ANNUAL REPORT PZEM

2021

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This annual report for 2021 is a publication of PZEM.

Design: PZEM Marketing
Images: PZEM, Scherp Fotografie, Origin Media Venture, Puur verbeeld

For questions, comments or suggestions, please contact PZEM, +31 (0)88 1346 000 or info@pzem.nl

The annual report 2021 can be consulted via PZEM.nl/jaarcijfers

PZEM
Poelendaelesingel 10
4335 JA Middelburg
The Netherlands

Annual report 2021

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About this report

In this Annual Report, PZEM N,V, (“PZEM”) gives an account of its activities in 2021, Sustainability and financial reporting have been integrated into this Annual Report to the greatest possible extent, The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union, and the relevant provisions of the Dutch Civil Code (DCC),

This Annual Report is published by PZEM N,V, (Zeeland Provincial Energy Company),

2021 Management Board Report

1.1 PZEM in 2021

The year 2021 was a major turning point for PZEM in terms of its financial performance

The year 2021 was a major turning point for PZEM in terms of its financial performance. In 2020 we were still clearly seeing the negative effects of the Covid-19 pandemic, with a fall in demand from customers and increased probability of defaults. Our main focus during that year was to mitigate the impact of the corona virus restrictions on our operating result, with the biggest impact being felt by the wholesale markets where prices dropped on the back of the fall in demand and we reported a loss for 2020.

In 2021 the situation changed significantly. Because of its portfolio PZEM benefited from high prices and increased volatility. The nuclear power plant only incurs fixed costs and so is profitable in times of high prices and, coupled with our trading capabilities, the gas-fired power plant in Sloe is perfectly suited and intended for scaling up or down quickly, all of which requires a certain degree of market volatility. This means that we can meet the need for flexibility by offering adjustable electricity generation. The significant further increase in installed solar and wind capacity has only boosted this need for flexibility. Anticipating this development, PZEM in 2020 implemented its "Excel in Balancing" strategy, the results of which became clear in 2021.

In addition to developments on the energy markets, we also in 2021 fulfilled the long-held wish of our shareholders to sell our 50% interest in water company Evides to them at an arm's length price. Its shares are now held directly rather than indirectly by the local authorities involved.

Market conditions

During the year, and in the second half of 2021 and early 2022, in particular, we saw market conditions that we had never observed before. To give an example: the price of natural gas on the virtual Dutch market platform TTF rose from EUR 16 per MWh in December 2020 to EUR 115 per MWh in December 2021. Given that the costs of gas-fired power plants determine the price of electricity for a large number of hours per year, in addition to gas prices, CO_2 prices are also relevant. There too, we saw prices quadruple between the start of 2020 and the end of 2021.

Due to these developments, electricity prices are now about four times higher than the average recorded over the last few years. Forward prices are currently lower than current spot prices. In other words, markets do not expect prices to remain at their current elevated level, but it seems likely that they will remain markedly higher in the coming years than they have been in the past. The actual outcomes will to a significant extent be shaped by geopolitical developments around gas supplies from Russia in the short term and CO_2 emission reduction targets in the longer term.

Where electricity prices in absolute terms are largely determined by marginal production cost, volatility is largely determined by the percentage share of unpredictable power generation. Production data for 2021 show that in 2021 42.5% of Dutch electricity production was generated from gas and 11.2% from coal. Wind and solar contributed 13.3% and 8.7%,

respectively. The remainder was generated through waste incineration, the nuclear power plant, and especially biomass as a co-fuel. So in 2021 too, gas-fired power plants were the key driver of Dutch wholesale electricity prices. Because higher CO_2 and gas prices drive up production costs, this has a trickle-down effect and leads to higher electricity prices. The nuclear power plant, in particular, is set to benefit given that it is not dependent on any of the factors described above.

Although in 2021 wind and solar still only accounted for 22.0%, growth in renewable electricity production combined with a decline in fossil surplus capacity was the reason why volatility continued to rise. As a result, the ability to control and adjust capacity by curtailing production as well as demand is becoming increasingly important. The physical boundaries of the current transport infrastructure require grid operators to intervene in existing production capacity. Storing electricity in batteries and/or hydrogen or heat or by any other means will also be crucial to ensuring that the energy transition continues, so long as the transport grids have not been sufficiently extended. Moreover, electrification across industry, the ongoing rollout of electric vehicles, and the use of electric heat pumps in residential properties will push up the demand for electricity, which in turn will provide PZEM with further opportunities in the light of the growing need for flexibility to balance the power grid. Finally, energy-intensive industries are now more likely than ever to consider adjusting their production capacity at certain energy and CO_2 price levels.

Business strategy

As early as 2016 we expressed our belief that PZEM was in an excellent position to use its portfolio to respond to the need for flexibility and that this flexibility was priced too low due to substantial spare capacity on the markets.
In fact, in 2019 we revised our strategy to be able to better provide that flexibility. And so in 2021 we were able to make an important contribution to the energy transition through our "Excel in Balancing" strategy. A key pillar for achieving this strategy was the implementation of a data-driven way of working. All relevant staff now have access to the same necessary information at the same time. Both the trading desk and the sales desk base their considerations on analytical models that provide as realistic a prediction of the future as possible. These in turn are based on revised mathematical models. These models factor in a very broad set of latest expectations regarding the ongoing development of various new power generation methods and their impact on the energy system as a whole, weather conditions, and supply and demand in neighbouring countries. Our people and systems have proved to be able to balance the various ways of generating and purchasing electricity, reducing the risks to our customers. This means that if there is less wind than expected, we can turn up the gas-fired power plant a little and so avoid the costs involved in the various individual electricity production sources being out of kilter.

As surplus capacity on the markets becomes a fact not only in the Netherlands but also in the countries around us, due to the closure of a number of base-load power stations, the value of having and being able to deal with flexibility becomes more apparent. Although still accounting for only 22% in the Netherlands in 2021, an increasingly bigger share of our national electricity production comes from intermittent sources. This increases the need for scaleable generation capacity. Energy storage will eventually have a part to play, but for the time being efficient gas-fired power plants are the key to balancing the demand for electricity with the fluctuating and hard-to-predict renewable energy resources. Anticipating these developments, we have already started investing in the battery storage market. In 2021 we purchased a 1 MW battery, which has been installed at our Middelburg offices and will provide us with operational insights in the course of 2022. Additionally, we also had other assets adjusted for flexible use in 2021. For example, some of the supply generated by the nuclear plant has been made adjustable in recent years and the same is being done at wind and solar farms. We were clearly able to reap the benefits of this in 2021. By monitoring markets closely and seizing opportunities as and when they arise, we achieved significantly better financial results than expected.

Financial performance

Total net profit for 2021 came in at EUR 235.1 million, which, although driven by a one-off gain of EUR 132.5 million from the reversal of a legacy impairment charge (less effect on tax deferrals), still constituted a considerable improvement on the loss reported for 2020 and the 2021 budget.

In the second half of 2021, in particular, prices not only recovered but continued to rise significantly. PZEM sells the electricity generated by its nuclear power plant gradually on the futures market and so achieves an average price. As a result, the impact of huge price changes such as those we have recently seen also gradually becomes visible in our financial results. In addition to higher prices, we also in 2021 saw hours with strongly negative prices, driven by rising volatility. This was especially the case during weekends with low demand

In 2021 PZEM was able to make an important contribution to the energy transition.

and a great deal of sunshine and wind. In fact, the difference between daily hourly prices became increasingly bigger and in 2021 more than doubled on the previous year. This in turn led to higher rates for adjustable capacity, making the cost of imbalances an increasingly greater factor and cost component of the new system. The above elements contributed to an important extent to the profit achieved by the trading desk's effective use of the Sloe power station.

At the same time, higher prices and volatility also come with new risks.
One of the aspects of higher prices is that they make a huge dent into the working capital in the form of much higher debtor balances and, in cases where electricity has already been sold and purchased, cause a major increase in initial and variation margins to be posted as security on the various energy trading exchanges. As a result, some seven energy companies went out of business in the Netherlands in 2021. For lack of a sufficient credit rating, PZEM needs to hedge its positions on the trading exchanges. The company cannot resort to the capital markets because they usually only provide temporary working capital. So in order to absorb the shocks to current markets, we strive to maintain a very strong and financially healthy balance sheet.

In 2021 we also benefited from excellent returns on the funds allocated for the decommissioning of the nuclear power plant. A savings fund has been formed for this long-term liability. These savings are invested conservatively in a mix of equities and bonds. Equity investments, in particular, yielded very strong returns in 2021. Although these are unrealised gains, they have been factored into PZEM's financial results in accordance with accounting rules.

Non-recurring items were also a relevant factor in 2021. When the Covid-19 pandemic broke out in 2020, we saw a fall in customer demand. The electricity and gas they did not purchase had to be sold at lower prices. The reverse occurred in 2021, when gas consumption by our customers fell due to the mild winter weather. We could now sell the excess supplies at higher prices and so generate extra revenue.

Safety performance

At PZEM, safety always comes first. In 2021, as in previous years, our TRIR target was 3.0 (Total Recordable Injury Rate; the total number of incidents resulting in absenteeism as a percentage of the total number of hours worked). We ended the year with a TRIR of 6.0. The incidents all took place at our subsidiaries and specifically our contractors. The Management Board offered a great deal of support to help turn the tide and members of the Supervisory Board also contributed actively. New safety culture programmes were put in place at the subsidiaries to break the trend. No more recordable incidents were reported in the second half of 2021 although the willingness to report incidents has increased.

Covid-19

We now seem to be in the last phase of the Covid-19 pandemic. We continued to work from home as much as possible in 2021 as well. We are very pleased to note that, as regards our non-production operations, our staff have done an excellent job working from home and we greatly appreciate their flexibility. The safety and wellbeing of our staff and business continuity remain our key focus.

Nuclear energy

In 2020 we already wrote that support for nuclear energy was gaining momentum. This trend continued in 2021.

In response to a motion submitted by Dutch MP Dijkhoff on 17 September 2020, a market consultation was conducted to gauge the support for nuclear energy. The survey concludes that market participants see the potential for building a new nuclear power plant in the Netherlands, provided that the government offers support in terms of funding, price guarantees, the process of obtaining a permit, and decommissioning. The report goes on to conclude that Borssele would be the most suitable location for a new nuclear plant in the Netherlands.

The Dutch coalition government's agreement for 2021-2025 entitled 'Looking out for each other, looking forward to the future' sets out strong ambitions for the role of nuclear energy in the future energy mix: extending the service life of the nuclear plant in Borssele and constructing two new nuclear power plants.

If a new nuclear plant is to be operational by 2035 and the decision to keep the existing plant open for longer is to be taken in the short term - both of which would be major steps towards achieving the climate targets - now is the time to take the logical next step and actually implement the goals set out in the coalition agreement. This can be done by performing a detailed feasibility study into both the new build and extending the service life of the existing power plant.

EPZ's involvement in the nuclear dossier is obvious. It is the only company in the Netherlands to have proven experience with operating a nuclear power station for the purpose of generating electricity. Its site is also the most logical place to locate a new power plant. Owning a majority interest in EPZ, PZEM regards the continuity of EPZ's operations as a key component of the zero-carbon electricity production mix referred to earlier. PZEM's role is to publicise its 70% share interest in EPZ and serve the interests of the province of Zeeland by finding an effective investment model and an appropriate shareholder structure, getting the current shareholders on board, and retaining public support.

Implementation of shareholders' strategy

Commercial activities on the energy markets go hand in hand with a risk profile that does not match the public interest as seen from the shareholders' perspective. Over the last few years, this has led to a lack of material investment necessary to ensure a healthy and future-proof business. The strategy of our shareholders therefore focuses on selling PZEM's commercial interests. To achieve this goal, we began a restructuring process in 2021 so as to segregate our nuclear operations from our non-nuclear commercial activities. The commercial (wholesale) activities were put on the market for sale in the summer of 2021 and more clarity as to their status will be obtained in the coming months. These wholesale activities involve the B2B business and, in particular, our portfolio of wind, solar and biomass PPAs (power purchase agreements), the trading desk, our 50% interest in the gas-fired power plant in Sloe, the Zuid-Beveland gas pipeline, the other gas storage and transport contracts, and PZEM's support departments.

Evides

As part of the 'Wind in the sails' programme, we explored the possibilities for converting PZEM's shareholders' indirect 50% share interest in Evides N.V. into a direct share interest. With the support of the Dutch central government, a plan was worked out for an arm's-length sale. At an extraordinary meeting of shareholders held on 18 November 2021, it was decided to sell PZEM's shares in Evides N.V. to GBE Aqua B.V. The sale took place on 8 December 2021 and so together we realised the long-held wish of our shareholders.

Dividend policy

At the general meeting on 18 November 2021, the shareholders adopted a new dividend policy setting out the terms on which PZEM will distribute any surplus cash in future.

Status of court cases and investigations

The bankruptcy of Biovalue was finalised in 2021, generating further revenue for PZEM.

Despite our expectations expressed last year, no further progress was made regarding completion of the investigation by the Dutch Consumer and Markets Authority (ACM), which had first been launched in 2017. The investigation concerns the correct publication of availability data and potential insider trading as a result of that. After the ACM finished its investigation in 2020, PZEM filed a response to the investigation report with the ACM in early 2021. Any sanctions report or penalty decision will be open to an objection and appeal (and ultimately an appeal with the Trade and Industry Appeals Tribunal (CBB)). For its part, PZEM is still looking forward to closing this case. At PZEM, we take compliance very seriously and view the investigation as a lesson learned and an opportunity for improvement.

On 18 February 2022, the Dutch Supreme Court handed down its decision in the Gemini case, dismissing the appeal on the grounds of Section 81 of the Dutch Act on the Organisation of the Courts. This means that it did not have to explain why it dismissed the appeal.

The Supreme Court upheld the Court of Appeal's ruling in PZEM's favour.

A word of thanks

PZEM still is an exceptionally fine company with complex operations. It is of great importance that we can continue to rely on the support of all our stakeholders, as we have done for more than a hundred years. We implemented our business strategy with the help and support of our employees. A special word of thanks and appreciation definitely goes to all of them. Certainly in the light of the challenges created by Covid-19 and market conditions.

We are also grateful to the Supervisory Board, the Works Council and our shareholders for their ongoing support.

Frank Verhagen	Niels Unger
CEO	COO

Left: Niels Unger, right: Frank Verhagen

1.2 Profile and key figures

At PZEM we are proud of what we have built up: a Dutch-based energy company with a unique brand concept.

At PZEM, we generate electricity, day in, day out. Around 40% of this electricity already comes from renewable sources, as part of an optimum mix that also includes flexible conventional production. The PPAs with wind and solar farms, the nuclear power plant, biomass plant and our state-of-the-art, clean and highly flexible gas-fired power station at Sloe are the cornerstones of our low-carbon portfolio. On our trading floor, we optimise our portfolio and carry out trades 24 hours a day, 7 days a week. Ultimately, we supply power at the sharpest possible prices to, for example, supermarket chains, holiday parks, timber companies and horticultural businesses as well as heavy industries. In what is an increasingly dynamic energy market, we provide proven added value to our customers. We have always done so.

1.2.1 Brand identity and commitment

Our brand. Our DNA

In 1919 the Zeeland Provincial Electricity Company (PZEM) was set up, a state-owned company that supplied electricity to people in the province of Zeeland for nearly 75 years. In 1970 the company was renamed Provincial Zeeland Energy Company because it also started supplying gas. More than a century on, PZEM is still a wholly Dutch producer and supplier of energy to businesses and organisations. The company is a stable factor on the energy markets, hence our lighthouse logo. It not only symbolises a trusted beacon in fickle energy markets but also reflects our Zeeland roots.

1.2.2 Core message

At PZEM we are proud of what we have built up: a Dutch-based energy company with a unique brand concept. Within this concept, we combine energy production, trading, and supply. We do this in a smart way, driven by the needs and requirements of our customers.

The Netherlands is becoming more sustainable…

There is a lot of commitment to encouraging wind and solar power. An excellent development, but also a challenging one. Because what if the sun does not shine or the wind does not blow? PZEM strives to minimise the CO_2 impact of its portfolio. We do so by generating electricity from wind and solar, incineration and poultry litter, natural gas, and nuclear energy from the Netherlands' only nuclear power plant. We also buy renewable electricity from a range of large and smaller wind farms under long-term purchasing agreements (PPAs).

Based in the province of Zeeland, PZEM is a reliable Dutch power company that ensures security and safety of supply during the transition to zero-carbon energy sources. As regards the supply of electricity, PZEM opts for zero-carbon nuclear energy generation. The reason for this is that electricity generated from nuclear power does not emit greenhouse gases.

PZEM. Proven and reliable.

Reliability
Our origin lies in the past, a reliable supplier for more than 100 years, inextricably linked to Zeeland.

Expertise
We deal in energy and provide solutions and have always done so

Customer focus
We are a stable business in a dynamic energy market. A partner in energy

1.2.3 Why PZEM?

Supply and demand

There is an increasing mismatch between electricity supply and demand. As greater flexibility will be required to keep energy markets balanced, price fluctuations are likely to become more extreme. We match demand to supply, for a particular year, month or day. This is part of our operations.

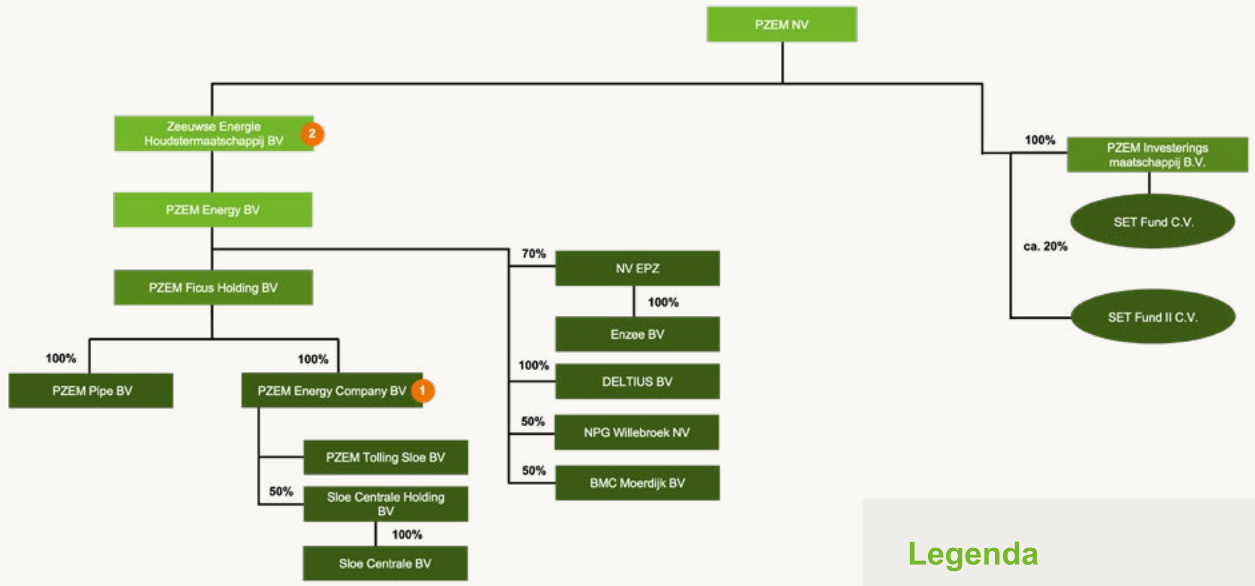
PZEM supplies zero-carbon electricity

As regards the supply of electricity in combination with GOs (Guarantees of Origin) to our end-users, we opt for zero-carbon nuclear energy generation. Electricity generated from nuclear power does not emit greenhouse gases.

Reliable, knowledgeable, innovative

PZEM is a stable factor on the energy markets, hence our lighthouse logo. It not only symbolises a trusted beacon in fickle energy markets but also reflects our Zeeland roots. PZEM has been a reliable and stable factor on the Dutch energy markets for more than 100 years.

1.2.4. Structure as at 31 December 2021



Legenda

1. Previously named: Limo Energie Nederland B.V.
2. Previously named: PZEM Com B.V.

The chart above shows the most important group companies of the PZEM Group as at 31 December 2021.

PZEM portfolio

PZEM's flexible portfolio, in combination with variable renewable production and nuclear baseload capacity (nuclear power plant), provides effective generation and low CO_2 emissions.

1. Sloe power plant

The Sloe power plant is one of the Netherlands' cleanest power plants.

PZEM's share interest:	50%
Type of plant	CCGT
Place	Ritthem (NL)
Fuel	Natural gas
Capacity	870 MW
Share of power production	50%

2. EPZ (BS30)

EPZ is the Netherlands' only nuclear power plant to generate electricity.

PZEM's share interest:	70%
Type of plant	Nuclear power plant
Place	Borssele (NL)
Fuel	Uranium
Capacity	485 MW
Share of power production	70%

3. BMC Moerdijk

BMC Moerdijk is a unique biomass power plant, the only one on the European continent to convert poultry litter into green electricity.

PZEM's share interest:	50%
Type of plant	Biomass power plant
Place	Moerdijk (NL)
Fuel	Poultry litter
Capacity	32 MW
Share of power production	100%

4. Wind farms

Various PPAs across the Netherlands.

PZEM's share interest:	0%
Type of plant	Wind turbines
Place	Various sites
Fuel	Renewable
Capacity	Variable
Share of power production	100%

A. Gas storage

PZEM uses gas storage facilities in depleted salt caverns in the north of the Netherlands.

B. Gas pipeline infrastructure

PZEM owns the ZBL (Zuid-Beveland) pipeline and also has long-term access to Fluxys' transport capacity

C. Customer portfolio

PZEM has a well-diversified portfolio of large and medium-sized industrial customers.

D. Energy storage - TheBattery

A "container battery" which stores electricity from the network.

Consumer and Markets Authority's Code of Conduct
PZEM Energy is in compliance with the Code of Conduct for Suppliers of Retail Meters that can be Read Remotely, as published by the Dutch Consumer and Markets Authority (ACM). The full text of our compliance statement is included separately in this Annual Report.

1.2.5 PZEM and corporate social responsibility

Based in the province of Zeeland, PZEM is a reliable Dutch power company that ensures security and safety of supply during the transition to zero-carbon energy sources. We do so by being reliable and flexible, by innovating and making available our know-how and expertise. At PZEM, we have done so for more than a hundred years now. Taking responsibility we are fully committed to addressing the challenges arising from the energy transition.
PZEM wishes to achieve social (people), environmental (planet), and economic (profit) improvements. The three Ps - People, Planet and Profit – take centre stage. Certainly now.

People
At PZEM we feel responsible for our employees. We want to be a reliable and empathetic employer and to create an environment where our staff can develop and where it is fun to work. We do so by setting out clear rules in consultation with the Works Council and making sure that they are complied with. Moreover, we are transparent about the things we do and why we do them. We always try to comply with the legal requirements and other rules laid down in the Dutch Civil Code, the collective agreement, the company rules, and the code of conduct.

Although we have become smaller in size, PZEM still provides many high-skilled jobs. These types of jobs are scarce in Zeeland, which is why we continue to play an important role in the local economy. Having public-sector shareholders and a local employee base, PZEM has strong ties with its home market. The company is firmly rooted in society and readily accepts its social responsibilities. For example, we have helped our shareholders draw up a Regional Energy Strategy (RES). PZEM's commitment to society is reflected in the company's strong reputation in Zeeland.

Planet
Looking ahead, we at PZEM are working hard to address the challenges posed by the energy transition. We strive to minimise the CO_2 impact of our portfolio. We do so by generating electricity from wind and solar, incineration and poultry litter, natural gas, and nuclear energy from the Netherlands' only nuclear power plant. As regards the supply of electricity in combination with GOs (Guarantees of Origin) to our end-users, we opt for zero-carbon nuclear energy generation. That is because electricity generated from nuclear power does not emit greenhouse gases.
For more information about Guarantees of Origin, go to: pzem.nl/cvo

Two examples of our regional involvement:

1. Challenges for industry in the province of Zeeland in terms of the necessary energy transition
One of the key challenges of the energy transition is to have sufficient energy available at all times, even if the wind does not blow and the sun does not shine. Having sufficient zero-carbon (adjustable) capacity is therefore an important piece of the energy transition puzzle. In this context, PZEM is exploring different forms of storage and demand management and has made part of the production at its nuclear power plant 'scaleable' so as to better match supply and demand. The Sloe power plant, in which PZEM owns a 50% interest, is currently the most important adjustable electricity generation facility. Although it is a relatively clean power station, Sloe still emitted 1.3 million tons of CO_2 in 2021. To reduce these emissions, we are exploring ways to capture and store CO_2 and to further increase efficiency. PZEM is an active member of Smart Delta Resources (SDR) and has been making active contributions to topics such as carbon capture and storage. Under the auspices of Smart Delta Resources, PZEM has launched a consortium which, in turn, has set up the Carbon Connect Delta project. The aim of this project is to investigate what is needed to capture CO_2 in the North Sea Port area and store it elsewhere.

2. Regional Energy Strategy & Cluster Energy Strategy
By making its expertise and knowledge of the energy markets available, PZEM has helped draw up a Regional Energy Strategy (RES) and Cluster Energy Strategy (CES). The RES Zeeland is currently being implemented. As regards electricity, the aim is to produce three TWh of renewable electricity by 2030.The CES describes how the energy requirements of industries in Zeeland will develop over the period until 2050 and what infrastructure will be needed to accommodate this development. In the end, three key projects were included in the Multi-Year Energy and Climate Infrastructure Programme (MIEK):

- new high-voltage connection between Borssele and Terneuzen;
- connection to the national hydrogen backbone;
- infrastructure for CO_2 capture and storage and transport by ship to Rotterdam.

The Dutch government now wants to implement these projects so as to accelerate the process of making industries more sustainable.

Profit
At PZEM, we produce energy, day in, day out. Through our power plants, we deliver an optimum mix of electricity from gas, wind, solar, poultry litter and nuclear with minimal CO_2 emissions. As much as 40% of the electricity that we generate comes from renewable sources (solar and wind farms). For example, we buy electricity from large and small wind farms under long-term purchasing agreements . On our energy trading floor, we carry out trades 24 hours a day, 7 days a week. So we are familiar with the market and know what our trading partners and customers need. Ultimately, we supply energy at the lowest possible prices. Our customers are looking for security of supply, affordable energy rates, and energy sources that are as clean as possible. As part of the transition towards a more renewable system, we have been able to successfully meet these three customer requirements.

