Eneco Groep N.V. Financial Statements 2020

Consolidated financial statements 2020

Consolidated income statement

For the year ended 31 December 2020

x €1 million	Note	2020	2019
Revenues from energy sales and energy-related activities	3	4,090	4,271
Purchases of energy and energy-related activities[1]		3,054	3,261
Gross margin		**1,036**	**1,010**
Other revenues	4	58	61
Gross margin and other operating revenues		**1,094**	**1,071**
Employee benefit expenses	5	239	260
Cost of contracted work and other external costs[1]		346	357
Depreciation and impairment of property, plant and equipment	12	227	220
Amortisation and impairment of intangible assets	14	94	76
Other operating expenses		25	26
Operating expenses		**931**	**939**
Operating profit		163	132
Share of profit of associates and joint ventures	7	14	-
Financial income	8	9	9
Financial expenses	9	-21	-24
Profit before income tax		**165**	**117**
Income tax	10	-47	-37
Profit after income tax		**118**	**80**
Profit distribution			
Profit after income tax attributable to non-controlling interests		1	1
Profit after income tax attributable to shareholder(s) of Eneco Groep N.V.		117	79
Profit after income tax		**118**	**80**

1 2019 amounts restated for comparative purposes following a change in presenting the amortisation of contract acquisition costs in the income statement for an amount of €25 million.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

x €1 million	Note	2020	2019
Profit after income tax		**118**	**80**
Unrealised gains and losses that will not be reclassified to profit or loss			
Remeasurement of defined-benefit pension plans		-	1
Unrealised gains and losses that may be reclassified to profit or loss			
Exchange rate differences	31	-18	13
Unrealised gains and losses on cash flow hedges and hedge of net investment in foreign operations	31	-24	-29
Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations	17, 31	6	8
Share of unrealised profit of associates and joint ventures after tax	16, 31	-4	-7
Total other comprehensive income		**-40**	**-14**
Total comprehensive income		**78**	**66**
Profit distribution			
Non-controlling interests		1	1
Shareholder(s) of Eneco Groep N.V.		77	65
Total comprehensive income		**78**	**66**

Consolidated balance sheet

x €1 million	Note	At 31 December 2020	At 31 December 2019
Non-current assets			
Property, plant and equipment			
- Owned assets[1]	12	2,769	2,626
- Right-of-use assets[1]	13	235	247
Intangible assets	14	1,155	1,045
Associates and joint ventures	16	109	111
Deferred income tax assets	17	20	30
Financial assets			
- Derivative financial instruments[2]	18	85	65
- Other financial assets	19	97	114
Total non-current assets		**4,470**	**4,238**
Current assets			
Assets held for sale	20	13	1
Intangible assets and inventories	14	153	158
Trade receivables	21	658	655
Current income tax assets		19	6
Other receivables	22	155	162
Derivative financial instruments[2]	18	256	286
Cash and cash equivalents	23	557	537
Total current assets		**1,811**	**1,805**
TOTAL ASSETS		**6,281**	**6,043**
Equity			
Equity attributable to Eneco Groep N.V. shareholder(s)	24	2,942	2,932
Non-controlling interests	24	6	5
Total equity		**2,948**	**2,937**
Non-current liabilities			
Provisions for employee benefits	25	7	8
Other provisions	26	140	140
Deferred income tax liabilities	17	248	251
Derivative financial instruments[2]	18	146	85
Lease liabilities[3]	13	203	215
Interest-bearing debt[3]	27	567	457
Other liabilities	28	167	148
Total non-current liabilities		**1,478**	**1,304**
Current liabilities			
Liabilities held for sale	20	2	1
Provisions for employee benefits	25	5	7
Other provisions	26	2	2
Derivative financial instruments[2]	18	284	276
Lease liabilities[3]	13	26	26
Interest-bearing debt[3]	27	32	69
Current income tax liabilities		16	4
Trade creditors and other payables	28	1,488	1,417
Total current liabilities		**1,855**	**1,802**
TOTAL EQUITY AND LIABILITIES		**6,281**	**6,043**

1 2019 amounts restated for comparative purposes following a reclassification of a financial lease for an amount of €35 million.
2 2019 amounts restated for comparative purposes following an enhancement in offsetting these financial assets and liabilities for a total amount of €75 million (non-current and current).
3 2019 amounts restated for comparative purposes following a reclassification of a financial lease for a total amount of €25 million (non-current and current).

Consolidated cash flow statement

For the year ended 31 December 2020

x €1 million	Note	2020	2019
Profit after income tax		**118**	**80**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8, 9	12	15
- Income tax recognised in profit or loss	10	47	37
- Share of profit of associates and joint ventures	7	-14	-
- Depreciation, amortisation and impairment	12, 13, 14	320	296
- Result from sale of tangible and intangible assets		1	5
- Movement in working capital	34	79	55
- Movements in provisions, derivative financial instruments and other		13	33
Cash flow from business operations		**576**	**521**
Dividend received from associates and joint ventures		12	1
Interest paid		-21	-20
Interest received		21	8
Income tax paid / received		-37	-56
Cash flow from operating activities		**551**	**454**
Issued loans granted		-3	-3
Repayment of loans granted	19	41	-
Acquisition of subsidiaries (net, exclusively purchased cash)	15	-155	-22
Disposal of subsidiaries (net, exclusively sold cash)		1	7
Acquisition of joint operations, joint ventures and associates		-9	-7
Disposal of joint operations, joint ventures and associates		-	-
Investments in property, plant and equipment	12	-352	-325
Disposal of property, plant and equipment		5	5
Investments in intangible assets	14	-33	-18
Disposal of assets held for sale		-	-2
Cash flow from investing activities		**-505**	**-365**
Dividend payments		-68	-68
Payment of current lease liabilities		-27	-25
Repayment of non-current interest-bearing debt	27	-64	-47
Non-current interest-bearing debt issued	27	134	82
Purchase/sale of non-controlling interests		-	1
Cash flow from financing activities		**-25**	**-57**
Movement in cash and cash equivalents		**21**	**32**
Balance of cash and cash equivalents at 1 January		537	504
Translation gains and losses on cash and cash equivalents of subsidiaries		-1	1
Balance of cash and cash equivalents of disposed consolidated entities		-	-
Balance of cash and cash equivalents at 31 December		**557**	**537**

Consolidated statement of changes in equity

x €1 million	Paid-up and called up share capital	Share premium	Translation reserve	Cash flow hedge reserve	Retained earnings	Undistributed profit	Total	Non-controlling interests	Total equity
	Equity attributable to shareholder(s) of Eneco Groep N.V.[1]								
At 1 January 2019	**-**	**2,781**	**-7**	**-3**	**29**	**136**	**2,936**	**3**	**2,939**
Profit after income tax 2019	-	-	-	-	-	79	79	1	80
Total other comprehensive income	-	-	3	-18	1	-	-14	-	-14
Total comprehensive income	**-**	**-**	**3**	**-18**	**1**	**79**	**65**	**1**	**66**
Profit appropriation 2018	-	-	-	-	68	-68	-	-	-
Dividend to shareholder(s) of Eneco Groep N.V.	-	-	-	-	-	-68	-68	-	-68
Changes in non-controlling interest in subsidiaries	-	-	-	-	-1	-	-1	1	-
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**67**	**-136**	**-69**	**1**	**-68**
At 31 December 2019	**-**	**2,781**	**-4**	**-21**	**97**	**79**	**2,932**	**5**	**2,937**
Profit after income tax 2020	-	-	-	-	-	117	117	1	118
Total other comprehensive income	-	-	-9	-31	-	-	-40	-	-40
Total comprehensive income	**-**	**-**	**-9**	**-31**	**-**	**117**	**77**	**1**	**78**
Profit appropriation 2019	-	-	-	-	11	-11	-	-	-
Dividend to shareholder(s) of Eneco Groep N.V.	-	-	-	-	-	-68	-68	-	-68
Changes in non-controlling interest in subsidiaries	-	-	-	-	1	-	1	-	1
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**12**	**-79**	**-67**	**-**	**-67**
At 31 December 2020	**-**	**2,781**	**-13**	**-52**	**109**	**117**	**2,942**	**6**	**2,948**

1 See note 24 'Equity' for further information on equity.

Notes to the consolidated financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting principles for financial reporting

1.1 General information

Eneco Groep N.V. ('the company') is a company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to jointly as 'Eneco' or the 'Group'). The company is registered at the Chamber of Commerce under number 67470041. On 24 March 2020, the shareholders (44 Dutch municipalities) sold the entire share capital of Eneco Groep N.V. to Diamond Chubu Europe B.V., a joint investment of Mitsubishi Corporation (Tokyo, Japan; 80% of the shares) and Chubu Electric Power Co., Inc. (Nagoya, Japan; 20% of the shares). Mitsubishi Corporation is the ultimate parent company (Tokyo, Japan).

In line with its mission of 'everyone's sustainable energy', the Group is investing in making the supply chain more sustainable with the aim of keeping energy clean, available and affordable for customers into the future. The Group focuses on innovative energy services and products that allow customers to save energy or generate sustainable energy jointly or alone and feed it into the energy network. New services are being developed for this, that form and shape the energy transition. These include innovative flexible services and services focusing on saving energy. In addition to the Netherlands, the Group operates in Belgium, Germany, Switzerland and the United Kingdom.

The Group's main strategic alliances are its investments and participating interests in onshore and offshore wind farms, solar farms, start-ups and memberships of co-operatives. These are the joint investments with Mitsubishi Corporation in the Luchterduinen offshore wind farm and the Norther wind farm in the North Sea and investments with a number of others (Partners Group, Shell, Mitsubishi Corporation and Van Oord) in the Blauwwind (Borssele III & IV) offshore wind farm which became operational during the second half of 2020. Since 2018, Eneco has also participated in the SeaMade wind farm being developed off the Belgian coast which has been operational since the fourth quarter of 2020. In mid-2020, the CrossWind consortium (Hollandse Kust Noord), a joint investment between Shell and Eneco, was awarded the tender to build this wind farm without subsidies. The Group is also a member of the Enecogen V.O.F. power station partnership and has interests in Greenchoice B.V. and Next Kraftwerke GmbH, a German virtual power plant operator.

The consolidated financial statements have been prepared by the company's Management Board. The 2020 financial statements were signed by the Management Board during its meeting on 12 March 2021 and will be submitted for adoption by the General Meeting of Shareholders on 1 April 2021.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2020, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, the accounting policies of joint operations, joint ventures and associates are brought into line with those of Eneco Groep N.V. The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting.

The company income statement is presented in a condensed form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

1.2 Amended IFRS standards

A number of changes to existing IFRS standards adopted by the European Commission have been in force since 1 January 2020 and, where relevant, have been applied by Eneco since that date.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

- The amendments are designed to make the definition of 'material' in IAS 1 more easily understood while not altering the underlying concept of 'materiality' in IFRS standards.
- The concept of 'obscuring' material information by immaterial information is included as part of the new definition.
- The threshold for materiality that influences users has been changed from 'could influence' to 'could reasonably be expected to influence'.
- The definition has now been changed to "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' in respect of the 'Interest Rate Benchmark Reform' project (phase 1)
The Group applies cash flow hedge accounting to hedge Euribor-based interest rate risks. Euribor will be replaced in the next few years by new interest rate benchmarks currently under development. The new benchmarks are not yet available for the Group's hedging relationships.

Application of hedge accounting requires an economic relationship between the hedged risk and the hedging instrument (interest rate swap contracts based on Euribor) and the highly probable fluctuations in the cash flows as the hedged risk (interest payments based on Euribor). Given the economic relationship and high level of probability of cash flows changing as a result of the replacement of Euribor, it may no longer always be possible to meet the requirements for hedge accounting under IFRS 9. Where appropriate IFRS permits transitional arrangements (temporary exemption) under which hedge accounting can continue during the transition to new interest rate benchmarks. Although the calculation methodology of Euribor changed during 2019, it is still compliant with the 'Benchmark Regulation' (BMR-compliant). This allows market participants, including Eneco and its counterparties in these transactions, to continue to use Euribor for both new and existing contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.

