heat Supply Act. 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 others, 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 with a transitional period of (maximum) 30 years for existing heat networks. In 2023 the dialogue with government and stakeholders continued with the aim to agree upon terms how to create investment security and balance the rights of the active heat companies. In July a regulatory status update was sent to Parliament by the minister. This update outlines e.g. the transition period on public ownership. The legislative proposal was sent to the Council of State for advice in November 2023. The parliamentary debate is expected in Q3 2024 with an official effective date of January 2025.

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 regulation on the transmission system operators and distribution system operators, consumer protection regulations and data regulations. The legislative proposal was sent to Parliament for adoption in June 2023. Due to the resignation of the cabinet, the debate on the proposal is delayed to 2024.

Grid issues

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 needed electrification of the energy system. This situation did not improve in 2023. For Vattenfall NV this materialises in high grid tariffs and net congestion.

Offshore Wind

In 2023 the inauguration of wind farm Hollandse Kust Zuid took place in IJmuiden. Next to this the focus was on the tender for the next offshore wind sites IJmuiden Ver I-IV, which site consists of a total of two tenders of 2 GW each. These tenders will be awarded based on a

comparative test with a financial bid and closes in Q1 2024. Next to criteria on circularity and International Corporate Social Responsibility, the tender for sites I-II focusing on ecology (Alpha) and the tender for III-IV focusing on system integration (Beta). In 2023 also a consultation procedure started on the next offshore tender (IJmuiden Ver Gamma and Nederwiek I).

The goal of the Dutch government for 2023 for wind turbines at sea was reached (4.5 GW). The upcoming tenders work towards 21 GW in 2031. The ambitions for 2040 (~ 50 GW) and 2050 (~70 GW) are established in the National Energy System Plan which was finalised in 2023. 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.

Onshore renewables

Onshore renewables (both wind and solar) face an uphill battle in the densely populated Netherlands. The installed capacity of onshore renewables grew significantly over the last years. In the meantime the local acceptance for onshore renewables decreased due to competition on spatial planning for e.g. agriculture, housing and infrastructure. These discussions on the onshore potential continued in 2023, also as part of the general elections debates.

Green gas blending obligation

In 2023 the outlining discussions on the green gas blending obligation for energy suppliers continued. The main focus was to align the blending obligation with a realistic and achievable level of green gas production. The ministry of Climate and Energy is aiming to send the legislative proposal to parliament in 2024.

Netting

In 2023 the House of Representatives adopted legislation to gradually phase out the netting regime for households with solar panels. Through netting, the feed-in costs will further increase. These costs will foremost be paid by customers without solar panels. In 2023 other energy suppliers started to charge additional fees to solar panels owners to bring back fairness in the energy system. Vattenfall NV did not charge additional fees in 2023.

Our investment plan

Vattenfall NV's investment strategy reflects our ambition to become net zero by 2040. Substantial growth investments are planned to be made in renewable production.

Around EUR 611 million of the investments are planned in the Netherlands in 2024 and 2025. The plan includes expenditures for finalisation of our major offshore project Hollandse Kust Zuid 1-4 (1,500 MW ~ investments are done together with the other owners BASF and Allianz). Secondly, maintenance investments for offshore and onshore wind sites are included in the investment plan. In addition, development costs for potential wind power projects further ahead in the future are also included. This means that a number of projects in the investment plan will take more than five years to complete as onshore and offshore projects require many years from development 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 after partial sale of a project. Assets included in the 'asset ownership flexibility' have a planned expenditure of EUR 82 million with the goal of, to a large extent, receive compensation for these amounts via sale of the developed projects. Expected book value of assets to be sold is EUR 240 million. Examples in the current plan are wind project Windplan Blauw (77MW) and the solar parks Echteld, Goirle and Sas van Gent, which are currently in final phase of construction.

Another growth area is the development of the district heating and cooling networks by connecting new customers and areas to our network. In October 2022 a proposal for the Heat act was sent by the Dutch Ministry of Economic Affairs and Climate to the parliament. An important point in the proposal is the required future majority of public ownership for new heat grids and for existing heat grids after a transition period. Vattenfall NV is in discussion with the ministry and municipalities how investment security can be guaranteed for private heat companies in the coming decades and legal clarity on the future handover of existing heat grids and heat companies. Implementation of the Heat act is foreseen in 2025. Parallel to the discussions with the 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 NV continues to invest in the decarbonisation of the heat sources of the existing heat grids. At the

Diemen site we are building a 150 MWe electrical boiler and in Leiden we are developing new peak and back-up capacity. At other locations we are developing sustainable heat sources like residual heat from data centers and geothermal heat as well as thermal energy storage solutions for cooling and heating of new built apartment buildings in the city that are also connected to the heat grids for additional heat supply.

Further growth activities include investments in electric vehicle charging stations, network solutions like power-as-a-service, 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. On January 31st 2023 the gas-fired power plant in Eemshaven has been sold to RWE. We will use (part of) the sales proceeds of EUR 430 million to invest in the energy transition, such as offshore wind and district heating and cooling. 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. In 2023 Vattenfall AB provided a credit facility via raising a loan to Vattenfall NV of EUR 470 million. This loan ensures that the investments in e.g. project Hollandse Kust Zuid can be executed. For more information we would like to refer to the Vattenfall AB Annual and Sustainability Report 2023.

Operational performance

Our operational results in 2023

The EBIT (earnings before interest, taxes), increased from EUR 1,912 million negative in 2022 to EUR 792 million positive in 2023. The volatility of market prices had substantial impact on this increase of EBIT. The unrealised positive price development on our power contracts is the main cause of this improved EBIT in 2023, partly offset by unrealised negative price developments on our gas contracts and CO₂ emission rights. The unrealised negative price development on our power and gas contracts were the main cause of the loss in 2022. The release of the

provision for onerous contracts is substantial lower in 2023 compared to 2022. The provision for onerous contracts was recognised in 2021 for a portion of the fixed-price electricity and gas contracts concluded by our customers and reassessed in 2022 and 2023. Other effects due to price developments are a negative hedge result for gas and CO₂ (2023: loss EUR 848 million vs 2022: gain EUR 449 million) and a less negative impact of revaluation of gas stock in the gas storages (2023: loss EUR 52 million vs 2022: loss EUR 164 million). Our business activities which are servicing our heat and cooling customers (Heat Grids & Projects) present an improved EBIT-contribution due to a higher gross margin, despite lower volumes due to energy savings and warm weather. Positive contribution Warmtebedrijf Rotterdam (acquisition per 1st of November 2022) because the full year 2023 is included in the results compared to the last two months of 2022. For our heat activities an 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 Vattenfall Warmte NV endorses this obligation. This statement can be found at page 78 of this annual report. Regulated EBIT of Vattenfall Warmte NV increased from EUR 7.4 million negative in 2022 to EUR 9.8 million positive in 2023, while the Return On Investment (ROI) improved from a negative 2.4% in 2022 to a positive 3.1% in 2023.

The other units present stable results compared to previous years. Wind results are benefitting from higher volumes due to the partly commissioning of project Hollandse Kust Zuid, while electricity prices are lower, but the depreciation charges from Hollandse Kust Zuid have a downside on EBIT. The power plants in the Netherlands have benefitted from higher spark spreads, compensating for lower volumes due to the sale of the power plant in Eemshaven. The volatility of market prices has the largest impact on Markets, but also excluding the volatility of market prices the results for Markets have substantially increased due to the improved performance of the gas portfolio (positive variance EUR 350 million), biomass (positive variance EUR 42 million) and the improved results for power sourcing (positive variance EUR 74 million). The table below shows the EBIT per segment for 2023 compared to 2022 and includes the impact of items affected by volatility of market prices:

Amounts in EUR million, 1 January-31 December	2023	2022
Customers (Electricity, Gas & Heat), Heat Grids & Projects, Staff	101	87
Production (Wind and Heat Condensing Generation)	280	291
Markets	411	-2,290
Operating profit/(loss) (EBIT)	792	-1,912
Items affected by volatility of market prices		
Unrealized fair value gain/loss power and gas contracts	870	-4,060
Provision onerous fixed-price customer contracts	351	1,848
Hedge result gas and CO ₂	-848	449
Revaluation of gas stock	-52	-164
Total Items affected by volatility of market prices	321	-1,927
Operating profit (EBIT) excluding items affected by volatility of market prices	471	15

An unrealised fair value gain on power and gas contracts¹ of EUR 870 million (2022: loss EUR 4,060 million) has been recognised in 2023. The gain in power of EUR 1,688 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 decreased. The loss in gas of EUR 576 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 2023. Another unrealised fair value loss of EUR 221 million is related to CO₂ emission rights, while the remainder of the unrealised fair value loss of EUR 23 million is attributable to biomass and freight. An opposite effect in 2023 was related to the release of provision for onerous contracts related to contingent losses from pending transactions from fixed price contracts with customers leading to a gain of EUR 351 million while lower prices in 2022 have led to a gain of EUR 1,848 million. In previous years the fair value swings of hedged commodity items have led 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 in previous years a portion of the fixed-price contracts became onerous from the perspective of Vattenfall NV.

Other effects due to price volatility are a negative hedge result for power, gas and CO₂ of EUR 848 million (2022: EUR 449 million gain) mainly due to significantly lower average spot prices for gas and CO₂, while hedge prices were higher. Power hedges have also a negative effect due to decreased hedge prices related to buying back of frontloaded hedge volumes during 2022. Vattenfall NV does

¹no hedge accounting applied; own-use exemption applied for to a limited extend for Wind PPA/cPPA

not apply hedge accounting. Revaluation of gas stock in the gas storages has a negative effect of EUR 52 million due to lower spot prices, but with improved results compared to 2022 (loss EUR 164 million). The improved performance of the gas portfolio (2023: gain EUR 173 million vs 2022: loss EUR 177 million) has a positive effect due to higher sell of hedges instead of using gas storages, partly compensated by negative weather effects. The settlements in the gas storages were much lower in 2022 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 in 2022 implied that they were bought back at lower prices and sold on the higher forward curve in Q1 2023. Same effect for trading result on biomass (2023: gain EUR 19.5 million vs 2022: loss EUR 22.6 million). There is a less negative effect in 2023 from power sourcing related to volatile market prices and increasing imbalance costs for wholesale customers (2023: loss EUR 83 million vs 2022: loss EUR 157 million).

The European Commission implemented in 2022 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 2023. For wind and solar farms the production volumes multiplied by market prices minus the estimated imbalance fees per end of June 2023 have been recognised for 90% per asset. The relevant market prices are weighted APX-prices or average Day Ahead prices. The internal SLA fees of the wind and solar units in Vattenfall NV have not been recognised. The condensing power plants are not in scope because these are all gas-fired plants. Please note that according to the latest information the inframarginal price cap still has to be approved by the Senate (Eerste Kamer). The price calculation/revenue is still subject to possible change.

Customers & Solutions

Vattenfall's Customers & Solutions business provides electricity, gas and energy services to retail and business customers, with 11.4 million contracts in Europe off which 4.5 million contracts in the Netherlands. Vattenfall NV is one of the market leaders in the retail and business segments of energy sales in the Netherlands. Customers & Solutions also provides e-mobility charging solutions for people's homes and businesses as well as public charging in towns and cities across our Dutch market. The Netherlands has 29,300 charging points. Customers & Solutions aspires to

be the decarbonisation partner of choice and support our customers. In addition to providing customers renewable electricity options across markets, we are actively investing in our heating decarbonisation offerings like heat pumps for B2C customers, and developing solutions for and with our B2B customers.

We provide a wide range of smart, data-driven and decentralised 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 continue our efforts within the electrification of transport and industry as well as decarbonisation. We leverage Vattenfall's renewable electricity production to offer a diversified commodity portfolio that covers an increasing share of renewable electricity and its connected Guarantees of Origin. To stay competitive, our focus is on stabilising our customer base while reducing the cost to serve. Vattenfall strives to optimise the customer experience by accelerating digitalization, offering bundled and integrated solutions and we support our customers in their energy needs of today and the future.

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 in 2023. Customers & Solutions in the Netherlands was committed to promoting alleviation of the financial burden for the Dutch citizens. There was continuous effort to support implementation and customer questions about the price cap in 2023. Through this price cap, the energy bill for customers was reduced on average by several hundreds of euros in 2023.

After a turbulent year for the energy market in 2022, customers saw some price stability in 2023 – partly due to short-term regulations from governments. However, energy price uncertainty remains, including high price volatility throughout the day. Customers are becoming increasingly aware of their energy consumption and demand more transparency and control over their real-time usage, leading to an increase in dynamic tariffs and digitalised or in-app insight capabilities across the market. 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 (volatility of) electricity and gas prices and providing support to vulnerable customers. The Dutch government decided in 2022 after a long and intensive dialogue by Vattenfall NV and partners to set up an emergency fund which is equally funded by energy suppliers and the Dutch government. The emergency fund consists of EUR 59 million for 2023 at the start. This fund aims to compensate the high energy tariffs for vulnerable customers with a low income. The fund will pay a part of the energy bill for these customers. Vattenfall NV will continue to support its deployment through customer communication and funding for 2023 and 2024.

Our retail customer base slightly decreased during the year in the Netherlands, including powerpeers and the customers from the Dutch supplier DELTA Energie. The market has become increasingly more volatile and risky given the developments in the wholesale market and unprecedented energy savings. Until June acquisition was on a very low level. 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 (excluding powerpeers and DELTA Energie). This is a downturn compared to 2022, which is connected to a continuing volatile energy market 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, but that exceeded our expectations as well. Nevertheless, we try to keep high customer service standard and extra capacity has been recruited to handle requests. We keep emphasising the recognisable purpose of Vattenfall in our contacts with our customers. Our churn moves substantial 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 Dutch market churn development which has increased from 9.5% in 2022 to 14.7% in 2023. 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. In July, we successfully launched our innovative high-temperature heat pump system in the Dutch market as an alternative to gas boilers. 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. Our subsidiary,

Feenstra, is reserving significant heat pump installation capacity for lower-income housing. We are exploring options to secure biomethane in the Netherlands in response to the Dutch biogas blend-in obligations. As society is being electrified, we are increasingly offering flexibility solutions to empower our customers to use their energy efficiently. Our existing customer apps enables customers to see consumption and energy prices real time. Both in the Netherlands and Nordics, we are introducing smart charging so our customers can charge at off-peak times and reduce their overall energy 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.

We are working to make the energy transition more obtainable for all – which includes accessibility, and social responsibility. In the Netherlands, we work with FIXbrigade to install energy-savings measures, free of charge, that help households who are threatened by energy poverty reduce their energy bills and kick-start decarbonisation efforts. We continuously investigate meaningful ways to make the transition more inclusive as we continue our efforts towards a just transition. Concrete actions in our own billing process are implemented to help customers by offering customers various solutions, such as choosing your own payment date and payment arrangements, to prevent increasing debts. We work together with all municipalities in the Netherlands for early signaling of debts. Municipalities are obliged to follow up on these signals and signals of housing corporations, water suppliers and health insurers. Vattenfall NV worked closely together with the Dutch Municipalities organisation VNG, debt relief organisations and the ministry of Social Affairs to increase the possibilities to share signaling of debts of our customers and thus to prevent forced disconnection of energy supply. We also work closely together with over 1,000 Vattenfall Verlicht partners. This initiative gives 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 customers to financial support.