In this way, PZEM is looking to achieve a sound financial return each year so that we can continue to deliver on People and Planet.

Below is a summary of the key statistics on the electricity generation activities of PZEM's subsidiaries. More detailed information is available at www.epz.nl, www.sloecentrale.nl and www.bmcmoerdijk.nl.

Financial statements
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and the relevant provisions of the Dutch Civil Code (Book 2, Title 9). PZEM conducts some of its major activities with others in the form of joint operations. Our share of assets, liabilities, income and expenses associated with operations conducted by separate legal entities in which PZEM, in its capacity as a shareholder and customer, has the same rights and obligations as its partners, have been included in our financial information since 2013. This provides a better understanding of the structure of our capital base and profits.

Financial highlights (in EURm)	2021	2020	2019	2018
Revenue	1,147	549	574	602
Gross operational margin	**225**	**104**	**114**	**87**
EBITDA	141	41	64	17
Net profit/(loss)	**235**	**(22)**	**20**	**(54)**
Normalised pre-tax profit/(loss)	84	(33)	(13)	(72)
Investments in (in)tangible fixed assets	29	20	21	23

Share of revenue (in EURm)	2021	2020	2019	2018
Sale of electricity and electricity trading	1,009	485	494	496
Sale of gas and gas trading	138	64	80	106
Total revenue	**1,147**	**549**	**574**	**602**

The company reported a normalised profit for 2021. This is a significant improvement on the previous year, driven mainly by higher electricity prices having a positive impact on the performance of the nuclear power plant. Our trading and B2B activities, which were hit hard by the Covid-19 crisis in 2020, also reported a strong improvement in 2021.

For full details of the financial statements 2021, please refer to pages 49 et seq.

1.3 Notes to the financial results

PZEM in 2021

Whereas in 2020 PZEM was still clearly affected by the global Covid-19 crisis in terms of its trading and B2B sales operations, the situation was entirely different in 2021. Energy prices went up and had a positive impact on the financial performance of our nuclear power plant. Price volatility also increased significantly, forming an effective basis for our trading activities. Other factors included a decline in demand from customers at the end of the year due to the mild winter weather, as a result of which excess volumes previously purchased could be sold back to the market at high prices. The return on the funds allocated for the future dismantling of the nuclear power plant was also higher in 2021 than in 2020.

The rise in electricity prices in 2021 allowed us to permanently reverse an impairment charge previously recognised in 2017 involving an amount of EUR 150.3 million. The independent future price curves, which we also use to measure provisions, point to structurally higher price levels so that the impairment reversal is permanent in nature.

All this led to a net profit of EUR 235.1 million, compared to a loss of EUR 21.8 million in 2020.

Impact of market trends

In 2021 prices rose steadily over the period up to September. In September, price volatility started to rise, which ultimately led to significant price rises. Elevated volatility and higher prices have so far continued into 2022. The nuclear power plant, in particular, has benefited from higher electricity prices. The gas-fired power plant at Sloe is dependent on electricity, gas, and carbon prices.

Revenue and gross margin

Revenue in 2021 stood at EUR 1,147.2 million, compared to EUR 549.1 million in 2020. Although at just under 10 TWh the volume of sales to external customers exceeded the more than 7TWh recorded in for 2020, the increase was driven mainly by higher energy prices. As these price rises have so far continued into 2022, we expect even higher revenues in the coming year. The increase in prices not only led to higher revenue from our B2B activities but also to higher revenue from production at the power plants and from customised contracts (such as the sale of electricity generated by the Gemini wind farm) compared to the previous year.

Gross margin in 2021 improved by EUR 118.6 million to EUR 227.7 million (2020: EUR 109.1 million). After a disappointing 2020, the trading activities contributed the most to the improved gross margin. The nuclear power plant, which benefits from higher electricity prices due to its reasonably stable cost price, also made a substantial contribution.

Operating expenses

In 2020 maintenance work on our power stations had to a largely extent been postponed due to Covid-19 and so a catch-up effort was made in 2021. This was one of the reasons for the 3.8% rise in third-party costs. The number of employees, including proportionately consolidated group companies, rose slightly to 404 FTEs in 2021 (2020: 399 FTEs). The increase in headcount, coupled with the pay rises granted under the collective agreement, led to a 2.8% increase in staff costs.

Depreciation charges, excluding the permanent impairment reversal, increased slightly to EUR 50.1 million in 2021 compared to EUR 48.1 million in 2020.

Net finance income or expense

Finance income rose to EUR 22.3 million, up EUR 11.0 million on 2020. Finance income mainly comprised returns on the funds held by the Foundation that manages the funds to dismantle the Borssele nuclear power plant. In addition to the mandatory investment by EPZ through the Foundation, PZEM has invested some of its own assets in the same fund since December 2018. Although the results were already slightly above expectations in 2020, they were almost twice as high as expected in 2021. Interest charges on the loan extended to the Sloe power plant in 2021 were in line with those in 2020. Interest additions to the provisions in 2021 were slightly higher at EUR 6.8 million (2020: EUR 6.3 million).

Cash flow and investments

PZEM's cash flow in 2021 showed a positive outcome, thanks to the sale of our share interest in Evides, and despite the substantial deployment of working capital. Adjusted for cash investments, net cash inflow in 2021 stood at EUR 20.8 million, EUR 95.9 million of which reflecting an increase in the cash position and EUR 75.1 million reflecting a decrease in cash invested. This represented a deterioration of EUR 59.7 million on 2020, when we recorded a cash inflow of EUR 80.5 million. This was due to movements in working capital. Whereas in 2020 EUR 124.5 million worth of working capital was freed up, in 2021 we required EUR 425.6 million in additional working capital. Because of the sale of Evides and the improvement in operating profit, we nonetheless reported a net cash inflow. Adjusted for the impairment reversal, operating profit improved by EUR 117.1 million to EUR 88.1 million.

Net cash outflow from operating activities was EUR 286.1 million during the year (2020: net cash inflow of EUR 123.3 million). The substantial need for working capital was driven by two factors. Firstly, higher energy prices led to an increase in debtors. And secondly, the combination of higher prices and elevated price volatility led to higher margin obligations, i.e. the exchanges on which we are trading required higher amounts of collateral to be posted as security.
The improved operating profit on wholesale activities in 2021 and lower use of provisions combined to have an opposite effect. With a EUR 12.5 million dividend payment, our share interest in water company Evides once again – and for the last time - contributed positively to our cash flow in 2021.

Excluding the proceeds from the sale of Evides (EUR 354.6 million), net cash outflow from investing activities was EUR 33.0 million (2020: net cash outflow of EUR 29.0 million), driven mainly by maintenance and replacement costs for EPZ and the Sloe power plant, and payments made by EPZ into the fund set up to decommission the nuclear power plant.
In 2021 we also received money from the sale of a unit in the SET Fund.

Capital position, solvency, and liquidity

In 2021 total realised and unrealised gains amounted to EUR 273.9 million (2020: EUR 30.4 million). Apart from this net gain, there were also movements in the value of the derivatives portfolio, which were recognised as unrealised gains or losses. These had a positive impact of EUR 38.9 million in 2021 (2020: negative impact of EUR 52.2 million).

Shareholders' equity including year-to-date net profit or loss was EUR 1,650.9 million. Our solvency ratio fell to 57.3% because the balance-sheet total increased relatively more than the shareholders' equity (2020: 61.8%). Our liquidity (current ratio) also fell from 4.8 at 31 December 2020 to 3.6 at 31 December 2021.

— 1.4 PZEM and its people

In 2020 we redirected our focus to creating an organisation designed to achieve our strategic objectives as effectively as possible. This involved identifying and filling vacancies in various departments across the company. We continued this process in 2021. Again, just as in 2020, working conditions at PZEM were still largely influenced by Covid-19. Policies were adopted and measures put in place specifically to deal with these circumstances. Also in 2021, we began the preparations for an internal restructuring with a view to selling our wholesale activities. These topics are explained in more detail below.

Inflow & outflow

On 1 January 2021, PZEM (excluding EPZ, the Sloe power plant, and Evides) employed 129 staff (117 FTEs), 13 of whom were in the mobility phase or on a zero-hours contract under the Social Plan. During the year, PZEM's workforce rose slightly to 131 employees (122 FTEs). This is how the situation stood at 31 December 2021.

In 2021, 14 new talented employees joined our departments (Sales, Analytics, Risk Management, IT, Shift Trading, Financial Control, Energy Data Analysis, and Asset Optimisation). They either replace employees who left or fill the vacancies that we created with a view to achieving our strategic goals. Some of those vacancies had been open for a while. We were also joined by two trainees.

In 2021, six employees left the company to take on a challenge elsewhere, two of them abroad. One of our employees sadly passed away. Finally, five employees left the company during the year because they had previously become redundant and made use of the 60+ scheme provided for in the Social Plan. They took retirement in 2021.

We will continue to draft in temporary workers if necessary to carry out specialist jobs or projects or to cover peak periods. However, we do want to encourage our employees to move up within the company so as to utilise, grow, and retain their potential. Succession planning is recognised as a key theme and was implemented by the Trading and Analytics departments in 2021. With the departure of the Asset Optimisation & Trade Manager, changes were made at management level, with employees from both departments being promoted to a managerial position. In all cases, we will carefully weigh up the pros and cons of employing our own people or hiring in (temporary) external staff.

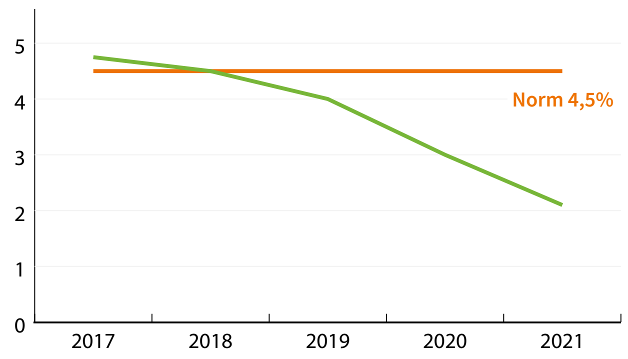
Number of employees

At 31 December 2021, PZEM employed a total of 131 employees (122 FTEs), not including EPZ, the Sloe power plant, and Evides. At PZEM, 74% of our employees were men and 26% were women. In 2021 the average age was 43.4, slightly lower than in 2020 (46.0). With the exception of the board members, all PZEM employees fall within the scope of the collective agreement for energy producers and suppliers. Of our employees, 93% were on a permanent contract and 7% on a fixed-term contract. The share of permanent contracts rose slightly compared to 2020 (91%). As regards new employees hired in prior years, but also with a view to retaining staff on a long-term basis, contracts were converted into permanent contracts in a number of cases.

Illness absenteeism

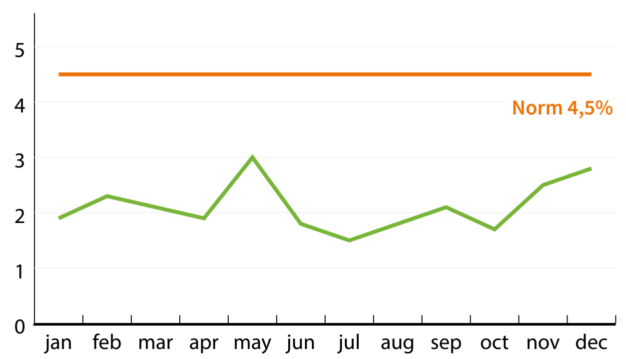
Illness absenteeism at PZEM (not including EPZ, the Sloe power plant, and Evides) averaged 2.1% in 2021. Absenteeism continued to decline compared to 2020 (3.0%) and can be said to be at a historically low level. It is also well within our 4.5% target. At 31 December 2021, there were no longer any cases of long-term absenteeism.

Development of absenteeism 2021



Despite Covid-19, illness absenteeism at PZEM was low in 2021 and even exceptionally low over the summer months. The key driver was the fact that the majority of our employees largely worked from home and so had more flexibility to organise their own working time. They called in sick less often and made up for unworked hours by working at different times when they felt better.

Development of absenteeism 2021



Home-working, health, wellbeing, and employee engagement

On the back of developments in 2020, the concept of working conditions has assumed a whole new meaning and working from home is still the default option. A set of measures were defined to be able to continue operations safely and various facilities were offered to enable our employees to work from home responsibly and efficiently and to stay in touch with each other. Since the end of September 2021, employees have been allowed to work partly at the office again, according to a 'bubble structure' with each team being split into two groups (bubbles) so as to ensure the continuity of each department in the event of a Covid-19 outbreak. Health and safety are everyone's number one priority. The Covid-19 recovery team periodically provides information about developments regarding the restrictions put in place and their impact on the organisation. Managers play an even more important role with regard to their team members, in that they must keep abreast of developments and monitor the general wellbeing of our employees through frequent meetings and conversations. Additionally in November 2021, we conducted an employee engagement survey to ask our employees about their experience with PZEM's Covid-19 policy, home-working, their general health and wellbeing, and their perception of and involvement with the process of restructuring and selling PZEM. 67% of our staff took part in the survey. The key findings and recommendations have been presented to our employees and actions have been initiated to further improve communications, better utilise multiple information channels, and connecting with our employees on a more personal level.

Implementation of a new pay policy

In 2019 we launched a project aimed at modernising our performance appraisal and remuneration policies so as to align these more effectively with the organisational set-up and strategic objectives. A benchmark survey was conducted to compare pay levels at PZEM with those of our peers. The survey findings will be used to adopt an appropriate remuneration policy.

As part of the annual employee appraisal process, the Works Council, after a detailed procedure, consented to removing the link between the appraisal findings and annual pay rise. In 2020 we began conducting appraisal 'previews' instead of appraisal reviews. Our main objective is to improve the quality of the conversations between employees and their managers and to give centre stage to personal development and aspirations, aligning individual goals with those of the organisation, and making effective use of their skills and expertise.

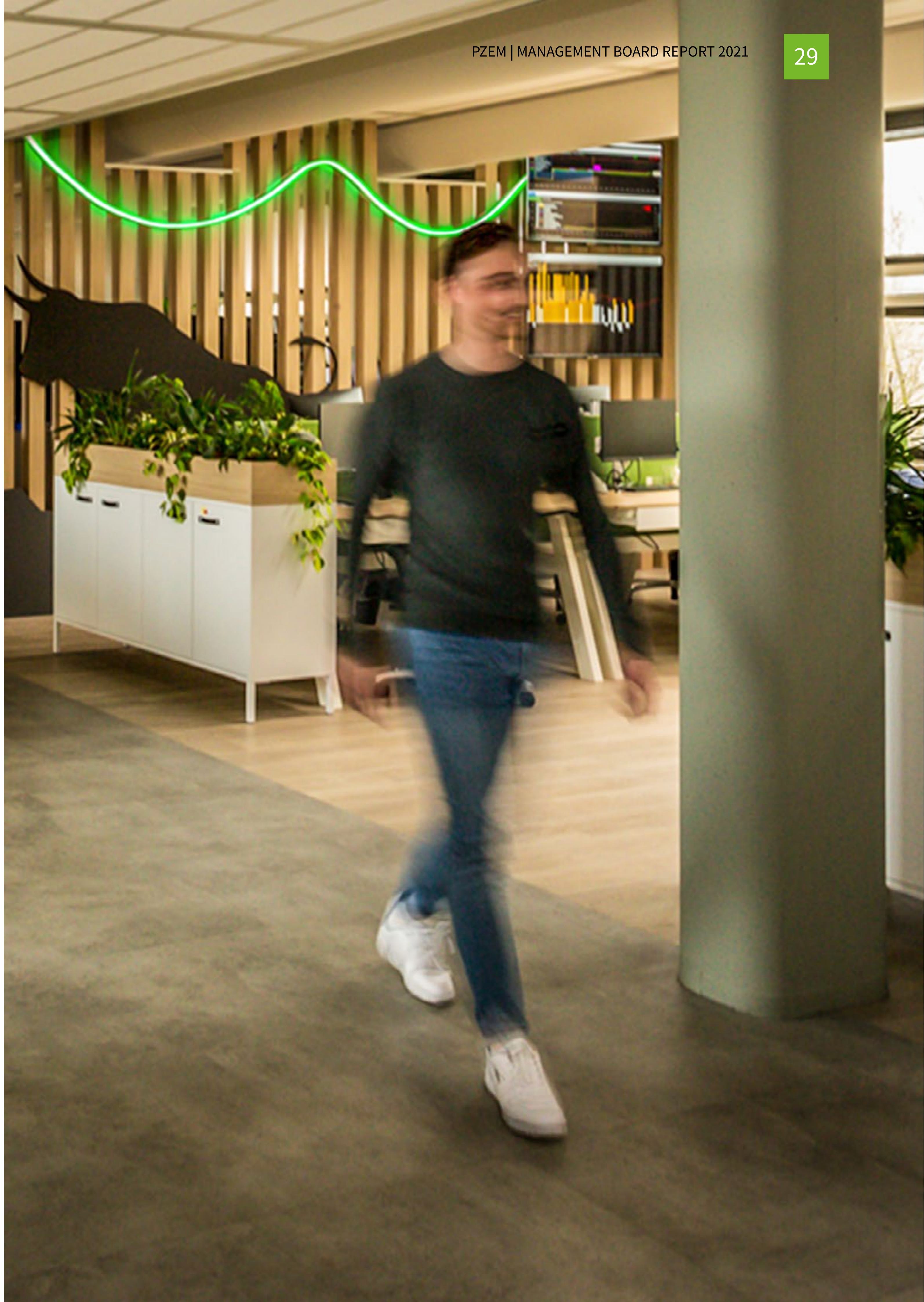
Based on the above, proposals were fleshed out to also modernise our pay policy. Recruiting and retaining employees, especially in the higher segment, has become increasingly important for achieving our strategic goals. For various vacancies, it is critical that we can offer employment terms that are competitive, not only regionally but also at a national and even international level. The new policy proposals were based on the above-mentioned benchmark survey findings and the input received from across the organisation, including Works Council representatives. The maximum amounts per salary scale have been revised upwards and the individual pay steps within each scale are now more in line with the employee's actual development, with more rapid pay rises in the first few years and gradually lower pay rises as employees approach the top of their salary scale. In 2021, pay rises at the beginning of year were based for the first time on the new pay policy. Further steps will cover variable pay components and employee benefits.

Internal restructuring and proposed sale of PZEM

In mid-2021, we began the process of selling PZEM N.V.'s wholesale activities in line with the shareholders' strategy. But before we could proceed with an actual sale, we needed to restructure the company. The restructuring of PZEM's activities will now be completed by 1 May 2022.
It involves logically moving the wholesale business (wholesale assets, liabilities and activities) to a new and sellable unit, for which we use the existing legal entity PZEM Energy Company B.V. (PEC). As a result of the restructuring, employees whose daily work is predominantly (more than 50%) determined by wholesale operations will transfer to this entity on the basis of a business transfer.

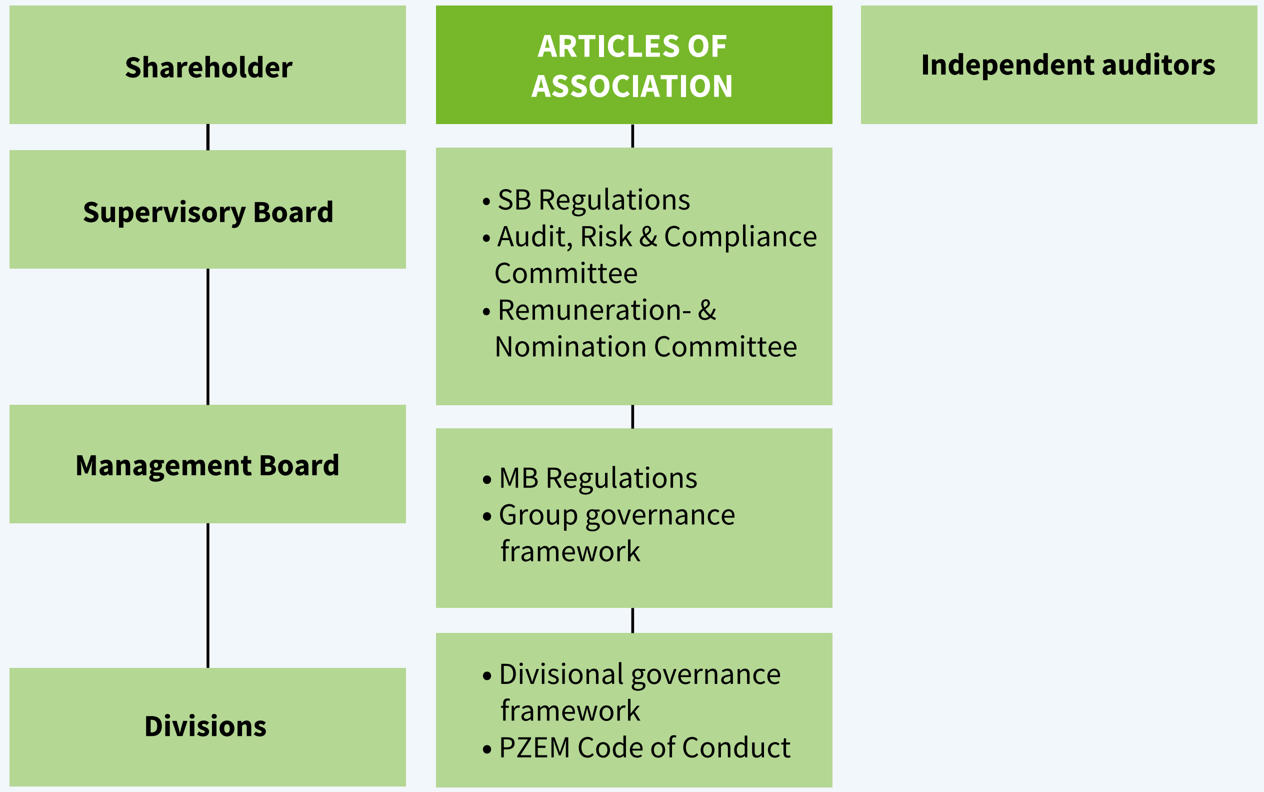
In the second half of 2021, we focused on preparing for both the restructuring and the proposed sale. All administrative preparations were made to set up PEC as an organisation, including registering it with the employer's association including the collective agreement, with the pension fund, and as a new employer with the Dutch tax authorities. The relevant procedure for obtaining advice from the Works Council was successfully completed. Additionally, a request for advice has been drawn up and submitted for the set-up of the Zeeuwse Energie Houdstermaatschappij (ZEH); the holding company that will comprise the part of PZEM N.V.'s current organisation that will 'stay behind' and whose operations will not transfer to PEC.

Our employees have been kept up to date on this process during the monthly staff meetings, but also in smaller sessions with the Executive Board, attended by representatives of the Works Council and the HR department.



1.5 PZEM and corporate governance

Governance structure PZEM



Sound business practices, integrity, respect, supervision, transparent reporting, and other forms of accountability are the cornerstones of PZEM's corporate governance policy. We voluntarily adhere to the Dutch Corporate Governance Code, which was drawn up for Dutch-based listed companies. We have adopted the Code's best-practice provisions in so far as they apply to us.

Structure

PZEM N.V. is a company with a two-tier board within the meaning of Section 2:154 of the Dutch Civil Code. The involvement of the General Meeting of Shareholders (GMS) and the Supervisory Board with the company's operations is reflected in the company's articles of association and various sets of regulations. These documents also set out when the Management Board requires approval from either the Supervisory Board or the GMS for resolutions regarding investments and/or takeovers or the sale of all or any part of the company's business. PZEM's amended articles of association came into effect on 1 July 2017. The amount for which shareholder approval is required was also adjusted.

Management Board

The Management Board's powers and responsibilities are defined in the Management Board Regulations. These provide for a division of duties among the Management Board members, define internal powers of attorney, lay down decision-making procedures, and contain rules that are consistent with the Dutch Corporate Governance Code, including rules dealing with conflicts of interest involving Management Board members.

PZEM endorses the rules on a balanced composition of the Management Board as referred to in Section 391.7, Title 9, Book 2 of the Dutch Civil Code, as introduced on 1 January 2013. The Management Board comprises only two positions, both of which are still held by men, despite the changes to its composition in 2018. In the event of a future vacancy on the Management Board, the Supervisory Board will again endeavour to find a suitable female candidate. The Supervisory Board itself does meet the balanced composition requirement.

Supervisory Board

PZEM's Supervisory Board oversees the company's overall performance, including compliance with its policies, the results achieved by the Management Board, the company's financial position and risk profile, and its financial reporting. The Supervisory Board also acts as a sounding board for the Management Board. In order for the Supervisory Board to carry out its remit effectively, the Board's profile should be consistent with that of the company. The profile drawn up by the Supervisory Board in 2010 describes the capabilities required of its members, having regard to the extended powers of nomination vested in the Works Council.

The Supervisory Board is also in compliance with the Dutch Corporate Governance Code and Section 2.391.7 of the DCC in terms of its membership composition (independence, age diversity, background, and expertise). The Supervisory Board's powers and duties and internal decision-making processes and the role of its chairperson are set out in the Supervisory Board Regulations. These also provide for matters such as periodic reviews of the Supervisory Board's own performance, in accordance with the Corporate Governance Code.

Although decisions are taken by the Supervisory Board in a plenary setting, it has two subcommittees, i.e. the Audit, Risk & Compliance Committee and the Remuneration & Nomination Committee.

Shareholders

The role of PZEM's shareholders and the powers of the General Meeting of Shareholders (GMS) are set out in the company's Articles of Association. PZEM's shareholders are committed and dedicated, in part because they are public sector entities (all being municipalities or provincial authorities). Owing to the wide-ranging powers entrusted to the GMS under the Articles of Association, the way in which the shareholders exercise their voting rights has a significant influence on the company's policies and operations.

During the year, three formal general meetings were held, one of which was an extraordinary general meeting to discuss the sale of the shares in Evides.

Works Council

Amidst the Articles of Association, board regulations and similar arrangements, the relationship between PZEM and its Works Council should not go unmentioned. It is a relationship built on mutual respect, as reflected in standing consultations between the Works Council and the Management Board.