Amendments to IFRS 3 'Business Combinations'

- The amendments mean that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an 'input' and a 'substantive process' that together significantly contribute to the ability to create outputs.
- An acquired process (or group of processes) is considered 'substantive' if it:
  - is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or
  - significantly contributes to the ability to continue producing outputs and is considered unique or scarce; or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
- The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed.

- In addition the definitions of a 'business' and of 'outputs' have been narrowed by focusing on goods and services provided to customers.

- The reference to an ability to reduce costs has been removed.

- The IASB has introduced an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business - it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

- These amendments to IFRS 3 are applied *prospectively* to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Other new IFRS standards, amendments to existing standards and/or new interpretations that will apply in later reporting periods and/or that have not yet been adopted by the European Commission and/or that are not relevant to the Group, are not addressed further in these financial statements.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Eneco Groep N.V., its subsidiaries and the relevant proportion of the joint operations, non-consolidated joint ventures, associates and other capital interests.

Subsidiaries
A subsidiary is an entity where the company exercises control. This means that the company controls, directly or indirectly, that entity's financial and business operations with the purpose of gaining economic benefits from the activities of that entity. Control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the investment in the entity and (3) has the ability to affect those returns through its control. In general, the company holds more than half the shares in its subsidiaries.

The financial statements of a subsidiary are recognised in the consolidated financial statements according to the full consolidation method from the date on which control is obtained until the date on which that control no longer exists. Potential voting rights which can be exercised immediately are also taken into account when determining whether control exists. Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses from subsidiaries are recognised in the consolidated financial statements. Intercompany balance sheet positions, transactions and results on such transactions between subsidiaries are eliminated.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

Joint operations/Joint ventures
Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Only the Group's share of assets, liabilities, income and expenses of joint operations are consolidated, in accordance with the accounting policies of the Group. Joint ventures are recognised using the equity method in accordance with the accounting policies of the Group.

Interests in joint operations and joint ventures are recognised from the date on which joint control is obtained until that joint control no longer exists.

Associates
An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate. The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at the cost of acquisition of the interest in the associate. The carrying amount is then adjusted by the share in the result less dividends received. The cost of acquisition of an associate is the amount at which an associate was acquired by Eneco. If this is higher than the value of the net identifiable assets acquired, it may include goodwill. Associates are recognised from the date on which significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if the Group has assumed liability for those losses.

Other capital interests
Other capital interests are investments in entities in which the Group has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value with movements recognised through profit or loss. If its fair value cannot be reliably measured, a capital interest is carried at the cost of acquisition. Dividends are recognised through the income statement when they fall due.

1.4 Effects of the Covid-19 coronavirus pandemic

The consequences of the Covid-19 pandemic impacted some aspects of Eneco's business operations and earnings in 2020. In addition to volume and price effects on energy purchase and supply, they also affected the provision for expected credit losses on trade receivables. These effects are mainly reflected in lower revenues, adverse sourcing results from having to sell back energy volumes at lower market prices and increased other operating expenses. The impact of the Covid-19 pandemic on fair value measurement, hedge accounting, leases, financing, provisions and deferred tax assets has also been assessed, and this did not indicate a material impact for Eneco.

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the 2020 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with those set out in the 2019 financial statements except for the effect of amended standards as set out in 1.2 'Amended IFRS standards'.

Judgements, estimates and assumptions
In preparing the financial statements, management applied judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. The judgements, estimates and assumptions that have been applied are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates.

Judgements, estimates and assumptions are reviewed on an on-going basis. This applies particularly to the possible effects of the current Covid-19 pandemic.

Judgements
The following notes disclose information used when forming judgements when applying the accounting principles for financial reporting that have a significant effect on the amounts recognised in the consolidated financial statements:

- note 2.2 'Revenues' whether revenues under the items Energy supply and Energy-related activities are recognised 'over time or at a point in time';
- note 3 'Revenues from energy sales and energy-related activities': whether the Group acts as agent or principal (regarding the energy contracts and related grid fees); and
- the 'List of principal subsidiaries, joint operations, joint ventures and associates': the degree of control the Group has over such an investment.

Estimates and assumptions
Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Notes that disclose information on the principal estimates and assumptions involving a considerable risk of a material change to the carrying amount of assets and liabilities or impact on the results include:

- note 3 'Revenues from energy sales and energy-related activities': estimated consumption relating to energy deliveries as set out in 2.2 (accounting policies for revenues);
- note 12 'Property, plant and equipment – owned assets': the useful lives of property, plant and equipment;
- note 13 'Property, plant and equipment – right-of-use assets and lease liabilities': the useful lives of lease assets if different from the lease term and the potential exercise of renewal options in leases;
- note 14 'Intangible assets': the useful lives of intangible assets and impairment and significant assumptions underlying realisable amounts when performing a goodwill impairment test;
- note 17 'Deferred taxes': recognition of deferred tax assets and availability of future taxable profits against which transferrable tax losses can be used;
- note 18.4 'Fair value hierarchy': the main assumptions for determining the fair value measurement of level 3 financial instruments on the basis of unobservable inputs;
- note 21 'Trade receivables': the main assumptions for determining the provision for doubtful debts and impairment of contract assets using the expected credit losses method; and
- notes 25 'Provisions for employee benefits' and 26 'Other provisions' (of which the decommissioning provisions are the greatest part): the main actuarial and other parameters and estimates of future cash outflows regarding these provisions.

Impairment of assets
There is evidence of an impairment when the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not

independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of separate legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management. An impairment test on goodwill is performed each year to determine the recoverable amount. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 14 'Intangible assets'.

The recoverable amount of the asset or cash-generating unit concerned is determined if an impairment trigger analysis provides evidence of impairment. If the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

Impairment may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original carrying amount less regular depreciation. Impairment losses on goodwill are not reversed.

Foreign currencies
The euro (€) is the Group’s functional currency and the currency in which the financial statements are presented. Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the reporting date. Foreign currency exchange differences that arise on translation are recognised through the income statement.

If the functional currency of a foreign subsidiary, joint operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold or liquidated.

Translation differences on monetary items that are or were part of the net investment in such foreign operations are also accumulated in the translation reserve and released to profit or loss on sale of the foreign operation.

Offsetting
Receivables and payables with a counterparty are offset if there is a contractual right and the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

2.2 Revenues

Performance obligations
Revenues are recognised on the basis of the expected consideration when the performance obligation for a good or service has been met. The consideration may consist of a fixed price with a variable price supplement for some types of product. Eneco only recognises the variable price when it is highly probable that the cumulative amount of the consideration will not be reversed in the future once uncertainty associated with the variable price is known. Contracts and any

separate performance obligations within them are identified to determine the revenues. There is a separate performance obligation if a good or service has a stand-alone value for the end user and delivery is not to a large extent dependent on other components of the contract. Once established, the transaction price is allocated to performance obligations by reference to the price at which the good or service is sold to customers.

Amounts invoiced and collected for the company's own risk (if Eneco acts as principal) are recognised as revenue. Amounts invoiced and collected for third parties (where Eneco is agent) are not recognised as revenue. The Group's payment terms are generally 15-30 days, depending on the type of customer.

It is established whether each performance obligation is met over time or at a point in time. Eneco is applying the practical solution in IFRS 15 of ignoring possible financing components in advances and periodic fees from customers if these are not significant according to assessments at portfolio level.

Performance obligations that have been or are still to be performed and settled in the preceding or subsequent period create contract assets or contract liabilities respectively. A contract asset from revenues is a conditional right to compensation for the Group in exchange for goods or services to the customer. Once the goods or services have been transferred to the customer and the Group has no further risk in the transaction, this asset is presented as a receivable (debtor or 'amount to be billed'). These receivables do not form part of the contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has or will receive compensation. Amounts to be settled under advances paid for energy are part of other liabilities and do not form part of the contract liabilities.

Energy supply
Revenues from the sale of energy to end-users are recognised over the period in which energy is supplied to a customer. If the Group pays sums to the customer during or at the end of the term of the contract, they are deducted from revenue during the term of the contract.

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is also based on actual meter readings or readings taken throughout the year. Part of the amount of energy supplied to retail consumers during the reporting period and the resulting revenues is, therefore, estimated from historical consumption figures, standard customer profiles, weather conditions and applicable energy tariffs. Historical information on meter readings shows that the data used is sufficiently reliable to estimate usage at the reporting date.

A difference between the instalments billed and the actual amount of energy delivered to retail consumers is recognised as amounts still to be billed or amounts to be settled at the end of the reporting period. Contributions by heating customers for connection charges are recognised as contract liabilities and are recognised through profit or loss on a straight-line basis over the estimated useful life.

Revenues for energy delivered under ongoing energy contracts correspond directly with the amount consumed by the customer. Eneco is applying the practical solution in IFRS 15 of not disclosing the price of future performance obligations and only recognises delivery obligations in line with 'Contingent assets and liabilities' (see note 29).

Energy-related activities
Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities. Revenue from installing equipment and sales of solar panels and smart thermostats is recognised when control of the good passes to the customer. Revenue from other energy-related activities is recognised over the period of supply.

Government grants
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants related to income as a contribution to costs are recognised as revenues in the period in which those costs are incurred.

2.3 Purchase cost of energy

Purchases of energy comprise directly attributable costs for the sale of energy to end-users. The purchase cost of energy and commodities contracts entered into with the intention of actually acquiring energy ('own use') is recognised in the same period as that in which the sales revenue is realised.

Additional costs incurred to win contracts are capitalised as prepaid expenses and amortised over the term of the contract provided that they will be recovered. The amortisation charge is presented under 'Purchases of energy' in the income statement. Acquisition costs for contracts with a term of one year or less are charged directly to the result.

2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues from other capital interests, interest charges on borrowings, interest charges arising from the periodic addition of interest to provisions and lease liabilities, foreign exchange rate gains and losses and gains and losses on financial hedging instruments recognised through the income statement. Interest income and expenses are recognised using the effective interest method. Dividend revenues from other capital interests are recognised when they fall due.

2.5 Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised through the income statement unless they concern items that are recognised directly through equity.

Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes which subsidiaries, associates or joint ventures must pay on distributions to the Group.

Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

2.6 Property, plant and equipment - owned assets

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and other directly attributable costs. Contributions towards cost from third parties and government grants are deducted from the cost, provided they are not contributions from customers. Cost includes an estimate of the present value of the cost of dismantling, demolishing and removing the item when it ceases to be used and of restoring the site on which it is located, if there is a legal or constructive obligation to do so.

Financing costs (interest) directly attributable to the purchase, construction or production of an eligible asset are recognised in cost. If an asset comprises multiple significant components with differing useful lives, these components are recognised separately.

Government grants
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

Expenditure incurred subsequent to initial recognition
Expenses incurred at a later date are only added to the carrying amount of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Repair and maintenance are recognised through the income statement in the period in which the costs are incurred.

Depreciation
The depreciation charge for each period is recognised through the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

The following useful lives are applied:

Category	Useful life in years
Buildings	25 - 50
Machinery and equipment	10 - 50
Other operating assets	3 - 25

2.7 Property, plant and equipment - right-of-use assets and lease liabilities

General
From 1 January 2019, leases are recognised in the balance sheet as a right-of-use asset with a corresponding lease liability on the date on which the lease asset becomes available for use at Eneco. The assessment of whether a contract is or contains a lease is carried out at the start of that contract. If payments include non-lease components (such as maintenance or service charges), these are not recognised in the balance sheet but are charged to the result over the period to which the performance relates.

Low-value leases for assets with a value of less than $5,000 (€5,000 is used for practical reasons) or with a lease term of less than 12 months are exempt from capitalisation under IFRS 16 'Leases' and the Group has made use of this exemption.

Measurement of lease liabilities
Liabilities arising from a lease are initially recognised using the present value of the following types of lease payment:

- fixed payments (including payments that appear to be variable but which by their nature are fixed) less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;

- the exercise price of a purchase option if it is reasonably certain that the option will be exercised;

- the lease payments resulting from a renewal option if it is reasonably certain that the option will be exercised; and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

A lease liability is initially discounted using the rate of interest implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate of the relevant class of asset is used. This is the rate of interest that Eneco would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment and on similar terms.