Total volumes of sold electricity and gas in the consumer market (Vattenfall NV consumer market, DELTA Energie, powerpeers) and business market increased for electricity (5.0%) and decreased for gas (-3.7%) compared to 2022. Net sales increased mainly due to higher electricity and gas prices in the Netherlands partly offset by decreased gas volumes related to warm weather in 2023 compared to 2022 and realised energy savings by our customers. 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.

In 2023 the electric vehicle (EV) market continued to mature and new competitors entered. Vattenfall InCharge is one of the leading charge point operators in the Netherlands, with 12% of the market share, while offering access to about 95% of all public charging stations through roaming agreements. Additionally, after winning the new tenders at the end of 2023, the competition is expected to shift favourably in the next year, and as a result, the Dutch market share will grow.

Vattenfall InCharge Netherlands maintained a high focus on operating sustainably and making a positive impact for its customers and community. Throughout 2023, the pace of public station installations increased to an average of 100 new installations per week, leading to stable and successful growth in four Dutch provinces: North-Brabant & Limburg with over 8,000 charging points (CPs) successfully reached in Q3 2023, and Gelderland & Overijssel with approximately 3,000 alternating current (AC) points (summing up to a total of approximately 11,000 CPs installed since 2020). This proactive rollout was the result of close collaboration with the provinces, the individual municipalities in these provinces, the grid companies involved and the installers. Additionally, end of the year our we successfully submitted and won two additional tenders with exciting plans starting 2024: namely, The Hague and MR Ae (consisting of 3 provinces in the Netherlands: North-Holland, Utrecht and Flevoland excl. Amsterdam & Utrecht). For The Hague, this means that we are going to take over approx. 5,200 charging points from one of our competitors (Equans) in 2024 and we are going to install approx. 800 CPs every year for at least 4 years. For MR Ae, three parties have been selected and allowed to install charging stations in the 3 Dutch provinces. We will with Vattenfall InCharge install a maximum of 35,000 CPs in 4 years' time together with the other selected parties Ubitricity and Total. The exact number of charging stations

is depending on the pace of installations and details will be communicated along the way.

Furthermore, within the B2B and B2C segment, Vattenfall InCharge Netherlands has worked with partners to increase the number of charging stations sold by setting up charging infrastructure at our partners' sites. In 2023, we successfully installed 2,853 CPs through leasing companies, original equipment manufacturers (OEMs) and directly to our B2B customers. Additionally, 2023 was the year that we began to shift our focus towards B2B customers, having successfully signed framework agreements with various customers.

Planned activities for Customers & Solutions

- Further develop decarbonisation roadmaps; Expand offering of renewable electricity and develop portfolio of energy solutions to enable the energy transition in our continental markets, including biomethane, heat pumps, and other energy solutions
- Expand flexibility offering, including storage solutions, to give customers control over how and when to consume energy, reduce costs, and integrate decentralised energy solutions
- Growth in powering electrified transport by expanding our public charging network and providing competitive offerings to our consumers, including smart charging solutions to actively support the energy transition by increasing the use of renewable electricity
- Continue our involvement with governments and organisations to address energy poverty and further work towards making the energy transition available to all.

Wind

Wind is responsible for development, construction, and operation of Vattenfall AB's wind farms as well as for large-scale 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 AB is one of the pioneers within wind power in Europe, both on- and offshore, with Vattenfall NV as one of the producers of onshore and offshore wind power in the Netherlands. Vattenfall AB has innovative solutions in solar and batteries, such as co-location. In 2023, we also continued to expand our efforts within large-scale solar photovoltaic (PV) in the Netherlands.

During 2023, the sector has been impacted by continued turbulence and uncertainty in both the financial and energy markets. At the same time, global drive towards full decarbonisation and energy independence is increasing and thus the need for new wind and solar power assets – which are the cheapest newbuilt power sources – has

increased even further in 2023. Both wind and solar power are expected to see strong double-digit growth in Vattenfall's markets by 2030 and beyond. Additionally, battery storage solutions, which 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 industry growth has led to intensified competition between both new and established renewables players and to supply chain bottlenecks, which are putting project delivery under pressure.

In order to remain one of the leaders in the energy transition, Vattenfall focuses on developing, constructing, and operating on- and offshore wind farms, large-scale solar PV and co-located battery storage. We aim to further strengthen our project pipeline across all our renewable energy technologies while managing increasing risk levels cautiously. 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 and make them bankable. 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. As a majority of our wind operations' carbon footprint comes from its materials, Vattenfall AB is committed to procuring low carbon steel and concrete with tangible targets with partners in the First Movers Coalition and SteelZero Initiative, respectively. Furthermore, in March, Vattenfall NV signed the Dutch Renewable Energy Agreement on International Responsible Business Conduct (IRBC) committing to make value chains in the renewable energy sector more sustainable.

We operate a portfolio of wind turbines with a total commissioned capacity of approximately 1.24 GW (2022: 0.44 GW) in the Netherlands. The A16 wind farm (34 MW) has been inaugurated in 2023. Finalising the construction of Windplan Blauw (77 MW of which 27 MW to be commissioned) and Hollandse Kust Zuid (1.5 GWh, 50.5% Ownership, 739 MW to be commissioned) is ongoing for 2024. Next to wind power we operate solar power (PV) technology and battery storage. We now operate/own 82 MW (2022: 70 MW) of solar power comprising decentralised and large-scale projects. Project Kooypunt is already in operation. We have installed 24 MW (2022: 24 MW) of battery capacity in the Netherlands. In 2023, the development of our large-scale solar PV and battery storage pipeline continued. Simultaneously, construction continued for the three Dutch solar projects Echteld (12.8 MW), Goirle (14.5 MW), and Sas van Gent (19 MW) with an

expected commissioning in the first months of 2024. The decision for two new onshore projects (with a combined capacity of more than 150 MW) is pending in 2024. The final investment decision for Battery investments in The princess Alexia Wind farm (14 MW battery) is planned for 2024.

Regarding onshore Wind and Solar and Batteries, Vattenfall NV has an 'asset ownership flexibility' strategy. This 'asset ownership flexibility' strategy implies that Vattenfall NV is developing and constructing onshore wind and solar 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 after partial sale of a project. An example of such a divestment in 2023 is project Ny Hiddum Houw (19 MW) which has been finalised and sold in 2023.

The Hollandse Kust Zuid installation was realised with nature-inclusive design. Hollandse Kust Zuid (HKZ) was inaugurated in September 2023 and is expected to be fully operational in 2024. Vattenfall has sold 49.5% of the shares of 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. The wind farm is located in the North Sea, 18-36 kilometres off the Dutch coast, and its 139 turbines have a total capacity of 1.5 GW. Besides adding much needed renewable electricity capacity, HKZ has taken biodiversity to heart and implemented circular economy principles. In cooperation with the organisation 'De Rijke Noordzee', we have introduced nature-inclusive design measures and will monitor the impact during the operating phase. Some of the measures include water replenishment holes in the foundations and artificial rock reefs. Each of these measures actively allow biodiversity to thrive. Furthermore, three turbines are fitted with recently developed recyclable blades that are easier to disassemble and enhance reuse of the raw materials.

Vattenfall NV's renewables production was 2.7 TWh in 2023 (2022: 1.0 TWh). On top of own renewables production, Vattenfall NV is also optimising wind- and solar parks for third party developers, resulting from 1.8 TWh (2022: 1.3 TWh) renewable energy production under management in 2023 to a forecast 3 TWh in 2026.

Planned activities for Wind

- Encourage more industry partnerships to support decarbonisation beyond our own sector

- Collaborate with suppliers to alleviate supply-chain bottlenecks
- Apply and further develop minimum sustainability requirements and award criteria for major procurement tenders
- Continue maturing our health and safety practices through workshops and information campaigns to ensure physical and psychological safety on site
- Continue to increase knowledge around the environmental impacts of our wind and solar farms within our Environmental R&D programme and take mitigating actions and steps to enhance biodiversity and co-use.

Heat

Vattenfall Group is one of Europe's largest producers and distributors of district heating to growing metropolitan areas in north-western Europe including Berlin, Amsterdam, Uppsala, and Bristol. Vattenfall Group has decided end of 2023 to sell the entire district heating business in Berlin to the State of Berlin in 2024. The Heat operating segment in Vattenfall NV comprises heating and condensing businesses. The district heating supply in Vattenfall NV relies on the heat produced coming from large heat production sources like CHPs owned by Vattenfall NV, but also owned by other producers like Uniper and third party feed in from waste incinerator plants, like AVR in Rotterdam and Arnhem. With the sustainability targets of Vattenfall, we have widened our portfolio to include technologies like e-boilers, additional third-party excess heat infeed (TPI) and thermal energy storage systems. The segment also includes Vattenfall's condensing power plants, consisting mainly of gas-fired power plants in the Netherlands. We are supplying heat to both B2B and B2C customers, including large private and publicly owned property companies and households. We see significant growth potential in the Netherlands in urban areas. We are involved in partnerships with cities for the realisation of carbon reduction plans.

The CO₂ emissions from the building sector in Europe account for more than a third¹ of the total CO₂ emissions where nearly 50% of the heating is generated by natural gas. District heating systems in urban areas are an important part of the heating sector decarbonisation since they allow for integration of flexible and sustainable energy sources such as geo- and aqua-thermal, power-to-heat, biofuels and excess heat sources from third parties like industries and data centres thus reducing dependency on natural gas². Local district heating tends to be highly competitive as well as efficient compared to individual heating solutions like oil or gas boilers and heat pumps. The Dutch Ministry of Economic Affairs and Climate has announced the intention for compulsory

¹ European Commission, In focus Energy Efficiency in buildings (2020).

² European Commission, An EU Strategy on Heating and Cooling (2016)

public ownership of heat networks. Vattenfall NV shares the ministry's objective to strengthen the coordinating role of municipalities and has argued for local customisation in order to arrive at the most practical and efficient form of cooperation, whether public, private, or a combination thereof.

The 2022 energy crisis has made it even more evident that dependency on fossil fuels is untenable. For Vattenfall NV, decarbonising our heat operations follows our ambition to reach net zero in 2040. Vattenfall NV paused the development of a biomass plant for the district heating network in Diemen following a revoked permit by the Council of State. Vattenfall NV has entered into talks with Dutch authorities about possible other sustainable alternatives that can be timely developed to provide heat to the 84,000 customers concerned. We continue our efforts on replacing fossil fuels with renewable and sustainable alternatives. In the Netherlands Vattenfall NV does not own any operational coal-fired plants. We intend to 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 hydrogen or biogas. 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 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 7.0 TWh in 2023 (2022: 10.4 TWh) by our gas-fired plants in the Netherlands. The decrease in production was mainly related to the sale of the gas-fired power plant in Eemshaven per 31st of January 2023. Our remaining gas-fired plants benefitted from higher clean spark spreads. The number of heating customers, measured in dwelling equivalents increased to 262 thousand in 2023 (2022: 260 thousand). Total sold heat amounted to 5.5 PJ in 2023 (2022: 5.7 PJ) and total realised CO₂ reduction in 2023, compared to 2022, was around 240,000¹ ton CO₂ (2022: 260,000 ton CO₂).

In Diemen, outside Amsterdam, the 150 MWth E-boiler project is progressing well, with start of commissioning

activities of the asset planned in late 2024. Additionally, the heat generation capacity will be expanded with this Power-to-Heat boiler that will enable balancing of the power grid. For our heat grid in Amsterdam, Diemen and Almere we are in close dialogue with local and national government and stakeholders regarding a second E-boiler (150 MW) instead of the initial idea for a biomass-fired heat-only boiler. Optimisation of E-boiler size, location and configuration with buffer(s) is being investigated at the moment. The dismantling of the coal-fired power plant Hemweg 8 is progressing with the aim of redeveloping the site into a sustainable hub for the production, conversion, and storage of heat, power, and hydrogen.

The Annual Statement 2023 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 for Heat

- Roll out thermal energy storage solutions for cooling and heating of new built apartments
- 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 below, which illustrates that the share of renewable electricity in 2023 was 67.1%. 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 5.1% from 62.0% in 2022 to 67.1% in 2023.

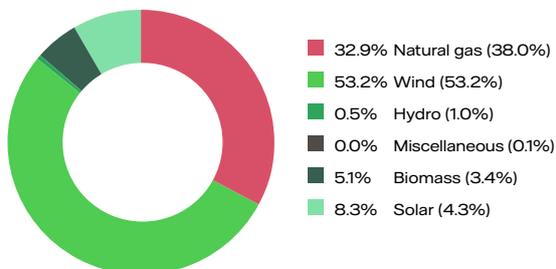
The share of renewable electricity represents the number of Guarantees of Origin (GoO) used for green electricity supplied to end-customers. The electricity

¹ Preliminary figure: TNO is validating the CO₂ emissions in May 2024

supply mix to our consumers in the Netherlands reached 100% renewable sources of Dutch origin, making us one of the suppliers with the highest

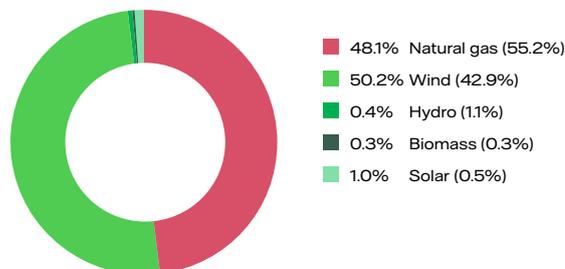
share of Dutch renewable sources in the retail market. More information and definitions are published on www.vattenfall.nl/stroometiket.

Fuel mix energy supply Vattenfall NV



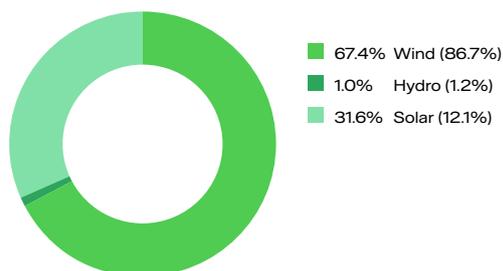
Fossil-based energy	32.9%
Renewable energy	67.1%
CO ₂ emissions rate	124.9 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply business market



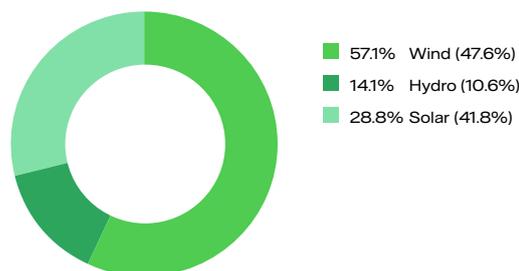
Fossil-based energy	48.1%
Renewable energy	51.9%
CO ₂ emissions rate	183.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply consumer market



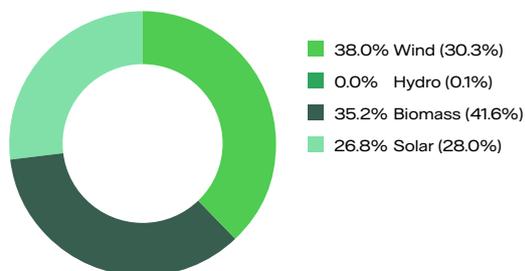
Fossil-based energy	0.0%
Renewable energy	100.0%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

Fuel mix energy supply powerpeers



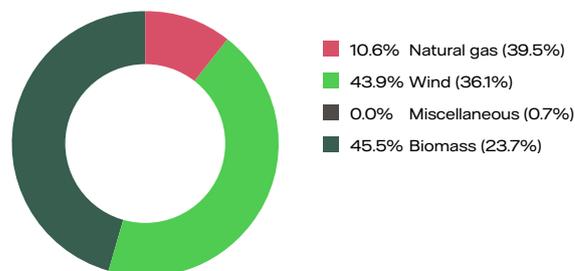
Fossil-based energy	0.0%
Renewable energy	100%
CO ₂ emissions rate	0.0 g/kWh
Radioactive waste rate	0.00000 g/kWh

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	10.6%
Renewable energy	89.4%
CO ₂ emissions rate	40.2 g/kWh
Radioactive waste rate	0.00000 g/kWh

Financial Performance

Income statement

The table below shows the results for 2023 compared to 2022.