Compliance

PZEM maintains good relations with the Dutch Consumer and Markets Authority (ACM) and the Dutch Financial Markets Authority (AFM). Internal and external audits performed during the year revealed no facts that required reporting.
The investigation launched by the Dutch Consumer and Markets Authority (ACM) in 2017 continued during the year. It concerns the correct publication of availability data and potential insider trading as a result of that. The ACM concluded its investigation and submitted its report to PZEM in 2020. We filed a response to the investigation report with the ACM in early 2021.

In 2021 we further detailed the Internal Audit function, with a focus on conducting internal audits (by our own staff) at the request of the Supervisory Board, the Management Board, the organisation, or of its own accord.

During the year, no use was made of the option available under the Whistleblowing Scheme to report unwanted behaviour at work.

Sound business practices, integrity, respect, supervision, transparent reporting, and other forms of accountability are the cornerstones of PZEM's corporate governance policy.

1.6 Report of the Supervisory Board

The Supervisory Board is pleased to report on its activities undertaken in 2021 and the way in which it has fulfilled its supervisory and advisory roles.

Membership composition

In 2021, PZEM N.V.'s Supervisory Board comprised:
- Mr G.A.F. (Gerard) van Harten (Chair)
- Ms W.J.N. (Wendela) van Uchelen (Vice Chair)
- Mr . B.A. (Björn) Fermin (Secretary)

Committees

The Supervisory Board's guiding principle is that practically any matter can be discussed at its plenary meetings. From this perspective of collective responsibility, we believe that there is no place for numerous committees consisting of Supervisory Board members entrusted with primary responsibility for individual areas of work. In line with the Dutch Corporate Governance Code, we have made an exception for the Audit, Risk & Compliance Committee and the Remuneration & Nomination Committee.

Meetings and other activities

In 2021 the Supervisory Board met thirteen times with the Management Board attending; these meetings were held online via Teams.

The matters discussed included:
- financial matters, including the quarterly reports, annual report, and the company's Financial Plan detailing its operational and financial goals;
- PZEM's business strategy and related strategic issues, including the sale of business divisions and investments and disposals;
- health, safety, security and the environment within the various business divisions;
- the measures put in place as a result of the Covid-19 crisis;
- the main risks arising from the policies implemented;
- HR policy, including management development policy;
- risk management;
- dividend policy;
- investment policy and key investments and disposals;
- finance policy;
- tax issues;
- corporate governance, including the remuneration policy for the Management Board.

The Supervisory Board held regular consultations with the Management Board about the company's business strategy, including in particular the further implementation of the shareholders' strategy to sell PZEM's commercial operations.

Members of the Supervisory Board attended the meetings between the Management Board and the shareholders' committee. These meetings were held five times in 2021 to discuss PZEM's business strategy and implementation of the shareholders' strategy. The internal restructuring necessary to separate the nuclear power plant from the commercial activities, the external process of selling Wholesale, and the transfer of the shares in Evides were the most important items on the agenda.

Members of the Supervisory Board also met with the Works Council to discuss the company's current situation and strategy.
During the year, the Supervisory Board was updated periodically by PZEM N.V.'s Management Board and EPZ's Board on the situation at EPZ, including the safety and decommissioning of the remaining core at the Borssele nuclear power plant and the possible extension of its service life beyond 2033.

Despite the Covid-19 restrictions, the Supervisory Board was able to visit the power plant in Sloe and the biomass power station (BMC) in Moerdijk. The scheduling of visits to subsidiaries will resume when the restrictions imposed by the government so allow.

The Supervisory Board also convened six times without the Management Board attending. Key items on the agenda were:
- the business strategy;
- a review of the performance of the Management Board and its members;
- the adoption of the remuneration for Management Board members.

The Supervisory Board also convened to review its own performance, without the Management Board attending, and to discuss such matters as its main duties and responsibilities (oversight and advice), cultural and behavioural aspects, and areas for improvement.

Audit, Risk & Compliance Committee

In 2021 the Audit, Risk & Compliance Committee comprised Mr Fermin (Chair) and Mr Van Harten.

The Committee met four times during the year.
The issues discussed included:
- the independent auditor's activities and reports;
- Financial Plan;
- quarterly reports, half-year report, financial statements, IFRSs;
- financial results of projects and investments;
- cash flow projections and cash management;
- risk management;
- tax issues;
- design and set-up of the financial functions;
- (dis)investment proposals;
- financial impact of the Covid-19 crisis.

The Committee meetings were attended by the members of the Management Board, the Finance & Control manager, and the independent auditor. The Audit, Risk & Compliance Committee also met with the independent auditor without the Management Board attending.

Remuneration & Nomination Committee

This committee comprises Mr Van Harten (Chair) and Ms Van Uchelen. The Committee met twice during the year. Its main activities were to conduct appraisal reviews with the Management Board and to review the remuneration for management positions.

During the first half of 2021, Committee members conducted appraisal reviews with both the CEO and CFO.

Management Board membership
In 2021, the Management Board comprised Mr F. (Frank) Verhagen (CEO) en Mr N.C. (Niels) Unger (COO).

Financial statements
The Supervisory Board reviewed and approved the annual report, financial statements, and notes for the 2020 financial year, as submitted by the Management Board. The Management Board prepared the financial statements for 2020 on that basis, and the Supervisory Board recommended their unqualified adoption by the General Meeting of Shareholders. The financial statements 2020 were adopted by the General Meeting of Shareholders on 26 May 2021. On the Supervisory Board's recommendation, again no dividend was paid to the shareholders for that financial year. The General Meeting of Shareholders subsequently granted discharge to the Management Board for the management conducted and to the Supervisory Board for its supervision exercised during the year.

In addition to the two regular General Meetings, the Supervisory Board and the shareholders convened an extraordinary meeting in November to discuss the decision to sell the shares in water company Evides.

On behalf of PZEM N.V.'s Supervisory Board,
Gerard van Harten,
Chair

Details of Supervisory Board members

Mr G.A.F. (Gerard) van Harten
Nationality: Dutch
First appointed: 25 September 2015
Current term: until 20 December 2023
Profession/main position: former CEO of Dow Benelux B.V.

Other relevant board memberships in the period from 1 January 2021 until 20 April 2022:
- Advisory Board member, Stichting Biobased Delta;
- Board member, Roosevelt Institute of American Studies;
- Supervisory Board chairman, Green Chemistry Campus B.V.;
- Advisory Board chairman, University College Roosevelt;
- Advisory Board member, Stichting Wonen en Psychiatrie.

Mr B.A. (Björn) Fermin
Nationality: Dutch
First appointed: 27 May 2020
Current term: until 26 May 2024
Profession/main position: former Executive Vice-President Finance, Shell Downstream Business

Other relevant board memberships in the period from 1 January 2021 until 20 April 2022:
- Board member of Stichting Extra Zorg Samen;
- Member of the Advisory and Audit Committee of the Special Tribunal for Lebanon.

Ms W.J.N. (Wendela) van Uchelen
Nationality: Dutch
First appointed: 6 June 2018
Current term: until 5 June 2022
Profession/main position: Chief Legal Officer, Ekaterra

Other relevant board memberships in the period from 1 January 2021 until 20 April 2022:
- Advisory Board member, Amsterdam Sinfonietta

From left to right: **Mr G.A.F. (Gerard) van Harten, Ms W.J.N. (Wendela) van Uchelen, Mr B.A. (Björn) Fermin.**

1.7 Report of the Works Council

Like 2020, 2021 was a special year for PZEM's Works Council. Meetings continued to be held online, despite the fact that we were allowed to return to the office in bubbles from September. We are satisfied with the way the return to the company's renovated office was organised.

The Works Council looks back on a busy and productive year.

During the year, the Work Council convened eighteen times (regular meetings and brainstorming sessions). We also held meetings with the Management Board and HR Manager (standing consultations). The brainstorming meeting on 22 April 2021 was attended by Mr G. van Harten in his capacity as a Supervisory Board member in compliance with Section 24 of the Works Councils Act. The second Section 24 meeting followed on 19 October 2021.
The members of the Works Council and the other parties to the standing consultations held three additional meetings to discuss special issues and the requests for advice and assent.

The Works Council comprised:
- Stephan de Beer (Chair)
- Eric Poppe (Vice-Chair)
- Carel van Veen (Secretary)
- Marjo de Jager
- Alwin van de Kop
- Artjan Lambert
- Aly Boxem-Hoogenberg (formal secretary).

The Works Council's executive committee comprised:
- Stephan de Beer
- Eric Poppe
- Carel van Veen

At the end of 2020, a member of the Works Council left the company. This created a vacancy which we began recruiting for in mid-2021. In December we received an application for the vacancy. The Works Council's support base did not object to the applicant and so our new member, Mr W. (Wim) Wegman, joined PZEM's Works Council on 1 January 2022. We are now back to full strength.

As stated above, in addition to our standing consultations with the Management Board in 2021, we also met twice with representatives of the Supervisory Board during Section 24 meetings. The main theme of these meetings was the wellbeing of the company's employees. They continued to work from home for the second year running. This has been, and will continue to be, an issue requiring attention from both the Supervisory Board and the Management Board as well as the Works Council. Standing issues on the agenda included PZEM's financial position and strategy.

The Vice Chair, Secretary, and formal secretary together make up the Safety, Health & Environmental (SHE) Committee. In addition to two regular meetings, the committee held two online meetings with the occupational health physician, occupational social worker, and confidential counsellor.

In 2021 the Works Council discussed a variety of issues. Apart from the requests for its assent, key topics included:

- Covid-19 and working from home;
- Financing
- Strategy and structure;
- Safety performance
- Employee wellbeing.

The Works Council gave its assent on three occasions:
- Changes to fixed pay policy and pay development (2020-2021);
- Sanctions policy for REMIT and trading violations
- Return-to-office plan and temporary rules of conduct.

The Works Council issued advice on two occasions:
- Proposed restructuring of PZEM; sale of Wholesale*)
- Proposed sale of 50% share interest in Evides.

*) The request for advice on PZEM's proposed restructuring and sale of Wholesale was an intensive process in which we worked together with PwC consultants.

The Works Council also received a request for advice from the Supervisory Board on the proposed appointment of the COO. We exercised our legal right not to issue an advice. We appreciate the fact that the Supervisory Board involved the Works Council in this process.

The Works Council agreed to the memorandum on the intended decision to extend PZEM's Social Plan (extension until the end of 2022).

At the last minute in 2021, we also received a request for advice on the set-up of the holding company Zeeuwse Energy Houdstermaatschappij (ZEH). We will look into this in more detail in 2022.

In May, the employees of PZEM were invited by the Management Board to attend an information session about the restructuring/divestment plans. The groups consisted of a maximum of ten people and were joined by HR and a Works Council member to answer their questions.

Starting on 17 June 2021, the Works Council's executive committee has had two-weekly meetings with the Management Board and HR Manager regarding PZEM's restructuring/divestment plans. Additionally, a project group was set up in November 2021 regarding the sale of Wholesale. The project group meets weekly. Consultants from PwC attend these meetings every other week.

On 15 October 2021, the Works Council attended a training day, which mainly concerned PZEM N.V.'s restructuring/divestment plans.

On a final note, we look forward to continuing our constructive and long-term relationship with the Management Board in 2022.

On behalf of PZEM N.V.'s Works Council,
Carel van Veen,
Secretary

1.9 Risks and opportunities

PZEM wishes to seize market opportunities whilst at the same time minimising its risk exposure. To do so, the company has a risk management system in place, which we ensure is applied and adhered to across the company. The risk management system takes account of the specific features of the markets in which we operate. Risk management will contribute to achieving our strategic objectives responsibly.

This section of the Annual Report looks at how risk management is structured within PZEM. We also discuss the main risks and uncertainties facing the company and how these are controlled.

PZEM's internal control framework

The Risk Management department has developed and put in place PZEM's Internal Control Framework (PICF) modelled on the COSO ERM framework. At PZEM, we operate the 'five lines of defence' model. The PICF supports all departments at PZEM in meeting their risk analysis responsibilities systematically and implementing the internal control system. The Management Board issues a Management in Control Statement (MiCS) once every six months. The MiCSs are substantiated, amongst other things, by validating key controls (i.e. by establishing their effectiveness, for example through interviews with the managers involved). These key controls, in turn, are identified during annual Strategic Risk Assessments and several Thematic Risk Assessments. Divisional management discusses developments likely to impact the risk weightings with the Management Board at least twice a year. Risk management is an iterative and continuous process.
Risk control is supported by a variety of policy documents, codes and guidelines covering areas such as behaviour, trading mandates, and compliance.

1.8.1 Duties and responsibilities set out in the PICF

Management Board and divisional management

The Management Board has ultimate responsibility for risk management at PZEM. However, primary responsibility lies with the divisions, whose staff and management are responsible for the proper performance of risk management and internal control operations.

Risk Management (including Internal Control and Compliance)

The Risk Management department advises and provides support to divisional management and staff with regard to risk identification and risk control. Risk Management is also responsible for internal fraud risk control. A separate compliance function ensures that PZEM is in compliance with applicable laws and regulations.

On the Management Board's instructions, Risk Management also monitors compliance with the PICF so as to ensure that:

- PZEM is notified in a timely fashion as to when strategic, operational, and financial targets have been achieved;
- financial reporting is reliable;
- PZEM operates in accordance with applicable laws and regulations;
- sites and equipment are safe and secure;
- PZEM can identify its obligations.

Independent audits

If the Management Board, Supervisory Board, Risk Management or a departmental head has any indication that there are problems with certain processes, or wishes or needs to have certain processes reviewed independently, then they may instruct a third party to conduct an independent audit. This will give divisional management additional assurance with regard to internal controls.
In 2021 we further detailed the Internal Audit function, with a focus on conducting internal audits (by our own staff) at the request of the Supervisory Board, the Management Board, the organisation, or of its own accord.

Independent auditors

When auditing the annual financial statements, the independent auditors investigate the design, existence, and, where appropriate, the effectiveness of the company's internal financial reporting controls. The audit findings and recommendations are set out in an annual Management Letter and reported to the Management Board, the Audit, Risk & Compliance Committee, and the Supervisory Board. The Management Letter, amongst other things, forms the basis for a further tightening of processes and/or controls.

Supervisory Board

PZEM's Management Board reports on, and accounts for, the design and operating effectiveness of the internal risk control system to the Audit, Risk & Compliance Committee and the Supervisory Board. External parties, such as the Dutch Financial Markets Authority (AFM) and Dutch Consumer and Markets Authority (ACM), monitor compliance with applicable laws and regulations.

1.8.2 Risk management and internal control system

Risks and controls in 2021

Energy production is essential to society. PZEM's commitment to society is reflected in the company's strong reputation in Zeeland. Risks that may threaten the delivery of our services are identified as clearly as possible and mitigated where appropriate and economically feasible.

PZEM is involved in international gas and electricity trading. Prices on these markets fluctuate strongly. We use financial instruments to mitigate commodity, foreign exchange, interest rate, liquidity and credit risks, subject to the conditions laid down in the Financial Risk Manual and Treasury Charter.

Under the auspices of the Management Board, the Risk Management Committee has put in place general procedures and limits, and is responsible for ensuring that our energy trading and sales activities remain within the defined risk margins.

How risks evolved in 2021

The level of electricity and gas prices rose exceptionally in 2021, leading to a strong improvement in returns on our production assets, with the nuclear power plant in fact returning to the black. On the flip side, the price rises and volatility also led to a substantial increase in margin obligations. However, following the sale of our retail and grid operations and Evides, we have more than sufficient cash available.

We continued to monitor cyber risk closely during the year. However, as global trends in cybercrime are evolving rapidly, we need to stay alert and focused.

Covid-19
We have been affected by the Covid-19 pandemic this past year too. At PZEM, we have taken measures to mitigate the risks of the virus to our employees. Everyone who can work from home should do so and we support them in various ways. We follow all government guidelines and have put in place protocols and measures to mitigate the risks to those of our employees who are unable to work from home because they work in vital processes.

Covid-19 has negatively impacted the demand for energy from business customers, but in contrast to 2020 energy prices have increased substantially.

Ukraine
Russia's invasion of Ukraine has had a major impact on European commodity markets. Whereas at the end of 2021 we already believed that prices were elevated, gas and electricity prices have continued to soar. For PZEM, this has so far only led to (still) higher margin obligations. We have no difficulty, and do not expect to have any difficulty, continuing to meet these obligations, which have been factored into our liquidity planning and for which we hold extra cash. We have also stopped locking in the power plants any further so as not to increase this particular risk. Also, higher electricity prices have led to improved profit expectations for the Borssele nuclear power plant.

Risks and controls in 2022
The Strategic Risk Assessments identified no new risks or controls.

Risk appetite
PZEM assesses its risk exposures, actions taken to mitigate risks, and any residual risks against its overall risk appetite by carrying out a variety of risk assessments. During those assessments, we determine the probability and impact of each individual risk. If either or both are elevated, we will develop and implement additional mitigating action. If residual risks continue to remain elevated, we may take follow-on action. This may include:
- accepting the elevated residual risk, but stepping up our monitoring efforts and taking additional action to limit any loss or harm if an incident occurs;
- sharing the elevated residual risk with a third party, for example through a joint venture or by taking out insurance;
- assessing whether the activity in question can be discontinued if it poses a threat to the company's continuity.

Management in Control Statements 2021
The Management Board twice signed a Management in Control Statement (MiCS) in 2021. EPZ, which is a PZEM subsidiary, combined these into an annual statement. In the MiCSs, the Management Board stated that an appropriate risk management and internal control system had been in place and effective during the year. No exceptions were noted.

The two MiCSs issued for 2021 formed the basis for the Management Board's In Control Statement, as included in this Annual Report.

1.8.3 Summary of main risks

Below is a summary of the main strategic risks facing PZEM. The summary also shows how we mitigate the probability and/or impact of those risks.

Major risks facing PZEM are:

1. Poor market conditions (prices)
Although electricity prices and flexi value have risen considerably since we drew up the Operational Plan 2022, there is a chance that market conditions will deteriorate again (low electricity prices, pressure on spark spreads, fall in flexi value) and adversely affect our financial performance. This could potentially cause PZEM to have insufficient financial means after all and so threaten our continuity in the long term.

Controls:
- Reduce dependence on market conditions by exploring related business activities that have an effective risk/return ratio.

2. Unexpected outages at power plants
Unplanned outages at power plants, notably the nuclear power plant (EPZ), may cause PZEM to incur additional costs and adversely affect the company's profitability. Due to increased electricity prices, the impact of this risk in term of loss of revenue and the reversal of previous hedges is higher than provided for in the Operational Plan 2022.

Controls:
- Strict management of investment and maintenance projects so as to increase availability through:
  - Effective communication between EPZ and PZEM management;
  - Collaboration with co-shareholder RWE;
  - Ensuring the availability of the power plants to as high a degree as possible by making this a KPI and raising awareness at the facilities in question
- In order not to let the sensitivity to this risk increase any further, the decision was taken in December 2021 to terminate the lock-in for the nuclear power plant and Sloe power station.

3. Unpredictable behaviour by government
If the nuclear power plant operated by EPZ has to shut down temporarily or otherwise following a political decision by central government or on the instructions of the regulatory authority, this will negatively impact PZEM's financial performance and put jobs at EPZ at risk.

Controls:
- Ensure that PZEM and its subsidiaries are in compliance with all regulations

4. Outcome of court cases
Decisions handed down in court cases may lead to cash outflows or contracts being terminated.

Controls:
- Seek specific external advice;
- Keep files properly updated;
- Meet contractual obligations (e.g. the provision of collateral).

5. Management of cash assets and investments
In light of the large amount of cash and cash equivalents available to the company, there is a risk of funds being misappropriated through fraud, imprudent investment policies, possible bankruptcies in the financial services sector, or unintentional conduct. Due to increased energy prices and their volatility, in particular, margin obligations have increased substantially and fluctuate strongly.

Controls:
- Treasury now reports directly to the CEO;
- The Treasury Charter sets out the basic conditions for cash investments (e.g. type, duration, and diversification)
- Specific procedures for checking cash in bank accounts
- In order to continue to meet our daily margin obligations, we are exposed to elevated continuity risk because of the volume of cash we need, and we are currently holding more cash and funds that can be readily sold for cash.

6. Filling critical roles
Because of the company's smaller size and uncertain future, there is a risk that employees with specific expertise that is critical to our operations may leave the company, causing skills gaps within the organisation, loss of know-how, and processes being run inefficiently.

Controls:
- Offer career perspectives and prioritise continuity and employment aspects within divisions;
- Follow up on employee motivation survey findings;
- Transparent communications with employees;
- Broader allocation of tasks.

7. Legal and regulatory changes
As a result of legal and regulatory changes (including EMIR, REMIT, MiFID and GDPR), there is a risk that changes may not be implemented in our operations and systems in a timely fashion, which will cause the company to be non-compliant.

Controls:
- Put in place a flexible organisation and flexible systems that can respond quickly to legal and regulatory changes;
- Test new contracts against existing and upcoming laws and regulations;
- Draft in external expertise, if necessary.

8. IT and Information security
Due to the growing use of cloud applications and the possibility of cyber attacks, there is a risk that systems may not be available, which in turn will threaten business continuity.
Controls:
- Raise awareness among management and end-users, for example by means of phishing tests to check staff alertness. A feature has been added to report phishing messages so as to improve security;
- Keep up to date on cyber security trends;
- Mobile phones and other mobile devices were fitted with improved protection to ensure a high level of protection;
- Staff awareness campaign in the shape of a multi-year e-learning programme.

9. Safety performance
Careless behaviour and/or inattentiveness may cause accidents.

Controls:
- Continue to raise awareness of potential risks in the workplace;
- Create a culture in which staff feel free to call each other to account over their behaviour;
- Incident monitoring through TRIR and LTIR reports.

10. Insufficient growth after implementation of new strategy
Due to insufficient growth opportunities with attractive risk/return ratios, or unclear decision-making in this regard, there is a chance that the new strategy will not lead to the desired additional returns.

Controls:
- Expected additional returns have been defined as goals in the Operational Plan
- The Management Board will decide on the proposals on the basis of the required resources and risk/return ratios
- As part of the ongoing sales process, we are looking for a new shareholder to take over and expand our commercial activities

11. Organisational restructuring
Due to divergent interests or operational errors, there is a chance that all three pillars of the shareholders' strategy will not be successfully implemented, preventing us from ensuring the continuity of individual subsidiaries or divisions.

Controls:
- Continuous dialogue between the Management Board, Supervisory Board, and Shareholders' Committee
- Clear assignment of responsibilities to minimise the impact on operations
- Keep employees involved through transparent communication
- Hire in external expertise

Summarising table:

	Risk	Control	Risk area	Current risk after mitigating action
1	Poor market conditions	Develop commercial strategy	Strategic	High
2	Unforeseen unavailability of power plants	Strict management of investment and maintenance projects	Operational	High
3	Unpredictable behaviour by government	Comply with all regulations	Compliance	High
4	Outcome of court cases	Combine internal knowledge and expertise with external advice	Financial	Medium
5	Management of cash assets and investments	Continue to pursue conservative Treasury policy	Financial	Medium
6	Filling critical roles	Offer perspectives to staff and broaden knowledge base	Operational	Low
7	Legal and regulatory changes	Flexible organisation coupled with external advice	Compliance	Low
8	IT and Information security	Specific ongoing actions in collaboration with external experts	Operational	Low
9	Safety performance	Continue to strengthen safety culture	Operational	Low
10	Insufficient growth after implementation of new strategy	Manage and define returns in Operational Plan	Strategic	Medium
11	Organisational restructuring	Assign responsibilities and stakeholder dialogue	Strategic	Medium

1.8.4 Risk features of the markets in which PZEM operates

Commodity price risk

Market risks arise from price movements in the markets where PZEM buys and sells (commodities, currencies, transmission capacity, imports/exports capacity, etc.). It is company policy to mitigate the impact of price movements in the short term and to track prevailing market prices in the long term. For systematic risk control purposes, asset allocations and positions are determined on the basis of expected price developments. These positions are monitored on a daily basis. Trading risks are mitigated by strictly enforcing a system of limits, the most important of which is calculated using the Value-at-Risk method.

Potential adverse trends in commodity prices, notably falling electricity prices, in the coming years pose a risk to PZEM's future continuity. A price fall may have an immediate dampening impact on the profits of our production units. Sales contracts where there is no correlation between electricity market prices and fuel prices would be hit hardest, such as nuclear power. Revenues would fall whereas costs would remain virtually stable. Each euro off the selling price would immediately be reflected in profit or loss, unless the output is hedged. During the last quarter, price movements were extreme and trending upwards, with the strongly rising (initial) margin obligations for the output which had been hedged posing a risk in terms of cash deployment.

Value-at-Risk

Determining Value-at-Risk (VaR) involves using various assumptions regarding possible changes in market conditions. VaR identifies the maximum portfolio losses likely to be incurred as a result of price changes over a three-day period with a confidence level of 95% (i.e. in 5% of cases the portfolio losses may exceed the VaR limit). VaR is calculated using Monte Carlo simulations based on historical volatilities and correlations. Because portfolios include opposing positions and there is an underlying correlation, the VaR of the total portfolio is smaller than the sum total of individual portfolio VaRs.

Cash flow hedges

PZEM uses financial instruments to minimise fluctuations in expected cash flows. The company uses derivatives, including forward contracts and swaps, to control the effects of future changes in market prices. These hedging instruments are derivatives of commodities traded by PZEM and they are entered into to mitigate cash flow, price, and currency risks. Hedge accounting is applied to cushion the total change in value of these derivatives in the income statement.

Currency risk

Currency risk is the risk that the value of assets changes due to movements in foreign exchange rates. PZEM's risk policy is to hedge currency risks associated with positions denominated in a foreign currency. To hedge this risk, the company uses financial instruments (forward contracts) to minimise fluctuations in expected cash flows.
Currency positions arising from commodity and other contracts are hedged directly and monitored within defined limits.
Currency risk limits are set periodically in consultation with the Risk Management Committee and monitored by the Treasury department.

Interest rate risk

PZEM's interest rate risk policy is to mitigate the effects of interest rate fluctuations. To hedge this risk, the company uses derivatives, such as interest rate swaps.