The lease liability is decreased by lease payments and increased by the addition of interest (interest implicit in the lease or the incremental borrowing rate). The interest charge from adding interest to the lease liabilities is recognised through the income statement in 'Financial expenses'. These financing charges are charged to the result over the lease period in a way that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Eneco reassesses a lease and remeasures the lease liability and associated right-of-use asset if:

- the lease term is changed or there is a change in the assessment of exercising a purchase option;

- there is a change in future fixed or variable lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the amount expected to be payable under the residual value guarantee; and

- a lease is modified and the modification of the lease is not accounted for as a separate lease.

Measurement of right-of-use assets
Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs; and

- restoration (dismantling) costs if required by the contract.

The right-of-use asset is subsequently depreciated and charged to the result on a straight-line basis over the shorter of the useful life and the lease period of the asset.

The following useful lives are applied:

Category	Useful life in years
Land and buildings	5 - 37
Machinery and equipment	6 - 18
Other operating assets	1 - 5

Under IFRS 16, the right-of-use assets are assessed for impairment in accordance with IAS 36 'Impairment of Assets'. Consequently, the requirement in the previous standard, IAS 17, to form a provision for an onerous contract lapses.

Amounts not included in the measurement of lease liabilities
These are the following amounts:

- payments related to short-term leases and low-value leases. Short-term leases are those with a lease term of 12 months or less and low-value lease assets are mainly ICT equipment and small items of office furniture; and

- variable lease payments that do not depend on an index or a rate.

These payments are recognised in the period in which an event or condition occurs and are charged to the income statement in line item 'Cost of contracted work and other external costs'.

2.8 Leases – leasing property, plant and equipment

A lease where Eneco, as lessor, has in fact all the benefits and risks of ownership is designated as an operating lease; otherwise, such agreements are recognised as finance leases. This accounting policy has not changed because of the implementation of IFRS 16 from 1 January 2019.

Property, plant and equipment made available to third parties by means of an operating lease is recognised in accordance with the accounting policies for property, plant and equipment. Lease income is recognised in the income statement on a straight-line basis over the lease term unless a different allocation is more in line with the pattern of the revenues obtained from the leased asset. Any charges, for example for service and repairs, included in the lease instalments are recognised in accordance with the criteria for providing services.

Property, plant and equipment made available to third parties by means of a finance lease is recognised as a receivable for the net investment in the assets. Lease instalments are then broken down into interest and repayment components based on a constant periodic rate of interest. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease receivable.

2.9 Goodwill

The acquisition price of a subsidiary, joint operation, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) through the income statement.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. Goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet in intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

2.10 Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, other rights, trade names and development costs. The related costs are capitalised if it is probable that these assets will have an economic benefit and their costs can be reliably measured. Other intangible assets are recognised at cost less accumulated amortisation and impairment.

Customer databases
A customer database obtained from an acquiree in a business combination or asset acquisition is initially recognised at fair value, including purchased capitalised contract acquisition costs. This value is determined on the date of acquisition on the basis of the most recent comparable transactions if the economic conditions are comparable or, if they are not, the fair value is determined from the present value of the estimated future net cash flow from this asset.

Software and licenses
Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

Concessions, permits and other rights
Concessions, permits and other rights (obtained or purchased as part of a business combination) relate mainly to the use of property, plant and equipment (for example, wind and solar farms) and the related rights and obligations, such as subsidy and other formal decisions by the government. These are initially recognised at cost or at fair value in the case of a business combination.

Trade names
If, for commercial reasons, the Group decides to retain the trade name of a party acquired as part of a business combination, it is recognised initially at fair value, determined using the 'relief from royalty method' on the acquisition date.

Development costs
Development costs are the costs of applying knowledge acquired through research by the company or a third party for a plan or design for the manufacture or application of improved materials, products, processes, systems or services, prior to the commencement of commercial manufacture or use. Development costs are only capitalised if they can be regarded as intangible assets. If this is not the case, they are recognised as an expense in the period in which they are incurred. Research costs are the costs of research aimed at the acquisition of new scientific or technical knowledge and understanding and are recognised through the income statement in the period in which they are incurred.

Amortisation
Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is taken into use. Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil.

The following useful lives are applied:

Category	Useful life in years
Customer databases	6 - 20
Software and licenses	3 - 30
Concessions, permits and other rights	3 - 30
Trade names	20
Development costs	5 - 15

2.11 Emission rights

Emission rights are categorised on initial recognition either as rights intended for the company's own use or as rights destined to be traded.

Emission rights held for periodic redeeming to the government for actual CO_2 emissions (company's own use) are recognised as current intangible assets and measured at cost. A provision, also carried at cost, is formed for this redemption obligation. If a shortfall in the quantity required for redeeming is expected, an addition, charged through the income statement, is made to this provision for the lower of the market value of that shortfall or the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as derivative financial instruments. The profit or loss arising from revaluing these rights to fair value is recognised directly through the income statement as Other revenues.

2.12 Deferred taxes

Deferred taxes are calculated using the balance sheet method for the relevant differences between the carrying amount and taxable value of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax legislation. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits. This is only permitted if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax assets for all temporary differences available for relief relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if it is probable that the temporary difference will be settled in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless the Group can determine the time at which the temporary difference will be settled and it is probable that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same fiscal unity.

2.13 Derivative financial instruments

There is exposure to risks in operational and financing activities arising from developments in market prices of energy commodities (electricity, gas, oil, etc.), foreign currencies, interest rates and emission rights. Derivative financial instruments such as foreign exchange contracts and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use or hedging when the transaction is entered into.

Measurement and recognition
Derivative financial instruments are measured at fair value. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price, that instrument will be accounted for as follows:

- at fair value if this is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price shall be recognised as a gain or loss in the income statement;

- in all other cases (i.e. level 2 and level 3 inputs), also measured at fair value, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, that deferred difference shall be recognised as a gain or loss in the income statement on an appropriate basis over the contract period of the instrument.

Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or hedge accounting is applied.

Fair value measurement of derivative and other financial instruments depends on their level in the fair value hierarchy:

Level 1
The fair value of financial instruments in level 1 is based on using unadjusted quoted prices in active markets for identical instruments.

Level 2
The fair value of financial instruments in level 2 is based on market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3
The fair value of financial instruments in level 3 is based on calculations involving significant inputs that are not based on observable market data.

Presentation in the balance sheet
Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty and with the same maturity date are offset on a monthly basis if there is a contractual right and the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Own use
Contracts are classified for own use if they are settled by physical delivery or receipt of energy commodities or emission rights in line with the company's needs. Transactions based upon these contracts are recognised through the income statement in the period in which delivery or receipt takes place (accrual accounting).

Cash flow hedge accounting
Contracts are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction (energy contracts) associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned are recognised directly in the equity through the cash flow hedge reserve. The ineffective portion is recognised through the income statement.

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedging instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity (in the cash flow hedge reserve) until the forecast future transaction has taken place. If the forecast future transaction is no longer likely to take place, the cumulative result is transferred directly from equity to the result.

Hedges of net investment in a foreign operation
Net investment hedge accounting is applied to mitigate translation differences on foreign non-euro operations. Application of this type of hedge accounting means that foreign currency exchange differences arising from translation of foreign operations and those on financial instruments (such as loans or currency foreign exchange contracts) allocated to them are recognised through the translation reserve (taking into account deferred tax) until the end of the hedging relationship or earlier termination.

2.14 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are recognised at fair value and subsequently measured at amortised cost using the effective interest method. To the extent necessary, other receivables and loans are impaired using the expected credit losses method in IFRS 9. See note 2.17 'Trade and other receivables' for more information on this method.

2.15 Assets and liabilities held for sale

Assets (and liabilities of an asset group) held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the asset group or operations are available for immediate sale in their present condition and the sale is expected to be completed within one year. If activities to be disposed are classified as discontinued operations (e.g. significant business units), their results and the comparative figures in the income statement are presented on the discontinued operations line. Where necessary, eliminations for consolidation are made.

Assets and asset groups held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

2.16 Inventories

Inventories are recognised at the lower of weighted average cost and net recoverable amount. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their current location and state. Net recoverable amount is the estimated sales price in the ordinary course of business less forecast costs of sale. Impairment of inventories is recognised through the income statement if the carrying amount exceeds the net recoverable amount.

2.17 Trade and other receivables

Trade and other receivables are receivables with a term of less than one year. Performance delivered by Eneco at the reporting date but not yet billed to the customer, including amounts that have still to be invoiced on the reporting date in addition to the advances already invoiced are recognised as 'Amounts to be invoiced'. Receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses using the expected credit losses method in IFRS 9.

Impairment of trade receivables is determined over the full lifetime of the asset ('lifetime expected credit losses method' in IFRS 9). This is done for trade receivables using a provision matrix based on historical figures for losses on each category/type of debtor, adjusted for non-recurring past effects, that reflects relevant information on current circumstances and offers a reasonably reliable forecast and the implications for the expected losses. This measurement is made for other receivables (current and non-current) using the 12-month expected credit losses method.

Trade receivables are written off when there is no reasonable expectation of receiving full or partial payment of the receivable or amount still to be invoiced.

Impairment of trade receivables is presented as 'Other operating expenses' in the operating profit. Later reversals of amounts written off are credited to the same line in the income statement.

Receivables with a term of less than one year are not measured at present value on initial recognition. In view of their short-term nature, the carrying amount of trade and other receivables at the reporting date is equal to their fair value.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of approximately three months or that can be called within approximately three months.

2.19 Provisions for employee benefits

Defined-contribution pensions
Pension liabilities of almost all Dutch business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). There is a state pension plan for employees in Germany; contributions are collected with the social security charges on the employee's salary. A limited number of employees have individual plans insured with various insurance companies.

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS, the ABP and PMT plans are classified as multi-employer defined-contribution plans. A defined-contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further claim by or liability to that employee. Liabilities in respect of contributions to pension and related plans on the basis of available contributions are recognised as an expense in the income statement in the period to which they relate.

The amount of the pension in the Netherlands depends on age, salary and years of service. Employees may opt to retire earlier or (with the Group's agreement) later than the state retirement age, in which case their pension is adjusted accordingly. At ABP this is between 60 and the state retirement age plus 5 years and at PMT between 5 years before and 5 years after the state retirement age.

Defined-benefit plans
Defined-benefit plans are obligations to pay out future pension entitlements. The defined-benefit entitlements depend on age, years of service and salary. The liabilities under defined-benefit plans are calculated actuarially for each plan separately. This applies mainly for the pensions plans in Belgium, which are classified as defined-benefit plans since the employer has issued a certain guarantee on returns.

Liabilities for defined-benefit plans are based on the actuarial present value of the liability determined using the projected unit credit method that is based on a straight-line accrual of rights using projected salaries and takes into account aspects such as future salary increases and inflation. The net liabilities are determined as the net amount of the actuarial present value of the liabilities and the fair value of the fund assets according to actuarial reports. Service charges and net interest are included in employee benefits. Gains and losses on settlement of a defined-benefit plan are taken and recognised in the result at the time of settlement. Actuarial gains and losses on the revaluation of a net pension liability are recognised in the statement of comprehensive income.

Other provisions for employee benefits
A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated actuarially at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

2.20 Other provisions

A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain size or that will occur at an uncertain future date, and where its settlement will probably lead to outgoings of an economic nature.

Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market valuation of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

Decommissioning
A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. No decommissioning provision is formed if there is only a remote likelihood of an outflow of resources under the obligation. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. If a subsequent assessment shows that the present value of the estimated decommissioning and restoration costs differs considerably from the provision, the difference is settled as an addition or release against the cost of the asset concerned. The adjusted cost is then depreciated over the remaining useful life of that asset. Interest is added regularly to the decommissioning provision.

Onerous contracts
A provision for onerous contracts is recognised when it is probable that the unavoidable costs of meeting the contractual obligations exceed the economic benefits to be derived from the contract.

Restructuring
A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

2.21 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value of the consideration received less the directly attributable transaction costs (including any premium/discount). Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

2.22 Trade creditors and other payables

Trade creditors and other payables are recognised at fair value and subsequently at amortised cost. Payables with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, the carrying amount of trade and other payables at the reporting date is equal to their fair value.