Amounts in EUR million, 1 January-31 December	2023	2022
Net sales	7,510	6,553
Cost of purchases	-5,758	-7,626
Gross Margin	1,752	-1,073
Other external expenses	-381	-323
Personnel expenses	-364	-347
Other operating incomes and expenses, net	13	6
Participations in the results of associated companies	6	6
Operating loss/profit before depreciation, amortisation and impairment losses (EBITDA)	1,026	-1,731
Depreciation, amortisation and impairments	-234	-181
Operating loss/profit (EBIT)	792	-1,912

Net sales

Net sales increased by 14.6% to EUR 7,510 million in 2023. The gas and electricity prices settled with our customers have increased in 2023 compared to 2022. Electricity volumes are lower compared to 2022 because Tennet grid losses were no longer settled in 2023 via Vattenfall NV, while electricity volumes sold to our other business customers have slightly increased compared to a slight decrease for our retail customers. The gas volumes were lower compared to 2022 due to warmer weather and more focus on energy savings by our customers due to increased gas prices.

Gross margin

In 2023, the gross margin increased steeply to EUR 1,752 million. The gross margin is also in 2023, like in 2022, heavily affected by volatility of market prices (See for detailed explanation Operational Performance on page 8). A net unrealised fair value gain on mainly power and gas forward contracts of EUR 870 million (2022: loss EUR 4,060 million) has been recognised in 2023, completely offset by lower release of the provision for onerous contracts (2023: gain EUR 351 million vs 2022: gain EUR 1,848 million). Other effects due to price volatility are a negative hedge result (2023: loss EUR 848 million vs 2022: gain EUR 449 million) for gas and CO₂ and power hedges. For gas and CO₂ this is caused by higher hedge prices while market prices were lower. For power hedges decreased hedge prices are related to buying back of frontloaded hedge volumes during 2022. Vattenfall NV does not apply hedge accounting. The revaluation of gas stock in the gas storages has a negative effect due to lower spot prices (2023: loss EUR 52 million vs 2022: loss EUR 164 million). The improved performance of the gas portfolio due to increased selling of hedges, compared to lower usage of gas storages, has a positive effect together with a less negative effect from power sourcing related to volatile market prices and

increasing imbalance costs for wholesale customers. The commissioning of offshore wind farm Hollandse Kust Zuid has increased the production of electricity substantially, but wind farms yielded lower electricity prices in 2023. The gross margin for district heating has slightly increased despite lower volumes and Warmtebedrijf Rotterdam is contributing as well for a full year compared to two months in 2022. The power plants present slightly higher results due to higher spreads, despite lower volumes due to the sale of the power plant in Eemshaven.

Other external expenses

Operating expenses increased by 18.0% to EUR 381 million in 2023. The increase is mainly due to increased staffing and increase of activities in our support functions, E-mobility, consumer and business market and in the wind segment due to the commissioning of project Hollandse Kust Zuid. The consumer market also has increased marketing expenses. For the costs incurred to execute the price cap arrangement for the government and our customers the consumer market has received a separate compensation that is deducted from the other external expenses. Our subsidiary Feenstra presents higher operational costs mainly due to increased overhead costs and personnel costs.

Personnel expenses

The total number of FTE increased to 3,932 FTE at the end of 2023; the number of FTE at the end of 2022 was 3,763. The largest increase was related to the consumer and business market due to additional price cap activities and to service our customers. There is also growth in operational staff for Feenstra offset by a reduced number of employees in support functions. The development of wind projects requires additional staff and also support functions present growth in order to service the increase of activities in the operating segments. The growth of our heat

operations requires more staff while the sale of the power plant in Eemshaven led to reduced staff, because the employees were transferred to the new owner.

Other operating income and expenses, net

The other income and expenses of EUR 13 million in 2023 consists of a capital loss and a compensation payment of net EUR 6 million for the damage to a monopile of wind farm Hollandse Kust Zuid caused by the cargo vessel Julietta D in January 2022. The remaining amount of EUR 7 million mainly consists of dunning fees and capital losses on equipment which is comparable to the amount in 2022 of EUR 6 million.

EBITDA/ EBIT

EBITDA (earnings before interest, taxes, impairment, depreciation and amortisation) steeply increased from EUR 1,731 million negative in 2022 to EUR 1,026 million positive in 2023. A net unrealised fair value gain on mainly power and gas contracts of EUR 870 million (2022: loss EUR 4,060 million) has been recognised in 2023. Gain in power of EUR 1,688 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 with decreasing market prices. The loss in gas of EUR 576 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 2023. Another unrealised fair value loss of EUR 221 million is related to CO₂ emission rights, while the remainder of the unrealised fair value loss of EUR 23 million is attributable to biomass and freight. An opposite effect in 2023 was related to the release of the provision for onerous contracts related to contingent losses from pending transactions from fixed contracts with customers leading to a gain of EUR 351 million (2022: gain 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 and reassessed in 2022 and 2023. Those contracts became onerous due to surging prices for both gas and electricity during the last quarter of 2021. Other effects due to price developments are a negative hedge result for gas and CO₂ (2023: loss EUR 848 million vs 2022: gain EUR 449 million) and a less negative impact of revaluation of gas stock in the gas storages (2023: loss EUR 52 million vs 2022: loss EUR 164 million). The higher EBITDA-contribution for Wind is related to the partial commissioning of wind farm Hollandse Kust Zuid, which has led to increased production for Wind, partly offset by lower electricity prices compared to 2022. Our Heat business benefitted from a higher gross margin despite lower volumes. Warmtebedrijf Rotterdam is contributing for the entire year. Our power plants presented higher results due to higher margins despite lower volumes due to the sale of the power plant in Eemshaven.

Depreciation, amortisation and impairments increased from EUR 181 million in 2022 to EUR 234 million in 2023. The main reason for the increase is the commissioning of wind farm Hollandse Kust Zuid with as a consequence an increase of depreciation of EUR 47.6 million. The sale of the power plant in Eemshaven has a positive effect. The depreciation of the plant stopped, due to the held for sale classification as of June 30th 2022 (EUR 16.7 million). The negative deviation is due to a previously recognised impairment which was reversed (EUR 25 million) in 2022. The regular depreciation increased in 2023, mainly due to executed maintenance investments in Heat, Warmtebedrijf Rotterdam contributing for a full year and slightly increased depreciation charges for Feenstra offset by lower depreciation charges for IT. The depreciation charges for intangible fixed assets in the consumer market (including Delta Energie B.V.) are lower due to a lower amount of acquired contracts in 2023 and previous years due to high energy prices and the COVID-19 pandemic. The business market has as of 2023 applied a different settlement method with intermediaries for acquired contracts, which means that there are no depreciation charges from 2023 onwards. Lower depreciation (IFRS16) recognised for Markets due to freight contracts that ran-off end of 2022.

The EBIT increased from EUR 1,912 million negative in 2022 to EUR 792 million positive in 2023. The price volatility has a positive impact of EUR 2,248 million (2023: gain EUR 321 million vs 2022: loss EUR 1,927 million) on this increase of EBIT as highlighted already in the table on page 9 ('Our operational results in 2023'). Our business activities which are servicing our customers present an improved EBIT-contribution mainly due to a higher gross margin despite lower volumes for district heating and the contribution of Warmtebedrijf Rotterdam for the entire year. The other units presents stable results compared to previous years. Wind activities are benefitting from higher volumes (commissioning Hollandse Kust Zuid), while electricity prices are lower and there is a negative effect due to higher depreciation charges as result of commissioning wind farm Hollandse Kust Zuid. Our heat power plants have mainly benefitted from higher margins. The sale of the power plant in Eemshaven per 31st of January 2023 has resulted in lower volumes. The volatility of market prices has the largest impact on Markets, but also excluding the volatility of market prices the results for Markets have substantially increased due to the improved performance of the gas portfolio (2023: gain EUR 173 million vs 2022: loss EUR 177 million) which has a positive effect due to higher sell of hedges instead of using gas storages, partly compensated by negative weather effects. The settlements in the gas storages were much lower in 2022 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 in 2022 implied that they were bought back at lower prices and sold on the higher forward curve in Q1 2023. Same effect for trading result on biomass (2023: gain EUR 19.5 million vs 2022: loss EUR 22.6 million). There is a less negative effect in 2023 from power sourcing related to volatile market prices and increasing imbalance costs for wholesale customers (2023: loss EUR 83 million vs 2022: loss EUR 157 million). To summarize: the operating profit (EBIT) excluding items affected by volatility of market prices is EUR 471 million (2022: EUR 15 million) mainly due to a substantial higher contribution from the Markets-segment and improved contributions from Heat compensating for a slightly lower EBIT-contribution from Wind.

Non-current assets

Non-current assets increased by 18% to EUR 5,360 million at the end of 2023. This increase is mainly due to ongoing investments in the Hollandse Kust Zuid wind farm for which commissioning continued in 2023. The investments in E-boiler Diemen which started in 2022 have increased in 2023. The construction of Heat transfer station Hakfort has been finalised in the beginning of 2023. The increase of other non-current receivables is due to a granted loan to wind farm Molenrak (construction of wind farm Windplan Blauw). The position of derivatives has decreased further related to the unrealised (net) fair value gain on power and gas forward contracts due to decreased market prices. Deferred tax assets decreased 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 for onerous contracts. Also a tax loss carry forward has been recognised. The acquisition of Warmtebedrijf Rotterdam resulted in the recognition of a deferred tax asset in 2022. 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 decreased by 41% to EUR 3,217 million at the end of 2023. The decrease of trade receivables (wholesale trading power and gas) from related parties is affected by price decreases. Receivables have increased due to execution of the price ceiling arrangement on energy rates introduced by the Dutch government for 2023, because the amounts paid out to our customers for electricity and gas exceed the subsidy amounts received from the government. This leads to a receivable amount towards the government and our customers. Receivables have increased as well due to a higher settlement position towards Vattenfall AB. Inventories have decreased due to lower gas storages and a lower valuation of gas and biomass stocks due to substantial lower gas prices. The current position for derivatives has also decreased related to aforementioned unrealised (net) fair value gains on power and gas forward contracts including gas storage. The amount of accrued income related to settlement of electricity reconciliation volumes with the grid companies has decreased due to the introduction of a new method for reconciling these volumes in the Dutch energy sector as of 2023 together with lower accrued income. The settlement of reconciliation volumes with GasTerra BV has increased substantially due to the increase of gas prices. The current tax asset has decreased due to the refund of the preliminary corporate income tax assessment 2022, income tax prior and current year movement through the income statement and paid German corporate income tax while 2022 included losses incurred in 2022 and the internal asset transfer of the power plant in Eemshaven resulting in a reclassification of the deferred tax position into a current tax position. The sale of the power plant in 2023 results in a zero position for assets held for sale compared to 2022.

Cash and cash equivalents

Cash and cash equivalents decreased with EUR 145 million to EUR 109 million at the end of 2023. In 2022 Vattenfall NV bought Warmtebedrijf Rotterdam which

Balance sheet

Condensed balance sheet

Amounts in EUR million	31 December 2023	31 December 2022
Non-current assets	5,360	4,550
Current assets	3,217	5,403
Cash and cash equivalents	109	254
Total assets	8,686	10,207
Equity	3,312	2,188
Non-current liabilities	1,443	1,572
Current liabilities	3,931	6,447
Total equity and liabilities	8,686	10,207

is now fully included in the cash pool of the Vattenfall Group and therewith reducing the cash position at Vattenfall NV. The other decrease is due to ongoing investments in wind farm Hollandse Kust Zuid. The sales proceeds of the divestment of the power plant in Eemshaven and a loan provided by Vattenfall AB of EUR 470 million facilitated in our investments in property, plant and equipment (EUR 852 million), because the cashflow from operations was negative (EUR 523 million) in 2023 due to a large negative effect of changes in cashflow from operating assets and liabilities despite a positive EBIT (when excluding the unrealised fair value gains and asset hedge losses).

Equity

Equity increased by EUR 1,124 million to EUR 3,312 million. The positive result of EUR 611 million in 2023 is the main cause of this increase, together with an increase in equity attributable to non-controlling interests (EUR 543 million) mainly via received capital contributions. There was no dividend payment to Vattenfall AB for 2022. In 2023 there are minority owners with a share capital of EUR 1,201 million (2022: EUR 658 million) primarily due to BASF and Allianz participating in Hollandse Kust Zuid. There are also minority owners for Wind farm Klaverspoor and ARX.

Non-current liabilities

Non-current liabilities decreased by 8% to EUR 1,443 million at the end of 2023. The main reason for this decrease is the amount of derivatives which is lower. This is related to the unrealised fair value gain on power forward contracts partly offset by unrealised fair value losses on gas contracts and CO₂ emission rights. The recognised provision for onerous contracts with a maturity of more than one year has fully been settled. This provision was created for fixed-priced electricity and gas contracts concluded with our customers, which became onerous due to surging prices for both gas and electricity during 2021 and 2022. The commissioning of wind farm Hollandse Kust Zuid led to the recognition of a

dismantling provision. In Q2 2023 Vattenfall NV borrowed EUR 470 million from Vattenfall AB to ensure sufficient liquidity to execute the investments in wind farm Hollandse Kust Zuid.

Current liabilities

Current liabilities decreased by 39% to EUR 3,931 million at the end of 2023. The decrease relates primarily to lower trade payables for power and gas in the markets segment, which is related to the decreased prices. Also, the amount of derivatives and the amounts payable towards our suppliers making use of supply chain finance have decreased. The recognised provision for onerous contracts covering the customer contracts with a maturity of less than one year has been fully utilised in 2023. The impact of the price ceiling on energy rates introduced by the Dutch government for 2023 has an opposite effect, because the amount received from the government is higher than the settled amounts with our heat customers. The accrued expenses regarding the purchase of emission rights have substantially increased together with an increase of deferred income for electricity and gas and an increase of energy tax and Value-Added-Tax to be settled with the Tax Authority offset by lower tax credits.

The net debt position at the end of 2023 amounted to EUR 109 million, compared to a net cash position of EUR 273 million at the end of 2022. The cash position with Vattenfall AB has increased substantially due to a loan provided by Vattenfall AB to Vattenfall NV of EUR 470 million to ensure the investments in e.g. wind farm Hollandse Kust Zuid with as opposite effect an increase of non-current interest-bearing liabilities. Vattenfall NV in turn issued a loan to finance the development of wind farm Molenrak (construction of wind farm Windplan Blauw). Vattenfall NV expects that the positive operational cashflows in the coming years will turn the net debt position into a net cash position again. Vattenfall AB will ensure that sufficient funds are available at Vattenfall

Net cash position

Reconciliation net cash position

Amounts in EUR million	31 December 2023	31 December 2022
Cash and cash equivalents	109	254
In-house Vattenfall group cash pool	495	250
Total free cash	604	504
Non-current interest-bearing liabilities	676	192
Current interest-bearing liabilities	37	39
Gross debt position	713	231
Net debt/(cash) position	-109	273

NV through providing credit facilities or making capital contributions when necessary. The total credit facility available at Vattenfall AB amounts to EUR 500 million which was not utilised.