Liquidity risk

Liquidity risk is the risk that PZEM has insufficient funds available to meet its short-term liabilities. In light of the revenues generated by, amongst other things, the sale of some of our business divisions, there is currently no such risk. However, liquidity risk may become an issue in the longer term if, contrary to expectations, market prices start to decline.

PZEM's cash and financial asset management policy focuses on centralising these at the level of the holding company PZEM N.V. On the basis of its business plan, the company prepares an annual Treasury plan to give direction to the activities undertaken by the Treasury department. The Treasury plan also sets out how surplus cash is to be invested, taking into account the buffers needed for our operating activities.

1.9 Statement by the Management Board

The Management Board is responsible for the design and operating effectiveness of the company's risk management and internal control system: the PZEM Internal Control Framework (PICF). We reviewed its design and operation during 2021, based in part on the Management in Control Statements drawn up within the organisation and reviewed by Risk Management.

Risk-taking is inextricably linked to the company's operations and the implementation of its strategy. The PICF framework allows PZEM to take risks by identifying, controlling, and actively monitoring those risks and taking appropriate action where necessary. The Management Board seeks to minimise the probability and impact of any errors, incorrect decisions, or unforeseen events.
We are aware that the PICF does not provide absolute assurance that business targets will be achieved and all misstatements, loss, fraud or breaches of the law eliminated.

In Control Statement
On the basis of the foregoing, the Management Board believes that the risk management and internal control system operated effectively during 2021 and provides reasonable assurance that the financial statements for the year under review contain no material misstatements.

The Management Board will ensure compliance with the PICF in 2022.

Management statement
To our knowledge:
- the financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of PZEM N.V.;
- the additional information, as contained in this Annual Report, gives a true and fair view of the state of affairs at 31 December 2021 and of PZEM N.V.'s operations during the 2021 financial year;
- the Risks and Opportunities section, as contained in this Annual Report, provides a description of potential material risks facing PZEM N.V.

Middelburg, The Netherlands, 20 April 2022

The Management Board of PZEM N.V.

Frank Verhagen
Niels Unger

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CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Ref. no.	31-12-2021	31-12-2020
NON-CURRENT ASSETS			
Intangible assets	**1**	**1,574**	**1,445**
Property, plant and equipment	**2**	**661,470**	**510,794**
Joint ventures, associates and other investments	3	34,450	402,514
Loans to joint ventures, associates, etc.	4	2,587	2,572
Deferred tax assets	4	3,602	4,152
Other financial assets	4	576,614	610,399
Derivatives	5	117,784	11,368
Financial assets		**735,037**	**1,031,005**
Total non-current assets		**1,398,082**	**1,543,244**
Current assets			
Inventories	**6**	**89,581**	**74,515**
Trade receivables	7	87,638	14,270
Current tax assets	7	118	12,814
Other receivables	7	856,724	478,713
Derivatives	5	266,018	18,483
Total receivables		**1,210,498**	**524,281**
Total current assets		**1,300,078**	**598,796**
Cash	**8**	**181,760**	**85,829**
TOTAL ASSETS		**2,879,920**	**2,227,870**
Shareholders' equity		1,415,843	1,398,831
Profit for the year		235,065	(21,841)
Group equity		**1,650,909**	**1,376,990**
Provisions	9	548,510	531,109
Long-term debt	10	91,461	106,762
Deferred tax liabilities	11	27,238	11,400
Lease liabilities	11	6,424	6,643
Other non-current liabilities	11	32,468	30,824
Derivatives	5	111,818	22,383
Non-current liabilities		**817,919**	**709,122**
Trade payables	12	18,836	12,035
Current tax liabilities	12	27,309	16,698
Current portion of provisions	12	41,626	31,635
Other liabilities	12	87,330	61,557
Derivatives	5	235,993	19,833
Current liabilities		**411,093**	**141,758**
Total liabilities		**1,229,012**	**850,880**
TOTAL EQUITY AND LIABILITIES		**2,879,920**	**2,227,870**

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Ref. no.	2021	2020
Revenue	13	1,147,244	549,091
Cost of sales	14	(922,525)	(445,477)
Gross operating margin		**224,719**	**103,615**
Other gains and losses (third parties)	15	6,902	5,042
Fair value gains and losses on the trading portfolio	16	(3,956)	490
Gross margin		**227,666**	**109,147**
Third-party services	17	(48,485)	(46,511)
Staff costs	18	(42,343)	(41,200)
Depreciation, amortisation and impairment	19	100,276	(48,658)
Other operating expenses	20	1,333	(1,762)
Total net operating expenses		**10,781**	**(138,131)**
Earnings from operations		**238,447**	**(28,984)**
Share in results of joint ventures and associates	21	2,714	21,711
Operating result		**241,161**	**(7,273)**
Net finance income (expense)	22	6,330	(4,991)
Profit before tax		**247,491**	**(12,264)**
Corporate income tax	23	(12,426)	(9,576)
Profit after tax from continuing operations		**235,065**	**(21,841)**
Profit after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		**235,065**	**(21,841)**
Attributable to:			
SHAREHOLDERS OF PZEM N.V.		**235,065**	**(21,841)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	2021	2020
REALISED PROFIT:		
Profit/(loss) after tax for the year	**235,065**	**(21,841)**
UNREALISED GAINS AND LOSSES		
Unrealised gains and losses that will not be reclassified to profit or loss	-	-
Unrealised gains and losses that may be reclassified to profit or loss		
1. Effective portion of gains and losses on cash flow hedges		
Energy derivatives (gross)	46,148	5,849
Reclassification adjustments	204	42,603
Unrealised gains and losses on energy derivatives cash flow hedges	**46,352**	**48,452**
Interest rate derivatives (gross)	922	(1,189)
Reclassification adjustments	5,223	5,479
Unrealised gains and losses on interest derivatives cash flow hedges	**6,145**	**4,290**
(Deferred) corporate income tax	(13,644)	(532)
Total effective portion of gains and losses on cash flow hedges	38,854	52,210
2. Share of other comprehensive income in joint ventures and associates		
Share of other comprehensive income in joint ventures and associates	-	-
Reclassification adjustments		-
Unrealised gains and losses on joint ventures and associates	**-**	**-**
(Deferred) corporate income tax	-	-
Total share of other comprehensive income in joint ventures and associates	**-**	**-**
3. Other movements		
Reclassification adjustments	-	-
(Deferred) corporate income tax	-	-
Total other movements	-	-
Total other comprehensive income	38,854	52,210
TOTAL COMPREHENSIVE INCOME	**273,919**	**30,369**
Total comprehensive income attributable to:		
SHAREHOLDERS OF PZEM N.V.	**273,919**	**30,369**

For an explanation of movements in energy and interest-rate derivatives, please refer to Section 5 of the notes to the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Total	Paid-up capital	Statutory reserve	Hedge reserve	Other non-distributable reserves	Other reserves	Unappropriated profit
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2020	**1,346,621**	**6,937**	**160,694**	**(63,875)**	**144**	**1,222,909**	**19,812**
Profit appropriation for 2019	-	-	-	-	-	19,812	(19,812)
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	20,606	-	(148)	(20,458)	-
Total comprehensive income	30,369	-	-	52,210	-	-	(21,841)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**1,376,990**	**6,937**	**181,300**	**(11,665)**	**(5)**	**1,222,263**	**(21,841)**
Profit appropriation for 2020	-	-	-	-	-	(21,841)	21,841
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	(97,554)	-	(108)	97,662	-
Total comprehensive income	273,919	-	-	38,854	-	-	235,065
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**1,650,908**	**6,937**	**83,746**	**27,189**	**(112)**	**1,298,084**	**235,065**

Changes in shareholders' equity are presented in the statement of changes in equity. The company's authorised capital amounts to EUR 9,080,000, divided into 20,000 shares with a par value of EUR 454 each. At 31 December 2021, EUR 6,937,120 worth of shares had been issued and paid up. No changes occurred during the year. None of the shares come with pre-emptive rights or restrictions.

The statutory reserve comprises undistributed profits of associates and is therefore not freely distributable. The decrease was driven mainly by the sale of Evides. This also applies to the hedge reserve, which should be seen in relation to unrealised income from fair value changes in derivatives used for hedging purposes.

Fair value changes in derivatives after tax are largely shown within the hedge reserve. For further details, see Section 5 'Basis of recognition and measurement of financial instruments' and Section 5.1.3. of the notes to the consolidated balance sheet. Other non-distributable reserves mainly comprise a revaluation reserve for derivatives.

Other reserves comprise retained earnings.

CONSOLIDATED CASH-FLOW STATEMENT
(PREPARED BASED ON THE INDIRECT METHOD)

(EUR 1,000)	2021	2020
From operating activities		
Earnings from operations	238,447	(28,984)
Fair value gains and losses on the trading portfolio	3,956	(490)
Adjustment for deferred income	529	391
Depreciation, amortisation and impairment	50,109	48,193
Reversal impairment	(150,328)	-
Changes in:		
Provisions	(5,223)	(23,096)
Inventories	(15,066)	(12,479)
Trade receivables	(73,368)	6,413
Trade payables	6,801	(36,081)
Other receivables/payables	(343,959)	166,665
Other	**(288,103)**	**120,531**
From operating activities	15,146	17,492
Cash flows arising from dividends received from joint ventures and associates	(8,791)	(9,127)
Cash flows from finance income and expense	(4,379)	(5,638)
Cash flows from taxes on profits	**(286,127)**	**123,260**
Cash flow from operating activities		
Cash flow from investing activities	(23,045)	(18,444)
Acquisition and disposal of intangible assets and property, plant and equipment (after deduction of cash acquired)	(628)	(312)
Acquisition of investments in subsidiaries and associates and interests in joint ventures (after deduction of cash disposed)	356,260	-
Disposal of investments in subsidiaries and associates and interests in joint ventures	(11,006)	(10,247)
Other financial assets	**321,581**	**(29,003)**
CASH FLOW FROM INVESTING ACTIVITIES	**35,454**	**94,257**
FREE CASH FLOW BEFORE DIVIDEND		
From financing activities	(14,346)	(13,367)
Paying off borrowings	75,128	(79,571)
Change in deposits	(305)	(349)
Lease obligations	**60,476**	**(93,287)**
Cash flow from financing activities	**95,931**	**970**
EVOLVEMENT CASH FLOW DURING THE YEAR	**85,829**	**84,859**
Cash as at 1 January	95,931	970
Evolvement cash position during the year	**181,760**	**85,829**
Cash as at 31 December		

Accounting policies

ACCOUNTING POLICIES

These consolidated financial statements cover the year 2021, which ended on the balance-sheet date, i.e. 31 December 2021.

PZEM N.V. ("PZEM") is a public limited liability company organised and existing under Dutch law. Throughout 2021, PZEM N.V. was the parent company of a number of subsidiaries involved in:

- energy generation, transmission, trading, and supply;
- developing and producing renewable energy, including wind power, solar power, and water services.

Partly in view of those activities, PZEM owns interests in a number of joint arrangements, associates, and other investments.

PZEM N.V.'s shareholders are the Zeeland provincial authorities, the towns and cities in Zeeland, several towns and cities in the provinces of Zuid-Holland and Noord-Brabant, and the Zuid-Holland and Noord-Brabant provincial authorities.

PZEM N.V.'s registered office is situated at Poelendaelesingel 10, Middelburg, The Netherlands. The company is registered with the Chamber of Commerce under number 22031457.

In 2021, the following changes occurred within the group:

- The bankruptcy of the Biovalue companies (DELTA Biovalue B.V. and DELTA Biovalue Nederland B.V.) was completed in 2021.

PZEM N.V.'s functional currency is the euro. The consolidated financial statements have been prepared according to the going-concern principle.

PZEM N.V. used the option available under Title 9, Book 2, of the Dutch Civil Code to prepare the company financial statements in accordance with the International Financial Reporting Standards applied to its consolidated financial statements, with the exception of equity-accounted group companies and investments.
The company income statement is presented in abridged form in accordance with Section 402, Title 9, Book 2, of the Dutch Civil Code.

The 2021 financial statements were signed and released for publication by the Supervisory Board on 20 April 2022 The Supervisory Board will present the financial statements for adoption and approval by the General Meeting of Shareholders on 1 June 2022.

1. COMPLIANCE WITH IFRSS AND SUMMARY OF CHANGES IN IFRS RECOGNITION AND MEASUREMENT RULES

PZEM's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) of the IASB, as endorsed by the European Commission (EC) up to and including 31 December 2021.

Adopted new standards and/or improvements
New standards and/or supplements/improvements in relation to the previous financial year were issued by the IASB and endorsed by the European Commission for adoption within the European Union. Changes not yet endorsed by the European Commission are omitted from the summary below.

1.1 PZEM ADOPTED THE FOLLOWING STANDARDS AND IMPROVEMENTS IN ITS 2021 FINANCIAL STATEMENTS

1. IFRS 9/ IAS 39 / IFRS 4 / IFRS 7 / IFRS 16: Interest Rate Benchmark Reform (Phase 2)
These changes provide temporary exemptions to allow hedge accounting to be continued during a period of uncertainty before replacing an existing interest rate benchmark by an alternative and practically risk-free rate (RFR). PZEM entered into a cash flow hedge for interest rate fluctuation. The cash flow hedge is linked to EURIBOR. Because EURIBOR had already amended its calculation method (and hence already complied with the new benchmark reform), this had no impact on PZEM.

2. IFRS 16 Covid-19-Related Rent Concessions
The amendment to IFRS 16 Leases provides lessees with relief from applying IFRS 16 lease modification guidelines to rent concessions occurring as a direct consequence of the Covid-19 pandemic. This had no impact on PZEM as no rent adjustments were made in the form of rent concessions occurring as a direct consequence of the Covid-19 pandemic.

1.2 PZEM DID NOT ADOPT THE FOLLOWING RELEVANT STANDARDS AND IMPROVEMENTS IN ITS 2021 FINANCIAL STATEMENTS. ADOPTION IS MANDATORY FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022.

1. IFRS 17: Insurance Contracts
2. IFRS 3: References to the Conceptual Framework
3. IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
4. IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
5. IAS 1: Classification of Liabilities as Current or Non-Current
6. IAS 8: Definition of Accounting Estimates
7. IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
8. Annual Improvement Programme 2020-2022:
IFRS Financial Instruments: fees in the '10 per cent test' for derecognition of financial liabilities

2. GENERAL ACCOUNTING POLICIES

2.1 ESTIMATES AND ASSUMPTIONS

The preparation of financial statements entails the use of estimates and assumptions based on past experience and on factors considered acceptable in management's judgement. These estimates primarily concern the proceeds from the supply and transmission of electricity and gas to end-users based on staggered meter readings, deferred tax assets, and provisions. These estimates and assumptions will affect the information shown in the financial statements, and the actual figures may be different. The effects of changes in estimates are recognised prospectively in the income statement. Changes in estimates may also lead to changes in assets and liabilities or equity components. Such changes in estimates are recognised in the period in which they occur.
Any specific disclosures about estimates and assumptions are provided in the notes to the balance sheet and income statement. Measurement of the provision for unprofitable contracts, in particular, but also the level of deferred tax assets and impairment (reversal) tests may be affected by future estimates because commodity markets are volatile. Although this provision is based as much as possible on existing contracts and positions, estimated movements in commodity prices (electricity, gas, CO_2) are a key influencing factor. Expected future price paths are based on recent forecasts issued by a reputable independent firm as at the balance-sheet date. These forecasts are in turn based on in-depth market and regulatory analyses conducted by the firm. Still, these price sets are also projections.

2.2 IMPAIRMENT OF ASSETS

Tests are conducted annually to check for indications that assets may be impaired. If that is the case, an estimate is made of the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. If the fair value less costs to sell leads to unavoidable costs, a liability is recognised. Value in use is measured as the present value of the estimated future cash flows, based on the business plans drawn up internally and approved by the Management Board, using a pre-tax discount rate that reflects current market interest rates. Specific risks relating to the asset or the cash-generating unit are incorporated into the estimated future cash flows. Annual impairment tests are conducted for recognised goodwill.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which the asset belongs exceeds its recoverable amount.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amounts of the other assets of the unit (or group of units) on a pro rata basis. The carrying amount of an asset should not be reduced to below its recoverable amount.

An impairment loss is reversed if it there has been a change in the basis on which the recoverable amount was previously determined. An impairment loss is reversed only to the extent that the carrying amount of the asset due to reversal does not exceed its carrying amount less depreciation or amortisation if no impairment loss had been recognised. An impairment loss or reversal of an impairment loss is recognised in profit or loss. Impairment losses on goodwill are not reversed.

2.3 MEASUREMENT OF FINANCIAL INSTRUMENTS

Unless stated otherwise in the notes to the individual items in the financial statements, management believes that the carrying amounts of financial instruments are reasonable approximations of the fair value of those instruments.

2.4 GOVERNMENT SUBSIDIES

Government subsidies are recognised as soon as it is reasonably certain that the conditions for obtaining the subsidy have been or will be met and the subsidy has been or will be received. When investment projects are capitalised, subsidies received and contributions to the construction costs are deducted from the acquisition cost of the assets.
Operating subsidies are shown within revenue. Subsidies in the form of tax breaks are factored into the calculation of the taxable amount.

2.5 FOREIGN CURRENCY

Assets and liabilities denominated in a foreign currency are translated into euros at the exchange rates prevailing at the end of the reporting period. Differences arising from movements in exchange rates are recognised in profit or loss, unless relating to the net investment in foreign entities, in which case they are recognised in equity as part of other comprehensive income.
Income and expenses denominated in a foreign currency are translated into euros at the exchange rates prevailing at the time of the transaction.

2.6 TAXATION

2.6.1 INCOME TAXES

Income taxes comprise current taxes and movements in deferred taxes. These amounts are taken to the income statement or recognised in equity as part of other comprehensive income.
Current taxes comprise amounts that are probably due and capable of being offset against the taxable profit for the year. They are calculated on the basis of the prevailing tax laws and rates.

2.6.2. DEFERRED TAXES

Deferred taxes are recognised for differences between the carrying amount and tax base of assets and liabilities.
Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the prevailing tax laws and rates. Deferred taxes are stated at face value. Deferred tax assets are recognised only if and to the extent that it is probable that sufficient taxable profits and/or other temporary differences will be available against which they can be utilised.

A deferred tax asset is recognised for unused tax losses and unused tax credits if and to the extent that there are other temporary differences against which they can be utilised. Since PZEM has a recent history of tax losses, unused tax credits are reflected only in a deferred tax asset if there is compelling evidence that there will be sufficient future taxable profits available against which to utilise them.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial information of PZEM N.V. and its group companies. Group companies are legal entities and companies over which control is exercised in terms of their governance and operational and financial policies. IFRS 10 Consolidated Financial Statements provides that an investor controls an investee if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. Existing and potential voting rights that were exercisable or convertible as at the balance-sheet date are considered when determining whether PZEM N.V. controls an entity. Other agreements that allow PZEM N.V. to determine operating and financial policy are also taken into account.

Group companies are included in the consolidation from the date when control is obtained. Consolidation is discontinued from the date when control over the group company ceases. Group companies are fully consolidated, with 100% of their equity and profit or loss being included in the consolidation. If the share interest in a group company is less than 100%, the non-controlling interest is shown separately in the balance sheet and income statement.

Joint arrangements are recognised in proportion to PZEM's (group company's) interest in the arrangement if the arrangement involves a joint operation. They are included in the consolidation from the date when the arrangement is entered into. Consolidation discontinues from the date when the arrangement ceases.
Joint arrangements that take the form of 'joint operations' are consolidated according to the partial method.

The investment is recognised in the consolidated financial statements as follows:

- Assets to which the investor has direct rights are recognised fully in the financial statements,
- Liabilities for which the investor is directly responsible are recognised fully in the financial statements.
- Revenue from the sale of the investor's share of the output of the joint operation by the joint operation itself is recognised fully in the financial statements (the joint operation itself being responsible for the sale of the output).
- Revenue from the sale of the investor's share of the output of the joint operation by the investor is recognised fully in the financial statements.
- Expenses allocated directly to the investor are fully recognised in the financial statements;
- Assets, liabilities, revenue and expenses that are not directly attributable to the investors are allocated to the investors indirectly in proportion to their interest in the joint operation.

Joint arrangements that take the form of 'joint ventures' are accounted for according to the equity method and are not consolidated.

Associates are recognised using the equity method and are not consolidated.

Purchase accounting
The acquisition of a group company is accounted for using the purchase accounting method. The accounting policies adopted by group companies are adjusted, where necessary, to ensure consistency with the policies applied by PZEM.

Scope of consolidation
These financial statements include a separate overview of subsidiaries, associates, and joint ventures, specifying the relevant share interests.

4. BASIS OF RECOGNITION AND MEASUREMENT OF ASSETS AND LIABILITIES

The financial statements have been prepared under the historical cost convention, with the exception of derivatives (financial instruments), which are carried at fair value, and the differences referred to below. All transactions in financial instruments are recognised on the transaction date.

4.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise software and customer contracts.

Software
Capitalised software is carried at historical cost less amortisation. Amortisation is on a straight-line basis over a period of 5 years. The useful life is assessed annually, with any adjustments being accounted for prospectively.

Customer contracts
Customer contracts are measured at cost and amortised over their expected useful lives.

4.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation on a straight-line basis over their estimated useful lives, as determined according to technical and economic criteria, taking into account the estimated residual values less accumulated impairment losses. Land is not depreciated. In accordance with IFRIC 18, third-party contributions to the construction costs of an item of property, plant or equipment are no longer deducted from the carrying amount of the asset; instead, they are recognised within deferred revenue (liability).

External financing expenses for assets (construction period interest) are included in the cost if they can be allocated directly to the asset.

If an asset consists of various components with different depreciation periods and residual values, the components are recognised separately. Investments to replace components are capitalised, with the replaced component being written down simultaneously. Estimated useful lives and estimated residual values are assessed annually when the business plan is prepared. If an impairment test shows an impairment loss, the carrying amount is adjusted accordingly.

Major periodic maintenance of property, plant and equipment is capitalised and depreciated over the period in between the maintenance operations according to the component approach.

Decommissioning provisions are capitalised as part of property, plant and equipment and depreciated over the power plant's expected useful life.

Property, plant and equipment under construction is stated at costs incurred as at the balance-sheet date, including the costs of materials and services, direct staff costs, an appropriate share of directly attributable overhead costs, and the financing costs allocated directly to the asset.

4.3 NON-CURRENT FINANCIAL ASSETS

General
A business combination involves bringing together separate entities or businesses into one reporting entity. Business combinations are accounted for using the acquisition method. Steps in applying the acquisition method are:

1. Identification of the acquirer;
2. Measurement of the cost of the business combination;
3. Allocation of the cost of the business combination as at the acquisition date.

The cost of a business combination is the aggregate of the acquisition-date fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued by the acquirer. With the revision of IFRS 3 (effective since 2009), the costs directly attributable to the acquisition are no longer shown within the cost of the business combination, and instead are recognised directly in profit or loss.

Goodwill is measured as the value by which the cost of the business combination exceeds the acquirer's interest in the net fair value of identifiable assets, liabilities, and contingent liabilities.
Negative goodwill is recognised directly in profit or loss. Non-controlling interests are recognised in equity.

Joint ventures, associates, and other investments

- Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The parties are called joint venturers.
- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (such as PZEM N.V. or any of its subsidiaries) have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators. In the case of a joint operation, PZEM N.V. recognises a proportion of the assets and liabilities, revenue and expenditure equivalent to its interest in the joint operation; its share in the joint operation's equity is therefore not recognised as a non-current financial asset.
- Associates are entities over which PZEM N.V. exercises significant influence, whether directly or indirectly, but which it does not control. Generally speaking, this is the case if PZEM N.V. can exercise between 20% and 50% of the voting rights.
- Other investments are non-associated investments in which PZEM N.V. has an interest of less than 20%.

The financial statements include an overview of the main joint arrangements and investments.

Valuation of joint ventures, associates, and other investments
Investments in joint ventures and associates are recognised in the consolidated financial statements using the equity method. Under the equity method, the investment is recognised initially at cost, i.e. the fair value of the underlying assets and liabilities, including goodwill. If the fair value exceeds the cost, the positive difference is added to the carrying amount of the investment. The share of profits or losses is recognised in the carrying amount each year and dividend distributions are deducted. If the (cumulative) losses of the joint venture and/or associate lead to a negative book value, then these losses are not recognised, unless PZEM N.V. has an obligation to clear the losses or has made payments to do so.

Movements in other investments are shown within other comprehensive income, unless they involve a permanent impairment, which is then recognised directly in profit or loss. If insufficient information is available, valuation is at cost.

Undistributed profits of joint ventures and associates and direct increases in equity at a joint venture or associate which cannot readily be distributed are added to the statutory reserve.

The accounting policies of joint ventures and investments are adjusted, where necessary, to ensure consistent application of the accounting policies throughout the PZEM group.

Loans to other investees
Loans to investees or third parties are initially measured at fair value and subsequently at amortised cost. Amortised cost is usually equivalent to the face value of the loans because they are short-term. Where necessary, a provision is recognised for bad debts and deducted from this value.

Term deposits and securities – held to maturity
If term deposits or securities are intended to be held to maturity, they are initially measured at fair value and subsequently at amortised cost. Receivables with a term to maturity of less than one year are shown within receivables.

Unlisted shares
If unlisted shares constitute part of the trading portfolio, they are measured at fair value, with any value changes recognised directly in profit or loss.

If unlisted shares constitute part of investments in equity instruments, they are measured at fair value, with any value changes recognised directly in profit or loss.

Both PZEM N.V. and N.V. EPZ hold units in an equity/bond fund of an investment institution. PZEM N.V. does so as part of its trading portfolio, whereas N.V. EPZ holds those units on a long-term basis with a view to the nuclear power plant's decommissioning.

4.4 INVENTORIES

Inventories are stated at the lower of cost, based on first-in first-out (FIFO), and net realisable value, less a provision for obsolescence. Impairment losses on inventories are recognised as an expense and disclosed separately.

4.5 RECEIVABLES

Trade receivables are initially stated at fair value and subsequently at amortised cost less impairment losses. Amortised cost is usually equivalent to the face value of the receivables because they are short-term in nature.

Carbon allowances held are intended for the company's own use and shown as a netted amount (allowances held less allowances necessary for emissions in 2021). They are stated at historical cost on a FIFO basis.