Contributions received from district heating customers for connection costs are part of the contract liabilities.

Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

3. Revenues from energy sales and energy-related activities

The tables below show revenues from energy sales and energy-related activities broken down by type of product and geographical market.

	2020	2019
Electricity	2,548	2,457
Gas	1,165	1,430
District heat	279	298
Energy-related activities	98	86
Total	**4,090**	**4,271**

Electricity revenue in 2020 included €125 million (2019: €115 million) of government grants. See note 11 'Government grants' for more information.

Each year, the Group settles prior year revenues with its customers. In 2020, revenue of €10 million that related to earlier years of supply was recognised (2019: €26 million).

	2020	2019
Netherlands	2,555	2,893
Belgium	551	627
Germany	932	669
United Kingdom	51	82
Other	1	-
Total	**4,090**	**4,271**

Revenue for 2020 included transmission charges of some €266 million (2019: €205 million) invoiced on behalf of grid operators and some €373 million (2019: €261 million) of environmental and other levies and taxes, both from operations in Germany as, under local regulations, Eneco is acting as principal for these items.

4. Other revenues

Other revenues include the recharge of costs, sales of CO_2 rights, settlement of claims and the release of contributions to connection charges.

5. Employee benefits

	2020	2019
Wages and salaries	176	199
Social security contributions	25	23
Pension contributions	19	18
Other employee benefits	19	20
Total	**239**	**260**

Total employee benefits were €263 million (2019: €281 million). €16 million (2019: €13 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €8 million (2019: €8 million) have been recognised as part of Purchases of energy and energy-related activities.

Headcount

The table below shows average headcount during the year expressed in full-time equivalents (FTE):

	2020	2019
Average		
FTEs employed	2,819	2,775
of whom, working outside the Netherlands	769	766
At 31 December		
FTEs employed	2,835	2,802

6. Remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board

The following arrangements were in place between 1 January and the date of the share transfer on 24 March 2020:

The remuneration policy in force in 2019 was applied unchanged in this period in 2020. The remuneration of the members of the Management Board[1] other than Mr Sondag consisted of a fixed salary and short-term variable remuneration. Mr Sondag received only a fixed salary. If certain targets were achieved ('on-target'), the variable salary amounted to 20% of the salary including the holiday allowance. As in 2019, the variable remuneration of the members of the Management Board in the period to 24 March 2020 was dependent on performance criteria. The main criteria for the variable remuneration were largely in line with Eneco's strategic themes.

Mr Sondag stepped down as chairman of the Management Board with effect from 25 March 2020. Mr Sondag had a fixed-term contract of employment that was entered into for four years (with a period of notice of six months for the company N.V. Eneco Beheer) and it was terminated on 1 October 2020.

The following arrangements have been in place since the share transfer:

The remuneration policy for the Management Board as proposed by the Supervisory Board was approved at the General Meeting of Shareholders of Eneco Groep N.V. on 29 May 2020 and has been applied by the Group since 24 March 2020. The remuneration of the Management Board is

1 Members of the Management Board and Supervisory Board are regarded as key management personnel pursuant to IAS 24 'Related Party Disclosures'.

determined by the Supervisory Board on the recommendation of the Remuneration, Selection and Appointments Committee.

In addition to a fixed salary, the policy provides for variable remuneration consisting of a short-term incentive (STI) and a long-term incentive (LTI).[1] The short-term variable remuneration (twelve months from 1 April 2020) is granted on the basis of targets set each year by the Supervisory Board for the financial result (EBITDA, with a weight of 60%) and for customer satisfaction and employee engagement (each with a weight of 20%). On-target short-term variable remuneration is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%.

The grant of long-term variable remuneration is fully dependent on the improvement of the financial result (EBITDA) over a period of three years starting on 1 April 2020. On-target long-term variable remuneration is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%. The level of achievement is assessed at the end of the relevant three-year period.

The pension entitlements of the members of the Management Board have been placed with Eneco's standard pension plan. Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to an indexed maximum gross annual salary of €110,111 (2020). As a result, the contribution to pensions for the part of the gross salary in excess of €110,111 (2020) is presented in the Other pension compensation column in the Remuneration of the Management Board table below.

The current employment contracts with the members of the Management Board are for an unlimited time with a period of notice of four months for the company (N.V. Eneco Beheer) and two months for the members of the Management Board. The members of the Management Board have been appointed for a period of four years. The members of the Management Board are entitled to a payment of 12 months salary including the holiday allowance if the employment agreement is terminated by or at the initiative of the company.

Mr Dubbeld (CFO) stepped down as CFO with effect from 1 February 2021.

1 Short and long-term variable remuneration applies to the period 1 April to 31 March, in line with the financial year of the new shareholder.

Total remuneration was as follows:

Remuneration of the Management Board[1] x €1,000	Gross salary	Variable remuneration to 24 March 2020	Variable remuneration (STI) from 24 March 2020[2]	Variable remuneration (LTI) from 24 March 2020[3]	Pension contributions	Other pension compensation	Other[4,5]	Total 2020
L.M. Sondag[6]	129	-	-	-	10	14	343	496
A.C. Tempelman[7]	303	-	90	30	18	36	-	477
C.J. Rameau	434	24	98	33	35	46	-	670
G.A.J. Dubbeld	434	24	98	33	35	46	460	1,130
F.C.W. van de Noort	410	20	98	33	31	43	-	635
J.A.F.M. Peters[8]	343	-	98	33	21	36	-	531
H. Sakuma[9]	346	-	98	33	24	36	-	537
Total	**2,399**	**68**	**580**	**195**	**174**	**257**	**803**	**4,476**

1 'Gross salary', 'variable remuneration' and 'variable remuneration (STI)' meet the definition of short-term employee benefits in IAS 19 'Employee Benefits' and IAS 24 'Related Party Disclosures'. 'Variable remuneration (LTI)' is covered by the definition of other long-term employee benefits in both IFRS standards. 'Pension contributions' and 'other pension compensation' are in line with the definition of post-employment benefits. The remuneration in the 'Other' column is in line with the definition of termination benefits in IAS 19 and IAS 24.
2 This amount has been calculated assuming on-target achievement of the financial and non-financial targets after the one-year period. The amount of short-term variable remuneration for 2020 is an estimate based on nine months (1 April - 31 December).
3 This amount has been calculated assuming on-target achievement of the financial targets after the three-year period. The amount of long-term variable remuneration for 2020 is an estimate based on nine months (1 April - 31 December).
4 Mr Sondag: continued payment of salary for the period 25 March – 1 October 2020 (the notice period of six months for the company under the contract of employment) during which Mr Sondag was not required to work.
5 Mr Dubbeld: this is the compensation at the end of employment (1 April 2021) as contractually agreed.
6 Salary to 24 March 2020.
7 Mr Tempelman was appointed with effect from 1 July 2020.
8 Mr Peters was appointed with effect from 24 March 2020.
9 Mr Sakuma was appointed with effect from 24 March 2020.

x €1,000	Gross salary	Variable remuneration	Pension contributions	Other	Total 2019
L.M. Sondag	558	N/A	32	60	650
C.J. Rameau	395	85	28	40	548
G.A.J. Dubbeld	395	100	28	40	563
F.C.W. van de Noort	332	78	25	30	465
Total	**1,680**	**263**	**113**	**170**	**2,226**

Remuneration of the Supervisory Board

The following arrangements were in place between 1 January and the date of the share transfer on 24 March 2020:
Until 24 March 2020, the remuneration of the chairman of the Supervisory Board was €36,500 per year. On 26 July 2018, the Enterprise Chamber of the Amsterdam Court of Appeal appointed Ms C.M. (Charlotte) Insinger as temporary Chair of the Supervisory Board of Eneco. Further to this, it was agreed that she would bill per hour up to a maximum sum of one-and-a-half times the remuneration for the chairman of the Supervisory Board set out above (amount excluding VAT but including the fixed expense allowance and remuneration for membership of committees). Her appointment by the Enterprise Chamber of the Amsterdam Court of Appeal was terminated on 24 March 2020.

The other members of the Supervisory Board each received an annual remuneration of €28,700. The members of the Audit Committee and the Remuneration, Selection and Appointments Committee received additional annual fees of €5,200 and €3,150 respectively. Each member of the Supervisory Board received a fixed expense allowance of €1,150 per year.

The following arrangements have been in place since the share transfer:
The General Meeting of Shareholders adopted a new remuneration policy for the Supervisory Board with effect from 24 March 2020.

The remuneration of the chair of the Supervisory Board is €80,000 per year. The other members of the Supervisory Board each receive an annual fee of €60,000. The chairman and members of the Audit Committee receive additional annual fees of €10,000 and €7,500 respectively. The chairman and members of the Remuneration, Selection and Appointments Committee receive additional annual fees of €8,500 and €6,500 respectively. Each member of the Supervisory Board receives a fixed expense allowance of €1,150 per year.

Total remuneration was as follows:

To 24 March 2020		Committees			
x €1	Remuneration	Audit committee	Remuneration / selection and appointments committee	Expenses	Total to 24 March 2020
C.M. Insinger, chairman	13,688	-	-	-	13,688
M.B.A. Keim	6,617	1,199	-	265	8,081
R. Zandbergen	6,617	1,199	-	265	8,081
A. Nicolaï	6,617	-	726	265	7,608
M. Enthoven	6,617	1,199	-	265	8,081
E.Ph. Goudswaard	6,617	-	726	265	7,608
Total	**46,773**	**3,597**	**1,452**	**1,325**	**53,147**

From 24 March 2020		Committees			
x €1	Remuneration	Audit committee	Remuneration / selection and appointments committee	Expenses	Total from 24 March 2020
J.M. Kroon, chairman	61,556	5,771	5,001	885	73,213
M. Enthoven	46,167	7,694	6,540	885	61,286
M.B.A. Keim[1]	31,167	-	3,376	597	35,140
K. Nakanishi[2]	-	-	-	-	-
Y. Kashiwagi[2]	-	-	-	-	-
H. Sato[2]	-	-	-	-	-
T. Shiozawa[2]	-	-	-	-	-
J.M. Roobeek[3]	15,000	-	1,625	288	16,913
Total	**153,890**	**13,465**	**16,542**	**2,655**	**186,552**

1 Mr Keim stepped down as a supervisory director by agreement on 1 October.
2 Mr Nakanishi, Mr Kashiwagi, Mr Sato and Mr Shiozawa have voluntarily waived their remuneration entitlements.
3 Ms. Roobeek was appointed as a supervisory director on 1 October.

2019		Committees			
x €1	Remuneration	Audit committee	Remuneration / selection and appointments committee	Expenses	Total 2019
C.M. Insinger, chairman	54,750	-	-	-	54,750
F.J. Leeflang	28,700	-	3,150	1,150	33,000
M.B.A. Keim	28,700	5,200	-	1,150	35,050
R. Zandbergen	28,700	5,200	-	1,150	35,050
A. Nicolaï	28,700	-	3,150	1,150	33,000
M. Enthoven	28,700	5,200	-	1,150	35,050
E.Ph. Goudswaard	28,700	-	3,150	1,150	33,000
Total	**226,950**	**15,600**	**9,450**	**6,900**	**258,900**

7. Share of profit of associates and joint ventures

The associates and joint ventures are included in the 'List of principal subsidiaries, joint operations, joint ventures and associates' in these financial statements.

	2020	2019
Share in net profit	13	9
(Reversal) Impairment	1	-9
Total	**14**	**-**

8. Financial income

Financial income mainly concerned interest income on a loan to a joint venture relating to the financing of an off-shore wind farm which was repaid in June and September 2020.

9. Financial expenses

	2020	2019
Interest expenses[1]	11	12
Interest added to provisions and lease liabilities[1]	5	6
Other	5	6
Total	**21**	**24**

1 2019 amounts restated for comparative purposes.

See note 27 'Interest-bearing debt' for the average interest rate on the debt.

10. Income tax on the result

The table below shows the tax on the result:

	2020	2019
Current tax expense	37	52
Movements in deferred taxes	10	-15
Income tax	**47**	**37**

Eneco Groep N.V. is an autonomous taxpayer for corporate income tax purposes. In addition, the sole subsidiary, N.V. Eneco Beheer, heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries.