Vattenfall NV has sold the power plant in Eemshaven to RWE per 31st of January 2023 and (part of) these sales proceeds are used for executing investments as well. Vattenfall NV bought Warmtebedrijf Rotterdam per 1st of November 2022 which is as of 2023 integrated in the Vattenfall group cash pool and therewith reduces the cash position of Vattenfall NV. The decrease in the net cash position is mainly due to ongoing investments in the Hollandse Kust Zuid wind farm and for a minor part onshore wind farms, which is mainly financed via the Vattenfall cash pool. In 2023 there was a negative cashflow from operations despite a positive EBIT (when excluding

the unrealised fair value gains and asset hedge losses) due to the negative 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 510 million by BASF and Allianz in 2023 (2022: EUR 340 million). Proceeds from wind farm sales in 2023 (sale of wind farm Ny Hiddum Houw for EUR 40 million) are lower compared to 2022 when wind farms Jaap Rodenburg 2 and Nieuwe Hemweg have been sold (EUR 150 million). The decrease of investments in 2023 is mainly related to the finalisation of the Hollandse Kust Zuid wind farm. Investment in 2023 were, like in 2022, also done for onshore wind farms, E-boiler Diemen while Heat Transfer Station Hakfort has been finalised in 2022.

Our people

Our people are crucial for Vattenfall's success and this can only be realised if the right people with the right competencies and skills choose to join and stay with us. We strive endlessly to make sure that we all have a safe, inspiring and caring work environment. We highly value diversity because we are convinced 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. 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 and therewith a shared vision on employeeship.

At Vattenfall, we are committed to empowering, engaging, and developing employees so they are able to perform at their peak, while ensuring a safe, inspiring, inclusive, and caring workplace. We offer fair remuneration, flexible working hours 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 perform at our best and in a way that drives operational excellence and long-term value creation for the business. Our success is underpinned by a proactive and mature health and safety culture where our goal is zero accidents, injuries and work-related illnesses. An integral part of our principles is creating a diverse and inclusive workplace. Vattenfall works actively for all employees to have the same opportunities and rights regardless of gender, ethnicity, age, gender identity or expression, religion or other belief, disability or sexual orientation. Everyone is included in working towards a more sustainable world and contributes to building a more profitable and attractive company. We work hard to spread awareness, take concrete actions and measure our progress.

Compensation, learning and development are more important than ever. We need to retain and nurture people with the right capabilities to successfully execute Vattenfall's strategy. In a rapidly changing world, it is paramount to continuously enhance and develop the skills of our employees to stay relevant and accelerate the energy transition. Notably, 100% of our employees are invited in an annual mandatory training such as Code of Conduct and Integrity but also job-specific trainings.

Vattenfall created development and career paths to help our people grow personally and professionally,

and show them which (e-)learnings and trainings can help them improve their competences and skills. By accessing our free learning programs and knowledge libraries, employees are empowered to prepare for future roles and develop technical, digital, interpersonal or sustainability skills. This is linked to our efforts to develop our Performance Management process to build a culture of continuous development and feedback that empowers individuals and teams to reach their full potential. Additionally, Vattenfall has investigated ways to make it more transparent and easier to see which trainings are mandatory and recommended for different roles in the organisation, linked to development paths and available onboarding/training programs. Mandatory e-learnings and trainings are on topics like code of conduct, but can also be role-specific such as electrical safety. Since we embrace a culture of continuous feedback, we active look into the learnings we can take from colleagues who decide to leave the company. Based on these conversations, we have learned that employees refer to limited career opportunities. Thus, we will need to continue developing our performance and development approaches in the upcoming year. Furthermore, we believe that a healthy feedback culture is essential for Vattenfall's cross-generational workforce and thus, we will continue to pilot initiatives to improve feedback culture in teams.

There is a strong demand for talent and competence in the energy sector, and this trend continued in 2023. The driver is the accelerating energy transition but also the scarcity of critical competencies. Securing and retaining talent is central, and from a strategic perspective we are focusing on three key areas: 1) Attract – Attracting the right talent¹; 2) Enhance – Development through limitless learning and 3) Retain – A culture of performance and feedback.

Vattenfall NV's ambition can only be realised by operating in a safe, inspiring and caring work environment for everyone working at and for Vattenfall NV. 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. Worldclass H&S means being ranked in the top three, in H&S performance and reporting, compared to our competitors, using indicators to promote and monitor H&S improvements and benchmarks. Our long-term goal is zero accidents, injuries, or work-related illnesses. In 2023, Vattenfall continued the company wide three-year H&S strategy with eleven objectives within 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 2023 for these areas. During 2023, top management has been working

¹ 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

towards achieving the targets set to drive leadership development and employee engagement in World Class H&S by making personal safety leadership commitments and conducting safety reviews. This is to clearly demonstrate management's commitment. Vattenfall has a long-term ambition to strengthen the H&S performance of contractors, extending our approach beyond our corporate borders. In 2023, Vattenfall formed six teams covering different themes for H&S contractor management based on knowledge gathered in 2022. All employees at Vattenfall are covered by occupational health care. Training in occupational health and safety is provided based on local work requirements. Non-occupational medical and health care services vary in different countries due to differences in legislation and social security systems. In 2023, several initiatives were initiated to develop a healthy work environment. For example, employees across Vattenfall participated in the World Day for Safety and Health at Work in April. This year the topic was Psychological Safety. Teams gathered either physically or online to discuss this topic in more detail, having watched the inspiring pre-recorded lecture that was created for this day. Another important topic was mental health. A mental health awareness training for managers has been developed and a mental health month with several webinars has been organised to promote mental health. Additionally, Vattenfall has started working on a group-wide standard against harassment. In follow up a mandatory training appropriate forms of interaction has been developed for managers in the Netherlands. The sick leave rate for the Netherlands has increased to 4.2% opposed to 4.0% in 2022 (including Feenstra).

Vattenfall's operations are potentially dangerous, but accidents, incidents, injuries and work-related illnesses are preventable. We therefore encourage an 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. Generally, incidents are followed up by 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 and corrective actions. Our H&S policy states that work must stop, if an employee or contractor is in danger. The hierarchy of controls is stated in the Code of Conduct and Integrity and in Intellex for managing risks. A new H&S Policy was approved during 2023, based on three pillars; Be Safe, Take Care and Speak up, to provide guidance for behaviour. The roll-out of the new policy will be supported by communication activities during 2024. Another challenge, Vattenfall is facing, is the rise in work-

related illness in some countries. As an outcome of the Insights report, based on last year's project to learn more about how we work with and improve employee mental health, work will be done to create a strategic plan. The LTIF (including Feenstra) in the Netherlands is unaltered at 0.5 in 2023 (0.5 in 2022).

In Vattenfall Diversity is embedded in our values and represented at the highest level of management. Our vision is to be recognised as the most inclusive place to work in the energy industry. Vattenfall's commitment to D&I is founded on three pillars: 1) Embedding D&I in everything we do; 2) Thinking broadly and driving all dimensions of diversity and 3) Including everyone; our managers lead the way. To further advance our talent attraction processes in order to embed D&I and build on the fair and equitable practices already in place, a number of changes were implemented using the recommendations from the external empirical study "Collaboration for inclusive recruitment" conducted by Mitt Liv and the Stockholm School of Economics. Regarding "Thinking broadly and driving all dimensions of diversity" the Executive Group Management continues to commit to broadening perspectives e.g. by participating in "reverse mentoring" with Vattenfall's "NextGen Council", supporting designated & significant days recognised (e.g. Pink Shirt Day to bring attention to anti-bullying and a zero tolerance for harassment and European Diversity Month was celebrated with a variety of inter-sectional events across the organisation). Furthermore the Diverse Energy Networks continued to grow in size, engagement, and importance, serving as a first point of contact for employees interested in D&I. Our managers have to lead the way to include everyone. The D&I Index in Vattenfall's engagement survey monitors how employees rate their manager's efforts in driving D&I. This is designed to reflect that while everyone has a role to play, the manager is fundamental in creating culture. Tools to support managers in driving D&I include a "Leadership Toolbox" with self-led workshops; the newly launched "Licence to Hire" program; and the "Inclusive Leadership Journey" to increase self-awareness and leadership development. Societal norms and cultural sensitivities limit collection of comprehensive employee data covering all of the dimensions of diversity. This presents a challenge as data driven decision-making is critical in the D&I work to better understand the employee experience and needs. In the Netherlands, the number of employees increased from 3,763 FTEs in 2022 to 3,932 FTEs in 2023, of which 1,069 are female (2022: 972 female) and 2,863 male (2022: 2,791 male). Each year, our employee survey, My Opinion, is used to track the degree to which our employees feel connected to Vattenfall's purpose and how each individual feels about their contribution.

Integrity

Vattenfall has a zero-tolerance policy for bribery and corruption. We require that all our employees act in accordance with our Code of Conduct and Integrity. 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 have also established a robust supply chain compliance framework to proactively prevent, detect, respond and remediate risks and meet legal requirements when dealing with counterparties. What is stated about 'Integrity' 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 and therewith a shared vision on ethical business conduct. 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, mandatory e-learnings, 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. Vattenfall AB has reviewed and intend to publish an updated Code of Conduct for Suppliers and Partners in 2024. This to further define that our requirements and expectations to safeguard that our suppliers and partners share our values. 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. The Code of Conduct and Integrity is published on the website of Vattenfall AB (www.vattenfall.com) and Vattenfall NV (www.vattenfall.nl).

Our aim is to continuously improve, monitor, track, and transparently report on integrity and compliance topics. Vattenfall continued maintaining integrity by various awareness activities. Extensive integrity trainings were provided, such as the Vattenfall Integrity Programme (VIP), which is mandatory for managers at certain levels and other key personnel. The VIP includes both e-learnings and instructor-led training on integrity topics. Also, we continued to develop the Whistleblowing function to comply with legal requirements. 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 within Vattenfall must 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.

Vattenfall continued to enforce its compliance measures to prevent, detect, respond, and mitigate risks and meet legal requirements. This includes an annual supplier risk assessment, counterparty screenings, new supplier risk assessment, sustainability on-site audits and sustainability assessment of partnerships. As a major improvement of counterparty risk assessment and regular surveillance over the risk of counterparties in an ongoing business relationships, Vattenfall has activated a continuous supplier monitoring process in which counterparties are monitored based on their associated risk level determined. We evaluated the effectiveness of our compliance framework and updated the necessary compliance checks in the supplier contracting process for Goods & Services, in light of emerging legal requirements on supply chain due diligence. Vattenfall AB also published a guide for suppliers and partners on fulfilling the expectations outlined in their Code of Conduct, covering governance, human rights, environment and business ethics. Finally, we continue to monitor the legal and regulatory landscape related to supply chain due diligence, such as the EU Corporate Sustainability Due Diligence Directive.

As already mentioned, we 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

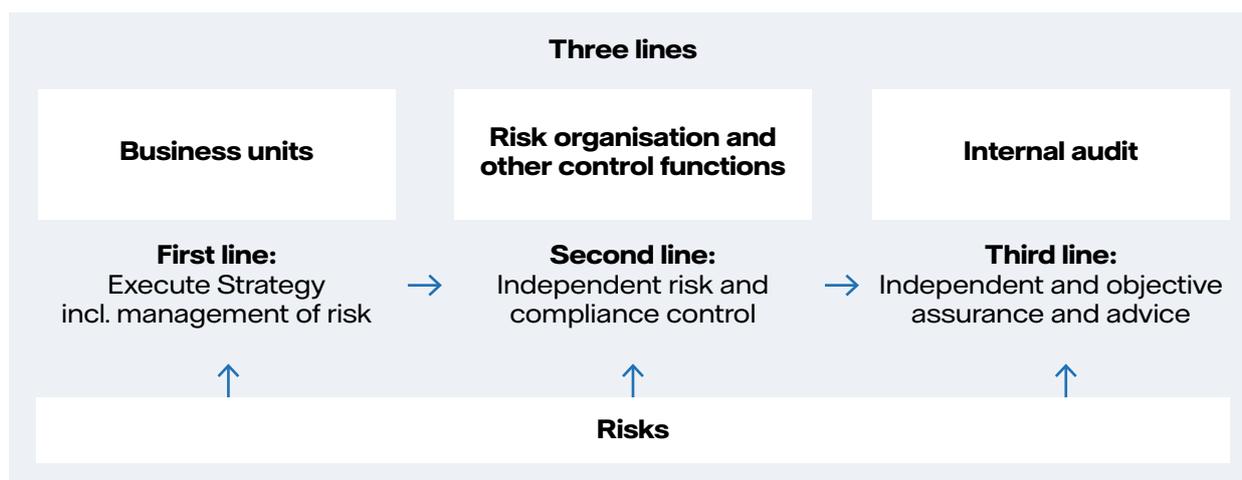
Vattenfall AB applies conscious and balanced risk-taking and review of business transactions both from profitability and risk perspectives. The risks are managed based on a sound risk culture throughout the entire company, with the aim of supporting our short-term objectives and achieving our long-term strategic goals. In accordance with the Swedish Corporate Governance Code and the Risk Policy, adopted by the Board of Directors, Vattenfall's risk management framework ensures thorough identification and management of risks and acceptable risk exposure. What is stated about 'Risk management' 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.

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 is primarily represented by units associated with the provision of products or services to the organisation's customers, such as Business Units and certain Staff Functions. It is responsible for executing the strategy and managing risks. The second line provides control, expertise, support, monitoring and challenge on risk-related matters. It consists of Staff Functions governing the organisation, among them Health & Safety, Environment, Integrity, Security, Group Internal Financial Control and Risk Management. The third line is made up of internal audit, which oversees and evaluates the first and second lines. 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. This risk has decreased during 2023 as the commodity price levels fell steadily throughout the year. Nevertheless, the Gross Margin at Risk remains at a high level and continues to represent by far the largest single risk in the Group's overall risk profile. 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. Another example is the solar netting regime risk related to increasing proportion of return deliveries of solar customers yielding negative margins have been identified.

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. This risk displays possible additional cost from the need to adjust gas and power volumes in the wholesale market.

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 (both during operations and construction), 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.

- Economic feasibility of projects under pressure because of surging prices for input material and procurement risk, including risk of increasing competition for critical and low carbon materials for construction of renewable assets.

Mitigation(s): Continued improvements of sustainability performance, including human rights action plan, environmental action plan, and sustainable supply chain. To ensure diversification of the supply chain and availability of resources, we cooperate with suppliers and peers.

- 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 signalling 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, CFO and CCO 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). 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 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 reduction of 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, risk

of non-compliance with EU tender law and the risk 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 that case a legal opinion by a specialized law firm and an external forensic investigation can be requested to assess compliance with e.g. procurement law and potential supplier favoritism.