4.6 DERIVATIVES

Information on derivatives accounting is provided in Section 5 Basis of recognition and measurement of financial instruments.

4.7 CASH AND CASH EQUIVALENTS

Cash includes not only cash but also cash equivalents that can be converted into cash with no material risk of impairment. Cash and cash equivalents are stated at nominal value.

4.8 CAPITAL AND SHARES

Dividends are recognised as a liability in the period for which they are declared.

4.9 PROVISIONS

Provisions are recognised for legally enforceable, present obligations relating to operations. Provisions are measured at the present value of expected expenditures less any expected own income. The present value is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money. Expenditures expected to be incurred within one year of the balance-sheet date are shown within current liabilities.

4.10 NON-CURRENT LIABILITIES

Non-current liabilities are measured at amortised cost using the effective interest method. Repayment obligations for non-current liabilities due within one year are shown within current liabilities.

The non-current portion of deferred revenue is classified as a non-current liability. The portion to be released during the next reporting period is shown within current liabilities. The portion relating to the current reporting period is shown within revenue.

5. BASIS OF RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

5.1 FINANCIAL INSTRUMENTS

PZEM uses financial instruments to manage and optimise normal market risks associated with the company's commodities, currency, and interest-rate exposures. PZEM applies IFRS 9 Financial Instruments. Under this standard, derivatives (derivative financial instruments) are measured at fair value and trading contracts are recognised in the income statement at fair value through profit or loss.

Definition
A derivative is a financial instrument or other contract that falls within the scope of IFRS 9. It has the following three features:

- its value changes as a result of movements in a particular interest rate, price of a financial instrument, commodity price, exchange rate, or index of prices, interest rates or other variables, provided that, in the case of non-financial variables, the variable is not specific to a contract party (also known as the 'underlying asset');
- no, or only a minor, net initial investment is required in relation to other types of contract that respond in similar ways to movements in market factors;
- settlement takes place in the future.

5.2 DERIVATIVES

PZEM is involved in gas, electricity, emissions, and currency trading contracts for the current calendar year and the next three years as a maximum. The company considers the markets for these products to be liquid over this time horizon. Reliable prices are available from brokers, markets, and data providers. The fair value of a commodity contract is calculated according to the DCF method using those prices; no in-house valuation models are used. The monthly, quarterly and annual prices published are adjusted only to reconcile them with the relative periods in the trade systems. PZEM uses derivatives, such as interest rate swaps, to hedge its interest rate risk exposure. These swaps allow a floating rate to be exchanged for a fixed rate. The fair value of interest-rate derivatives is calculated according to the DCF method, using a yield curve that is based on data from the European Central Bank (ECB).
In accordance with IFRS 13 Fair Value Measurement, the fair value of interest rate swaps comprises a credit value adjustment (CVA) and debit value adjustment (DVA) to reflect counterparty risk for all parties involved. Value changes in CVA/DVA are reported in the income statement.

Classification and netting
A derivative is classified as a current asset if its fair value represents a gain and as a non-current liability if its fair value represents a loss. Receivables and payables in respect of derivatives for different transactions with the same counterparty are netted if there is a contractual or legally enforceable right of set-off and PZEM also settles the relevant cash flows on a net basis.

Recognition of fair value gains and losses
Under IFRS 9, energy commodity contracts (electricity, gas, emission allowances, and related currency exposures) and interest rate swaps are classified as derivatives. Under IFRS 9 and IFRS 7 Financial Instruments: Disclosures, all derivatives are measured at fair value on initial recognition.

As a general rule, fair value changes in derivatives are recognised through profit or loss. The exceptions to this rule are:

1. Own use. PZEM applies accrual accounting for commodity contracts intended for its own use or production and for sales and purchasing contracts entered into for the purpose of delivering physical commodities to end users. This means that any changes in value are not shown in the income statement. These transactions are recognised as sales or purchase transactions at the prevailing prices at the time of settlement;
2. a. Derivatives used to hedge an own-use contract. Hedge accounting may be applied for these derivatives on certain conditions;
   b. Interest rate derivatives. Hedge accounting may be applied for these derivatives on certain conditions.

Hedge accounting
Hedge accounting allows the impact of fair value changes on profit or loss to be mitigated by taking into account the opposing effects on the profit or loss of fair value changes in the hedges and the hedged items. Fair value gains and losses on derivatives are recognised in equity (through the statement of comprehensive income) until the hedged position/transaction is settled.

PZEM uses derivatives to hedge price and currency risks arising from energy commodity contracts.

Interest rate swaps are used to hedge the risk of cash-flow volatility due to movements in interest rates. PZEM uses cash-flow hedging, which involves entering into hedges to mitigate its exposure to variability of existing and future cash flows that could ultimately affect profit or loss. The hedges are allocated to a specific risk relating to a balance-sheet item or highly probable forecast transaction.

Criteria for applying hedge accounting
Hedge accounting is subject to strict rules in terms of documentation and effectiveness testing. Hedge accounting is permitted if a derivative meets the following criteria:

1. at the time of entering into the transaction, the derivative is formally classified as a hedge, and the hedging relationship, the objectives of the hedge, and the risk management strategy are documented;
2. in the case of a cash-flow hedge, the forecast transaction that is the subject of the hedge is highly probable and expected to expose the entity to variability in existing or future cash flows that could ultimately affect profit or loss;
3. the effectiveness of the hedge can be reliably measured;
4. the hedge is expected to be highly effective;
5. the hedge is assessed on an ongoing basis and determined to have been highly effective.

Hedge effectiveness testing and recognition of changes
PZEM formally tests whether derivatives used as hedging instruments have been highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged item, both at the inception of the hedge and during its life. PZEM tests and determines whether changes in fair value or cash flows attributable to the hedged item are offset by changes in fair value or cash flows attributable to the hedging instrument.
The effective portion of fair value changes is recognised in equity and shown within the hedge reserve (through the statement of comprehensive income).

The ineffective portion of a hedging relationship, in a fair value hedge, is the extent to which changes in the fair value of the derivative differ from the changes in the fair value of the hedged item or, in a cash flow hedge, the extent to which changes in the fair value of the derivative differ from the fair value change in the expected cash flow. Ineffective hedges, the ineffective portion of a hedge and gains and losses on components of derivatives that are disregarded when testing the effectiveness of a hedge are recognised directly in the income statement.

The cumulative amounts recognised in equity are taken to the income statement in the same period as the hedged transaction.

PZEM discontinues hedge accounting if the hedging relationship is no longer effective or no longer expected to remain effective.

6. ACCOUNTING POLICIES FOR THE INCOME STATEMENT

6.1 REVENUE

Revenue represents income arising directly from the supply of goods and services to third parties, net of any discounts and net of sales taxes such as VAT and energy tax.

Revenue is recognised when the material risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services is recognised in proportion to the services delivered as at the end of the reporting period.

Recognition of revenue from electricity sales is based on the assumption that power generated by the group's own production facilities (including joint arrangements) and third-party production facilities (including key wind power purchasing agreements) is sold to third parties. Electricity supplied to end-users is procured entirely from third parties and therefore also shown within revenue.

For gas and electricity trading contracts that do not involve physical delivery, purchases and sales are netted if this was contractually agreed.

6.2 NET OPERATING EXPENSES

Net operating expenses are measured on the basis of products and services purchased and in accordance with the measurement and depreciation rules set out above. Expenses are allocated to the financial year in which they are incurred.

Gains are recognised in the year in which they are realised; losses are recognised in the year in which they are foreseeable.

6.3 NET FINANCE INCOME OR EXPENSE

Finance income or expense is allocated to the period to which it relates, using the effective interest method. Costs of external financing associated with the construction or acquisition of property, plant and equipment (construction period interest) are capitalised as and when appropriate.

7. ACCOUNTING POLICIES FOR THE CASH FLOW

The cash flow statement has been prepared according to the indirect method, based on actual balance-sheet movements. A distinction is made between operating, investing, and financing activities. Although the current portion of non-current liabilities is recognised in the balance sheet as part of other current liabilities, movements in the current portion of non-current liabilities is shown within the cash flow from financing activities in the cash flow statement.

Cash flows relating to minority interests (dividend payments), finance income or expense, and corporate income taxes (tax assessments) are based on actual receipts and payments.

PZEM uses cash investments (deposits, securities, etc.) to finance the company. A temporary surplus of cash will be invested and a temporary shortfall will be funded from those cash investments. These cash "investments" by their nature fit in better with the cash flow from financing activities than the cash flow from investing activities and so have been presented there.

Notes to the consolidated balance sheet

1. INTANGIBLE FIXED ASSETS

(EUR 1,000)	Total	Software	Customer contracts
2020			
Carrying amount as at 1 January	**1,049**	**210**	**839**
Investments	630	630	-
Depreciation	(234)	(187)	(47)
Disposals	-	-	-
Carrying amount as at 31 December	**1,445**	**653**	**792**
Accumulated depreciation and impairment	3,179	2,623	556
ACQUISITION COST AS AT 31 DECEMBER 2020	**4,625**	**3,277**	**1,348**
2021			
Carrying amount as at 1 January	**1,445**	**653**	**792**
Investments	331	331	-
Depreciation	(202)	(156)	(47)
Disposals	-	-	-
Carrying amount as at 31 December	**1,574**	**829**	**746**
Accumulated depreciation and impairment	3,188	2,585	603
ACQUISITION COST AS AT 31 DECEMBER 2021	**4,762**	**3,414**	**1,348**
Depreciation periods in years		5	28

Impairment testing
In 2021 there were no indications necessitating an impairment test for the intangible fixed assets shown above.

Software
In 2021 the Sloe power plant invested in new software to replace an old application.

Customer contracts
These intangible fixed assets are amortised over the expected useful life of the Sloe power plant. Amortisation began in 2009.

2. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Total	Land and buildings	Plant and equip-ment	Other assets	Assets under con-struction	Lease assets	Third-party contri-butions
2020							
Carrying amount as at 1 January 2020	**503,910**	**149,532**	**301,688**	**36,103**	**9,636**	**8,610**	**(1,660)**
Investments	18,461	230	13,813	2,309	1,602	508	-
Depreciation	(47,911)	(13,614)	(27,226)	(6,227)	-	(892)	48
Impairment	-	-	-	-	-		-
Disposals	(233)	(839)	(330)	(1)	-	(45)	982
Other movements / activated items	36,569	35,276	1,291	-	-	-	-
Carrying amount as at 31 December 2020	**510,794**	**170,585**	**289,236**	**32,184**	**11,238**	**8,181**	**(630)**
Carrying amount before deduction of contributions	**511,425**	**170,585**	**289,236**	**32,184**	**11,238**	**8,181**	
Accumulated depreciation and impairment	755,443	91,257	584,847	78,211	-	1,127	
ACQUISITION COST AS AT 31 DECEMBER 2020	**1,266,867**	**261,842**	**874,083**	**110,396**	**11,238**	**9,309**	
2021							
Carrying amount as at 1 January 2021	**510,794**	**170,585**	**289,236**	**32,184**	**11,238**	**8,181**	**(630)**
Investments	29,121	3,489	25,277	3,315	(3,070)	110	-
Depreciation	(49,859)	(15,977)	(26,651)	(6,380)	-	(899)	48
(Reversal) impairments	150,328	-	150,328	-	-	-	-
Disposals	(6,368)	-	(6,344)	-	-	(24)	-
Other movements / activated items	27,454	27,454	-	-	-	-	-
Carrying amount as at 31 December 2021	**661,470**	**185,551**	**431,845**	**29,120**	**8,168**	**7,369**	**(583)**
Carrying amount before deduction of contributions	**662,053**	**185,551**	**431,845**	**29,120**	**8,168**	**7,369**	
Accumulated depreciation and impairment	890,624	137,434	656,048	95,116	-	2,026	
ACQUISITION COST AS AT 31 DECEMBER 2021	**1,552,676**	**322,985**	**1,087,893**	**124,236**	**8,168**	**9,395**	
Depreciation periods in years		0 - 40	7 - 40	5 - 15	n/a		

Other movements in land and buildings in 2021 comprised the increase in and capitalisation of the decommissioning provision for the nuclear power plant as a result of a new study into the expenditure necessary for decommissioning. In 2020 other movements involved an increase in the provision due to a lower discount rate.

Investments in plant and equipment (including changes in assets under construction) mainly comprise replacement investments and measures to further increase safety at the EPZ nuclear power plant. They also include major maintenance and improvement undertaken at the Sloe power plant.

In 2017 an impairment loss of EUR 292.5 million was recognised for the write-down of the capitalised fair value of the increase in our EPZ share interest from 50% to 70% in 2011. Thanks to higher electricity prices, this impairment was fully reversed at the end of 2021 involving an amount of EUR 150.3 million. This amount was calculated as the impairment loss recognised in 2017 less (missed) amortisation in the period since then.

At 31 December 2021, assets under construction comprised investments in software (EUR 1.9 million), which will be recognised as intangible fixed assets upon completion.

3. INTERESTS IN JOINT VENTURES, INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

(EUR 1,000)	Total	Joint Ventures	Other Invest-ments
Carrying amount as at 1 January 2020	**397,984**	**383,265**	**14,719**
Investments/Disposals	312	-	312
Dividends received	(17,493)	(17,493)	-
Share of profits	21,711	24,315	(2,604)
IAS39 movement	-	-	-
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**402,514**	**390,087**	**12,427**
Carrying amount as at 1 January 2021	**402,514**	**390,087**	**12,427**
Investments/Disposals	(355,693)	(354,550)	(1,143)
Dividends received	(15,146)	(15,145)	(1)
Share of profits	26,419	24,741	1,677
Results from disposals	(23,644)	(23,644)	-
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**34,450**	**21,489**	**12,960**

On 8 December 2021, PZEM sold its (50%) share interest in water company Evides to its shareholders. Profits and losses and dividend payments were attributed to PZEM until 8 December. Because Evides was sold at its value as at 1 January 2021, the sale led to a book loss.

Dividends received were attributable mainly to water company Evides.

Share of profits refers to the profits achieved by the joint ventures and other investments.

3.1 JOINT VENTURES

Summary of the information in the balance sheet and income statement relating to joint ventures (under IFRS, based on a 100% interest).

JOINT VENTURES

EVIDES N.V. (EUR 1,000)	**31-12-2021**	**31-12-2020**
Current assets	-	74,086
of which is cash	-	*1,971*
Non-current assets	-	1,217,115
Current liabilities	-	(176,330)
of which are financial liabilities	-	*97,001*
Non-current liabilities	-	(566,828)
of which are financial liabilities	-	*527,556*
	2021	**2020**
Revenue	317,754	311,061
Profit form continuing operations	45,212	45,986
Profit from discontinued operations	-	-
Profit for the year	45,212	45,986
Other comprehensive income	-	-
Total comprehensive income	45,212	45,986
Dividend received by PZEM	12,450	15,000
Depreciation, amortisation and impairment	81,146	79,231
External finance income/expenses	4,126	2,283
Corporate income tax	6,042	538
	31-12-2021	**31-12-2020**
Equity	-	548,043
PZEM's interest	0%	50%
Goodwill	-	95,502
TOTAL CARRYING AMOUNT AS AT	**-**	**369,524**

PZEM N.V. owned a 50% share interest in Evides N.V. and had joint control because key decisions (impacting the relevant activities) required a majority of votes of the shareholders. Because PZEM N.V. was only entitled to dividends (and no other output from Evides), Evides N.V. was treated as a joint venture.

OTHER JOINT VENTURES

(EUR 1,000)	31-12-2021	31-12-2020
Profit from continuing operations attributable to PZEM N.V.	3,621	1,322
Profit from discontinued operations attributable to PZEM N.V.	-	-
Other comprehensive income attributable to PZEM N.V.	-	-
Total comprehensive income attributable to PZEM N.V.	3,621	1,322
TOTAL CARRYING AMOUNT AS AT	**21,489**	**20,563**

Other joint ventures mainly comprised the share interest in BMC Moerdijk.

3.2 OTHER INVESTMENTS

All entities presented as other investments are included in the list of non-consolidated companies.

In 2007, as part of the Borssele Agreement, the Sustainable Energy Technology Fund (SET-Fund C.V.) was set up by the former energy companies DELTA (with DELTA Investeringsmaatschappij B.V. acting as limited partner; currently PZEM and PZEM Investeringsmaatschappij B.V, respectively) and Essent (now an RWE company). Both partners owned a 50% interest in the partnership.
In light of the Fund's articles of association and the change in ownership interests in N.V. EPZ, a new fund (SET-Fund II C.V.) was launched on 23 December 2011. PZEM owned a 69.65% interest and Essent (RWE) a 29.85% interest in SET Fund II C.V.'s initial share capital of EUR 10 million. In view of the limited degree of control, the investments in both entities are classified as financial instruments and stated at fair value. At 31 December 2021, PZEM held a 37.38% interest in SET Fund I C.V. (through PZEM Investeringsmaatschappij B.V. acting as limited partner) with a book value of EUR 7.5 million (31 December 2020: 37,67% with a book value of EUR 7.1 million), and an 18.26% interest in SET Fund II C.V. with a book value of EUR 4.2 million (31 December 2020: 18.20% with a book value of EUR 4.0

3.3 RELATED-PARTY TRANSACTIONS

Related-party transactions are recognised if the value of the related party is material to PZEM's financial information and sales and purchase transactions, receivables and payables, and loans granted involve at least EUR 5 million. The transactions are at arm's length.

No provision for bad debts is recognised for amounts owed by related parties because there is no need to do so. Although PZEM's shareholders (provincial and municipal authorities) are related parties, no significant transactions are conducted between PZEM and its shareholders. The remuneration paid to the Management Board and Supervisory Board is shown within staff costs and other operating expenses.

RELATED-PARTY TRANSACTIONS

(EUR 1,000)		Sales		Purchases		Trade receivables	
	% Interest	**2021**	**2020**	**2021**	**2020**	**31-12-2021**	**31-12-2020**
BMC Moerdijk B.V.	50.00%	341	198	23,924	8,562	43	43
TOTAL		**341**	**198**	**23,924**	**8,562**	**43**	**43**

(EUR 1,000)		Trade payables		Loans granted		Interest	
	% Interest	**31-12-2021**	**31-12-2020**	**31-12-2021**	**31-12-2020**	**2021**	**2020**
BMC Moerdijk B.V.	50.00%	413	442	2,422	2,595	172	173
TOTAL		**413**	**442**	**2,422**	**2,595**	**172**	**173**

4. OTHER FINANCIAL ASSETS

(EUR 1,000)	Total	Loans to joint ventures and associates etc.	Deferred tax asset	Other financial assets
CARRYING AMOUNT AS AT 1 JANUARY 2020 (LONG TERM)	**566,063**	**2,855**	**7,274**	**555,934**
Reversal of current portion	415,817	-	-	415,817
New loans	674,130	-	-	674,130
Results	7,572	-	(2,550)	10,122
Repayments	(674,730)	(283)	-	(674,446)
Transferred to equity as hedge reserve	(572)	-	(572)	-
Other movements	8	-	(0)	8
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**988,287**	**2,572**	**4,152**	**981,563**
Current portion of financial assets	(371,164)	-	-	(371,164)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**617,123**	**2,572**	**4,152**	**610,399**
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2021	**617,123**	**2,572**	**4,152**	**610,399**
Reversal of current portion	371,164	-	-	371,164
New loans	741,220	-	-	741,220
Results	20,433	-	(1,513)	21,946
Repayments	(798,450)	-	-	(798,450)
Transferred to equity as hedge reserve	(13,566)	-	(13,566)	-
Other movements	14,626	15	14,530	82
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**952,551**	**2,587**	**3,602**	**946,361**
Current portion of financial assets	(369,748)	-	-	(369,748)
CARRYING AMOUNT AS AT 31 DECEMBER 2021 (LONG TERM)	**582,803**	**2,587**	**3,602**	**576,614**

4.1 LOANS TO JOINT VENTURES, ASSOCIATES, AND OTHER INVESTMENTS

Loans to joint ventures, associates and other investments comprise two subordinated loans.

In 2021 the weighted average interest rate was 6.9% (2020: 6.9%).

4.2 DEFERRED TAX ASSETS

(EUR 1,000)	31-12-2021	31-12-2020
Financial assets	(1,513)	-
Provisions	14,529	-
Hedge reserve pursuant to IAS39/derivatives	(9,414)	4,152
TOTAL DEFERRED TAX ASSET	**3,602**	**4,152**

Deferred tax assets related to the Sloe power plant and PZEM itself. Deferred tax assets and liabilities are netted as much as possible if they concern the same taxpaying entity or tax group. At 31 December 2021, deferred tax assets (before netting) comprised EUR 17.3 million (2020: EUR 4.2 million) in deferred tax assets and EUR 13.7 million (2020: EUR 0 million) in deferred tax liabilities.

All deferred tax assets relate to temporary taxable differences which are expected to lead to tax-savings in future years.

When preparing the financial statements, an annual assessment is made of the extent to which unused tax losses may result in future tax-savings. This assessment led to the recognition – up to the amount of opposite deferred tax liabilities - of a deferred tax asset of EUR 20.9 million in 2021. As PZEM is emerging from a recent period of taxable losses, compelling evidence is necessary to also carry the remaining unused tax losses on the balance sheet. Given the ongoing uncertainty and volatility in the markets, that is not the case. This is why there is still an amount of EUR 177.0 million in unused tax losses for which no deferred tax asset has been recognised.

The deferred tax asset recognised in connection with unused tax losses is shown within deferred tax liabilities because it has been netted against a higher deferred tax liability.

In 2021 PZEM reported a taxable profit for the first time since 2017.

4.3 OTHER NON-CURRENT FINANCIAL ASSETS

At 31 December 2021, other non-current financial assets mainly comprised cash invested and collateral provided.

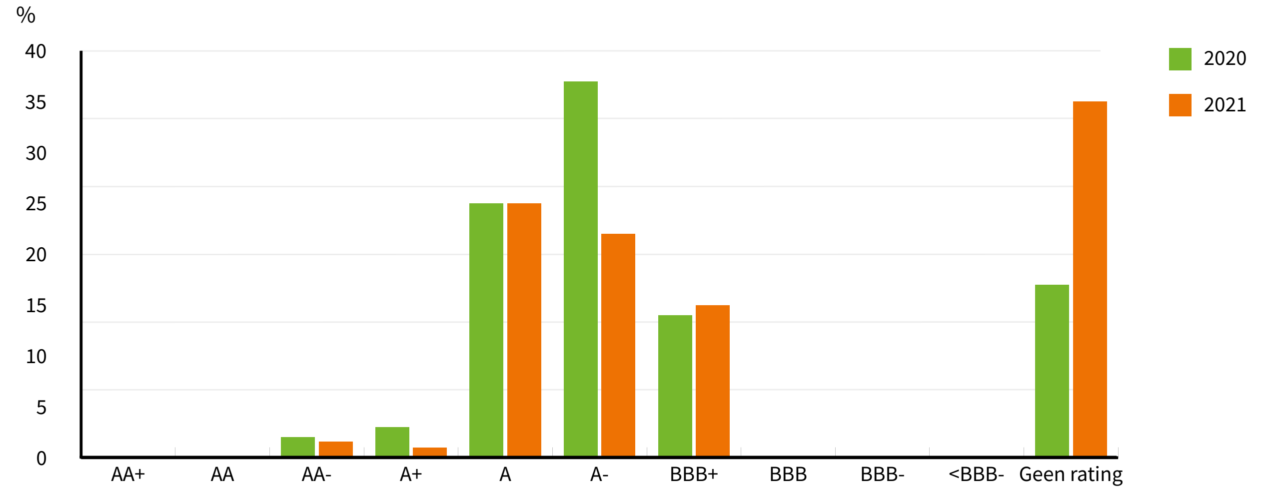
With the introduction of IFRS 9 on 1 January 2018, expected credit losses must already be accounted for on initial recognition of receivables. To estimate these expected losses, PZEM looked at the external ratings of counterparties and elected to use the following percentages for those ratings:

External credit rating	Expected loss percentage
> A-	0.1%
BBB+	0.2%
BBB or BBB-	0.5%
< BBB- or no rating	1%

PZEM elected to apply relatively low percentages because cash invested and collateral provided are relatively short-term in nature (approximately 1.5 years).

The chart below shows the percentage distribution of all cash investments and collateral provided (both long-term and short-term) across the different credit ratings:

SUMMARY OF COUNTERPARTIES CREDIT RATINGS EXPOSURES IN % NUMBER OF COUNTERPARTIES



Summary of counterparty credit ratings and cash investments and collateral provided as a % of the total number

Term deposits and securities
Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At 31 December 2021, these investments mainly comprised term deposits held with banks, bonds and securities representing a value of EUR 646.8 million (excluding expected loss provision). Of this total sum, EUR 319.0 million has a term to maturity of more than 1 year. An amount of EUR 118.0 million consists of investments made by PZEM in the fund in which EPZ also invests via Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele. At 31 December 2021, a total of EUR 363.7 million (including EPZ's share) was invested in this fund.

Collateral provided
Collateral provided comprises security deposits and bank guarantees. Some of the collateral was provided to counterparties for operating activities including trading activities, driven mainly by the corporate credit rating downgrade in 2017. The downgrade led to the obligation to provide extra collateral to trading parties. At 31 December 2021, EUR 53.9 million in collateral was provided (excluding expected loss provision) (2020: 47.3 million), EUR 11.7 million of which with a term to maturity of more than 1 year (2020: 31.8 million).

Other financial assets also comprise the investments made through Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele to provide security as required by the Nuclear Energy Act, which stipulates that sufficient funds must be available to dismantle the nuclear power plant after its expected closure date. Keeping the money in a separate foundation covers the risk of the available funds becoming part of the permit holder's assets in the event of the company going into liquidation. At December 2021, PZEM's 70% share of the funds kept by the Foundation was EUR 245.7 million (2020: EUR 220.6 million).

5. DERIVATIVES AND RISK MANAGEMENT

PZEM is involved in energy commodity and currency trading contracts for the current calendar year and the next three years. The company considers the markets for these products to be sufficiently liquid over this time horizon. Prices are available from brokers, markets, and data providers. The fair value of commodity contracts is calculated on the basis of those published prices; no in-house valuation models are used. The monthly, quarterly and annual prices published are adjusted only to reconcile them with the relative periods in the trade systems.