On 15 December 2020 the Dutch Senate approved the 2021 Tax Plan, which reverses the reduction in corporate income tax rate previously decided (from 25% to 21.7% as from 2021). Eneco has incorporated the effect of this reversal in the measurement of its deferred tax assets and liabilities to the extent that they relate to entities subject to Dutch corporate income tax (in accordance with the provisions of IAS 12 ‘Income Taxes’). The decision not to reduce the income tax rate in the Netherlands as from 2021 has led to a net increase of €22 million in deferred tax assets and liabilities. This has been recognised in the result for 2020 (deferred tax charge) and shown as 'Movements in deferred taxes (effect rate change)' in the table above and as part of 'Income tax' in the income statement.

An income tax reduction (from 19% to 17%) previously decided in the United Kingdom has been reversed in 2020. This has led to a net increase of €1 million in deferred tax assets and liabilities. This amount has also been recognised in the result for 2020 (deferred tax charge).

The corporate income tax rates for Belgium and Germany were not adjusted in 2020 and are 25% respectively 32.28%.

Including prior year adjustments of €0 million (2019: €4 million), current income tax charges were €37 million (2019: €52 million). The deferred tax expenses of €10 million in the table above (2019: deferred tax benefit of €15 million) includes a release of €3 million from the Energy Investment Allowance to be amortised (2019: €3 million) and a net deferred tax loss of €3 million (2019: gain of €6 million) for adjustments to deferred taxes in respect of prior years.

The table below shows the effective income tax burden expressed as a percentage of the profit before income tax and the equivalent amount of income tax:

		2020		2019
Profit before income tax		**165**		**117**
Nominal tax rate (in the Netherlands)	25.0%	41	25.0%	29
Effect of:				
- Participation exemption	-2.9%	-5	4.6%	5
- Non tax-deductible expenses	2.2%	4	2.6%	3
- Tax incentives	-2.0%	-3	-2.7%	-3
- Movement in deferred taxes (effect rate change)	14.1%	23	6.7%	8
- Movement in deferred taxes (other)	-2.5%	-4	-2.0%	-2
- Adjustment of prior years results (current and deferred taxes)	1.8%	3	-1.8%	-2
- Investment allowances and foreign loss relief	-3.2%	-5	0.0%	0
- Tax effect of different foreign tax rates	-1.2%	-2	-1.1%	-1
- Tax-exempt income and other	-2.7%	-5	0.3%	0
Effective tax rate	**28.6%**	**47**	**31.6%**	**37**

11. Government grants

Government grants recognised in the result were as follows:

	2020	2019
Energy Investment Allowance (EIA scheme)	3	3
Stimulation Sustainable Energy Production (SDE scheme)	125	115
Total	**128**	**118**

Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

12. Property, plant and equipment – owned assets

	Land and buildings	Machinery and equipment	Other operating assets	Assets under construction	Total
Cost					
At 1 January 2019	**79**	**3,882**	**45**	**227**	**4,233**
Investments	-	53	2	292	347
Acquisitions	-	6	-	-	6
Disposals	-	-9	-2	-9	-20
Reclassification from / to assets held for sale	-	-2	-		-2
Change in interest rate percentage for decommissioning provision	-	16	-	-	16
Reclassification other	-	134	-	-183	-49
Translation differences	-	19	-	1	20
At 31 December 2019	**79**	**4,099**	**45**	**328**	**4,551**
Investments	-	20	1	347	368
Acquisitions	-	15	-	-	15
Disposals	-	-47	-1	-26	-74
Reclassification from / to assets held for sale	-1	3	-	-	2
Change in interest rate percentage for decommissioning provision	-	-9	-	-	-9
Reclassification other	4	433	-	-430	7
Translation differences	-	-20	-	-1	-21
At 31 December 2020	**82**	**4,494**	**45**	**218**	**4,839**
Accumulated depreciation and impairment					
At 1 January 2019	**21**	**1,656**	**33**	**28**	**1,738**
Annual depreciation and impairment	3	191	4	-	198
Acquisitions	-	3	-	-	3
Disposals	-	-2	-2	-	-4
Reclassification from / to assets held for sale	-	-2	-	-	-2
Reclassification other	-	-13	-	-	-13
Translation differences	-	4	-	1	5
At 31 December 2019	**24**	**1,837**	**35**	**29**	**1,925**
Annual depreciation and impairment	3	193	4	-	200
Acquisitions	-	13	-	-	13
Disposals	-	-42	-1	-22	-65
Reclassification from / to assets held for sale	-	4	-	-	4
Reclassification other	-	-1	-	-	-1
Translation differences	-	-5	-	-1	-6
At 31 December 2020	**27**	**1,999**	**38**	**6**	**2,070**
Carrying amount					
At 1 January 2019	58	2,226	12	199	2,495
At 31 December 2019	55	2,262	10	299	2,626
At 31 December 2020	**55**	**2,495**	**7**	**212**	**2,769**

Capitalised interest
During the reporting period, attributable interest capitalised for property, plant and equipment was €6 million (2019: €3 million). The capitalisation rate of interest was 1.0% in 2020 (2019: 1.4%).

Assets under construction
Assets under construction consist mainly of solar farms, onshore and offshore wind farms and investments in district heating networks.

Leases – property, plant and equipment leased by Eneco ('lessor')
Equipment and energy installations (such as domestic water heaters and solar panels) leased to customers remain the property of the Group. The lease terms cover both making the equipment available to users and the maintenance costs. Lease revenues of €21 million (2019: €21 million) have been recognised through the income statement.

13. Property, plant and equipment – right-of-use assets and lease liabilities

The classification and movements in the rights-of-use for the lease assets were as follows:

	Land and buildings	Machinery and equipment	Other operating assets	Total
Cost				
At 1 January 2019	**212**	**-**	**8**	**220**
Additions	7	-	1	8
Revaluation	2	-	4	6
Reclassification other	-	57	-	57
Translation differences	-	-	-	-
At 31 December 2019	**221**	**57**	**13**	**291**
Additions	8	-	-	8
Revaluation	6	-	3	9
Translation differences	-2	-	-	-2
At 31 December 2020	**233**	**57**	**16**	**306**
Accumulated depreciation and impairment				
At 1 January 2019	**-**	**-**	**-**	**-**
Annual depreciation and impairment	19	-	3	22
Reclassification other	-	22	-	22
Translation differences	-	-	-	-
At 31 December 2019	**19**	**22**	**3**	**44**
Annual depreciation and impairment	20	3	4	27
Translation differences	-	-	-	-
At 31 December 2020	**39**	**25**	**7**	**71**
Carrying amount				
At 1 January 2019	212	-	8	220
At 31 December 2019	202	35	10	247
At 31 December 2020	**194**	**32**	**9**	**235**

Movements in lease liabilities were as follows:

	2020	2019
At 1 January	**241**	**225**
New leases	8	10
Lease payments	-31	-29
Interest added to lease liabilities (financial expenses)	4	4
Changes of contract period, indexation	9	6
Translation differences	-3	-
Reclassifications	-2	25
At 31 December	**229**	**241**
Classification at 31 December		
Current	26	26
Non-current	203	215
At 31 December	**229**	**241**

Eneco's leasing activities as lessee

The Group rents or leases assets such as land for wind and solar farms, roofs of commercial buildings for solar panels, solar panel equipment, offices, warehouses, ICT and other equipment and company cars. Leases are usually entered into for fixed periods ranging from 1 to 37 years but may include extension and termination options. Rental periods are negotiated individually and contain a wide range of terms and conditions. No leases impose covenants but lease assets may not be used as collateral for financing purposes.

Amounts for leases recognised in the income statement

	2020	2019
Depreciation charge for right-of-use assets	27	22
Interest added to lease liabilities	4	4
Other lease costs[1]	2	2

1 This concerns the costs for 'short-term leases', costs of 'low value leases' not included in 'short-term leases' and costs relating to variable lease payments that are not included in the lease liabilities.

Amounts for leases recognised in the cash flow statement

Total lease payments in 2020 were €33 million (lease repayments of €27 million, interest of €4 million and other lease costs of €2 million), 2019 €31 million (lease repayments of €25 million, interest of €4 million and other lease costs of €2 million). See also the 'Notes to the consolidated cash flow statement'.

Variable lease payments

Eneco has a number of leases containing arrangements on variable lease payments (that do not depend on an index or a rate). These relate in particular to leases for land for the wind farm activities in the United Kingdom. These variable components depend in particular on the amount of electricity generated.

Other possible lease payments and liabilities

Any possible future lease payments resulting from renewal or termination options in leases, residual value guarantees and/or leases which have been entered into but are not yet in force, are not material in the context of these financial statements or are not applicable to Eneco. Leases do not otherwise include any special arrangements involving restrictions or covenants that could lead to a restriction on the use of the lease assets. No 'sale-and-lease-back' transactions have been entered into.

14. Intangible assets

	Goodwill	Customer databases	Licences and software	Concessions, permits, trade names and other rights	Development costs	Total
Cost						
At 1 January 2019	**525**	**588**	**121**	**177**	**9**	**1,420**
Investments	-	2	15	-	1	18
Acquisitions	10	4	3	1	7	25
Disposals	-	-	-2	-	-	-2
Translation differences	-	-	-	1	-	1
Reclassification other	2	-	1	-	-	3
At 31 December 2019	**537**	**594**	**138**	**179**	**17**	**1,465**
Investments	-	2	29	-	2	33
Acquisitions	-	175	-	-	-	175
Disposals	-	-2	-6	-4	-	-12
Translation differences	-	-	-	-	-	-
Reclassification other	-	4	-1	-	-2	1
At 31 December 2020	**537**	**773**	**160**	**175**	**17**	**1,662**
Accumulated amortisation and impairment						
At 1 January 2019	**-**	**231**	**74**	**38**	**3**	**346**
Annual amortisation and impairment	-	49	18	7	2	76
Disposals	-	-	-2	-	-	-2
At 31 December 2019	**-**	**280**	**90**	**45**	**5**	**420**
Annual amortisation and impairment	-	60	24	8	2	94
Disposals	-	-1	-6	-	-	-7
At 31 December 2020	**-**	**339**	**108**	**53**	**7**	**507**
Carrying amount						
At 1 January 2019	525	357	47	139	6	1,074
At 31 December 2019	537	314	48	134	12	1,045
At 31 December 2020	**537**	**434**	**52**	**122**	**10**	**1,155**

Goodwill

Goodwill was €537 million at 31 December 2020 (31 December 2019: €537 million) and consisted mainly of €148 million of goodwill relating to the group of cash-generating units in the Netherlands, €213 million relating to the group of cash-generating units in Belgium and €159 million relating to the group of cash-generating units in Germany.

An impairment analysis was performed on this goodwill which showed that the recoverable amount of each group of cash-generating units (determined by the value in use) was higher than their carrying amount.

The following assumptions were used to establish the value in use:

- the value in use of the cash-generating units was based on expected future cash flows for five years as in the Group's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the assets of these cash-generating units, which is generally longer than the five-year period;
- long-term growth of 1.0% was taken into account;

- these expected future cash flows are based on the Financial Strategic Plan 2021–2025, which, where applicable, incorporates revised budgets, forecasts and other assumptions from an earlier impairment testing date that were used to determine the recoverable amount of the cash-generating units; and

- the pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 4.5% - 6.5% (in 2019: 3.3% - 5.4% for all cash-generating units). These discount rates are based on the weighted average cost of capital (WACC) calculated using parameters derived from data from a peer group and market information.

The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the five-year plan and the average useful life of the assets. Of these factors, the discount rate is the most sensitive and an increase of 0.5 percentage points would reduce the value in use of the total cash-generating units by some €0.3 billion but would not lead to impairment for any of the cash-generating units.

Customer databases
Customer databases relate to REMU (acquired in 2003), Dong Energy Sales (acquired in 2014), LichtBlick and Eni (acquired in 2017) and E.ON Benelux Levering (acquired in 2018). The customer databases of Robin Energie and the customer databases and charging points of several companies with electric vehicle activities were acquired in 2019. In 2020 Eneco acquired customer contracts from E.ON Energie in Germany (see note 15 'Business combinations and other changes in the consolidation structure').