- **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.
- **Security risks** including cyber risks, (e.g. phishing and espionage), as well as physical security risks:
Mitigation(s): Applying and improving Business Continuity Management Processes. New cyber security awareness training mandatory to all employees. We constantly monitor cyber-attacks, and work to counter attacks and implement safeguards.
Note 28 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 2024

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 times where competition is increasing. We will increase our renewable power production. 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 plan to expand offering of renewable electricity and develop a portfolio of energy solutions to enable the energy transition in our markets, including Power-as-a-service solution, 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 plan to 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 2024, 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. We continue to extend our e-mobility services and our charging network in the Netherlands, capturing significant benefits of scale with the Vattenfall Group. We will increase service levels to end customers by collaborating with customers that provide e-mobility charging points at their premises. Further make smart charging even smarter where a charging station can determine a smart charging profile based on customer's needs. 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. Together with partners we execute the rollout of 1,300 charging stations per year in 67 municipalities in the provinces Gelderland and Overijssel until 2025. We will also continue our pilots in smart charging to better match

charging of EVs with renewable production and feeding power back to the grid.

Renewable energy is key in supporting Vattenfall's ambition to reach net zero in 2040. 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 2024 and onwards we will take further steps to increase the share of renewable fuels in the energy mix to transition away from conventional fossil fuels, 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 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 or solar projects 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.

Our future efforts will also be directed to the concern we have about a fair and just transition. We will focus on an affordable energy transition and the need to continue discussing this with government, municipalities, housing cooperative and energy suppliers and to find solutions to this complex matter.

Composition of the Management and Supervisory Board

The Management Board was enriched with a female Chief Commercial Officer in 2022, 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 and the Supervisory Board Vattenfall NV meets the guidelines of the Act on Management and Supervision.

A final word

The greatest hectic pace in recent years appeared to have subsided slightly in 2023, although uncertainty in the energy market continues and geopolitical tension in Europe and beyond continues. On top of that, the political landscape in the Netherlands shifted after the elections in November. For Vattenfall NV, as for the entire energy sector, it was a challenging year.

The costs of materials for, for example, building new wind farms increased significantly. Yet this summer, together with King Willem Alexander, we proudly opened our Hollandse Kust Zuid wind farm: a major achievement. The development of new heat networks and sources is under pressure, yet we continue to invest in making our heat sources more sustainable, for example with our E-boiler in Diemen. Gas and electricity prices remain at a higher level than before the crisis, but Dutch people are still saving massively on their energy consumption and new customers are finding their way to Vattenfall NV. Electric drivers can also count on us for more and more charging stations, with a record number of installations in 2023.

The challenges and concerns remain, but our resilience, flexibility and perseverance are increasing. By working together, continuing to challenge each other, and looking for smart solutions we remain committed to making sustainable and affordable energy possible for our customers and partners and for the climate.

Facing the challenges ahead of us and all the achievements in 2023 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 who give their all each and every day. We are extremely proud of all their great work. Thanks to their curious, open and committed mindset we were able to take another step into our ambition.

Amsterdam, 13 May 2024

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)	2023	2022
Net sales	4	7,510	6,553
Cost of sales	5	-5,758	-7,626
Other external expenses	7	-381	-323
Personnel expenses	32	-364	-347
Other operating incomes and expenses, net		13	6
Participations in the results of associated companies	14	6	6
Operating result before depreciation, amortisation and impairment losses (EBITDA)		1,026	-1,731
Depreciation, amortisation and impairments	6, 11, 12	-234	-181
Operating result (EBIT)		792	-1,912
Financial income	8	26	4
Financial expenses	8	-16	-5
Result before income taxes		802	-1,913
Income tax	9	-191	496
Result for the year		611	-1,417
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year		611	-1,417
Attributable to owner of the parent company		581	-1,419
Attributable to non-controlling interests		30	2

Consolidated balance sheet

Amounts in EUR million	Note(s)	31 December 2023	31 December 2022
Assets			
Non-current assets			
Intangible assets	6, 11	105	115
Property, plant and equipment	6, 10, 12	4,496	3,565
Participations in associated companies and joint ventures	14	56	50
Other shares and participations		1	1
Derivative assets	27	7	55
Deferred tax assets	9	455	653
Contract assets	4	–	1
Other non-current receivables	27	240	110
Total non-current assets		5,360	4,550
Current assets			
Inventories	15	247	411
Trade receivables and other receivables	16	2,357	3,517
Advance payments paid	17	1	1
Derivative assets	27	145	501
Prepaid expenses and accrued income	18	381	422
Current tax assets	9	86	131
Cash	19	109	254
Assets held for sale	20	–	420
Total current assets		3,326	5,657
Total assets		8,686	10,207
Equity and liabilities			
Equity attributable to owner of the Company			
Share capital and premium		2,895	2,895
Accumulated losses incl. result for the year		-784	-1,365
Total equity attributable to owner of the Company	30	2,111	1,530
Equity attributable to non-controlling interests	30	1,201	658
Total equity		3,312	2,188
Non-current liabilities			
Interest-bearing liabilities	10, 21, 27	676	192
Provisions	23	379	461
Derivative liabilities	27	67	607
Deferred tax liabilities	9	–	3
Contract liabilities	4	321	309
Total non-current liabilities		1,443	1,572
Current liabilities			
Trade payables and other liabilities	24	2,238	4,392
Contract liabilities	4	15	25
Advance payments received	25	2	14
Derivative liabilities	27	985	1,510
Accrued expenses and deferred income	26	635	429
Current tax liabilities	10	1	–
Interest-bearing liabilities	10, 21	37	39
Provisions	23	18	26
Liabilities associated with assets held for sale	20	–	12
Total current liabilities		3,931	6,447
Total equity and liabilities		8,686	10,207

Consolidated statement of cash flows

Amounts in EUR million, 1 January-31 December	2023	2022
Operating activities		
Operating result before depreciation, amortisation and impairment losses	1,026	-1,731
Tax (received)/paid	54	-162
Capital gains, net	14	13
Interest received	5	2
Interest paid	-5	-5
Changes in the fair value of derivatives	-661	3,736
Other, incl. non-cash items	-374	-1,873
Funds from operations (FFO)	59	-20
Changes in inventories	164	-40
Changes in operating receivables	1,226	-1,328
Changes in operating liabilities	-1,960	2,399
Other changes	-12	-140
Cash flow from changes in operating assets and operating liabilities	-582	891
Cash flow from operating activities	-523	871
Investing activities		
Acquisitions in group companies	-	-23
Investments in associated companies and other shares and participations	-	-6
Other investments in non-current assets	-839	-1,205
Total investments	-839	-1,234
Divestments recognised as assets and liabilities held for sale	408 ¹	13
Loans granted	-130	-53
Cash flow from investing activities	-561	-1,274
Cash flow before financing activities	-1,084	-403
Financing activities		
Interest-bearing debt raised	470	-
Interest-bearing debt repaid	-44	-44
Contribution from owners of non-controlling interests ²	513	346
Cash flow from financing activities	939	302
Cash flow for the year	-145	-101
Cash		
Cash at start of year	254	263
Cash flow for the year	-145	-101
Cash related to acquired group companies	-	92
Cash at end of year	109	254

¹ Assets held for sale refers to the sale of the powerplant Eemshaven/Magnum. See also Note 20, Assets held for sale.

² A reclass is made from Divestments to Contribution from owners of non-controlling interests amounting to EUR 346 million for the year 2022.

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 2023	2,895	-1,365	1,530	658
Total comprehensive income for the year	–	581	581	30	611
Contribution from non-controlling interest	–	–	–	513	513
Total transactions with equity holders	–	–	–	513	513
Balance carried forward 2023	2,895	-784	2,111	1,201	3,312

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
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

See also Note 30 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 with its business address at Hoekenrode 8, 1102 BR Amsterdam. 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, energy storage and heat network services 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 2023 are authorised for publication by the Management Board and Supervisory Board on 13 May 2024. Subsequently, these consolidated accounts have been adopted by the general meeting of shareholders on 13 May 2024.

As the company income statement for 2023 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 ongoing conflicts in Ukraine and the Middle East or any other considerations involved in the analysis.

In 2023, the company obtained financing of EUR 470 million, securing its ability to complete the construction of the Hollandse Kust Zuid offshore wind project. See to Note 21, Interest-bearing liabilities for more details.

Important changes in the financial statements compared with the preceding year

Recalculation of financial statements for 2022

No recalculations were made.

New IFRSs and interpretations effective from 2023

None of the amendments to the existing accounting standards effective from 2023 have had a material impact on the Vattenfall NV's financial statements.

New IFRSs and interpretations effective from 2024 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 9 Income taxes
- Note 11 Intangible assets
- Note 12 Property, plant and equipment
- Note 16 Trade receivables and other receivables
- Note 23 Provisions
- Note 24 Trade payables and other liabilities
- Note 27 Financial Instruments – valuation of level 3 derivatives

Influences of market volatilities

Developments in the energy markets affect all of Vattenfall's various operations. Both commodity price levels and associated volatility have fallen considerably from last year's highs. Prices had continued to fall in the first quarter of 2023 but have been relatively stable since then. Margining arrangements such as Credit Support Annex supplements continue to challenge the liquidity position of many companies. Due to the fall in commodity prices relative to 2022, Vattenfall is reporting a cash outflow from both the repayment of margins received and the payment of margin on open contracts. Inflation rates have fallen significantly since the first quarter of 2023 although interest rates are still higher now than at the start of the year. The procurement of gas and other raw materials was not significantly affected by the continuing war in Ukraine or the conflicts in the Middle East.

One of the main risks for Vattenfall are defaults by customers and counterparties caused by the continued high energy and commodity prices. To reflect the increased risk of customer defaults due to high energy prices, general high inflation, and the expected decline in the economy the Expected Credit Losses accounted for in Vattenfall

were increased in 2022. This increased risk has not materialised in 2023. However, we do see that accounts receivable aging is increasing and although we don't see it in our impairment testing yet, we do expect future write-offs. 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 Note 28.

Price ceiling arrangement

From 1 January 2023 to 31 December 2023, the Dutch government has introduced a price ceiling ('Subsidieregeling bekostiging plafond energietarieven kleinverbruikers 2023 (CEK23)') on energy rates. The government has requested suppliers of electricity, gas and district heating to implement this temporary arrangement. This price ceiling applied to all households and other small-scale consumers like self-employed persons, shops, associations, small social organizations and some small SMEs. This includes households that are connected to a heating network.

The amount that the government compensates, and which the energy suppliers subsequently pass on in full to the customer, is the difference between the energy price according to the price ceiling and the average contractual energy price (delivery rate) agreed by the energy supplier with the customer, multiplied by the quantity of energy supplied according to the volume cap over the (contractual) period.

The maximum energy rates (including taxes) that apply to the price ceiling arrangement are:

- €1.45 per m³ up to a consumption of 1,200 m³ for gas.
- €0.40 per kWh with a maximum consumption of 2,900 kWh for electricity.
- €47.38 per GJ of heat with a maximum of 37 GJ for households connected to a heating network.

For any energy consumption above the maximum consumption, households and other small-scale consumers pay the rate as included in the energy contract that they have agreed with their energy supplier.

Margin- and efficiency test

An energy supplier who has received compensation from the government is obliged to demonstrate that the realised gross margin in 2023 has not exceeded the provisionally established benchmark. Therefore the government requires energy suppliers to carry out a gross margin test for the 2023 calendar year. The benchmark is based on an arithmetic average of the historical gross margins over the years 2019 to 2022. The arrangement defines the gross margin as the difference between the sourcing costs of

the energy supplied (including specific sourcing premiums to cover the risks of profiling, imbalance and weather) and the sales revenues of the energy supplied. A separate test applies for heat, the heat efficiency test, where the standard efficiency is calculated based on the years 2019 to 2022 and compared to the efficiency achieved in 2023. For both benchmark tests, the energy supplier is permitted to disregard one year in the calculation. Vattenfall NV has carried out these margin and standard efficiency tests for 2023 in accordance with the definitions and calculations as defined in the government price ceiling regulation. These benchmark tests are not yet final, since these tests are based on invoicing/delivery year and not on the financial year. Therefore, the final 2023 margin cannot yet be determined. Based on preliminary data we have no reason to suspect Vattenfall will exceed the benchmarks.

Uncertainties

There are some uncertainties involved in accounting for this arrangement. These uncertainties arise from the design of the arrangement and relate to the timing difference between the reimbursement application by the energy supplier and the final customer's payment based on actual consumption over 2023. The application of the price ceiling by the energy suppliers is based on pre-estimated customer consumption volumes (including customer churn) and the average energy prices during 2023. Since these variables may differ over time, the exact distribution between the receivable and/or liability to the customer and/or government is still somewhat uncertain at year-end 2023. The final settlement of the price ceiling arrangement with the Dutch government will ultimately take place by June 2025 at the latest.

Accounting policy

Vattenfall N.V. is not the beneficiary of the price ceiling arrangement, but households and other small-scale consumers are. That is why the amounts received from the government have been recognised as current liabilities on the balance sheet and subsequently settled with the households and other small-scale consumers through trade receivables arising from the supply of energy during

2023. Any amounts received in excess will be settled with the government. The amounts received from the government have had no influence on Vattenfall's net sales as presented in the statement of comprehensive income on the basis of the application of IFRS 15 'Revenue from contracts with customers'. Therefore, Vattenfall reserves the right to receive full consideration from the customer for the supply of electricity, gas and district heating based on the existing price ceiling scheme and/or the fixed or variable prices of the customer contracts and in such a way that the transaction price under IFRS 15 remains unchanged. For the costs incurred to execute the price cap arrangement for the government and customer, the energy suppliers received a separate compensation of €4.31 (excl. VAT) per connection per year from the government. This compensation is deducted from these costs in the statement of comprehensive income.

Temporary Energy Emergency Fund ('Tijdelijk Noodfonds Energie')

On February 7, 2023, and in addition to the price ceiling arrangement, a temporary energy emergency fund was initiated by Vattenfall, Eneco, Essent and Greenchoice in collaboration with the Dutch government. This Energy Emergency Fund is intended for Dutch low-income households to (partly) compensate their energy bills and prevent energy debts. In 2023, the participating companies and the government each paid €29.5 million into the Emergency Fund, a total of €59 million, of which a substantial amount by Vattenfall. In 2023 more than 50,000 households, of which more than 10,000 Vattenfall customers, have received support from the Emergency Fund. The temporary Energy Emergency Fund will open for the second time in 2024. As of February 2024, the participating companies and the central government have promised support to the 2024 fund with a total contribution of €84 million.

Inframarginal revenue cap

In October 2022, the European Union decided to impose a mandatory temporary cap on market income of electricity producers. The Netherlands was obliged to introduce this

Amounts in EUR million	Received from the government	(To be) settled with the customer	Other receivables (Note 16)	Trade payables and other Liabilities (Note 24)	Accrued expenses and deferred income (Note 26)
CEK 2023	1,112	1,413	109 ¹	31 ²	-223 ³

¹ Of which EUR 109 million to be received from the government

² Of which EUR 31 million to be paid to the government

³ Of which EUR 223 million to be received from customers

ceiling on the basis of EU Regulation (EU) 2022/1854. As part of these European energy emergency measures, the Netherlands has introduced a temporary cap on market income for electricity producers for the period from 1 December 2022 to 30 June 2023. On January 27, 2023, the Dutch Ministry of Economic Affairs and Climate and the Ministry of Finance published a draft bill that introduced this temporary levy on market income from inframarginal electricity production. Based on the draft bill, the levy will be introduced retroactively over the period December 1, 2022 to June 30, 2023.