PZEM uses derivatives, such as interest rate swaps, to hedge its interest rate risk exposure. These swaps allow a floating rate to be exchanged for a fixed rate.

This section covers the following topics:

5.1 DERIVATIVES

5.1.1 CORRELATION BETWEEN DERIVATIVES IN THE FINANCIAL STATEMENTS 2021

(EUR 1,000)	BALANCE OF DERIVATIVES				MOVEMENTS IN DERIVATIVES	
	Assets 2021	Assets 2020	Liabilities 2021	Liabilities 2020	Movements in assets 2021	Movements in liabilities 2021
DERIVATIVES ON THE BALANCE SHEET (SEE 5.1.2)						
Non-current assets	117,784	11,368			106,417	
Current assets	266,018	18,483			247,535	
	383,802	**29,851**			**353,951**	
Non-current liabilities			111,818	22,383		89,434
Current liabilities			235,993	19,833		216,160
			347,811	**42,216**		**305,595**
OTHER BALANCE-SHEET ITEMS RELATING TO DERIVATIVES						
Hedge reserve (see 5.1.3)			27,189	(11,665)		38,854
Deferred tax (see 5.1.3)	(9,414)	4,229		-	(13,643)	-
Subtotal	**(9,414)**	**4,229**	**27,189**	**(11,665)**	**(13,643)**	**38,854**
Cumulative ineffectiveness (Sloe derivatives)			(112)	73		(185)
Cumulative ineffectiveness (Market-to-Market)			(499)	3,456		(3,955)
	(9,414)	**4,229**	**26,578**	**(8,136)**	**(13,643)**	**34,714**
TOTAL	**374,388**	**34,080**	**374,388**	**34,080**	**340,308**	**340,308**

Of the movements in value, a gain of EUR 38.9 million (2020: EUR 52.2 million) was recognised in the hedge reserve. The market value of the derivatives portfolio moved above its contractual value.

The fair values of purchasing and sales contracts with the same counterparty for exactly the same commodity over exactly the same period are netted in the financial statements because they are also settled at a net amount on delivery.

5.1.2A OFFSETTING FINANCIAL ASSETS

(EUR 1,000)						ASSETS
	Non-current liabilities			Current liabilities		
	Gross amount	Offsetting	Net amount	Gross amount	Offsetting	Net amount
2021						
COMMODITY CONTRACTS						
Gas	147,730	61,761	85,970	565,738	331,735	234,003
Electricity	272,795	269,443	3,352	1,339,735	1,326,375	13,360
Other	30,349	1,886	28,463	27,920	9,784	18,136
OTHER DERIVATIVES						
Foreign exchange contracts				519	-	519
TOTAL	**450,875**	**333,090**	**117,784**	**1,933,912**	**1,667,894**	**266,018**

5.1.2B OFFSETTING FINANCIAL LIABILITIES

(EUR 1,000)						LIABILITIES
	Non-current liabilities			Current liabilities		
	Gross amount	Offsetting	Net amount	Gross amount	Offsetting	Net amount
2021						
COMMODITY CONTRACTS						
Gas	(62,117)	(61,761)	(357)	(419,805)	(331,735)	(88,070)
Electricity	(374,681)	(269,443)	(105,237)	(1,469,737)	(1,326,375)	(143,362)
Other	(1,886)	(1,886)	-	(9,784)	(9,784)	
OTHER DERIVATIVES						
Foreign exchange contracts				(138)		(138)
Interest rate swaps	(6,224)		(6,224)	(4,423)		(4,423)
TOTAL	**(444,908)**	**(333,090)**	**(111,817)**	**(1,903,887)**	**(1,667,894)**	**(235,993)**

5.1.3 MOVEMENTS IN THE HEDGE RESERVE

Fair value changes in derivatives after tax are shown within the hedge reserve, which is a non-distributable reserve. Movements in the hedge reserve in the past two years are presented below.

MOVEMENTS IN THE HEDGE RESERVE

(EUR 1,000)				COMMODITY CONTRACTS		SWAPS
	Gas	Electricity	Coal	CO_2	Foreign Exchange	Total
2020						
Hedge reserve at 1-1-2020						
(gross)	**(38,504)**	**(13,370)**	**4,206**	**(47,668)**	**(20,968)**	**(68,637)**
Movements in 2020						
Recognised directly in equity	14,516	(14,121)	5,455	5,849	(1,189)	4,660
Released to income	34,607	11,865	(3,868)	42,603	5,479	48,082
TOTAL MOVEMENTS IN 2020	**49,122**	**(2,256)**	**1,586**	**48,453**	**4,290**	**52,743**
Hedge reserve at 31-12-2020 (gross)	**10,618**	**(15,626)**	**5,792**	**785**	**(16,678)**	**(15,895)**
Deferred tax	-	-	-	-	4,229	4,229
HEDGE RESERVE AT 31-12-2020	**10,618**	**(15,626)**	**5,792**	**785**	**(12,450)**	**(11,666)**
2021						
Hedge reserve at 1-1-2021 (gross)	**10,618**	**(15,626)**	**5,792**	**785**	**(16,678)**	**(15,895)**
Movements in 2021						
Recognised directly in equity	193,237	(188,008)	40,920	46,148	922	47,070
Released to income	(9,778)	11,089	(1,106)	205	5,223	5,428
TOTAL MOVEMENTS IN 2021	**183,459**	**(176,919)**	**39,813**	**46,353**	**6,145**	**52,499**
Hedge reserve at 31-12-2021 (gross)	**194,077**	**(192,545)**	**45,605**	**47,138**	**(10,533)**	**36,604**
Deferred tax	(50,072)	49,677	(11,766)	(12,161)	2,747	(9,414)
HEDGE RESERVE AT 31-12-2021	**144,005**	**(142,868)**	**33,839**	**34,976**	**(7,787)**	**27,189**

The composition of the hedge reserve in relation to commodities, on a gross basis, at year-end 2021 is attributable to the years ahead as follows:

STAND HEDGE-RESERVE COMMODITIES BRUTO

(EUR 1,000)				COMMODITIES
	Gas	Electricity	CO_2	Total
2022	118,740	(100,022)	17,383	36,101
2023	61,316	(75,071)	17,167	3,412
2024	14,021	(17,452)	11,056	7,624
2025				
TOTAL	**194,078**	**(192,545)**	**45,605**	**47,138**

The release from the commodities hedge reserve to profit or loss is shown within gross operating margin.

During the year, no hedging relationships were discontinued on the basis that an expected transaction did not go ahead.

At 31 December 2021, commodity derivatives represented a receivable. Higher gas and carbon prices will generally lead to a higher receivable. Higher electricity prices will generally lead to a lower receivable.

At 31 December 2021, the hedge reserve relating to commodity derivatives contributed to equity. Higher gas and carbon prices lead to a large contribution to equity, and higher electricity prices to a lower contribution.

5.1.4 HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments are all recurring valuations, measured at fair value, and classified according to the following hierarchy as required by IFRS 13 Fair Value Measurement:

Level 1: Level 1 inputs are (unadjusted) prices quoted on active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

a) Quoted prices for similar assets or liabilities in active markets;
b) Quoted prices for identical or similar assets or liabilities in markets that are not active;
c) Inputs other than quoted prices that are observable for the asset or liability in question, for example:
   i) interest rates and yield curves that are published on a regular basis;
   ii) implied volatilities; and
   iii) credit spreads (differences in interest rates);
d) Market-corroborated inputs.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(EUR 1,000) FAIR VALUE HIERARCHY

	Total as at 31 December		Level 1		Level 2		Level 3	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets								
Derivatives	383,802	29,851	-	-	383,802	29,851	-	-
Part of other investments and other financial assets	375,389	360,543	363,675	349,424	-	-	11,714	11,119
TOTAL ASSETS	**759,191**	**390,395**	**363,675**	**349,424**	**383,802**	**29,851**	**11,714**	**11,119**
Liabilities								
Derivatives	347,811	42,216	-	-	347,811	42,216	-	-
TOTAL LIABILITIES	**347,811**	**42,216**	**-**	**-**	**347,811**	**42,216**	**-**	**-**

Other investments included the share interests in SET Fund C.V. and SET Fund II C.V. (see also note 33).
Other non-current financial assets comprised the investments made through Stichting Beheer Ontmantelingsgelden Kerncentrale Borssele - the foundation that manages the funds earmarked for the decommissioning of the nuclear power plant - (see also note 4.3), and investments by PZEM in the same fund in which EPZ invests via the foundation.

The fair values are based on:

- measurements in accordance with the International Private Equity and Venture Capital (IPEV) Guidelines issued by IPEV and approved by Invest Europe (formerly the European Private Equity and Venture Capital Association (EVCA));
- specially established asset funds with their own market value per unit.

5.2 RISK MANAGEMENT

5.2.1 RISK CONTROL

PZEM is involved in international gas and electricity trading. Prices on these markets fluctuate strongly. We use financial instruments to manage and mitigate commodity, currency, interest rate, liquidity, and credit risks, subject to the conditions laid down in the Financial Risk Manual and Treasury Charter.

Under the auspices of the Management Board, the Risk Management Committee has put in place general procedures and limits and is responsible for ensuring that PZEM's energy trading and sales activities remain within the defined risk margins.

The following paragraphs describe the different types of risk and the way in which PZEM manages the related exposures.

5.2.2 MARKET RISK

5.2.2.1 COMMODITY PRICE RISK

Market risks arise from price movements in the markets where PZEM buys and sells (commodities, currencies, transmission capacity, imports/exports capacity, etc.). It is company policy to mitigate the impact of price movements in the short term and to track prevailing market prices in the long term. For systematic risk control purposes, asset allocations and positions are determined on the basis of expected price developments. These positions are monitored on a daily basis. Trading risks are mitigated by strictly enforcing a system of limits, the most important of which is calculated using the Value-at-Risk method.

Potential adverse trends in commodity prices, notably falling electricity prices, in the coming years may pose a risk to PZEM over time. A price fall may have an immediate dampening impact on the profits of our production units. Sales contracts where there is no correlation between electricity market prices and fuel prices would be hit hardest, such as nuclear power and power from poultry litter (share in profit or loss of associate). Revenues would fall whereas costs would remain virtually stable. Each reduction in the selling price would immediately be reflected in profit or loss, unless the output is hedged.

5.2.2.2 VALUE-AT-RISK

Determining Value-at-Risk (VaR) involves using various assumptions regarding possible changes in market conditions. VaR identifies the maximum portfolio losses likely to be incurred as a result of price changes over a three-day period with a confidence level of 95%. VaR is calculated using Monte Carlo simulations based on historical volatilities and correlations. Because portfolios include opposing positions and there is an underlying correlation, the VaR of the total portfolio is smaller than the sum total of individual portfolio VaRs.
VaR is an important tool for PZEM to manage its Trade portfolio and it is therefore calculated and reported on a daily basis. Although the VaRs for the assets and total portfolio are reported on a daily basis, they are not used as a primary management parameter. The assets are hedged on the basis of a predetermined lock-in schedule to achieve the average market value. Variations from the schedule fall within the Trade Books, for which VaR is the key measure of risk. At 31 December 2021, the Trade Portfolio's VAR was EUR 1.8 million (2020: EUR 0.3 million).

5.2.2.3 CASH FLOW HEDGES

PZEM uses financial instruments to minimise fluctuations in expected cash flows. The company uses derivatives, including forward contracts and swaps, to control the effects of future changes in market prices. These hedging instruments are derivatives of commodities traded by PZEM and they are entered into to mitigate cash flow, price, and currency risks. Hedge accounting is applied to cushion the total change in value of these derivatives in the income statement.

To the extent permitted, PZEM accounts for these financial instruments and the physical purchase and sale contracts in a cash flow hedge relationship in accordance with IFRS 9. The hedged item is the future purchase transaction (power stations, long-term sourcing) or sales transaction for gas or electricity.

CASH FLOW HEDGES FOR ELECTRICITY AND FUELS

(EUR 1,000)				CASHFLOW HEDGES			
	2022	2023	2024	2025 and later	Total	Average price	Contract value
2021							
Gas forwards	142,226	58,447	17,890		218,563	0,310	(352,685)
Electricity forwards	(131,994)	(58,518)	(12,934)		(203,447)	68,572	244,205
Power swaps	11,119	(13,028)	(10,755)		(12,664)	73,146	103,067
CO_2-forwards	25,948	16,265	11,721		53,934	42,376	(58,437)
TOTAL	**47,299**	**3,166**	**5,921**	**0**	**56,386**		

	2021	2022	2023	2024 and later	Total	Average price	Contract value
2020							
Gas forwards	14,528	452	(1,664)	2	13,318	0,152	(175,017)
Electricity forwards	(13,012)	(1,907)	(2,125)	-	(17,044)	44,092	150,544
Power swaps	(1,449)	766	(788)	-	(1,471)	42,158	8,031
CO_2 forwards	88	3,306	1,627	-	5,021	25,988	(18,192)
TOTAL	**154**	**2,617**	**(2,950)**	**2**	**(177)**		

The hedge reserve comprises value changes in derivatives in the period in which they are included in an effective hedging relationship. Derivatives shown in the analysis of cash flow hedges comprise derivatives that were part of a hedging relationship as at the balance-sheet date.

A mismatch occurs because:

- the analysis of cash flow hedges also includes the ineffective portion of the hedging instrument;
- the gains and losses on the hedging instruments entered into to form a hedging relationship are also included in the analysis of cash flow hedges;
- the hedge reserve also includes the gains and losses on hedging instruments that were part of a hedging relationship in the past but were no longer included in a hedging relationship at the end of the financial year.

The amounts recognised in the hedge reserve take account of the date on which an instrument was designated as part of a hedging relationship, which may be different from the date of the related trade.
In addition, the hedge reserve comprises only the effective portion of the total fair value of hedging instruments recognised in the hedge reserve.

5.2.2.4 CURRENCY RISK

Currency risk is the risk that the value of assets changes due to movements in foreign exchange rates. PZEM's risk policy is to hedge currency risks associated with positions denominated in a foreign currency. To hedge this risk, the company uses financial instruments (forward contracts) to minimise fluctuations in expected cash flows.
Currency positions arising from commodity and other contracts are hedged directly. Any residual risk in the event of currency fluctuations will therefore be negligibly small.
Currency risk limits are set periodically in consultation with the Risk Management Committee and monitored by the Treasury department.
The following exchange rates against the euro were used to convert currency positions as shown in the balance sheet:

RATES

Middle rates	31-12-2021	31-12-2020
US dollar	1.1334	1.1228
Pound sterling	0.8382	0.8972

5.2.2.5 INTEREST RATE RISKS

PZEM's interest rate risk policy is to mitigate the impact of interest rate fluctuations on its cash flow. To hedge this risk, the company uses derivatives, including interest rate swaps.

Hedged loans
The Group holds a number of interest rate swaps, all of which were effective at the balance-sheet date. Sensitivity is measured by increasing or reducing the floating spot by 10%.

A number of these interest-rate derivatives can be classified as option contracts, which qualify for the exemption referred to in IFRS 9, paragraph 6.2.4. Changes in fair value are accounted for in the hedge reserve, with changes in the time value being recognised through profit or loss. The table shows the effects of a 10% increase and 10% decrease compared with the carrying amounts as at 31 December 2021. No Value-at-Risk (VaR) is calculated for interest-rate derivatives.

INTEREST RATE RISK SENSITIVITY ANALYSIS

			10% INCREASE				10% DECREASE			
(EUR 1,000)	AT 31 DECEMBER		VALUE BASED ON YIELD CURVE		RELATIVE TO CARRYING AMOUNT		VALUE BASED ON YIELD CURVE		RELATIVE TO CARRYING AMOUNT	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Derivatives										
Derivatives	(10,533)	(16,678)	(10,684)	(16,590)	(151)	88	(10,610)	(16,279)	(77)	399
Deferred tax	2,747	4,229	2,757	4,147	10	(82)	2,737	4,070	(10)	(159)
TOTAL	**(7,786)**	**(12,449)**	**(7,927)**	**(12,443)**	**(141)**	**6**	**(7,873)**	**(12,209)**	**(87)**	**240**
Interest rate swaps										
Hedge reserve	7,786	12,449	7,813	12,765	27	316	7,873	12,209	87	(240)
TOTAL	**7,786**	**12,449**	**7,813**	**12,765**	**27**	**316**	**7,873**	**12,209**	**87**	**(240)**
Gains/(losses) on swaps	-	-	-	-	-	-	-	-	-	-

At 31 December 2021, interest-rate derivatives represented a loss. An upward movement in the yield curve will reduce this loss.

The hedge reserve relating to interest-rate swaps as at 31 December 2021 constituted a debt item in equity. An upward movement in the yield curve will reduce the amount of this debt item.

Unhedged loans
The vast majority of loans at 31 December 2021 were hedged. Because the hedges were entered into quite a while ago, actual interest rates are well above current market interest rates.

5.2.3 LIQUIDITY RISK

Liquidity risk is the risk that PZEM has insufficient funds available to meet its short-term liabilities. In light of the revenues generated by, amongst other things, the sale of business divisions, there is currently no such risk. However, liquidity risk could become an issue in the longer term if, contrary to expectations, market prices were to deteriorate substantially.

PZEM's capital management policy focuses on centralising its cash management and borrowing and repayment operations at the level of the holding company PZEM N.V. as effectively as possible. On the basis of its business plan, the company prepares an annual financing plan to give direction to the activities undertaken by the Treasury department. The financing plan also sets out how surplus cash is to be invested (in accordance with the appropriate policy), taking into account the buffers needed for our operating activities. Cash flows are monitored on an ongoing basis.

A number of PZEM Group companies have their own credit facilities, more specifically:

1. Sloe Centrale B.V. has been financed through project funding. At 31 December 2021, an amount of EUR 107.6 million was outstanding (based on a 50% share interest);
2. N.V. EPZ has no credit lines because it has sufficient cash. If it requires any external funding, this will be arranged on a non-recourse basis.

In 2017 Standard & Poor's downgraded PZEM's credit rating to BB following the sale of its retail and grid operations.
The corporate credit rating downgrade led to the obligation to provide additional collateral to commodity and other trading partners, putting additional pressure on our cash position. At the balance-sheet date, EUR 54 million in collateral had been provided. PZEM withdrew its credit rating on 9 February 2021.

To clarify PZEM's liquidity risk exposure, the following table presents the contractual maturities of the company's financial obligations:

CONTRACTUAL MATURITIES OF FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2021

(EUR 1,000)	< 1 year	1-5 years	> 5 years	Total
Trade payables	56,385	-	-	56,385
Interest-bearing loans	15,511	71,591	20,523	107,626
Derivatives	235,993	111,818	-	347,811
Provisions	41,626	98,097	450,413	590,135
Other	42,210	2,507	36,385	81,102
TOTAL	**391,726**	**284,012**	**507,321**	**1,183,059**

CONTRACTUAL MATURITIES OF FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2020

(EUR 1,000)	< 1 year	1-5 years	> 5 years	Total
Trade payables	12,035	-	-	12,035
Interest-bearing loans	14,557	67,773	39,852	122,182
Derivatives	19,833	22,383	-	42,216
Provisions	31,635	112,053	419,056	562,745
Other	63,698	2,020	35,447	101,165
TOTAL	**141,758**	**204,229**	**494,355**	**840,343**

The contractual maturities of financial liabilities reflect the expected outgoing cash flows related to outstanding financial commitments as at the balance-sheet date.

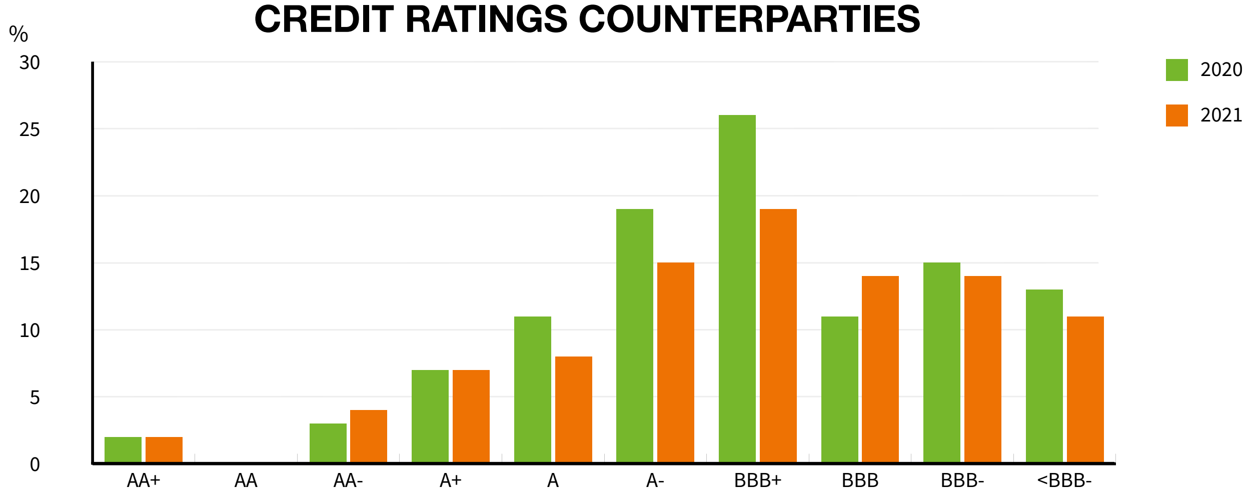
Provisions are shown within contractual obligations because they are largely based on underlying contracts. Because of the nature and extent of the obligations, provisions are presented in the table above.

5.2.4 CREDITRISK

Credit risk is the risk that a counterparty defaults on its contractual obligations. In order to mitigate its credit risk exposure, PZEM has set credit limits for external counterparties. The company's internal rating system sets a credit limit for each external counterparty. The system uses publicly available information about the companies or guarantors concerned (financial statements, credit ratings, etc.). If the external counterparty's or guarantor's credit rating is not, or no longer, investment grade, no additional credit risk will be accepted.

The chart below shows the percentage distribution of PZEM's external counterparties by credit rating class at 31 December 2021:

CREDIT RATINGS COUNTERPARTIES



In addition to credit limits based on credit ratings, PZEM uses various other instruments to mitigate credit risk, including standard contracts and standard terms of business, market trading, end-user diversification, and additional collateral.

The creditworthiness of energy end-users who buy energy from PZEM is determined on the basis of information from external data providers. As regards existing customers, their payment record is also taken into consideration when deciding whether or not to enter into a supply contract. We have hedged our credit risk exposure to some corporate end-users through credit insurance. Additional collateral in the form of a bank guarantee, security deposit or advance payment is requested where necessary.

6. INVENTORIES

(EUR 1,000)	31-12-2021	31-12-2020
Raw materials	63,130	66,175
Consumables	4,324	4,259
Finished products	3,664	3,641
Goods for resale	19,855	1,856
Total	**90,973**	**75,931**
Less: Provision for obsolescence	(1,392)	(1,416)
TOTAL INVENTORIES	**89,581**	**74,515**

At 31 December 2021, raw materials included EUR 19.8 million worth of prepaid nuclear fuel elements. Inventories held for trading purposes, which comprise the physical gas supplies, increased on the previous year in terms of both volume and price.

7. RECEIVABLES

(EUR 1,000)	31-12-2021	31-12-2020
Trade receivables	87,638	14,270
Invoices to be send	130,182	40,540
Current tax assets	118	12,814
Deposits held with banks and bonds	327,228	355,231
Security interest provided	42,120	15,457
Cash not available on demand	345,575	37,475
CO_2 rights & GoO's	2,532	18,571
Other receivables	9,086	11,439
TOTAL RECEIVABLES (EXCLUDING DERIVATES)	**944,480**	**505,798**

Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At 31 December 2021, these cash and other investments mainly comprised term deposits held with banks and bonds representing a value of EUR 646.8 million (excluding expected loss provision). Of this total sum, EUR 327.8 million (excluding expected loss provision) had a term to maturity of less than 1 year.

Collateral provided comprises security deposits and bank guarantees. Some of the collateral was provided to counterparties for operating activities including trading activities, driven mainly by the corporate credit rating downgrade in 2017. The downgrade led to the obligation to provide extra collateral to trading parties. Furthermore, guarantees were issued as a result of legal proceedings. At 31 December 2021, EUR 53.9 million in collateral was provided (excluding expected loss provision), EUR 42.1 million of which (excluding expected loss provision) with a term to maturity of less than 1 year.

Receivables related to trading positions comprise funds deposited with exchanges or counterparties in connection with trading activities. Due to increased commodity price volatility, exchanges also require more security to be provided. Margin obligations (which, once the margin has been paid, create receivables relating to trading positions) to exchanges comprise an initial margin and,, depending on movements in market prices, also the difference between the contract price and current market price (variation margin). When a trading exchange settles the variation margin before delivery of the transaction takes place, it is not shown as a debt but deducted instead from receivables relating to trading positions.

A provision for potential bad debts totalling EUR 0.4 million (2020: EUR 0.4 million) was recognised for receivables.

The carbon allowances that we expect to need to cover electricity production at the Sloe power plant in 2021 were already purchased at 31 December 2020.

MOVEMENTS IN DEPOSITS, SECURITIES AND CASH NOT AVAILABLE ON DEMAND

(EUR 1,000)	2021	2020
Adjusted balance as at 1 January	**408,163**	**469,573**
Movement deposits and securities	306,916	(62,042)
Movement expected credit loss IFRS 9	(156)	632
Balance as at 31 December	**714,924**	**408,163**
Devided in:		
Deposits held with banks and bonds	327,228	355,231
Security interest provided	42,120	15,457
Cash not available on demand	345,575	37,475
TOTAL	**714,924**	**408,163**

MOVEMENTS IN BAD DEBT PROVISION

(EUR 1,000)	2021	2020
Provisions as at 1 January	**447**	**391**
Bad debts written off		
Added/released	(51)	56
Balance as at 31 December	**396**	**447**

The expected loss percentages used for each age bracket are shown in the table below. These percentages are low because credit insurance has been taken out for some of the receivables. We do not apply any percentages in excess of 75% because PZEM can also claim a refund of some of the energy tax and VAT if a debtor fails to pay. If a debtor defaults or is involved in debt collection proceedings, a provision is recognised for 75% of all outstanding amounts (regardless of how long payment has been overdue).