Concessions, permits, trade names and other rights
Concessions, permits, trade names and other rights consist mainly of the capitalised trade name of LichtBlick and permits granted for existing wind farms in Belgium and the United Kingdom.

Current intangible assets and inventories
'Intangible assets and inventories' were €153 million at 31 December 2020 (2019: €158 million), €129 million of which (2019: €130 million) related to green certificates and emission rights and the remainder to other inventories.

15. Business combinations and other changes in the consolidation structure

On 28 April 2020 LichtBlick SE acquired 100% of the issued share capital of two legal entities E.ON Heizstrom Nord GmbH and E.ON Heizstrom Süd GmbH from E.ON Energie Deutschland GmbH. These companies' activities include the retail supply of energy, in particular electricity for heating purposes and related household use, the purchase and sale of electrical energy for their own account and/or for the account of others and the provision of all related services, in particular in the area of customer service for electricity customers. 260,000 electric heating customers with a total of 355,000 electricity supply contracts were transferred to LichtBlick. The transaction is a requirement of the European Commission in connection with E.ON's acquisition of the German energy company Innogy.

The acquisition has been accounted for as an 'asset acquisition' and is not considered a 'business combination' under IFRS 3 'Business Combinations' because the acquired entities/customer contracts do not meet the IFRS definition of a 'business'. The rounded total purchase price was €0.2 billion and related mainly to the acquired customer contracts recognised as intangible assets. As a consequence no new goodwill has been recognised in the balance sheet at 31 December 2020.

On 1 October 2020 Eneco acquired the remaining 50% shares in the EnspireME joint venture which owns a large battery for energy storage. Eneco has developed this Battery Energy Storage

System (BESS) in co-operation with Mitsubishi Corporation (MC). The system, which is located in Germany, helps keep the power grid in balance by supplying spare capacity. The related trading activities have also been taken over from MC through the Enspire Management B.V. joint venture. This transaction qualifies as a related party transaction under IAS 24 'Related party disclosures'. The purchase price is not material to disclose in these financial statements.

16. Associates and joint ventures

The Group participates with one or more parties in businesses in the form of associates or joint ventures to perform shared operations.

The carrying amount of the associates and joint ventures was:

		At 31 December 2020	At 31 December 2019
Interest in Greenchoice (30%)	Associate	58	60
Interest in Norther wind farm (25%)	Joint venture	15	15
Other associates		25	33
Other joint ventures		11	3
Total		**109**	**111**

Eneco's investment in Thermondo GmbH (included in 'Other associates') was reclassified as 'Assets held for sale' at 31 December 2020.

The table below summarises the financial data of the interests in Greenchoice and the Norther wind farm, which are material to the Group. The figures were drawn from their most recent published financial information (Greenchoice) or available internal information (Norther). Where necessary, they have been restated for differences between their accounting policies and IFRS. The table also shows a reconciliation between the summary financial information for each investment and the carrying amount of Eneco's interest in it.

Greenchoice

Balance sheet information (based on most recent available information)	At 31 December 2019	At 31 December 2018
Non-current assets	162	141
Current assets	241	234
Non-current liabilities	80	61
Current liabilities	204	189
Net assets (100%)	**119**	**125**
Eneco's share of net assets	36	38
Carrying amount of interest in Greenchoice (incl. acquired goodwill)	**58**	**60**

Profit or loss information (based on most recent available information)	2019	2018
Revenues (100%)	569	437
Profit after income tax (100%)	7	3
Total other comprehensive income (100%)	-	-
Total comprehensive income (100%)	7	3
Group's share of comprehensive income (30%)	**2**	**1**

Northern

Balance sheet information	At 31 December 2020[1]	At 31 December 2019
Non-current assets	1,000	993
Current assets	168	152
- of which cash and cash equivalents	127	111
Non-current liabilities	990	959
- of which non-current financial liabilities (excluding trade creditors, other obligations and provisions	945	908
Current liabilities	120	125
- of which current financial liabilities (excl. trade creditors, other liabilities and provisions)	60	105
Net assets (100%)	**58**	**61**
Eneco's share of net assets	15	15
Carrying amount of interest in Norther	**15**	**15**

1 By applying IFRS 10.B93, the November figures are included (one month delay).

Profit or loss information	2020	2019
Revenues (100%)	178	105
Depreciation, amortisation and impairment (100%)	47	27
Financial income (100%)	-	-
Financial expenses (100%)	30	20
Tax charge or gain (100%)	20	24
Profit after income tax (100%)	55	51
Total other comprehensive income (100%)	-17	-27
Total comprehensive income (100%)	38	25
Group's share of profit after income tax and total comprehensive income (25%)	**9**	**6**

Total comprehensive income (the Group's share) for the other associates was €2 million negative (2019: €4 million negative) and for the other interests in joint ventures €2 million positive (2019: €10 million negative including impairment of €8 million).

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Property, plant and equipment	-	-	156	148
Intangible fixed assets	17	21	108	115
Cash flow hedges	16	12	5	6
Loss carry forwards	16	23	-	-
Losses at non-resident participating interests	-	-	12	11
Provisions	7	8	-	-
Effect of previously adopted IFRS standards[1]	3	-	6	5
Tax liabilities (assets) before set-off	**59**	**64**	**287**	**285**
Set-off of tax	-39	-34	-39	-34
Total	**20**	**30**	**248**	**251**

1 This concerns deferred taxes on trade receivables and other receivables (IFRS 9), revenue recognition - contract acquisition costs (IFRS 15) and rights of use of leased assets and lease obligations (IFRS 16).

Deferred tax assets and liabilities related to cash flow hedges have been recognised through equity. The losses at non-resident permanent establishments are a result of losses offset in the Netherlands before 2012 from a non-resident permanent establishment which would be included in the taxable result in the Netherlands (claw-back) if and to the extent that the permanent establishment makes profits.

Movements in deferred taxes during 2020 were as follows:

	Net balance at 1 January 2020	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2020	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-148	-13	-	5	-156	-	-156
Intangible fixed assets	-94	7	-	-4	-91	17	-108
Cash flow hedges	6	-	5	-	11	16	-5
Loss carry forwards	23	-7	-	-	16	16	-
Losses at non-resident participating interests	-11	-	-	-1	-12	-	-12
Provisions	8	-1	-	-	7	7	-
Effect of previously adopted IFRS standards	-5	1	-	1	-3	3	-6
Tax liabilities (assets) before set-off	**-221**	**-13**	**5**	**1**	**-228**	**59**	**-287**
Set-off of tax						-39	39
Total	**-221**					**20**	**-248**

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

Movements in deferred taxes during 2019 were as follows:

	Net balance at 1 January 2019	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2019	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-144	-3	-	-1	-148	-	-148
Intangible fixed assets	-102	12	-	-4	-94	21	-115
Cash flow hedges	-1	-	8	-1	6	12	-6
Loss carry forwards	22	-	-	1	23	23	-
Losses at non-resident participating interests	-12	-	-	1	-11	-	-11
Provisions	5	3	-	-	8	8	-
Effect of previously adopted IFRS standards	-5	-	-	-	-5	-	-5
Tax liabilities (assets) before set-off	**-237**	**12**	**8**	**-4**	**-221**	**64**	**-285**
Set-off of tax						-34	34
Total						**30**	**-251**

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2020:

Expiry periods for differences available for relief	In years
Property, plant and equipment	1 - 45
Intangible fixed assets	1 - 20
Cash flow hedges	1 - 20
Losses available for relief	1 - 10
Provisions	1 - 10
Right-of-use assets and lease liabilities (IFRS 16)	1 - 20

No deferred tax asset has been recognised on pre-consolidation and other losses (including tax facilities not yet used) of €12 million (31 December 2019: €14 million) since it is not certain whether sufficient taxable profits will be available in the future at the companies and permanent establishment which are not members of the fiscal unity. The tax regulations in the relevant jurisdiction state that €4 million (2019: €8 million) of these losses can be carried forward indefinitely and €8 million (2019: €6 million) for between one and seven years.

18. Derivative financial instruments

18.1 Financial instruments of the Group

The table below shows the fair value of the derivative financial instruments:

Financial assets	At 31 December 2020	At 31 December 2019
Currency swap contracts	2	2
Energy commodity contracts	330	334
CO_2 emission rights	9	15
Total	**341**	**351**
Classification		
Current	256	286
Non-current	85	65
Total	**341**	**351**

Financial liabilities	At 31 December 2020	At 31 December 2019
Interest rate swap contracts	38	30
Currency swap contracts	4	4
Energy commodity contracts	385	326
CO_2 emission rights	3	1
Total	**430**	**361**
Classification		
Current	284	276
Non-current	146	85
Total	**430**	**361**

18.2 Financial instruments recognised through the income statement

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised through the income statement:

Financial assets	At 31 December 2020	At 31 December 2019
Currency swap contracts	2	1
Energy commodity contracts	310	299
CO_2 emission rights	9	15
Total	**321**	**315**
Classification		
Current	254	272
Non-current	67	43
Total	**321**	**315**

Financial liabilities	At 31 December 2020	At 31 December 2019
Currency swap contracts	4	–
Energy commodity contracts	327	314
CO_2 emission rights	3	1
Total	**334**	**315**
Classification		
Current	280	267
Non-current	54	48
Total	**334**	**315**

18.3 Financial instruments recognised in equity

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised in equity through the cash flow hedge reserve:

Financial assets	At 31 December 2020	At 31 December 2019
Interest rate swap contracts	–	–
Currency swap contracts	–	1
Energy commodity contracts	20	35
CO_2 emission rights	–	–
Total	**20**	**36**
Classification		
Current	2	14
Non-current	18	22
Total	**20**	**36**

Financial liabilities	At 31 December 2020	At 31 December 2019
Interest rate swap contracts	38	30
Currency swap contracts	–	4
Energy commodity contracts	58	12
CO_2 emission rights	–	–
Total	**96**	**46**
Classification		
Current	4	9
Non-current	92	37
Total	**96**	**46**

These instruments are used in cash flow hedge transactions to hedge interest rate, currency and energy price risks and the currency risks in a net investment in a foreign operation.

18.4 Fair value hierarchy

The hierarchy of derivative financial instruments measured at fair value was as follows:

At 31 December 2020	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	7	323	9	339
Interest rate and currency swap contracts	-	2	-	2
	7	**325**	**9**	**341**
Liabilities				
Energy commodity contracts and CO_2 emission rights	70	274	44	388
Interest rate and currency swap contracts	-	42	-	42
	70	**316**	**44**	**430**

At 31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	75	255	19	349
Interest rate and currency swap contracts	-	2	-	2
	75	**257**	**19**	**351**
Liabilities				
Energy commodity contracts and CO_2 emission rights	2	325	-	327
Interest rate and currency swap contracts	-	34	-	34
	2	**359**	**-**	**361**

The level 3 category of derivative financial instruments is mainly a contract for hedging the market price risk arising from an unsubsidised wind farm under construction. As Eneco has hedged the variable market price against the fixed contract price in this derivative contract, the measurement of the derivative contract has no impact on Eneco's future cash flows or income.

The fair value of the derivative contract is determined using Eneco’s internal valuation models for forecasting energy prices. These models use statistical methods such as linear mathematical programming and include observable information such as quoted market prices (observable for a maximum of 5 years ahead) and market prices from external sources commonly used in the power industry. The models also use significant unobservable inputs such as historical data on wind and solar generation, relationships with historical commodity prices, the electrification of demand and the development of renewable and conventional power assets in Western Europe in relation to climate goals set by governments.

The models present long-term scenarios for power and other prices which differ primarily in their assumptions around the realisation of government climate goals and the way the market responds to this. The fair value of the contract is measured using the expected trends in the power price included in these scenarios taking into account the effect of (1) seasonality (power generated by wind farms depends on weather conditions and is not linear over the year), (2) covariance (the price in periods when wind farms generate more power, e.g. autumn, may be lower because wind conditions are favourable) and (3) the impact of periods with negative prices (negative prices occur when hourly renewable generation exceeds hourly power demand).