The income cap applied to electricity generated from wind, solar, hydro, biogas, waste and nuclear power, among others. All income exceeding the ceiling of €130 euro per MWh on a monthly basis was taxed at a rate of 90%. For biomass, a tariff of €240 euro per MWh applied. The cap explicitly refers to income and not profits, i.e. costs are excluded. In addition, the underlying EU regulation states that the cap should only apply to realised market revenues. This means that income hedged against fluctuations in the wholesale electricity market should be excluded. With €130 euro per MWh, the Netherlands opts for a lower income ceiling than €180 euro per MWh because the Dutch implementation takes into account the market income based on monthly averages and includes prices during off-peak hours, while the EU regulation is based on prices during peak hours.

For all Vattenfall N.V. assets in scope of this levy, the estimated costs amounts to €2.9 million for the period up to and including 30 June 2023. The levy is recognised in the statement of comprehensive income as part of the 'other costs', see Note 5, Cost of sales. In the balance sheet the levy is part of the 'Accrued expenses, energy related', see Note 26, Accrued expenses and deferred income.

Note 3 Acquired and divested operations

Acquired operations

Acquisitions in 2023

On 1 January 2023 Vattenfall acquired the remaining 50% of the shares in Warmtetransportbedrijf Amstelland Zuid-Amsterdam (WAZA) B.V. and all assets that together form the Network Amstelveen, in order to secure continuation of providing heat delivery services to the Amstelveen area. The purchase price was EUR 1.

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.

Divested operations

Divestments in 2023

On 31 January 2023 Vattenfall finalised the divestment of the gas-fired power plant Magnum to RWE. The consideration received for the divested fixed assets amounted to EUR 430 million.

Divestments in 2022

No major divestments during 2022.

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 11, Intangible assets. Capitalisation of costs to obtain is either based on a portfolio approach (BtC) or a contract-by-contract approach (BtB). BtC applies 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 costs 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 in some cases. 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 project sold is:

- Windpark Hiddum Houw B.V. (EUR 40 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.

Amounts in EUR million	2023	2022
Sales of electricity	3,644	3,377
Sales of gas	3,013	2,436
Sale of heat, steam and cooling	395	259
Sales income Develop-to-Sell projects	41	84
Sales / lease of solar and battery assets	196	182
Service and consulting	120	103
Other revenues	101	112
Total revenues	7,510	6,553

Revenue from contracts with customers is recognised when the performance obligation is satisfied. Contract assets mainly consist of bonus payments made to a customer for entering into a new contract or prolonging an existing contract. These are amortised over the minimum contractual period.

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

Amounts in EUR million	2023	2022
Contract assets	–	1
– of which released as cost from opening balance during the year	1	6
Contract liabilities	336	334

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

Amounts in EUR million	2023	2022
Cost of sales	6,937	7,113
Release from the provision for onerous contracts	-361	-1,863
Change in fair value of derivatives	-818	2,376
Total cost of sales	5,758	7,626

Total cost of sales includes the fair value movements of commodity derivatives and the costs in relation to the onerous contracts provision. The EUR -818 million (2022: EUR 2,376 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%-2% (2022: 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:

	2023		2022	
	Before tax	After tax	Before tax	After tax
Discount rate Condensing	9.6%	6.9%	11.4%	6.6%
Discount rate Heat	6.6%	5.2%	5.9%	4.5%
Discount rate Wind Onshore	8.3%	5.2%	8.2%	4.6%
Discount rate Wind Offshore	8.1%	5.2%	8.1%	4.7%
Discount rate Customers & Solutions	8.2%	5.5%	7.3%	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 27 million (2022: EUR 34 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 30 million (2022: EUR 39 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 23 million. And a reduction of 5% in future margin would decrease the estimated value in use for the cash-generating unit Condensing segment by 17% or approximately EUR 88 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 6% or approximately EUR 155 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. The cash-generating units are part of the business areas Condensing, Customers & Solutions, E-mobility and Wind.

The Business area Condensing consists of 6 power 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 renewable 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.

Impairment losses 2023

Impairment losses charged against operating result in 2023 are EUR nil.

Impairment losses 2022

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

Note 7 Other external expenses

Amounts in EUR million	2023	2022
Purchased services	64	61
IT expenses	24	19
Consulting expenses	115	97
Non-capitalised lease expenses	16	14
Marketing and selling expenses	36	27
Facility service costs	7	6
Other ¹	119	99
Total	381	323

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

Note 8 Financial income and expenses

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.

For calculation of interest effects attributable to provisions, discount rates have been used, see Note 23 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 income

Amounts in EUR million	2023	2022
Interest income	26	4
Total	26	4

Financial expenses

Amounts in EUR million	2023	2022
Interest expenses attributable to loans	16	5
Total	16	5

Interest expenses, attributable to lease liabilities, amount to EUR 3 million (2022: EUR 2 million) and are included in interest expenses attributable to loans.

Note 9 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.

Offset of deferred tax assets and liabilities

Deferred tax assets and liabilities can only be netted off if both of the following apply:

(1) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (2) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Important estimations and assessments

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.

Pillar II

On December 13, 2023, the Swedish parliament, where the parent company is incorporated, enacted the new minimum taxation rules, the Pillar Two tax legislation effective from 1 January 2024. Under this legislation, the parent company, Vattenfall AB, will be required to pay, in Sweden, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. A high-level impact assessment of the new tax legislation does not indicate any expected material negative tax consequences as the group does not operate in low tax jurisdictions. The assessment and implementation of the new rules will continue in 2024.

Financial information

Breakdown of the reported income tax

Amounts in EUR million	2023	2022
Current tax expense (-)/ tax credit (+)	-2	67
Adjustment of current tax credit (+) / expense (-) for prior periods	6	-6
Deferred tax expense (-) / credit (+)	-195	435
Total income tax (expense)/credit	-191	496

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

Amounts in EUR million	2023		2022	
	%		%	
Result before tax		802		-1,913
Dutch income tax rate for the year ended 31 December	25.8	-207	25.8	494
Difference in tax rate in foreign operations	0.0	–	-0.1	-2
Tax adjustments for previous periods	-0.9	7	-0.1	-2
Non-taxable income	-0.7	6	0.2	4
Energy investment allowance	-0.5	4	0.2	4
Changes in tax rates	0.0	–	-0.1	-2
Other	0.1	-1	0.0	–
Effective tax rate	23.8	-191	25.9	496

Balance sheet reconciliation of current tax

Amounts in EUR million	2023	2022
Balance brought forward net asset (+)/ net liability (-)	131	-87
Change via income statement	5	61
Taxes paid, net	-51	157
Balance carried forward net asset (+)	85	131

Breakdown of the deferred tax

Amounts in EUR million	2023	2022
Property, plant and equipment	-44	-34
Inventories	18	4
Intangible assets	-3	-6
Non-settled derivatives	288	511
Tax losses carried forward	104	–
Provisions	21	113
Liabilities	75	63
Other	-4	-1
Total	455	650

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 -195 million during 2023, mainly caused by the change in non-settled derivatives, change in the provision for onerous contracts, the tax losses carry forward recognition, prior year adjustments and other reversals.

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 53.3 million (2022: EUR 50.9 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 10 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 below.

Right-of-use-assets Amounts in EUR million	2023				
	Land	Buildings	Vehicles	Other	Total
Balance brought forward	146	21	11	17	195
Depreciation for the year	-8	-7	0	-14	-29
Additions to the right of use asset during the year	0	10	9	1	20
Other changes to the right of use asset during the year	7	11	-6	11	23
Balance carried forward	145	35	14	15	209

Right-of-use-assets Amounts in EUR million	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

Lease liability development

Amounts in EUR million	2023	2022
Balance brought forward	203	216
Additions to the liability	20	33
Repayment of the liability	-41	-37
Other changes	35	-9
Balance carried forward	217	203

Total leasing related cash-outflows amounted to EUR 40 million in 2023 (2022: EUR 40 million) of which EUR 2 million (2022: EUR 2 million) is related to interest expenses.

Maturity analysis - contractual undiscounted cash flows

Amounts in EUR million	
< 1 year	36
1 - 5 years	73
> 5 years	134
Total as of 31 December 2023	243

Lease payments amounting to EUR 16 million (2022: EUR 14 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 2023, cost of assets reported under operating leases amounted to EUR 538 million (2022: EUR 537 million). Accumulated depreciation amounted to EUR 418 million (2022: EUR 394 million) and accumulated impairment losses amounted to EUR 9 million (2022: EUR 9 million).

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

As of 31 December 2023

Amounts in EUR million	Operating leasing
2024	93
2025	91
2026	8
2027	5
2028	3
2029 and beyond	8
Total	208

As of 31 December 2022

Amounts in EUR million	Operating leasing
2023	96
2024	93
2025	95
2026	8
2027	5
2028 and beyond	11
Total	308

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 was terminated prematurely on 09 October 2023. 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 2024. In addition, it's agreed to consult each other in 2024, in order to agree on a future-proof system for the ownership and operation of the heating grids, as well as the related financial aspects. The impact of the implementation of the Heat Act (WcW) will be taken into account, and the implementation is expected to be in 2025.

Note 11 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

		2023		
Amounts in EUR million	Concessions, customer lists and similar rights with finite useful lives	Cost to obtain a contract	Total	
Cost				
Cost brought forward	252	34	286	
Investments	17	–	17	
Divestments/disposals	-6	-18	-24	
Accumulated cost carried forward	263	16	279	
Accumulated amortisation				
Amortisation brought forward	-90	-29	-119	
Amortisation for the year	-23	-4	-27	
Divestments/disposals	6	18	24	
Reclassifications	-3	–	-3	
Accumulated amortisation carried forward	-110	-15	-125	
Impairment losses				
Impairment losses brought forward	-52	–	-52	
Reclassifications	3	–	3	
Accumulated impairment losses carried forward	-49	–	-49	
Carrying amount carried forward	104	1	105	

		2022		
Amounts in EUR million	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	

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 to the preceding year.

Note 12 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, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any 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.

Acquisition cost may include a calculated present value for the estimated cost for dismantling, removing assets and restoring the site to its original state. The equivalent estimated cost calculated on the basis of the present value is reported initially as a provision. See also Note 23 to the consolidated accounts, Provisions.

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 in which they are incurred. 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 remain 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.

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

2023

Amounts in EUR million	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	287	3,406	330	1,872	5,895
Acquired companies	–	35	–	–	35
Investments ⁴	10	16	18	808	852
Reversed investments	–	–	–	-9	-9
Capitalised/reversed future payments for decommissioning, restoration ⁶	–	274	–	–	274
Transfer from construction in progress	1	1,476	6	-1,483	–
Divestments/disposals ¹	-6	-50	-40	–	-96
Other reclassifications	22	–	11	–	33
Accumulated cost carried forward	314	5,157	325	1,188	6,984
Accumulated depreciation					
Depreciation brought forward	-69	-1,281	-191	–	-1,541
Acquired companies	–	-29	–	–	-29
Depreciation for the year	-20	-154	-35	–	-209
Divestments/disposals ¹	6	47	29	–	82
Other reclassifications	-3	–	-21	–	-24
Accumulated depreciation carried forward	-86	-1,417	-218	–	-1,721
Impairment losses					
Impairment losses brought forward	-14	-750	-25	–	-789
Other reclassifications	1	–	21	–	22
Accumulated impairment losses carried forward	-13	-750	-4	–	-767
Carrying amount carried forward	215	2,990	103	1,188	4,496

2022

Amounts in EUR million	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 ⁶	7	10	–	–	17
Transfer from construction in progress	–	78	5	-88	-5
Divestments/disposals	-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	–	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

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 (2022: EUR 1 million), which are not subject to depreciation.

³ Government grants received, balance brought forward, amount to EUR 45 million (2022: EUR 59 million).

⁴ Government grants received during the year amounted to EUR 0 million (2022: 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 20, Assets held for sale.

⁶ Changes in the provision for decommissioning of wind- and solar farms have been recognized under Property, plant and equipment. The 2023 addition mainly relates to the wind farm Hollandse Kust Zuid (EUR 265 mln) in addition to land-based wind- and solar farms. Refer to Note 23, Provisions.

Note 13 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 % 2023	Participation in % 2022
Netherlands			
Vattenfall Customers & Solutions Netherlands N.V. ¹	Amsterdam	100	100
Vattenfall Duurzame Energie NV ¹	Amsterdam	100	100
Vattenfall Eemshaven B.V. ¹	Amsterdam	0	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. ¹	Amsterdam	100	100
Vattenfall Renewable Initiatives 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 NV. 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. ¹	Rotterdam	100	100
Windpark Slufterdam West B.V. ¹	Amsterdam	100	100
Zuidlob Wind B.V. ¹	Amsterdam	100	100
V.O.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 14 Participations in associated companies and joint ventures

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

	Registered office	Participation in % 2023	Participation in % 2022	Carrying amount	
				2023	2022
Significant associated companies and joint ventures owned by Vattenfall NV				million	million
				EUR	EUR
Netherlands					
Molenrak B.V. ¹	Amsterdam	58	58	20	21
Westpoort Warmte B.V. ¹	Amsterdam	50	50	35	28
Other associated companies and joint ventures				1	1
Total				56	50

¹ Joint venture

Financial information

Amounts in EUR million	2023	2022
Balance brought forward	50	44
New share issues and shareholders' contributions	–	6
Profit participations and dividends	6	–
Balance carried forward	56	50

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 2023 and 2022, except for those disclosed in Note 31.

Vattenfall NV has issued a series of loans to Westpoort Warmte B.V. and Molenrak B.V., totalling EUR 271 million (2022: EUR 57 million) against an average interest rate of 3.41% (2022: 2.6%).

Participations in the results of associated companies

Amounts in EUR million	2023	2022
Netherlands		
Molenrak B.V. ¹	-1	–
Westpoort Warmte B.V. ¹	7	6
Total	6	6

¹ Joint venture

These joint ventures cannot distribute their profits without the consent of the other investors in the relevant joint venture.

Note 15 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, 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 29 million (2022: EUR 63 million), pertaining to the sale of Windpark Hiddum Houw B.V.

Financial information

Amounts in EUR million	2023	2022
Inventories held for own use		
Materials and spare parts	56	48
Other	4	2
Total	60	50
Develop-to-sell assets		
Develop-to-sell assets	41	47
Total	41	47
Inventories held for trading		
Fossil fuel	111	272
CO ₂ emission allowances/certificates	11	11
Biomass	24	31
Total	146	314
Total inventories	247	411

Note 16 Trade receivables and other receivables

Accounting policy

From its sales to customers, Vattenfall is exposed to credit risk in outstanding trade receivables. This risk is reduced as Vattenfall has trade receivables distributed among a large number of customers with a short expected maturity. Trade receivables and other receivables are measured, without discounting, at the amounts initially invoiced less allowances for expected losses. The allowance for expected credit losses is based on 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.

Financial information

Amounts in EUR million	2023	2022
Accounts receivable - trade	706	647
Receivables from related companies	1,534	2,857
Energy price cap arrangement ¹	109	–
Other receivables	8	13
Total	2,357	3,517

¹ Energy price ceiling to be received from the government. See note 2 - Accounting policies.