AGED ANALYSIS OF TRADE RECEIVABLES

(EUR 1,000) Age (in days)	Expected credit loss percentage	31-12-2021	31-12-2020
Not yet due	0.1%	55	41
< 30	0.1%	0	14
31-60	1%	0	6
61-90	15%	5	6
91-120	50%	0	8
> 120	75%	298	340
determined individually	75%	37	34
TOTAL		**396**	**447**

AGED ANALYSIS OF TRADE RECEIVABLES

(EUR 1,000) Age (in days)	31-12-2021	31-12-2020
Not yet due	130,182	40,540
< 30	87,148	13,624
31-60	332	585
61-90	47	40
91-120	33	16
> 120	475	453
TOTAL	**218,217**	**55,257**
Bad debt provision	(396)	(447)
TOTAL TRADE RECEIVABLES	**217,821**	**54,810**

8. CASH AND CASH EQUIVALENTS

(EUR 1,000)	31-12-2021	31-12-2020
Cash / Bank	181,760	85,829
TOTAL CASH	**181,760**	**85,829**

These comprise not only cash but also cash equivalents that can be converted into cash with no material risk of impairment.

9. PROVISIONS

(EUR 1,000)	Total	Onerous contracts	Employee benefits	Dismantling costs	Other provisions
CARRYING AMOUNT AS AT 1 JANUARY 2020	**515,062**	**69,262**	**3,327**	**359,467**	**83,006**
Reversal of current portion of provision	50,777	11,896	3,169	7,629	28,083
Added	53,720	168	307	33,961	19,284
Interest added	6,270	752	9	6,555	(1,047)
Released	(12,842)	(11,567)	(1,275)	-	-
Utilised	(50,594)	-	(1,056)	(3,267)	(46,271)
Other movements	351	-	350	0	0
Carrying amount as at 31 December 2020	**562,744**	**70,512**	**4,831**	**404,345**	**83,055**
Current portion of provisions	(31,634)	(15,720)	(2,460)	(3,956)	(9,498)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**531,109**	**54,792**	**2,371**	**400,389**	**73,558**
Reversal of current portion of provision	31,634	15,720	2,460	3,956	9,498
Added	46,052	501	658	27,990	16,903
Interest added	6,803	628	9	7,068	(902)
Released	(16,042)	(15,346)	(696)	-	-
Utilised	(9,422)	-	(1,070)	(1,459)	(6,893)
Other movements	(0)	-	0	(0)	-
Carrying amount as at 31 December 2021	**590,135**	**56,295**	**3,732**	**437,944**	**92,163**
Current portion of provisions	(41,625)	(11,202)	(1,542)	(4,204)	(24,676)
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**548,510**	**45,093**	**2,190**	**433,739**	**67,487**

The release of provisions scheduled within one year involved an amount of EUR 41.6 million (2020: EUR 31.6 million) and is shown within current liabilities.

Use of inflation expectations
Provisions are measured using an expected annual inflation rate of 1.7% - 2.0%, depending on the nature and duration of the provision. The ECB's policy is to achieve an annual inflation rate of 2% or just under 2%.

Use of discount rates
The description of provisions specifies the discount rate used for each type of provision.
The discount rates used are based on IAS 37, which, with regard to the measurement of discounted provisions, stipulates that a pre-tax discount rate should be used that reflects the current market assessments of the time value of money and the risks specific to the liability.
The discount rate should not factor in risks which are already factored into the estimated future cash flows.

The discount rate is based on market interest rates (from different sources), plus a mark-up that depends on the nature, duration, amount, and profile of the provision and related cash flows.

Provisions with a term in excess of 10 years are discounted at a rate of 1.7% and provisions with a short term to maturity (less than 10 years) at a rate of 1.0%. This is unchanged on the previous financial year.

Provisions in excess of EUR 5 million are clarified below.

Unprofitable contracts
A provision was recognised in the past for the negative value of a number of long-term gas contracts. The cost of transmission and storage capacity is based on long-term contractual arrangements. The optimisation returns on transmission and storage contracts are based on historical returns, combined with previously contracted positions at the balance-sheet date and estimated future returns.`

For tolling contracts with proportionally consolidated group companies (joint operations), the book value of the group company is compared with the present value of future cash flows expected to arise from the tolling contract and the group company (dividends).

No provision is necessary for the tolling contract with the Sloe power plant in the light of trends in electricity and fuel prices based on independent price curves. To that end, the outcome of the calculation was compared with the book value.

Nor is a provision necessary for the tolling contract with the nuclear power plant when the outcome of the calculation is compared with the book value. The review was conducted on the basis of the existing tolling contract, the operational and investment plan for the nuclear plant until 2033, the positions locked in at the balance-sheet date, and the current electricity price curve. Forward prices at the balance-sheet date are used for the next three years because those prices are formed in liquid markets and PZEM is actively trading on those markets.

Anticipated movements in electricity, gas and carbon prices constitute the main uncertainty affecting the provision for unprofitable contracts. The future price curves used were obtained from an independent firm and involved Q3 2021 forecasts. The source used by PZEM to obtain independent price curves is a leading firm that publishes solid quarterly reports on various price curve trends that are frequently used by companies within the industry. The independent firm always issues three scenarios, i.e. a Central, High, and Low scenario. PZEM believes that the Central price curve is the best estimate of prices for the years in which there was no liquid market.

Other gas-related operations comprise the sale of gas to end-users. The review showed that there was no need to recognise a provision for unprofitable contracts for any of these (combined) operations.

Volatility in the electricity and gas markets creates uncertainty for our financial position going forward, both in terms of our profits, cash flows, the level of the provision, and the need to recognise provisions for other production assets. Strong movements in prices may lead to significant changes having to be made to the provision for unprofitable contracts in the future.

We applied a discount rate of 1.7% to long-term provisions and 1.0% to provisions with a short maturity (less than 10 years). This is similar to the discount rate applied in 2020.

Decommissioning of energy generation units
This provision covers the costs of future decommissioning of units once they stop operating. The expected ultimate decommissioning costs are based on the findings of periodic studies, allowing for price developments, recent insights, and estimated potential environmental impacts.
The provision for the decommissioning of the nuclear power plant is structured in such a way that demolition work on the power plant can start as soon as it stops operating in 2034, in accordance with the arrangements made with central government under the Borssele Nuclear Power Station Agreement. The provisions were discounted at a rate of 1.7% (2020: 1.7%), except for the coal-fired power plant, which will go out of operation within 10 years and is subject to a discount rate of 1.0% (2020: 1.0%).

OTHER PROVISIONS COMPRISE:

Provision for costs of reprocessing and storing nuclear fuels
This provision covers existing obligations. It is calculated as the present value of the estimated future processing and storage costs, less the estimated present value of the residual products released in future and the net value of the amounts payable and receivable. The discount rate is 1.0% (2020: 1.0%).

Pension liabilities
Virtually all PZEM employees are members of the ABP pension fund (Stichting Pensioenfonds ABP).
The ABP plan is a multi-employer plan. The members bear nearly all of the actuarial and investment risks in the plan. Employers taking part in this plan have no obligation to make supplementary contributions in the event of a funding shortfall.

Our obligations are limited to paying contributions as determined by the fund. The ABP's board determines this contribution annually, based on its own data and subject to the parameters and requirements imposed by the Dutch Central Bank (De Nederlandsche Bank), which is the regulatory authority. The obligation to pay contributions ensues from PZEM's participation in the fund during the year and not from its participation in previous years. For reporting purposes, the ABP plan is classified as a defined contribution plan. The contributions are therefore recognised as an expense and no further explanatory notes are required.

At 31 December 2021, the ABP's funding ratio was 110.2%. Its average funding ratio in 2021 was 102.8%.

10. LONG-TERM DEBT

(EUR 1,000)	31-12-2021	31-12-2020
Carrying amount as at 1 January	**106,762**	**121,084**
Reversal of current portion of loans	14,557	13,602
Value as of 1 January	**121,319**	**134,686**
Repayments	(14,557)	(13,603)
Release of capitalized costs	211	236
Value as of 31 January	**106,973**	**121,319**
Current portion	(15,512)	(14,557)
Long-term debt	**91,461**	**106,762**

Long-term debt comprises amounts owed to credit institutions, EUR 20,4 million of which falling due after more than five years. In 2021, the average rate of interest paid was 0.3% (2020: 0.3%). All assets of Sloecentrale B.V. were used as security for the non-recourse funding obtained for the Sloe power plant, including a pledge over the shares and rights arising from the insurance policies for those assets. The Sloe power plant's total assets amounted to EUR 384.5 million (2020: EUR 399.6 million), EUR 26.4 million (2020 EUR 21.2 million) of which were financial assets.

(EUR 1,000)	Interest-bearing loans	Other financial liabilities	Total
1 JANUARY 2021	**121,319**	**-**	**121,319**
Financing cash flows	(14,557)	-	(14,557)
Other changes	211	-	211
31 DECEMBER 2021	**106,973**	**-**	**106,973**

11. NON-CURRENT LIABILITIES

11.1 OTHER NON-CURRENT LIABILITIES

(EUR 1,000)	31-12-2021	31-12-2020
Deferred tax liabilities	27,238	11,400
Other non-current liabilities	32,468	30,824
Lease liabilities	6,424	6,643
TOTAL OTHER NON-CURRENT LIABILITIES	66,130	48,867

Deferred tax liabilities
Deferred tax liabilities comprise valuation differences between the commercial balance sheet and tax balance sheet, and unused tax losses which are shown as netted amounts. Deferred tax assets and liabilities are netted as much as possible if they concern the same taxpaying entity or tax group.

At 31 December 2021, deferred tax liabilities (before netting) comprised EUR 48.3 million (2020: EUR 11.4 million) in deferred tax liabilities and EUR 21.1 million (2020: EUR 0 million) in deferred tax assets.

In 2021 deferred tax liabilities related to PZEM and EPZ. In 2020 they concerned EPZ and the Sloe power plant.

The deferred tax liabilities arise from:

(EUR 1,000)	31-12-2021	31-12-2020
Property, plant and equipment	48,056	11,137
Deductible losses	(20,940)	-
Other	121	263
TOTAL	27,238	11,400

Other non-current liabilities
Other non-current liabilities comprise N.V. EPZ's liability for the costs of the final nuclear fuel load that will be left in the reactor core when the nuclear power station comes to the end of its lifespan.

The liability shown is based on the known nuclear fuel costs for the final fuel load at year-end 2021, and determined as the present value (at a discount rate of 1.7%) of the estimated future value of the remaining core, including reprocessing and storage costs.

11.2 MOVEMENTS IN OTHER NON-CURRENT LIABILITIES

(EUR 1,000)	2021	2020
Balance as at 1 January	**48,867**	**51,942**
Release of deferred tax liabililty	15,838	(4,420)
Other movements	1,425	1,345
BALANCE AS AT 31 DECEMBER	66,130	48,867

12. CURRENT LIABILITIES

(EUR 1,000)	31-12-2021	31-12-2020
Trade payables	18,836	12,035
Other current tax liabilities	27,309	16,698
Current portion of provision	41,626	31,635
Current portion of long-term debt	15,512	14,557
Liabilities related to trading positions	19,367	9,985
Accruals and deferred income	52,451	37,015
TOTAL CURRENT LIABILITIES (EXCLUDING DERIVATIVES)	175,100	121,925

Other current tax liabilities comprise VAT payable, corporation tax, wage tax and social insurance contributions payable, and energy taxes payable. Current liabilities also include the repayments on long-term loans and withdrawals from provisions scheduled for 2022. At 31 December 2020, liabilities relating to trading positions comprised stock exchange payments received in advance. Effective 2021, due to the strong correlation with receivables relating to trading positions, stock exchange payments received in advance are shown as a net amount within receivables relating to trading positions.

OFF-BALANCE SHEET ASSETS AND LIABILITIES

A summary of off-balance sheet assets and liabilities is given below, to the extent that they have an estimated potential impact on profit or loss in excess of EUR 5 million.

A. OPERATIONAL

Energy, energy production and commodity contracts

PZEM's risk management policy aims to actively control the risk exposures arising from its production assets and long-term procurement contracts. Positions arising from trading activities are controlled through a strictly enforced system of limits, using both financial and energy derivatives, including swaps and forwards.

Sales contracts included in the portfolio comprise energy supplies to end-users and trading partners and related financial instruments. At the balance-sheet date, sales contracts were worth EUR 1,830 million (2020: EUR 516 million). This value was calculated by multiplying the expected volume of contracts entered into by the market price as at 31 December.

Procurement contracts included in the portfolio comprise production and purchase contracts with trading partners and related contracts for financial instruments. At the balance-sheet date, procurement contracts were worth EUR 2,300 million (2020: EUR 2,612 million).

Financial instruments are measured on the basis of market values, having regard to transactions entered into for purposes of physical commodities trading. Major contracts involve existing tolling liabilities for power stations, related fuel purchases, and gas transmission and storage capacity in the Netherlands. Loss-making liabilities with regard to transport and storage capacity already provided for in the balance sheet at 31 December are not included in the liabilities referred to in this section.

A number of trading contracts entail the obligation to provide additional collateral if the company's credit rating is downgraded to non-investment grade.

SPECIFICATION OF SALES AND PROCUREMENT CONTRACTS AT 31 DECEMBER 2021

(EURm)	Sales contracts	Procurement contracts
Tolling agreement (EPZ's nuclear power plant, BMC, Sloecentrale)	-	2,300
Electricity (customers)	1,496	-
Gas (customers and sourcing, respectively)	335	-
TOTAL	**1,830**	**2,300**

Tolling liabilities for the nuclear power plant comprise EPZ's own fuel obligations. EPZ has entered into long-term purchasing contracts to meet its fuel requirements. The bulk of those requirements, in terms of both value and volume, are covered by contracts that run until the end of the unit's useful life.
The itemisation presented above does not include (net) liabilities arising from the gas storage and transmission contracts. These are recognised in the balance sheet within the provision for unprofitable contracts. Underlying gross (nominal) liabilities were EUR 86.0 million (2020: EUR 101.1 million) for the gas contracts (tolling charges, transmission, and storage costs).

Investment commitments

At 31 December 2021, financial commitments relating to investments still to be carried out were approximately EUR 5.9 million (2020: EUR 9.5 million). In 2019, EPZ entered into an agreement with a third party for the exchange of a plot of land. The transfer to EPZ took place in 2019, with no value set-off. Part of the re-transfer took place in 2020, with the remainder scheduled to take place after the balance-sheet date.

Borssele Agreement

In 2006, an agreement was reached with central government to extend the service life of the nuclear power station until 2033. As part of the agreement, arrangements were also made in terms of the efforts which PZEM (and Essent) were to make to embrace and provide technical and financial support for new renewable energy developments. In 2011, in addition to the interest held in Sustainable Energy Technology (SET) Fund C.V., an interest was also acquired in Sustainable Energy Technology (SET) Fund II C.V.
At the balance-sheet date, the remaining commitment to SET Fund and SET Fund II was EUR 1.5 million (2020: EUR 2.2 million).

Stranded costs

On 1 January 2001, the Transitional Act for the Electricity Generation Industry (Overgangswet elektriciteitsproductiesector) came into force. Under Section 2 of the Act, Dutch power generation companies are jointly liable for the costs arising from, inter alia, contracts for gas and electricity imports entered into by NEA (formerly SEP). These stranded costs are allocated to the various companies according to a formula adopted by the Herkströter Commission. For EPZ, this comes down to a sizeable 28.5% share. In recent years, these stranded costs have largely been settled by commuting import contracts for the supply of electricity. Taking into account NEA's remaining shareholders' equity, the decision was made to continue current policy and not to recognise a provision for stranded costs.

B. COLLATERAL AND GUARANTEES

PZEM has issued and received financial collateral as security for transactions it has entered into:

Collateral granted				Term in years
(EUR 1,000)	< 1 year	1 – 5 years	> 5 years	Total
Collateral granted for associates and joint ventures	-	-	-	-
Other collateral granted	24,600.0	-	7,776.4	32,376.4
TOTAL COLLATERAL GRANTED	**24,600.0**	**-**	**7,776.4**	**32,376.4**

Collateral received				Term in years
(EUR 1,000)	< 1 year	1 – 5 years	> 5 years	Total
Collateral received for associates and joint ventures	-	-	-	-
Other collateral granted	13,662.9	31,257.5	139,611.2	184,531.6
TOTAL COLLATERAL RECEIVED	**13,662.9**	**31,257.5**	**139,611.2**	**184,531.6**

MAIN COLLATERAL GRANTED

PZEM has issued EUR 24.6 million worth of guarantees to the Zuid-Holland provincial authorities for the costs of capping the “Derde Merwedehaven” landfill site in Dordrecht (2020: EUR 24.6 million). These guarantees remain valid until one day after the balance sheet date, i.e. 1 January 2022. Similar security was provided to the Zeeland provincial authorities for the (former) landfill sites “Noord- en Midden-Zeeland” and “Koegorspolder” in the amount of EUR 7.8 million (2020: EUR 7.8 million). PZEM has received a counter guarantee from the buyer of the shares in Indaver.

MAIN COLLATERAL RECEIVED

Collateral received comprised EUR 184.5 million (2020: EUR 184.7 million) in bank and other guarantees received mainly in connection with PZEM’s trading activities.

C. LAWSUITS AND CLAIMS

In 2018, PZEM Energy B.V. became involved in legal proceedings over the exclusive electricity purchase contract which it had entered into with the owners of the Gemini wind farm. In 2020 the Court of Appeal found in favour of PZEM. The opposing party subsequently lodged an appeal with the Supreme Court. The Supreme Court dismissed the appeal on 18 February 2022.

D. OTHER

Some of PZEM’s activities are subject to the EU’s REMIT (Regulation on Wholesale Energy Market Integrity and Transparency) rules. Under REMIT, PZEM is required, amongst other things, to publish the planned and unplanned unavailability of its facilities and any changes in availability. This is done through the EEX Transparency Platform.
In 2017 the ACM launched an investigation into possible violations of Articles 3 and 4 of the Regulation. In 2019, the ACM conducted a follow-up investigation. The ACM concluded its investigation in 2020 and submitted its report to PZEM. We filed a response to the investigation report with the ACM in early 2021.
At the time of preparing these financial statements, we were unable to reliably estimate the amount of any potential sanction.

Notes to the consolidated income statement

13. **REVENUE**

(EUR 1,000)	2021	2020
Electricity supply	1,008,807	484,919
Gas supply	138,437	64,172
TOTAL REVENUE	**1,147,244**	**549,091**

Revenue from electricity and gas supply services and trading more than doubled on the previous year, due to higher sales volumes but driven mainly by surging prices in the second half of the year. All revenue was generated in the Netherlands.

14. **COST OF SALES**

PZEM sources part of its electricity requirement from BMC Moerdijk, a related party recognised as a joint venture for reporting purposes and in which PZEM owns a share interest. Cost of sales is adjusted for movements in gains or losses on the provisions for unprofitable contracts.

15. **OTHER OPERATING INCOME**

Other operating income comprises payments received from third parties for services rendered, proceeds from the sale of assets, and various other income.

16. **FAIR VALUE GAINS OR LOSSES ON THE TRADING PORTFOLIO**

PZEM uses derivatives to hedge price and currency risks arising from energy commodity contracts (electricity, gas, carbon emission allowances) and exchange rates. More specifically, the company applies cash-flow hedging, which involves entering into hedges to mitigate its exposure to variability of existing and future cash flows that could ultimately affect profit or loss.

The hedges are allocated to a specific risk relating to a balance-sheet item or highly probable forecast transaction. The effective portion of fair value changes is recognised in equity and shown within the hedge reserve. The cumulative amounts recognised in equity are taken to the income statement in the same period as the hedged transaction.
Movements in the value of the contract portfolio that are not hedged (non-effective hedges) is recognised as a fair value change in profit or loss.

In 2021, movements in energy prices led to an increase in the fair value of the contract portfolio of EUR 42.4 million, EUR 4.0 million of which was recognised in income, EUR 34.2 million in equity, and EUR 12.2 million as a deferred tax liability.

17. THIRD-PARTY SERVICES, MATERIALS, AND OTHER EXTERNAL EXPENSES

(EUR 1,000)	2021	2020
Third-party work and services	35,508	35,158
Consumption of materials	4,945	5,054
Other external charges	8,032	6,299
TOTAL	**48,485**	**46,511**

Third-party work and services mainly comprise costs associated with electricity and gas infrastructure. They also comprise ICT costs. A large portion of external expenses relate to the operating activities of EPZ and the Sloe power plant. In 2021, costs of materials used by EPZ and the Sloe power plant amounted to EUR 4.9 million (2020: EUR 5.0 million), costs for third-party services came to EUR 21.1 million (2020: EUR 21.2 million), and other external expenses totalled EUR 6.1 million (2020: EUR 6.0 million).

18. STAFF COSTS

(EUR 1,000)	2021	2020
Salaries	31,349	31,439
Social securities contributions	4,346	4,073
Pension charges	4,734	4,765
Change in staff provisions	73	(1,023)
Other staff costs	1,841	1,947
Staff costs	**42,343**	**41,200**
Capitalised staff costs	-	-
TOTAL	**42,343**	**41,200**
Number of employees (FTEs) as at 31 December	404	399
Average number of FTEs (related to the above total staff costs)	402	399
FTE AVERAGE: SEGMENT		
Energy	123	118
Corporate	19	15
EPZ	262	266
TOTAL	**404**	**399**
FTE AVERAGE: GEOGRAPHICAL		
The Netherlands	402	398
Foreign	2	1
TOTAL	**404**	**399**

The Group employed a total of 539 FTEs on a permanent contract (2020: 537), including the full (rather than proportionate) number of FTEs under joint arrangements (N.V. EPZ and Sloe Centrale B.V.).

PZEM is “own-risk bearer” in terms of its financial obligations under the Dutch Unemployment Benefit Act (Werkloosheidswet; WW). This means that it remits no unemployment benefit contributions to the UWV social security payment agency, and that any unemployment benefits paid to former employees will be claimed back from PZEM.

IFRS does not allow a general provision to be recognised for these liabilities. Instead, PZEM determines for each entity whether current recourse obligations as at the balance-sheet date provide a reason for recognising a separate provision.

Remuneration of PZEM N.V.'s Management Board members

The General Meeting of Shareholders adopted a new remuneration policy on 13 December 2017. With effect from 1 January 2018, board pay will generally be based on the rules set out in the Dutch Act on the Standardisation of Public and Semi-Public Sector Executive Pay. Board remuneration is capped at an average of 50% of the WNT maximum and 50% of an executive pay benchmark. The latter benchmark uses a Q3 level where 25% of peer positions at comparable companies are paid more and 75% are paid less. Existing contracts will not be affected.

No variable pay arrangements have been made with Management Board members. Management Board members are covered by the same pension plan as all other employees (ABP pension fund).

Of the current Management Board members, Mr Verhagen has a permanent employment contract and a term of office of four years. The employment contract was drafted accordingly and, in addition to a minimum 6-month notice period to be observed by the employer, provides for severance pay amounting to a maximum of one year's salary in line with the Dutch Corporate Governance Code.
On 26 June 2018, Mr Unger was appointed as PZEM N.V.'s COO under a four-year fixed-term contract.

REMUNERATION EXECUTIVE BOARD PZEM N.V.

2021	F. Verhagen CEO	N. Unger COO
(EUR)		
Remuneration	357,611	209,397
Expense allowance	8,046	8,046
Pension cost allowance	64,695	21,879
ABP pension contributions	32,784	24,594
TOTAL	**463,136**	**263,916**

2020	F. Verhagen CEO	N. Unger COO
(EUR)		
Remuneration	352,658	191,404
Expense allowance	7,830	7,830
Pension cost allowance	63,777	18,281
ABP pension contributions	28,883	23,003
TOTAL	**453,148**	**240,518**

Mr Verhagen's company car expenses were EUR 10,871 (2020: EUR 12,949) and Mr Unger's company car expenses were EUR 18,509 (2020: EUR 18,509).

19. DEPRECIATION, AMORTISATION AND IMPAIRMENT

(EUR 1,000)	2021	2020
Intangible assets		
Amortisation	202	234
Property, plant and equipment		
Depreciation	49,907	47,959
Impairment	(150,338)	513
Third-party contributions released	(48)	(48)
TOTAL	**(100,276)**	**48,658**

In 2017 an impairment loss of EUR 292.5 million was recognised for the write-down of the capitalised fair value of the increase in our EPZ share interest from 50% to 70% in 2011. Thanks to higher electricity prices, this impairment was fully reversed at the end of 2021 involving an amount of EUR 150.3 million. This amount was calculated as the impairment loss recognised in 2017 less (missed) amortisation in the period since then.

20. OTHER OPERATING EXPENSES

(EUR 1,000)	2021	2020
Added to provision for bad debts	52	12
Other operating expenses	1,334	4,977
Added to other provisions	(2,719)	(3,227)
TOTAL OTHER OPERATING EXPENSES	**(1,333)**	**1,762**

The release of other provisions mainly comprised a release from the provision for reprocessing and storage costs incurred by EPZ due to priced-in risks not materialising.

Other operating expenses include the remuneration paid to members of the company's Supervisory Board.

Remuneration of the Supervisory Board in 2021

Effective 6 June 2019, the Supervisory Board consists of a chairperson and two members. On the same date, changes were made to the remuneration paid.

The remuneration is based on the pay policy adopted. The total remuneration paid to Supervisory Board members in 2021 was EUR 85,239 (2020: EUR 79,602). The increase was caused mainly by the fact that the Supervisory Board consisted of only two persons during the first quarter of 2020.

21. SHARE OF PROFIT OR LOSS IN JOINT VENTURES

This comprises PZEM's share of profit or loss in joint ventures and associates. This included the company's EUR 21.1 million (2020: EUR 23.0 million) share of the profits in Evides, its EUR 3.4 million (2020: EUR 1.1 million) share of the profits in BMC Moerdijk, and its EUR 1.7 million share of the profits (2020: EUR 2.6 million share of the losses) in Set Funds I & II. The value of PZEM's share of profit or loss in the Set Funds has fluctuated substantially over the years because the underlying units are measured annually at fair value. Also, a loss of EUR 23.6 million was incurred on the sale of joint-venture Evides, given that the sale took place on 8 December 2021 but had retroactive effect until 1 January 2021.