The main unobservable input is the Dutch power price for the period 2024 – 2035. The average power price for this period is almost €47 per MWh. A 5% increase or decrease of the Dutch power price (over the whole period) would raise or lower the fair value by approximately €16 million.

Eneco updates the scenarios periodically in line with current market circumstances and/or changes in government policy. The scenarios and their inputs are independently reviewed and approved by Eneco's Commodity Risk Team.

18.5 Cash flow hedges

Movements in the cash flow hedge reserve are presented in note 31.2 'Market risk'.

The cash flow hedging instruments are derivative financial instruments that are subject to net settlement between parties. The table below shows the periods in which the cash outflows from the cash flow hedges are expected to be realised:

	At 31 December 2020	At 31 December 2019
Expected cash flow		
Within 1 year	-5	22
From 1 to 5 years	-8	-5
After 5 years	-29	29
Total	**-42**	**46**

The total cash flow hedges recognised through the income statement in the future are recognised in the Cash flow hedge reserve after deduction of taxes. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

	At 31 December 2020	At 31 December 2019
Expected recognition in result after tax		
Within 1 year	-2	2
From 1 to 5 years	-19	-11
After 5 years	-18	1
Total	**-39**	**-8**

19. Other financial assets

	At 31 December 2020	At 31 December 2019
Loans	4	57
Other capital interests	3	-
Other assets and prepayments	62	35
Contract acquisition costs	28	22
Total	**97**	**114**

See note 22 'Other receivables' for the movements in contract acquisition costs.

20. Assets/liabilities held for sale

The assets classified as held for sale consist mainly of Eneco's 8% share in Thermondo GmbH (€10 million). During the last quarter of 2020 it was decided to sell this associate and to redeem a related loan. This transaction will be finalised during the first half of 2021. As the sale price is higher than the carrying value, no impairment was recognised in 2020.

21. Trade receivables

The table below shows the trade receivables:

	At 31 December 2020	At 31 December 2019
Energy receivables	571	557
Amounts to be invoiced	97	121
Other trade receivables	59	50
Less: Provision for expected credit losses	-69	-73
Total	**658**	**655**

The table below shows the aged analysis of the outstanding receivables:

	At 31 December 2020			At 31 December 2019		
	Percentage for expected credit losses	Nominal receivables	Provision for expected credit losses	Percentage for expected credit losses	Nominal receivables	Provision for expected credit losses
Prior to due date	0%	483	2	0%	498	-
After due date						
- under 3 months	9%	134	12	8%	110	9
- 3 to 6 months	28%	18	5	27%	22	6
- 6 to 12 months	32%	31	10	32%	28	9
- over 12 months	66%	61	40	70%	70	49
Nominal value		**727**	**69**		**728**	**73**
Less: Provision for expected credit losses		-69			-73	
Total		**658**			**655**	

The table below shows the aged analysis of the impaired receivables:

	2020	2019
At 1 January	**73**	**78**
Additions for acquisitions	-	-
Additions through profit or loss	23	19
Withdrawals	-20	-25
Other movements	-7	1
At 31 December	**69**	**73**

22. Other receivables

	At 31 December 2020	At 31 December 2019
Contract acquisition costs	28	26
Prepayments and accrued income	112	120
Margin calls	-	9
Other receivables	15	7
Total	**155**	**162**

The movements in contract acquisition costs were as follows:

	2020	2019
At 1 January	**48**	**49**
Reclassification	-	-4
Acquisitions	4	-
Capitalisation	41	43
Amortisation[1]	-37	-40
At 31 December	**56**	**48**
Classification at 31 December		
Current	28	26
Non-current (see note 19)	28	22
Total	**56**	**48**

1 including €13 million impairment of capitalised contract acquisition costs in 2019.

Amortisation of contract acquisition costs has been recognised in the result for €37 million in 'Purchases of energy and energy related activities' (2019: €40 million).

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €557 million at 31 December 2020 (31 December 2019: €537 million). Term deposits and blocked accounts, which are not at the free disposal of the Group, were €61 million at 31 December 2020 (31 December 2019: €58 million).

24. Equity

	At 31 December 2020	At 31 December 2019
Share capital	-	-
Share premium	2,781	2,781
Translation reserve	-13	-4
Cash flow hedge reserve	-52	-21
Retained earnings	109	97
Undistributed result for the financial year	117	79
Equity attributable to Eneco Groep N.V. shareholder(s)	**2,942**	**2,932**
Non-controlling interests	6	5
Total equity	**2,948**	**2,937**

Share capital

Eneco Groep N.V.'s authorised share capital is €0.2 million divided into 20 million shares with a nominal value of €0.01 each. At 31 December 2020, 4,970,978 shares had been issued and fully paid. There were no changes in 2020. Eneco Groep N.V. has only issued ordinary shares.

Share premium

As part of the unbundling of Eneco into an energy company and a network company, there was an informal capital contribution on 30 January 2017 in which the then Eneco Holding N.V. (now Stedin Holding N.V.) contributed the entire issued share capital of N.V. Eneco Beheer to Eneco Groep N.V., which had been incorporated on 12 December 2016, with a total sum of

€2,819 million. This amount was equal to the carrying amount of N.V. Eneco Beheer's equity attributable to the then shareholder at 30 January 2017. This resulted in the payment of share premium of €2,781 million.

Translation reserve

Assets and liabilities of foreign group companies denominated in foreign currency and foreign currency funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholders.

The Group applies net investment hedge accounting to limit the translation gains and losses on its UK operations in the translation reserve and the income statement. The foreign currency exchange differences on the sterling loan has an opposite effect to the foreign currency exchange differences on the UK operations. Both the foreign currency exchange differences on the UK operations and the sterling loan are recognised through the translation reserve.

Cash flow hedge reserve

The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, the Group meets the conditions for cash flow hedge accounting. The cash flow hedging instruments are mainly energy, forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders. Section 31.2 'Market risk' in note 31 'Financial risk management' provides further information on cash flow hedging, including a statement of the movements in this reserve.

Non-controlling interests

These are third-party shares in the equity of subsidiaries of which the Group is not the sole shareholder.

25. Provisions for employee benefits

	Long-service benefits	Other	Total
Classification at 1 January 2019			
Current	1	6	7
Non-current	8	1	9
At 1 January 2019	**9**	**7**	**16**
Addition	-	4	4
Withdrawals	-2	-3	-5
Reclassification	-	2	2
Release	-	-2	-2
Other	-	-	-
At 31 December 2019	**7**	**8**	**15**
Classification at 31 December 2019			
Current	1	6	7
Non-current	6	2	8
At 1 January 2020	**7**	**8**	**15**
Addition	1	3	4
Withdrawals	-1	-3	-4
Reclassification	-	1	1
Release	-	-3	-3
Other	-1	-	-1
At 31 December 2020	**6**	**6**	**12**
Classification at 31 December 2020			
Current	-	5	5
Non-current	6	1	7
At 31 December 2020	**6**	**6**	**12**

Long-service benefits and pension liabilities

This provision covers the obligation to pay amounts to employees achieving a certain number of years of employment and on retirement.

There are some defined-benefit pension plans but as the net liability (liabilities for pension commitments less the plan assets) is not material, at some €4 million (31 December 2019: €4 million), no disclosures for defined-benefit plans pursuant to IAS 19 ‘Employee Benefits’ have been presented.

The following actuarial assumptions were used for the provisions:

	At 31 December 2020	At 31 December 2019
Long-service benefits (NL)		
Discount rate at reporting date	0.3%	0.73%
Future salary increases	0.90%-1.50%	1.25%-3.50%
Mortality table	GBM & GBV 2014-2019	GBM & GBV 2013-2018
Pension liabilities (BE)		
Discount rate at reporting date	0.35%	0.45%-0.75%
Future salary increases	1.5%/scale +1% 1.5%/scale +2%	1.5%/scale +1% 1.51%/scale +0%
Mortality table	MR-5/FR-5	MR-5/FR-5

Expenditures from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

Other employee benefits

The other provisions for employee benefits include the obligations for salary payments in the event of illness and unemployment benefits since the Group bears this risk under the Unemployment Act. In view of their predominantly short-term nature, these provisions are measured at nominal value.

26. Other provisions

	Decommissioning	Onerous contracts	Restructuring	Other	Total
Classification at 1 January 2019					
Current	-	4	9	-	13
Non-current	87	-	6	14	107
At 1 January 2019	**87**	**4**	**15**	**14**	**120**
Addition	22	-	1	2	25
Withdrawals	-	-	-7	-3	-10
Release	-	-4	-3	-	-7
Adjustment for change in discount rate	16	-	-	-	16
Other	-	-	-3	1	-2
At 31 December 2019	**125**	**-**	**3**	**14**	**142**
Classification at 31 December 2019					
Current	-	-	1	1	2
Non-current	125	-	2	13	140
At 31 December 2019	**125**	**-**	**3**	**14**	**142**
Addition	19	-	3	1	23
Withdrawals	-	-	-2	-2	-4
Release	-5	-	-2	-4	-11
Adjustment for change in discount rate	-9	-	-	-	-9
Other	2	-	-	-1	1
At 31 December 2020	**132**	**0**	**2**	**8**	**142**
Classification at 31 December 2020					
Current	-	-	1	1	2
Non-current	132	0	1	7	140
At 31 December 2020	**132**	**0**	**2**	**8**	**142**

Decommissioning
The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten but within twenty years. The amounts recognised are the best estimate at the reporting date of the expected expenditure for the machinery, transport, materials and labour that will be required. These amounts are reviewed annually for expected future movements in the cost of removing assets, allowing for inflation of 0.2% (2019: 1.3%). The amounts estimated for decommissioning are inherently uncertain since it is not expected that an asset will be dismantled until a date well into the future and only limited historical data is available. Interest in a range of 0.1% to 0.8% was added to the provisions in 2020 (2019: 0.1% to 1.4%).

27. Interest-bearing debt

At 31 December 2020, the Group's interest-bearing debt related largely to financing wind farms and general financing.

	At 31 December 2020	At 31 December 2019
Non-recourse (mainly financing wind farms and solar projects)	438	322
Other loans and liabilities	161	204
Total	**599**	**526**

See note 31 'Financial risk management' for details of the periods over which the repayments will be made.

	At 31 December 2020	At 31 December 2019
Classification		
Current	32	69
Non-current	567	457
Total	**599**	**526**

The main movements in the non-current interest-bearing debt in 2020 (and 2019) related mainly to drawing funding from the financing of new wind farm projects such as Blauwwind and SeaMade (some €0.1 billion in both financial years) and regular repayment of existing loans.

Collateral has been provided for the interest-bearing debt for financing wind and solar farms in the form of mortgages, pledges of shares in the legal entities, pledges of energy purchase contracts or grant contracts. The outstanding principal on these loans at 31 December 2020 was €438 million (31 December 2019: €322 million). No collateral has been provided for the other interest-bearing debt.

The liability for loans of a fixed-rate nature (fair value risk) at 31 December 2020 was €81 million (31 December 2019: €86 million). Other loans are at market-linked variable rates. Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The average interest rate in 2020 was 1.8% (2019: 2.2%). This was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expenses.

The fair value of the loans at 31 December 2020 was €584 million (31 December 2019: €516 million) and was calculated using the income approach, based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by level 2 of the fair value hierarchy.

28. Trade creditors and other payables

	At 31 December 2020	At 31 December 2019
Trade and energy creditors	783	759
Contributions received for connections	123	108
Accruals and deferred income	310	352
Pension contributions	2	2
Other payables	437	344
Total	**1,655**	**1,565**
Classification		
Current	1,488	1,417
Non-current	167	148
Total	**1,655**	**1,565**

Contributions received for connections are considered contract liabilities for amounts paid by customers towards connections to district heating networks. In addition, the figure of €437 million (2019: €344 million) in the above table includes €22 million (2019: €17 million) for other long-term contractual liabilities. Trade and energy creditors include advances already invoiced if they are higher than the actual or estimated energy consumption during the reporting period.