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. No provision for expected credit losses is calculated for the receivables from group companies. 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

Amounts in EUR million	2023				2022			
	Receivables, gross	Impaired receivables	Receivables, net	Expected credit loss	Receivables, gross	Impaired receivables	Receivables, net	Expected credit loss
Accounts receivable - trade								
Not due	583	4	579	1%	554	7	547	1%
Past due 1-30 days	45	1	44	2%	65	4	61	6%
Past due 31-90 days	33	2	31	6%	22	2	20	9%
Past due >90 days	71	19	52	27%	35	16	19	46%
Total	732	26	706	4%	676	29	647	4%

Note 17 Advance payments paid

Amounts in EUR million	2023	2022
Margin calls paid, energy trading	1	1
Total	1	1

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 18 Prepaid expenses and accrued income

Amounts in EUR million	2023	2022
Accrued income, energy related	299	337
Prepaid expenses, other	61	83
Accrued income, other	21	2
Total	381	422

Note 19 Cash

Amounts in EUR million	2023	2022
Cash and bank balances	109	254
Total	109	254

All liquid assets are freely available.

Note 20 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 refer to the powerplant Eemshaven/Magnum within BA Heat which has been sold in the first quarter of 2023. As per 31 December 2023 there were no assets held for sale.

Amounts in EUR million	2023	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 21 Interest-bearing liabilities

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

Amounts in EUR million	Non-current portion maturity 1-5 years		Non-current portion maturity >5 years		Total non-current portion		Current portion		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Loan from the Parent Company	470	–	–	–	470	–	–	–	470	–
Other liabilities	85	73	121	119	206	192	37	39	243	231
Total interest-bearing liabilities	555	73	121	119	676	192	37	39	713	231

In June 2023, the Company obtained a loan from the Parent Company of EUR 470 million to finance the construction of the Hollandse Kust Zuid project. The loan is repayable on June 30, 2028 and has an interest rate of 3.87% per year.

Leasing liabilities are part of the other liabilities. The non-current portion amounts to EUR 184 million (2022: EUR 167 million) and the current portion amounts to EUR 33 million (2022: EUR 36 million). Further reference is made to note 10 Leasing to the consolidated accounts.

Note 22 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 110.5% (2022: 110.9%) and the pension premium for 2023 amounts to 27.9% (2022: 25.9%). The coverage ratio of the 'Metaal en Techniek' pension fund amounts to 105.5% (2022: 106.8%) and the pension premium for 2023 amounts to 28.0% (2022: 28.0%).

Note 23 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% (2022: 3.00%).
- Decommissioning provisions for new (since 2020) gas and wind operations: 1.75% (2022: 2.00%)
- Decommissioning provisions for existing (in operation before 2020) gas and wind operations: 0.75% (2022: 0.25%)

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.

The discount rates for wind and gas decommissioning provisions in The Netherlands are based on historical averages of market rates for Dutch government bonds, whereas the duration of the bond shall match the duration of the provision. Hence, for new windfarms, where the decommissioning will take place in approximately 20 years or longer, the company uses government bond rates with 20 years duration. For the "existing" gas and wind assets, which are much closer to decommissioning, a 10-year bond rate is applied.

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. This arrangement is no longer part of the Collective Labour Agreement, and only the first upcoming anniversary will be paid and is accrued for.
- 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.

The discount rates for short-term personnel-related provisions for non-pension purposes are based on the Bloomberg AA credit yield curve BS165, whereas the duration of this yield curve shall match the duration of the provision. The discount rates for long-term personnel-related provisions for non-pension purposes are based on the Mercer discount rates, whereas the applied duration shall match with the duration of the provision.

Provision for onerous contracts

The provision for onerous contracts relates to contingent losses from fixed-price contracts with customers. Due to the high electricity and gas prices in 2021, some of the fixed-price contracts with customers have become onerous for Vattenfall, so a provision has been recognized in 2021. In 2023, electricity and gas prices fell significantly, so that the fixed-price contracts with customers are no longer onerous for Vattenfall and the provisions have been reduced accordingly to EUR 26 million (2022: EUR 387 million).

Other provisions

Other provisions include, among others, guarantee commitments.

Financial information

Amounts in EUR million	Non-current portion		Current portion		Total	
	2023	2022	2023	2022	2023	2022
Provisions for future commitments of gas and wind operations and other environmental measures/undertakings	339	65	1	2	340	67
Personnel-related provisions for non-pension purposes	13	15	6	7	19	22
Provision for onerous contracts	18	377	8	10	26	387
Other provisions	9	4	3	7	12	11
Total	379	461	18	26	397	487

Movement schedule provisions

Amounts in EUR million	Provisions for gas, wind and other environmental measures	Personnel-related provisions for non-pension purposes	Provision for onerous contracts	Other provisions
Balance brought forward	67	22	387	11
Interest effects	1	-1	–	–
Additions	273 ¹	9	–	1
Provisions used	-1	-4	-361	–
Provisions reversed	–	-7	–	–
Balance carried forward	340	19	26	12

¹ The addition to the provisions for gas, wind and other environmental measures relates mainly to the decommissioning provision for the Hollandse Kust Zuid project (EUR 265 million) in addition to changes in the decommissioning provision for onshore gas and wind operations.

Future commitments of non-current provisions

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

2023 - Amounts in EUR million	Provision for gas and wind operations	Personnel-related provision	Provision for onerous contracts	Other provisions	Total
2-5 years	3	10	18	9	40
6-10 years	10	3	–	–	13
11-20 years	2	–	–	–	2
Beyond 20 years	324	–	–	–	324
Total	339	13	18	9	379

Note 24 Trade payables and other liabilities

Amounts in EUR million	2023	2022
Accounts payable - trade	220	817
Liabilities to related companies	1,426	3,252
Energy price cap arrangement ¹	31	–
Other liabilities	561	323
Total	2,238	4,392

¹ Energy price ceiling to be paid to the government. See Note 2 - Accounting policies.

Note 25 Advance payments received

Amounts in EUR million	2023	2022
Margin calls received, energy trading	–	14
Other advance payments	2	–
Total	2	14

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 26 Accrued expenses and deferred income

Amounts in EUR million	2023	2022
Accrued personnel-related costs	59	55
Accrued expenses, CO ₂ emission allowances	147	15
Other accrued expenses	252	223
Deferred income, energy related	376	74
Accrued expenses, energy related	3	4
Energy price cap arrangement ¹	-223	–
Other deferred income	21	58
Total	635	429

¹ Energy price ceiling to be received from customers is offset against advances received from customers as included in deferred income, energy related in the table above. See Note 2 - Accounting policies.

Note 27 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. This category also includes Cash equivalents with terms shorter than three months, which Vattenfall monitors and measures based on their fair value. The category also includes certain Short-term investments with original terms in excess of three months.

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. Vattenfall classifies holdings of equity instruments at fair value through profit or loss. Vattenfall does not apply the irrevocable option to measure equity instruments that are not held for trading at fair value through other comprehensive income. 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 sales. 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, the loss in the event of and the exposure to default.

Financial information

Risks arising from financial instruments are described in Note 28 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.

Amounts in EUR million	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortised cost				
Other non-current receivables	240	249	110	114
Financial liabilities at amortised cost				
Other non-current interest-bearing liabilities	676	209	192	196

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 2023

Amounts in EUR million	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	1,630	1,610	20	–	–	20
Total	1,630	1,610	20	–	–	20
Derivatives, not subject to offsetting	132	–	132	–	–	132
Total derivative assets			152			152

Assets 31 December 2022

Amounts in EUR million	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 pledged	
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 liabilities			556			556

Net amounts of financial assets presented on the balance sheet with related parties amount to EUR 21 million (2022: EUR 187 million) as of 31 December 2023.

Liabilities 31 December 2023

Amounts in EUR million	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 received	
Derivatives, commodity contracts	2,661	1,610	1,051	–	–	1,051
Total	2,661	1,610	1,051	–	–	1,051
Derivatives, not subject to offsetting	1	–	1	–	–	1
Total derivative liabilities			1,052			1,052

Liabilities 31 December 2022

Amounts in EUR million	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

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 1.051 million (2022: EUR 2.096 million) as of 31 December 2023.

Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2023

Amounts in EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	152	–	152
Total assets	–	152	–	152
Liabilities				
Derivative liabilities	–	1,052	–	1,052
Total liabilities	–	1,052	–	1,052

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

Amounts in EUR million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	–	556 ¹	–	556
Total assets	–	556	–	556
Liabilities				
Derivative liabilities	–	2,117	–	2,117
Total liabilities	–	2,117	–	2,117

¹ Contains values previously reported as level 3.

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.

The net value as per 31 December 2023 has been calculated at EUR 0 million (2022: EUR 0 million) and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/- EUR 0 million (2022: EUE +/- 0 million).

Derivative assets

Amounts in EUR million	Non-current portion, maturity 1-5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Commodity and commodity-related contracts	7	55	–	–	7	55	145	501	152	556
Total	7	55	–	–	7	55	145	501	152	556

Derivative liabilities

Amounts in EUR million	Non-current portion, maturity 1-5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Commodity and commodity-related contracts	67	607	–	–	67	607	985	1,510	1,052	2,117
Total	67	607	–	–	67	607	985	1,510	1,052	2,117

Changes in liabilities arising from financing activities

Amounts in EUR million	2023				
	1 January	Cash flows	New leases	Other	31 December
Non-current interest-bearing liabilities	192	–	17	467	676
Current interest-bearing liabilities	39	429	3	-434	37
Total liabilities from financing activities	231	429	20	33	713

Amounts in EUR million	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

Note 28 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 is 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 and is monitored daily. Market risk includes the risk of a change in volumes, especially in the Nordic market where hydro power production is highly dependent on precipitation. 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 macro-economic 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 diversifies the 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.

Continental markets

Similar to the Nordic market, Vattenfall uses hedging instruments to manage the market price risk of the continental electricity production. This portfolio mainly consists of spread production (including power, gas, coal and emissions positions), price-indexed district heating contracts as well as outright wind power production and pumped storage hydro.

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 2.4 billion (approximately EUR 215 million), which can be compared to a VaR of EUR 18 million (2022: 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 0.9 million (2022: EUR 3.3 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 27 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 2023, available liquid assets and/or committed credit facilities amounted to 28% (2022: 102%) 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 rating as well as its BB+ rating for hybrid bonds. The rating outlook was changed from positive to stable on 15 December 2023. During 2023, Vattenfall AB issued a GBP 250 million hybrid bond with the first reset date after 5.25 years as a replacement for the maturing USD 400 million hybrid bond issued in 2015.

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.

Amounts in EUR million	Non-current portion maturity 1-5 years		Non-current portion maturity > 5 years		Total non-current portion		Current portion		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Interest-bearing liabilities	556	74	134	136	690	210	40	42	730	252
Derivatives	590	707	–	–	590	707	2,033	3,645	2,623	4,352
Trade payables and other financial liabilities	–	–	–	–	–	–	2,238	4,392	2,238	4,392
Total	1,146	781	134	136	1,280	917	4,311	8,079	5,591	8,996

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 target duration of 2-to-6 years is based on the company's current financing need and desired interest rate sensitivity in net interest income/expense. Duration is to have a norm of four years with a permissible variation of +2/-2 years. The duration of Vattenfall AB's debt portfolio at year-end was 3.53 years (2022: 4.73 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 2023 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 (2022: EUR 0 million) on an annual basis.

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 27 to the consolidated accounts, Financial instruments. 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 23.9 million (2022: EUR 1 million). This exposure is reduced by derivatives concluded to hedge the currency risk for an amount of EUR 14.6 million (2022: EUR 2 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 -3.5 million (2022: EUR -0.2 million).

Credit risk

Credit risk is the risk that a counterparty cannot or will not meet its obligations to Vattenfall and the risk exists across all activities.

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 29 Specifications of the cash flow statement

Other investments in non-current assets

Amounts in EUR million	2023	2022
Investments in intangible assets: non-current, including advance payments	-17	-4
Investments in property, plant and equipment, including advance payments	-822	-1,202
Total	-839	-1,206

Note 30 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.

Accumulated losses including result for the year

Accumulated losses 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, followed by the partial sale of their interest to Allianz, the subsequent contributions of these partners in the project and their share in the result has resulted in a non-controlling interest of EUR 1,201 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 31 Contingent liabilities

As per 31 December 2023 contingent liabilities amounted to EUR 4,230 million (2022: EUR 6,079 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 2023 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 28 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.

Stichting Nuon claim

On 30th March 2022, Stichting Nuon claim started a class action against Vattenfall Sales NL, VET NL and Vattenfall N.V. claiming that (allegedly) 5,000 business customers were misled and suffered damage because they were charged a 'kilowatt-charge' (kW-charge) from 2002 onward. In our view the kW-charge is not misleading, but one of the components of the electricity price. The electricity price is not related to costs of the grid operator for the transport of energy as is being claimed. The procedure is currently ongoing.

Vattenfall's general terms and conditions - right to change the general terms and conditions

In February 2023 the court of Amsterdam ruled that the right to change the tariffs, incorporated in the GT&Cs 2017 and used by all Dutch energy suppliers since 2017, was considered unfair and void. Several legal proceedings regarding the same terms and conditions used by (other) energy suppliers in the market are ongoing. On 8th March 2024, in a different court case, the court declared that the general terms and conditions are not unreasonable. Vattenfall is carefully monitoring the cases against Vattenfall and other energy suppliers.

Vattenfall NV has provided several parent guarantees for its subsidiaries, joint ventures or associated companies, part of which are uncapped. On 31 December 2023, these parent guarantees amounted to EUR 1 million (2022: 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 13 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 32 Number of employees and personnel expenses

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

	2023			2022		
	Men	Women	Total	Men	Women	Total
Netherlands	2,842	1,067	3,909	2,772	970	3,742
Germany	21	2	23	19	2	21
Total	2,863	1,069	3,932	2,791	972	3,763

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

	2023			2022		
	Men	Women	Total	Men	Women	Total
Netherlands	2,802	1,036	3,838	2,757	953	3,710
Germany	19	2	21	19	2	21
Total	2,821	1,038	3,859	2,776	955	3,731

Personnel costs:

Amounts in EUR million	2023	2022
Salaries and other remuneration	280	266
Social security costs	46	45
Pension costs	38	36
Total	364	347

Benefits for Management and Supervisory Board members of Vattenfall NV

Amounts in EUR thousands	2023			2022		
	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	1,702	164	237	1,564	154	228
Supervisory Board	18	–	–	17	–	–
Total	1,720	164	237	1,581	154	228

Note 33 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 32 to the Consolidated accounts, Number of employees and personnel expenses.

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

Related parties transactions

	2023	2022
Sales of goods and services to Vattenfall AB and its subsidiaries	12,599	14,234
Sales of goods and services to associated companies and joint ventures	38	36
Costs charged by Vattenfall AB and its subsidiaries	-17,840	-18,833
Costs charged by associated companies and joint ventures	-2	-3

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 16 and Note 24) as well as with its associated companies and joint ventures (Note 14). 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 32.