22. NET FINANCE INCOME (EXPENSE)

(EUR 1,000)	2021	2020
External finance income	22,258	11,258
External finance expense	(8,106)	(9,010)
Interest added to provisions	(6,803)	(6,270)
Other finance income (expense)	(1,020)	(969)
TOTAL	**6,330**	**(4,991)**

Finance income consisted almost entirely of the return on investments made with a view to the decommissioning of the Borssele nuclear power plant and the return achieved by PZEM on the same fund. The returns were significantly higher in 2021 than in the previous year.

Finance income also comprised interest received on cash investments and interest included in sales.
Finance expense mainly comprised interest paid on the non-recourse loan for the Sloe power plant.

23. CORPORATE INCOME TAX

(EUR 1,000)	2021	2020
Corporate income tax recognized in profit or loss		
Current income tax charge	(9,655)	(9,424)
Deferred tax	(16,414)	(153)
Income tax expense	**(26,069)**	**(9,576)**
Relating to discontinued operations	(13,644)	-
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF PROFIT OR LOSS	**(12,426)**	**(9,576)**
Current income tax charge		
"Reconciliation of the tax base and the accounting profit resulting in the current income tax:"		
Accounting profit before tax (including discontinued operations)	247,491	(12,264)
Participation exemption	(2,775)	(21,711)
Temporary differences relating to the valuation of assets	(148,017)	(614)
Temporary differences relating to the valuation of provisions	(14,020)	(4,911)
Other non-deductible expenses and differences	1,590	(519)
Tax loss carry forward	(45,530)	-
Unvalued tax loss carry forward	-	77,748
DOMESTIC TAX BASE	**38,738**	**37,729**
Current corporate tax rate for profitable amount under € 245,000 (2020: €200,000)	15.00%	16.50%
Current corporate tax rate for profitable amount over € 245,000 (2020: €200,000)	25.00%	25.00%
Tax expense current year	(9,655)	(9,424)
CURRENT INCOME TAX CHARGE	**(9,655)**	**(9,424)**
Movement in deferred tax assets and liabilities		
The deferred tax results from differences between the accounting value and the bookvalue for tax purposes as well as from the valuation and usage of tax loss carry forward.		
MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES	**(16,414)**	**(153)**

RECONCILIATION OF STATUTORY TAX TO EFFECTIVE TAX

(EUR 1,000)	2021	2020
Tax expense using statutory rate	(61,873)	3,066
Net profit before taxes	247,491	(12,264)
Statutory tax rate (NL)	25%	25%
Effect of the participation exemption	694	5,428
Effect of lower rate for profitable amount up to € 245,000 (2020: € 200,000)	29	9
"Effect of non taxable revenues and non tax deductible expenses (amongs other goodwill)"	(397)	130
Effect on non-rated deferred tax assets	14,888	(18,056)
Effect on deferred tax assets	34,233	(153)
Tax expense using effective rate	**(12,426)**	**(9,576)**

Notes to the consolidated cash flow statement

The cash flow statement has been prepared according to the indirect method. Given that a number of items in the income statement and balance sheet generate no direct cash-flow effects, cash flows for these items have been neutralised. This essentially concerns three items:

- Treatment of derivatives
  Fair value gains and losses on the trading portfolio lead to current and non-current movements in assets and liabilities in the balance sheet. Some of these gains and losses are also partly included in the operating profit or loss, and some in the hedge reserve as part of group equity.
  However, none of these changes generate a direct cash flow. This is why all changes are recognised in the cash flow from operating activities so that positive and negative changes cancel each other out.

- Share of profit or loss in joint ventures and associates
  Share of profits in joint ventures and associates is only partly distributed as dividends. The undistributed portion leads to an increase in the entity's shareholders' equity and, accordingly, to a movement in financial fixed assets in PZEM's balance sheet.
  As a result, only the actual dividends received are recognised in the cash flow.

- Corporate income tax
  Net profit or loss takes into account not only corporate income tax payable on the pre-tax profit, but also deferred tax assets and liabilities arising from unused tax losses and the agreement with the Dutch Tax and Customs Administration regarding the opening balance sheet for tax purposes in 1998. Because they generate no actual cash flows, movements in deferred tax assets and liabilities are eliminated from the cash flow.

PZEM recorded a net cash inflow in 2021. Whereas in 2020 all surplus cash generated by the cash flow from financing activities was invested, due to high volatility in the energy markets PZEM began to hold more liquid assets and so had fewer cash investments in 2021.

Net cash outflow from operating activities was EUR 286.1 million during the year (2020: net cash inflow of EUR 123.3 million). The operating profit was more than offset by the increase in working capital deployment, driven by higher debtor positions (arising from increased volumes but also in particular higher prices) on the one hand, but als in particular by a major increase in margin obligations.

The cash flow from investing activities in 2021 comprised the proceeds from the sale of Evides in the amount of EUR 354.6 million. As a result, investing activities generated a net cash inflow of EUR 321.6 million, compared to a net cash outflow of EUR 29.0 million in 2020, driven mainly by maintenance and replacement costs for EPZ and the Sloe power plant, a payment made by EPZ into the fund set up for the decommissioning of the nuclear power plant, as well as the sale of Evides.

POST-BALANCE-SHEET EVENTS

Russia's invasion of Ukraine has had a major impact on European commodity markets. Whereas at the end of 2021 we believed that prices were elevated, gas and electricity have continued to soar. For PZEM, this has so far only led to (still) higher margin obligations. We have no difficulty, and do not expect to have any difficulty, continuing to meet these obligations, which have been factored into our liquidity planning and for which we hold extra cash. We have also stopped locking in the power plants any further so as not to increase this particular risk. Also, higher electricity prices have led to improved profit expectations for the Borssele nuclear power plant.

CONSOLIDATED COMPANIES

	Main activity	Head-quarters	Share interest 31-12-2021	31-12-2020	Voting rights
De Zeeuwse Energie Houdstermaatschappij B.V.[1]	Energy	Middelburg	100%	100%	100%
PZEM Energy B.V.	Energy	Middelburg	100%	100%	100%
PZEM Ficus Holding B.V.	Energy	Middelburg	100%	100%	100%
PZEM Pipe B.V.	Energy	Middelburg	100%	100%	100%
PZEM Energy Company B.V.[2]	Energy	Middelburg	100%	100%	100%
PZEM Tolling Sloe B.V.	Energy	Middelburg	100%	100%	100%
Deltius B.V.	Energy	Ritthem	100%	100%	100%
PZEM Investerings Maatschappij B.V.	Other	Middelburg	100%	100%	100%
PZEM Development & Water B.V.	Other	Middelburg	100%	100%	100%
DELTA Biovalue B.V. (bankruptcy settled in 2021)		Eemshaven	0%	100%	100%
DELTA Biovalue Nederland B.V. (bankruptcy settled in 2021)		Eemshaven	0%	100%	100%
PZEM Middelburg B.V.	Other	Middelburg	100%	100%	100%
JOINT ARRANGEMENTS					
Joint Business Activities (partly consolidated)					
PZEM Energy B.V.					
N.V. EPZ	Energy	Borssele	70%	70%	70%
Sloe Centrale Holding B.V.	Energy	Vlissingen	50%	50%	50%
Sloe Centrale B.V.	Energy	Vlissingen	100%	100%	100%

The parent company's equity interest in the subsidiary is stated.
[1] Previously known as PZEM Com B.V.
[2] Previously known as LIMO Energie Nederland B.V.

Despite its 70% share interest in N.V. EPZ, PZEM Energy B.V. has joint control because key decisions (impacting the relevant activities) require unanimity by the shareholders. Because PZEM Energy B.V. is entitled to 70% of N.V. EPZ's (electricity) output, N.V. EPZ is treated as a joint operation and partially consolidated.

With its 50% share interest in Sloecentrale Holding B.V., PZEM Energy B.V. has joint control because key decisions (impacting the relevant activities) require a majority of votes of the shareholders. Because PZEM Energy B.V. is entitled to (the availability of) one of the Sloe power station's two units, Sloecentrale Holding B.V. is treated as a joint operation and partially consolidated.

NON-CONSOLIDATED COMPANIES

	Main activity	Head-quarters	Share interest 31-12-2021	31-12-2020	Voting rights
JOINT ARRANGEMENTS					
Joint Ventures					
PZEM Energy B.V.					
BMC Moerdijk B.V.	Energy	Moerdijk	50.00%	50.00%	50.00%
NPG Willebroek N.V.	Energy	Antwerpen Belgium	50.00%	50.00%	50.00%
PZEM N.V.					
Evides N.V.	Water	Rotterdam	0.00%	50.00%	50.00%
OTHER COMPANIES					
PZEM N.V.:					
PZEM Investerings Maatschappij B.V.					
Sustainable Energy Technology Fund C.V.	Other	Amsterdam	37.38%	37.09%	37.38%
Sustainable Energy Technology Fund II C.V.	Other	Amsterdam	18.26%	18.20%	18.26%
PZEM Middelburg B.V.	Other	Middelburg			
Synergia Capital B.V. (in liquidation)	Other	Veenendaal	0.00%	5.10%	5.10%
N.V. EPZ:					
B.V. NEA	Energy	Arnhem	28.50%	28.50%	28.50%
KSG Kraftwerks-Simulator-Gesellschaft mbH	Energy	Germany	2.05%	2.05%	2.05%
KSG Kraftwerks-Simulator-Gesellschaft mbH	Energy	Germany	2.05%	2.05%	2.05%

The parent company's share interest is shown.

Company financial statements 2021

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2021 (BEFORE PROFIT APPROPRIATION)

(EUR 1,000)	Ref. no.	31-12-2021	31-12-2020
ASSETS			
Property, plant and equipment	**1**	**8,423**	**9,720**
Investments in subsidiaries	2	484,879	233,486
Other investments	2	-	369,524
Deferred tax assets	2	21,071	-
Receivables from subsidiaries	2	-	2,796
Other loans	2	320,466	379,292
Financial assets		**826,416**	**985,098**
Total non-current assets		**834,839**	**994,818**
Receivables from subsidiaries		393,657	34
Other receivables	4	363,649	365,474
Current assets		**757,305**	**365,508**
Cash		**64,938**	**30,364**
TOTAL ASSETS		**1,657,082**	**1,390,690**
Shareholders’ equity	5	1,415,843	1,398,831
Profit for the year	5	235,065	(21,841)
Shareholders’ equity		**1,650,908**	**1,376,990**
Provisions	6	1	301
Payables to subsidiaries		-	6,135
Lease liabilities		2,627	2,661
Non-current liabilities		**2,628**	**9,097**
Other payables	7	3,545	4,603
Current liabilities		**3,545**	**4,603**
Total liabilities		**6,174**	**13,700**
TOTAL EQUITY AND LIABILITIES		**1,657,082**	**1,390,690**

COMPANY INCOME STATEMENT

(EUR 1,000)	2021	2020
Profit/(loss) on parent company's activities	25,025	(3,765)
Share of profit/(loss) in subsidiaries, joint ventures and associates	210,040	(18,076)
PROFIT/(LOSS)	**235,065**	**(21,841)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

PZEM N.V. is the Dutch-based holding company of a number of group companies involved in generating, transmitting and supplying energy. PZEM N.V.’s functional currency is the euro. PZEM N.V. used the option available under Title 9, Book 2, of the Dutch Civil Code to prepare the company financial statements in accordance with the International Financial Reporting Standards applied to the consolidated financial statements, with the exception of equity-accounted group companies and investments. The company income statement is presented in abridged form in accordance with Section 402, Title 9, Book 2, of the Dutch Civil Code.

Accounting policies

Associates and joint ventures are measured according to the equity method and stated at net asset value (in accordance with the IFRSs applied to the consolidated financial statements), adjusted for goodwill paid on acquisition and less any impairment losses on goodwill.

For the other accounting policies, please refer to the notes to the consolidated financial statements.

NOTES TO THE COMPANY BALANCE SHEET

1. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Total	Land and buildings	Other assets	Assets under construction
2020				
Carrying amount as at 1 January 2020	**6,717**	**5,707**	**490**	**520**
Investments	3,687	134	-	3,553
Depreciation	(492)	(492)	-	-
Impairment	-	-	-	-
Disposals	(192)	(192)	-	-
Other movements / activated items	-	-	-	-
Carrying amount as at 31 December 2020	**9,720**	**5,156**	**490**	**4,074**
Accumulated depreciation and impairment	570	564	6	-
ACQUISITION COST AS AT 31 DECEMBER 2020	**10,290**	**5,720**	**496**	**4,074**
2021				
Carrying amount as at 1 January 2021	**9,720**	**5,156**	**490**	**4,074**
Investments	(476)	2,947	651	(4,074)
Depreciation	(815)	(743)	(72)	-
Impairment	-	-	-	-
Disposals	(6)	(6)	-	-
Other movements / activated items	-	-	-	-
Carrying amount as at 31 December 2021	**8,423**	**7,354**	**1,069**	**(0)**
Accumulated depreciation and impairment	143,577	1,307	72	-
ACQUISITION COST AS AT 31 DECEMBER 2021	**9,802**	**8,661**	**1,141**	**-**
Depreciation periods in years		0 - 40	5 - 15	n/a

2. NON-CURRENT FINANCIAL ASSETS (EXCLUDING TAX ASSETS)

(EUR 1,000)	Total	Investments in subsidiaries	Other invest-ments	Receivables from other investments	Other receivables
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**920,186**	**71,816**	**361,531**	**144,596**	**342,243**
Reversal of current portion	409,757	-	-	-	409,757
Acquisition/grant of loans	(10,779)	-	-		(10,779)
Share of profit/(loss)	(14,652)	(41,069)	22,993	-	3,424
Disposals/repayment/dividends	135,529	150,529	(15,000)	-	-
Movements in hedge reserve	52,210	52,210	-	-	
Movement expected credit loss IFRS9	8	-	-	-	8
Other movements	(141,800)	0	-	(141,800)	-
Current portion of financial assets	(365,361)	-	-	-	(365,361)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**985,098**	**233,486**	**369,524**	**2,796**	**379,292**
Reversal of current portion	365,361	-	-	-	365,361
Acquisition/grant of loans	(67,949)	-	-	-	(67,949)
Share of profit/(loss)	217,664	212,564	(2,524)	-	7,624
Disposals/repayment/dividends	(367,024)	(24)	(367,000)	-	-
Movements in hedge reserve	38,854	38,854	-	-	-
Movement expected credit loss IFRS9	82	-	-	-	82
Other movements	(2,796)	-	-	(2,796)	-
Current portion of financial assets	(363,945)	-	-	-	(363,945)
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**805,345**	**484,879**	**-**	**-**	**320,466**

At 31 December 2021, other receivables mainly comprised cash investments of a relatively short-term nature (approx. 1.5 years).

To estimate expected losses, PZEM looked at the external ratings of counterparties and elected to use the following percentages for those ratings:

External credit rating	Expected loss percentage
> A-	0,1%
BBB+	0,2%
BBB of BBB-	0,5%
< BBB- or no rating	1,0%

PZEM has chosen to apply relatively low percentages because cash invested and collateral provided are relatively short-term in nature (approximately 1.5 years).

Term deposits and securities

Because of the sale of its grid and retail operations in 2017, PZEM received a significant amount in cash. These funds are used first and foremost for our operating activities. What remains is invested in accordance with the Treasury Charter. At 31 December 2021, these cash and other investments mainly comprised term deposits held with banks and bonds representing a value of EUR 646.8 million (2020: EUR 713.8 million) (excluding expected loss provision). Of this total sum, EUR 319.0 million (2020: EUR 358.2 million) (excluding expected loss provision) had a term to maturity of more than 1 year.

An amount of EUR 118.0 million (2020: EUR 128.8 million) concerned funds invested by PZEM in the same fund in which EPZ has invested through Stichting Beheer Ontmantelingsgelden Kerncentrale Borsselle (the foundation that manages the funds for the decommissioning of the nuclear power plant).

2.1 RELATED-PARTY TRANSACTIONS

PZEM N.V. has no transactions with related parties, the value of which is of material importance to its financial statements.

(EUR 1,000)	31-12-2021	31-12-2020
Provisions	130	-
Deductible losses	20,940	-
TOTAL	**21,071**	**-**

3. DEFERRED TAX ASSETS

When preparing the financial statements, an annual assessment is made of the extent to which unused tax losses may result in future tax-savings. This assessment led to the recognition – up to the amount of opposite deferred tax liabilities within the tax group - of a deferred tax asset of EUR 20.9 million in 2021. As PZEM is emerging from a recent period of taxable losses , compelling evidence is necessary to also carry the remaining unused tax losses on the balance sheet. Given the ongoing uncertainty and volatility in the markets, that is not the case. This is why there is still an amount of EUR 177.0 million in unused tax losses within the tax group for which no deferred tax asset has been recognised.

4. SHORT-TERM RECEIVABLES

(EUR 1,000)	31-12-2021	31-12-2020
Trade receivables	37	47
Current tax assets	94	171
Deposits held with banks and bonds	327,228	355,231
Security interest provided	36,250	9,679
Other receivables	40	345
Receivables from subsidiaries	393,657	34
TOTAL SHORT-TERM RECEIVABLES	**757,305**	**365,508**

Non-current financial assets comprise receivables relating to term deposits and securities. The increase in collateral provided was caused by a long-term guarantee becoming short-term in 2021.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Total	Paid-up capital	Statutory reserve	Hedge reserve	Other non-distributa-ble reserves	Other reserves	Unappro-priated profit
ADJUSTED CARRYING AMOUNT AS AT 1 JANUARY 2020	**1,346,621**	**6,937**	**160,694**	**(63,875)**	**144**	**1,222,909**	**19,812**
Profit appropriation for 2019	-	-	-	-	-	19,812	(19,812)
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	20,606	-	(148)	(20,458)	-
Total comprehensive income	30,369	-	-	52,210	-	-	(21,841)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**1,376,990**	**6,937**	**181,300**	**(11,665)**	**(5)**	**1,222,263**	**(21,841)**
Profit appropriation for 2020	-	-	-	-	-	(21,841)	21,841
Payment of dividend	-	-	-	-	-	-	-
Other changes	-	-	(97,554)	-	(108)	97,662	-
Total comprehensive income	273,919	-	-	38,854	-	-	235,065
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**1,650,908**	**6,937**	**83,746**	**27,189**	**(112)**	**1,298,084**	**235,065**

The statutory reserve comprises undistributed profits of associates and is therefore not freely distributable. This also applies to the hedge reserve, which should be seen in relation to unrealised income from fair value changes in derivatives used for hedging purposes.

Other movements comprise changes in equity of non-consolidated associates.

For an explanation of changes in equity, please refer to the consolidated financial statements.

PROPOSED PROFIT APPROPRIATION

(EUR 1,000)	2021	2020
Profit/(loss) on parent company's activities	235,065	(21,841)
PROPOSED DIVIDEND TO SHAREHOLDERS	-	-
Addition/withdrawal to other reserves	235,065	(21,841)

The proposal is for the profit for 2021 to be fully added to other reserves.

6. PROVISIONS

(EUR 1,000)	Total	Employee benefits
CARRYING AMOUNT AS AT 31 DECEMBER 2019	292	292
Reversal of current portion of provision	2,108	2,108
Added	257	257
Interest added	9	9
Released	(1,275)	(1,275)
Utilised	(73)	(73)
Other movements	-	-
Carrying amount as at 31 December 2020	**1,318**	**1,318**
Current portion of provisions	(1,017)	(1,017)
CARRYING AMOUNT AS AT 31 DECEMBER 2020	301	301
Reversal of current portion of provision	1,017	1,017
Added	194	194
Interest added	9	9
Released	(677)	(677)
Utilised	(38)	(38)
Other movements	(300)	(300)
Carrying amount as at 31 December 2021	**506**	**506**
Current portion of provisions	(505)	(505)
CARRYING AMOUNT AS AT 31 DECEMBER 2021	1	1

At 31 December 2021 and 2020, provisions only comprised employee benefits.

In 2016, a reorganisation provision was recognised for the GAMMA2 programme to cover our liabilities to those of our employees who were expected to leave the PZEM Group as a result. These liabilities are measured taking into account the arrangements set out in the Social Plan and the employee's years of service within the industry, his or her age, various pay components, and estimates in terms of his or her ability to find other employment. In 2021, as in 2020, several of our employees covered by the provision at 31 December 2016 left the company, which led to the provision being utilised. A discount rate of 1.0% (2020: 1.0%) was applied to the reorganisation provision.

7. OTHER PAYABLES

(EUR 1,000)	31-12-2021	31-12-2020
Trade payables	1,703	1,881
Other current tax liabilities	706	-
Current portion of provision	505	1,017
Accruals and deferred income	632	1,705
TOTAL CURRENT LIABILITIES	**3,545**	**4,603**

Other payables include, amongst other things, the current portion of the provisions and outstanding supplier accounts.

Current tax liabilities include wage tax and social insurance contributions payable.

OFF-BALANCE SHEET LIABILITIES

A summary of off-balance sheet liabilities is given below, to the extent that they have an estimated potential impact on profit or loss in excess of EUR 5 million.

Main collateral granted
PZEM has issued EUR 24.6 million worth of guarantees to the Zuid-Holland provincial authorities for the costs of capping the “Derde Merwedehaven” landfill site in Dordrecht (2020: EUR 24.6 million). These guarantees expire on 1 January 2022. Similar security was provided to the Zeeland provincial authorities for the (former) landfill sites “Noord- en Midden Zeeland” and “Koegorspolder” in the amount of EUR 7.8 million (2020: EUR 7.8 million). PZEM has received a counter guarantee from the buyer of the shares in Indaver.

403 Declarations
PZEM N.V. filed a statement with the Chamber of Commerce as required under Section 2:403 of the Dutch Civil Code, assuming joint and several liability for debts arising from legally binding transactions entered into by the following subsidiaries as at the balance-sheet date:

- PZEM Energy B.V.
- PZEM Ficus Holding B.V.
- PZEM Pipe B.V.
- PZEM Tolling Sloe B.V.
- DELTIUS B.V.
- PZEM Energy Company B.V.
- De Zeeuwse Energie Houdstermaatschappij B.V.

On that basis and on the grounds of annual authorisation statements from the shareholders filed with the Chamber of Commerce, these companies are exempt from the prescribed financial statements publication requirements.

Tax group
PZEM N.V. heads a tax group for VAT purposes and a tax group for corporate income tax purposes. PZEM N.V. and its subsidiaries that are members of these tax groups are jointly and severally liable for the tax groups’ tax debt.

NOTES TO THE COMPANY INCOME STATEMENT

At 31 December 2021, PZEM N.V. employed 119 FTEs (2020: 110 FTEs).

For details of the remuneration of PZEM N.V.'s Management Board members, please refer to note 18 (Staff costs) to the consolidated financial statements.

For details of the remuneration of PZEM N.V.'s Supervisory Board members, please refer to note 20 (Other operating expenses) to the consolidated financial statements.

Auditors' fees

In 2021, PZEM N.V. paid the following fees for its consolidated companies:

(EUR 1,000)	Accountants		Other members of accountants network		Total	
	2021	2020	2021	2020	2021	2020
Total fee for auditing PZEM Group's financial statements	263	260	-	-	263	260
Fee for related audit services	29	30	-	-	29	30
Tax advisory services	-	-	235	53	235	53
Other non-audit related services	-	-	855	138	855	138
TOTAL	**292**	**290**	**1,090**	**191**	**1,382**	**481**

The amounts shown in the summary above are the amounts paid to KPMG Accountants N.V. (and the KPMG network) for PZEM N.V. and for 50% of Sloecentrale Holding B.V. Also 70% of the fees paid to Deloitte Accountants B.V. (and the Deloitte network) for N.V. EPZ is included.

Signed for approval:

Management Board:

F. Verhagen

N.C. Unger

Supervisory Board:

G.A.F. van Harten

W.J.N. van Uchelen

B.A. Fermin

Signed,

Middelburg, The Netherlands, 20 April 2022

2021 Other information

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

Profit appropriation according to the Articles of Association
Article 41 of the Articles of Association provides for the appropriation of profit or loss as follows.

1. Any loss reported in the income statement, as included in the adopted financial statements, shall be taken to the general reserves. If those reserves hold insufficient funds to cover such loss, the remainder of the loss shall be charged to any profits achieved in future years.
2. If the income statement, as included in the adopted financial statements, reports any profit, the Supervisory Board may use such profit to add funds to the general reserves. Any profit remaining shall be at the disposal of the General Meeting of Shareholders.
3. The General Meeting may declare one or more interim dividends and/or make other interim distributions, provided that the requirements of Section 2:105 (2) of the Dutch Civil Code are satisfied, as evidenced by an interim financial statement as referred to in Section 2:105 (4) of the Dutch Civil Code.

For the independent auditor's report see the Dutch version of the annual report 2021.

STATEMENT

Code of Conduct Compliance Statement for Suppliers, including metering companies for which they are responsible, regarding the use of meters that can be read remotely and which are installed at the premises of consumers and small businesses.

Name of legal entity:
PZEM Energy B.V.

Place of registered office:
Middelburg, The Netherlands

Period:
1 January 2021 until 31 December 2021

To ensure the proper delivery of its services, PZEM Energy B.V. uses data obtained from meters that can be read remotely and which are installed at the premises of consumers and small businesses. In addition to compliance with the Dutch Data Protection Act (Wet bescherming persoonsgegevens), Dutch energy suppliers and the metering companies for which they are responsible have drawn up a code of conduct for the use, registration, sharing, and storage of data obtained from such meters.

PZEM N.V., duly represented by its director F. Verhagen, and acting in its capacity as a director of De Zeeuwse Energie Houdstermaatschappij B.V., based in Middelburg, The Netherlands – De Zeeuwse Energie Houdstermaatschappij B.V. acting in its capacity as a shareholder of PZEM Energy B.V. – hereby declares that, to the best of their knowledge, PZEM Energy B.V. was in compliance with the rules and obligations set out in the 2012 Code of Conduct for Suppliers of Smart Meters during the period stated above.

Middelburg, The Netherlands, 20 April 2022

Signed

F. Verhagen
The Management Board of PZEM N.V.

Postadres
Postbus 51
4330 AB Middelburg

Bezoekadres
Poelendaelesingel 10
4335 JA Middelburg

Contact
T 088 1346 000
info@pzem.nl

PZEM.nl