Note 34 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Company accounts

Company balance sheet

Amounts in EUR million, before appropriation of result	Note	31 December 2023	31 December 2022
Assets			
Fixed assets			
Property, plant and equipment	2	40	31
Investments in subsidiaries	3	3,376	2,765
Receivables from group companies	4	70	70
Other non-current receivables	5	228	98
Deferred tax assets	6	108	1
Total Fixed assets		3,822	2,965
Current assets			
Other receivables	7	11,613	6,987 ¹
Cash	8	15	9
Total current assets		11,628	6,996
Total assets		15,450	9,961
Equity and Liabilities			
Equity			
Share capital		684	684
Share premium		2,211	2,211
Legal reserve participating interests		56	50
Legal reserve revaluation of assets		113	417
Other reserves		-1,534	-413
Unappropriated result for the year		581	-1,419
Total equity attributable to Vattenfall NV shareholder	9	2,111	1,530
Provisions	10	18	21
Long-term liabilities			
Interest-bearing liabilities	11	497	14
Long-term liabilities		497	14
Current liabilities			
Interest bearing liabilities	11	8	9
Trade payables and other liabilities		236	315
Payables to group companies	12	12,580	8,072 ¹
Total current liabilities		12,824	8,396
Total equity and liabilities		15,450	9,961

¹ In 2023 Vattenfall NV adjusted its presentation of intercompany positions. For reasons of comparability, the 2022 figures have been changed accordingly: The reported value for Other receivables as per 31 December 2022 was EUR 2,294 million. The reported value for Payables to group companies as per 31 December 2022 was EUR 3,379 million.

Company income statement

Amounts in EUR million, 1 January - 31 December	Note	2023	2022
Result after taxation from subsidiaries		611	-1,398
Other income less expenses after taxation	14	-30	-21
Result after taxation		581	-1,419

Company statement of changes in equity

2023

Amounts in EUR thousands	Share capital and premium	Legal reserve participating interests	Legal reserve revaluation of assets	Other reserves	Unappropriated result for the year	Total
Balance brought forward 2023	2,895	50	417	-413	-1,419	1,530
Result for the year	–	–	–	–	581	581
Movements in the financial reporting period	–	6	-304	-1,121	1,419	–
Balance carried forward 2023	2,895	56	113	-1,534	581	2,111

2022

Amounts in EUR million	Share capital and premium	Legal reserve participating interests	Legal reserve revaluation of assets	Other reserves	Unappropriated result for the year	Total
Balance brought forward 2022	2,895	44	1,766	-2,176	420	2,949
Result for the year	–	–	–	–	-1,419	-1,419
Movements in the financial reporting period	–	6	-1,349	1,763	-420	–
Balance carried forward 2022	2,895	50	417	-413	-1,419	1,530

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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.

In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles

also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

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

Amounts in EUR million	2023			
	Land and buildings	Equipment, tools and fixtures and fittings	Construction in progress	Total
Cost				
Cost brought forward	64	246	–	310
Investments	17	3	3	23
Transfer from construction in progress	1	2	-3	–
Divestments/disposals	-6	-179	–	-185
Accumulated cost carried forward	76	72	–	148
Accumulated depreciation				
Depreciation brought forward	-42	-237	–	-279
Depreciation for the year	-9	-5	–	-14
Divestments/disposals	6	179	–	185
Accumulated depreciation carried forward	-45	-63	–	-108
Carrying amount carried forward	31	9	–	40
Amounts in EUR million	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

For further disclosure, reference is made to Note 12 to the consolidated accounts, Property, plant and equipment.

Note 3 Investments in subsidiaries

Amounts in EUR million	2023	2022
Balance brought forward	2,765	4,463
Dividends received	–	- 300
Share in result	611	- 1,398
Balance carried forward	3,376	2,765

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 13, Shares and participations to the consolidated accounts.

Note 4 Receivables from group companies

Amounts in EUR million	2023	2022
Balance brought forward	70	–
Additions and loans received	–	70
Balance carried forward	70	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% (2022: 4.25%).

Note 5 Other non-current receivables

Amounts in EUR million	2023	2022
Balance brought forward	98	46
Loans granted	177	70
Loans and interest repaid	- 47	- 18
Balance carried forward	228	98

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

Note 6 Deferred tax assets

Amounts in EUR million	2023	2022
Balance brought forward	1	2
Temporary differences charged to profit or loss	107	- 1
Balance carried forward	108	1

The 2023 temporary differences charged to profit & loss relate mainly to the 2023 tax loss carry-forward of the fiscal unity Vattenfall NV.

Note 7 Other receivables

Amounts in EUR million	31 December 2023	31 December 2022
Other receivables, external	68	149
Receivables from group companies	11,545	6,838 ¹
Total other receivables	11,613	6,987

¹ In 2023 Vattenfall NV adjusted its presentation of intercompany positions. For reasons of comparability, the 2022 figures have been changed accordingly: The reported value for Receivables from group companies as per 31 December 2022 was EUR 2,145 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 Vattenfall AB are charged with an interest rate based on €STR - 0.1% (with a floor of 0.0%).

Note 8 Cash

There is no restricted cash at the end of 2023 and 2022.

Note 9 Total equity attributable to Vattenfall NV shareholder

The authorised share capital of Vattenfall NV amounts to EUR 1,500,000,000 consisting of 300,000,000 ordinary 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.

The Consolidated statement of changes in equity and disclosures to that statement are included in the Consolidated accounts. Reference is made to Note 30 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 (net of taxes), 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 113 million in total is held for the unrealised fair value movements of these contracts (2022: EUR 417 million).

In addition, a legal reserve participations of EUR 56 million (2022: EUR 50 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 release from the legal reserve (EUR 298 million) and the addition of last year's result (EUR -1,419 million).

The legal reserve is not freely distributable.

Note 10 Provisions

Amounts in EUR million	2023	2022
Balance brought forward	21	23
Reversed provisions	- 7	- 5
Provisions for the period	9	9
Interest effects	- 1	- 1
Provisions used	- 4	- 5
Balance carried forward	18	21
Current portion	6	7
Non-current portion	12	14

Above provisions are personnel-related provisions for non-pension purposes. These 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.

Future commitments of non-current provisions

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

Amounts in EUR million	Personnel-related provision
2-5 years	9
6-10 years	3
11-20 years	0
Total	12

Further reference is made to Note 23 to the consolidated accounts, Provisions.

Note 11 Interest-bearing liabilities

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

Amounts in EUR million	Short-term part		Long-term part	
	31-dec 2023	31-dec 2022	31-dec 2023	31-dec 2022
Loan from parent company	-	-	470	-
Leasing liabilities	8	9	27	14
Total	8	9	497	14

In June 2023, the Company obtained a loan from the Parent Company of EUR 470 million to finance the construction of the Hollandse Kust Zuid project. The loan is repayable on June 30, 2028 and has an interest rate of 3.87% per year.

The movement in long term liabilities can be specified as follows:

Amounts in EUR million	2023	2022
Balance brought forward	14	20
New loans	491	3
Loans repaid	- 9	- 10
Transferred to short term interest bearing liabilities	1	1
Balance carried forward	497	14

The contractual cash flows regarding the leasing liabilities are as follows:

Maturity analysis - contractual cash flows

Amounts in EUR million	31-dec 2023	31-dec 2022
< 1 year	8	9
1 - 5 years	27	14
> 5 years	-	-
Total as of 31 December 2023	35	23

The entity is not the legal owner of the leased assets. Further reference is made to Note 10 to the consolidated accounts, Leasing.

Note 12 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 Vattenfall AB are charged with an interest rate based on €STR + 0.085% (with a floor of 0.45%).

Note 13 Contingent liabilities

Reference is made to Note 31 to the consolidated accounts, Contingent liabilities.

Note 14 Other income less expenses after taxation

Other income less expenses after taxation was EUR 30 million negative (2022: EUR 21 million negative) and consists mainly of income and expenses of company-wide activities at holding company level.

Note 15 Number of employees

The average number of employees in 2023 was 479 FTE based on a 38-hour working week (2022: 449 FTE) of which working in foreign countries 0 FTE (2022: 0 FTE).

The employee benefits related to the members of the Management Board have been disclosed in Note 32 to the consolidated accounts, Number of employees and personnel expenses.

Note 16 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Note 17 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 add EUR 581 million to other reserves.

Amounts in EUR million	2023
Dividend	
Dividend Vattenfall AB	–
Total dividend to be distributed	–
Result after taxation	581
Dividend proposal: Dividend to be distributed	–
Amount to be added to other reserves	581

Amsterdam, 13 May 2024

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 2023

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 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in 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 2023 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 2023 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 2023;
- the following statements for 2023: the consolidated statements of comprehensive income, cash flows and changes in equity; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2023;
- 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, such as 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 Vattenfall N.V. 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 with respect to the risks of material misstatements due to fraud 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.

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

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.

Our audit work and observations

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 N.V., such as the investment of the Eemshaven Magnum power plant.

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.

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 recognising 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 2023, 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 2024, 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 recognising 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 2023, 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 2024 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.

We incorporated an element of unpredictability in our audit. We 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 with laws and regulations.

Audit approach going concern

As disclosed in section 'Going concern' on page 35 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 macroeconomic 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 as at balance sheet date, considering the existing credit facilities provided by the parent company Vattenfall AB and the obtained group financing of €470 million, which secures the completion of the construction of the Hollandse Kust Zuid offshore wind project, 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.

In preparing 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 and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. 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, 13 May 2024

PricewaterhouseCoopers Accountants N.V.

Original has been signed by K. Hofstede RA

Appendix to our auditor's report on the financial statements 2023 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 2023 – 31 December 2023

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 2023.

Name legal entity: Powerpeers B.V.
Statutory place of business: Amsterdam
Period: 1 January 2023 – 31 December 2023

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 2023.

Name legal entity: DELTA Energie B.V.
Statutory place of business: Middelburg
Period: 1 January 2023 – 31 December 2023

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 2023.

Amsterdam, 13 May 2024

Signed by
Martijn Hagens

Annual Statement 2023 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 2023

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	2023	2022
Heating revenue	285.8	191.2
Power revenue	1.5	0.5
Amortization construction contributions	9.6	9.0
Other net sales	54.5	47.2
Net sales	351.4	247.9
Heating cost of purchases	-172.9	-104.1
Other cost of purchases	-41.4	-34.0
Other external expenses	-53.1	-49.9
Personnel expenses	-38.4	-34.5
Other operating incomes and expenses, net	-0.6	-1.0
Operating profit before depreciation, amortization and impairment losses (EBITDA)	44.9	24.4
Depreciation	-35.2	-31.8
Operating profit (EBIT)	9.8	-7.4

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 2023 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 72). 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 2023

The tables below represent the financial information for 2023, 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-23	31-dec-22
Property, plant and equipment	557.8	509.4
Construction contributions	-223.8	-209.6
Return On Investment (ROI)	3.1%	-2.4%

Explanation to the income statement

Amounts in EUR million, 1 January - 31 December	2023	2022
Breakdown of heating revenue	285.8	191.2
a1. Heat consumption	214.1	124.7
a2. Hot water consumption	13.5	10.5
b1. Fixed fee heat supply and metering services	46.5	44.9
b2. Delivery kit	11.7	11.1
Breakdown of cost of purchases	-172.9	-104.1
Variable heat purchase costs	-130.6	-81.0
Fixed heat purchase costs	-39.1	-21.1
Cold water purchase costs	-0.1	-0.8
Electricity purchase costs	-3.1	-1.2
Supplies		
Amount of heating supplied in GJs	3,500,459	3,951,527
Number of connections (<100 kW)	138,021	134,716
Amount of hot water supplied in m3	806,099	946,347
Purchase		
Purchased heat in GJ	5,387,900	6,080,078
Purchased cold water in m3	806,099	946,347
Purchase contracts according to Heat Act article 8	18	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 and transport of heat
Westpoort Warmte	Production and transport of heat	Production and transport of heat
Westpoort Warmte (Zeeburgereiland - Amsterdam)	Supply of heat by Vattenfall	

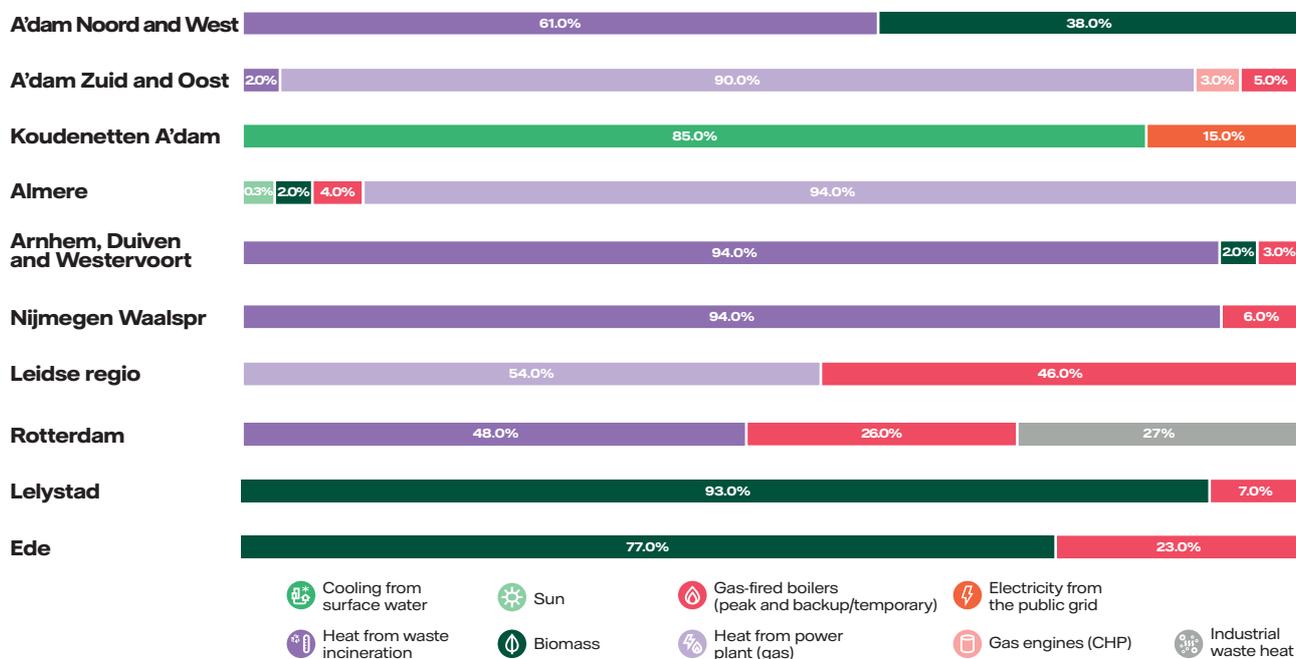
VF Warmte conducts transactions with subsidiaries of Vattenfall NV for the purchase of heat. Transactions with the parties classified as related parties are conducted at market conditions and prices that are not more favorable than the conditions and prices offered by independent external third parties. 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 2023*

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	72.0%	3.0%	85.0%	5.0%	83.0%	69.0%	-	26.0%	90.0%	72.0%
Share of residual heat ¹	14.0%	20.0%	-	43.0%	-	7.0%	18%	33.0%	-	-
CO ₂ reduction compared to HR gas boiler/compression cooling	78.6%	58.6%	53.0%	65.0%	78.0%	67.0%	22.0%	44.0%	86.0%	65.0%
CO ₂ emissions kg / GJ delivery	12.6	24.4	11.7	20.5	13.0	19.2	46.3	33.0	8.4	20.4
Heat loss	27.0%	27.0%	-	35.0%	29.0%	37.0%	25.0%	34.0%	40.0%	27.0%
Primary energy factor (fp _{de,l}) according to NTAB800	0.17	0.48	0.21	0.40	0.18	0.28	0.91	0.60	0.16	0.40
Renewable energy factor (fp _{ren}) according to NTAB800	0.86	0.22	0.83	0.48	0.83	0.76	0.18	0.59	0.90	0.72

1) Calculation method in accordance with the Dutch Heat Act (wet collectieve warmtevoorziening)
* Preliminary results pending from external validation by the independent research institute TNO