The table below shows the movements in contributions received for connections:

	2020	2019
At 1 January	108	101
Addition to contributions for connections	19	9
Release of contributions for connections as other revenues	-3	-2
Other	-1	-
At 31 December	**123**	**108**
Classification at 31 December		
Current	4	3
Non-current	119	105
Total	**123**	**108**

In view of their nature, the carrying amount of trade creditors and other payables is their fair value.

29. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees and lease liabilities are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

Rights under operating leases (Eneco as lessor)
Equipment and energy installations are leased for periods of 5 to 20 years while the assets concerned remain the property of the Group.

The minimum receivables (nominal amounts) from non-terminable lease agreements fall due as follows:

	2020	2019
Within 1 year	18	19
From 1 to 2 years	16	18
From 2 to 3 years	14	16
From 3 to 4 years	12	14
From 4 to 5 years	11	12
After 5 years	50	41
Total	**121**	**120**

Energy purchase and sale commitments
The Group has energy purchase commitments of €10.8 billion (31 December 2019: €10.6 billion) under contracts relating to 2021 and later years. €1.9 billion falls due within 1 year (31 December 2019: €2.0 billion), €4.1 billion between 1 and 5 years (31 December 2019: €4.1 billion) and €4.8 billion after 5 years (31 December 2019: €4.5 billion). The purchase commitments comprise energy contracts for the company's own use (pursuant to IFRS 9) with various energy generators. There are sales commitments relating largely to the business market of €5.3 billion (31 December 2019: €5.5 billion) for 2021 and later years. €2.4 billion falls due within 1 year (31 December 2019: €2.1 billion), €2.6 billion between 1 and 5 years (31 December 2019: €2.9 billion) and €0.3 billion after 5 years (31 December 2019: €0.5 billion).

The Group has commitments of €0.6 billion (31 December 2019: €0.6 billion) for the purchase of heat until 2044. The expected perpetual annual commitments for the sale of heat are €0.3 billion per year (31 December 2019: €0.3 billion).

Investment obligations
At 31 December 2020, the Group had entered into investment obligations with a total amount of €0.5 billion (31 December 2019: €0.3 billion).

Commitments under leases not recognised in the balance sheet
The minimum commitments for short-term leases, low-value leases and variable lease payments not recognised as lease liabilities in the balance sheet are €14 million (31 December 2019: €12 million), of which €2 million falls due within 1 year (31 December 2019: €2 million), €5 million between 1 and 5 years (31 December 2019: €3 million) and €7 million after 5 years (31 December 2019: €7 million).

Other contingent obligations
At 31 December 2020, there were other contractual obligations of €0.6 billion (31 December 2019: €0.5 billion), mainly under maintenance contracts.

Guarantees
The Group has issued group and bank guarantees of €0.4 billion (31 December 2019: €0.5 billion) to third parties. At 31 December 2020, N.V. Eneco Beheer had issued guarantees of €0.2 billion (31 December 2019: €0.4 billion). The remaining group guarantees have been issued by subsidiaries. N.V. Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for most of these subsidiaries.

Fiscal unity
Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes. In addition, the sole subsidiary, N.V. Eneco Beheer, heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries and N.V Eneco Beheer is a member of a fiscal unity for VAT purposes covering most of the Group. All companies in a fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Cash pools
As a result of its participation in the Group cash pools, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pools as a whole.

Legal proceedings
The Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the financial statements.

Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

Unbundling Protocol between the Network Group and the Energy Company[1]
For a period of six years from 31 January 2017, N.V. Eneco Beheer will indemnify Eneco Holding N.V. (renamed Stedin Holding N.V. from the unbundling date of 31 January 2017) and its associated companies for:

- all liability, claims and costs suffered or to be suffered by Stedin Holding N.V. and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of N.V. Eneco Beheer and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against Stedin Holding N.V. or an associated company relating to liabilities as referred to in the preceding paragraph; and
- tax claims relating to N.V. Eneco Beheer and related companies.

Furthermore, for a period of six years from 31 January 2017, Stedin Holding N.V. will indemnify N.V. Eneco Beheer and its associated companies for:

- all liability, claims and costs suffered or to be suffered by N.V. Eneco Beheer and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of Stedin Holding N.V. and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against N.V. Eneco Beheer or an associated company relating to liabilities as referred to in the preceding paragraph, excluding any liability, claims, costs or right of recourse in respect of tax matters; and
- tax claims relating to Stedin Holding N.V. and related companies.

30. Related party transactions

The Group's related companies (the shareholder and its subsidiaries which are not part of the Group), associates, joint ventures and board members are considered as related parties.

1 The Energy Company comprises: Eneco Groep N.V. (the new ultimate holding company of the Energy Company since 31 January 2017) and all its subsidiaries and other investments.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. Receivables and liabilities are not covered by collateral and are paid by bank transactions. Eneco has issued bank and group guarantees to it's associates and joint ventures of some €10 million (2019: €20 million).

The table below shows the trading transactions with the principal related parties:

	Sales		Purchases	
	2020	2019	2020	2019
Associates	1	9	2	1
Joint ventures	5	2	36	17

	Receivables		Liabilities	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Associates	5	4	-	1
Joint ventures	1	55	3	1

See note 6 'Remuneration of the Management Board and Supervisory Board' for the remuneration of Management Board and Supervisory Board. Four members of the Supervisory Board have voluntarily waived in 2020 their remuneration entitlements which deviates from an at arm's length remuneration.

If board members are energy customers of the Group, there is no other relationship than that of customer and supplier.

The Group applied the exemption from disclosures on related party transactions with government-related entities until 24 March 2020. The Municipality of Rotterdam had indirect significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier.

31. Financial risk management

Normal business activities involve exposure to credit, commodity market, foreign currency, interest rate and liquidity risk. The Group's policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results.

The Management Board is responsible for risk management and procedures and guidelines have been drawn up that are evaluated at least once a year and, if required, adjusted. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to enter into commitments on behalf of the Group is specified in the Eneco Authority Structure. Mandates have also been drawn up for all business units and management, including the Group's trading department, the business units with energy and heating production and the sales channels, to manage the above risks such as commodity (electricity, gas, heating, emission rights and fuels) risks. All of Eneco's business units are subject to the Group's corporate credit mandate, which states the terms and conditions under which transactions may be entered into with external parties in order to manage credit risk.

The Management Board and senior business unit management regularly review the results, key figures such as changes in KPIs and the trading position, the principal risks (and any concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risks on business operations. Senior business unit management reports to the Management Board by means of an In Control Statement every year.

The internal Audit & Risk Committee, a Commodity Risk Team and an Investment Risk Team are in charge of the formulation and application of the company's risk policy and advise the Management Board accordingly.

31.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk (on trade and other receivables) and counterparty risk. The maximum credit risk is the carrying amount of the financial assets including the derivative financial instruments.

Debtor risk

Debtor risk is the risk that a debtor fails to pay a receivable. Most receivables are of limited size and there are a great number of debtors. There is, therefore, no concentration of risk.

Policy is designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply. Policy is also formulated at a decentralised level within the organisation. The effectiveness of that policy is monitored at the corporate level and adjustments are made as required.

Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits, bank guarantees and/or margining (cash collateral) for business customers; and
- recourse to debt collection agencies and different collection methods for current and former customers.

Trade receivables
The Group applies the IFRS 9 simplified approach for determining expected credit losses on trade receivables using the lifetime expected credit losses method. This method is based on the inherent risk that a debtor will not pay or fully pay the receivable over its life. Consequently, this risk has to be recognised from the initial recognition of the receivable and a provision is formed for part of the amount of trade receivables that have not reached their due date and amounts to be billed as a result of the application of IFRS 9 from 1 January 2018. A provision matrix is used to ascertain the expected credit losses on receivables from retail and SME customers. This groups trade receivables by shared credit risk characteristics and the number of days that the receivables are outstanding.

The provision matrix incorporates different percentages for the various phases of collection of receivables, such as first reminder, dispute, debt collector or bankruptcy, related to the risk profile for ascertaining the expected losses. The percentages have been established from historical figures adjusted for non-recurring past effects. The percentages have been set taking account of current and forward-looking information on macro-economic factors for each country that could affect customers' ability to pay the receivables. The provision matrix is also segmented into the different customer classifications, such as different customer propositions, and countries.

This procedure also applies to large business customers but is in that case supplemented by an individual assessment involving credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers.

The expected credit losses on trade receivables at 31 December 2020 were ascertained in this way. See note 21 'Trade receivables' for the figures.

Other receivables
The expected credit losses on other current and non-current receivables measured at amortised cost are calculated using the 12-month expected credit losses method unless a significant/considerable increase in credit risk has arisen for these receivables since initial recognition. In that case, any impairment is established using the lifetime expected credit losses method according to IFRS 9. To this end, there is an individual assessment of each receivable, incorporating credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers and other parties.

Counterparty risk

Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities (including emission rights, green certificates and fuel (or 'feedstock') for our biomass power stations) and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Trading Mandate and the Treasury Statute drawn up by the Management Board.

The size of the counterparty risk is primarily determined by the replacement value of the future deliveries and the commodity delivered which has not yet been paid for. The replacement value is calculated each day for each counterparty based on current market prices for future deliveries. The risk position is measured against the risk tolerance. That tolerance is drawn up for each contract party on the basis of an assessment of the creditworthiness of that counterparty derived from a public or internal rating and/or alternative assessment methods.

Counterparty risk is limited by:

- setting financial limits based on the financial strength of the trading partner;
- setting trading restrictions for each counterparty (position management);
- use of standard agreements, in particular based on EFET and ISDA terms;
- use of third-party margining and clearing;
- use of bilateral margining agreements with counterparties;
- executing risk-reducing transactions with counterparties leading to partly-offsetting positions;
- requiring additional guarantees from counterparties, e.g. bank guarantees; and
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for futures. This transfers the counterparty risk of a forward contract to a clearing bank. This bank is linked to a clearing house that facilitates settlement of futures transactions through exchanges such as ICE ENDEX (InterContinental Exchange European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract. Bilateral margining also implies periodic (daily, weekly, etc.) settlement, but directly with the counterparty to the transaction. The contract with the counterparty sets individual minimum limits (thresholds) based on the creditworthiness of both parties. Bilateral margining is only applied if the thresholds are exceeded.

The margining system creates liquidity risk and so risk policy is designed to monitor and match counterparty risk by forward trading and liquidity risk by margining. There is a system for monitoring internal limits using regular reports, to manage both risks.

Financing instruments and counterparty risk when lending money

Management of financing instruments is set out in the Treasury Statute drawn up by the Management Board. Counterparty risk on borrowing money is very limited. The risk tolerance formulated in the Treasury Statute is taken into account when lending money. The risk position of a counterparty is measured against the risk tolerance. Risk tolerance is set for each contracting party using an assessment of the counterparty's creditworthiness according to a public credit rating. Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms.

The counterparty risk for financial instruments (swap contracts) is limited by:

- the use of framework agreements on ISDA terms; and
- procedures for regular assessment of counterparty risk.

The margining system based on credit support agreements creates liquidity risk. The risk policy is designed to monitor this through regular reporting.

31.2 Market risk

Market risk is the exposure to changes in value in current or future cash flows and financial instruments arising from changes in market prices, market interest rates and exchange rates.

Price risk

Price risks inherent in the energy generation, purchasing and supply portfolios are managed using a structure of mandates and limits adopted by the Management Board using position limits, MtM limits and Value at Risk (VaR)[1] measures. Appropriate limits are determined for each business activity. The risk managers and energy traders are notified each day of the VaR, the MtM and positions in relation to the limit. Limit infringements are reported in line with escalation procedures.

The market price risk inherent in the commodity portfolios for purchasing and delivering to customers is initially limited by back-to-back transactions for purchase and sales obligations. Structured hedging strategies are used where back-to-back hedging is not possible, or only with excessively high bid-ask costs. In these cases, positions are hedged temporarily in other commodities, delivery periods and/or countries which have an historically strong correlation with the price risks to be hedged. Gas storage and other facilities under the company's own and contracted positions are also used to respond to short-term fluctuations in demand and supply, for example, as a result of changes in the weather.

The market price risk inherent in the company's own 'must run' generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. The expected rewards are weighed up against the costs and downward risk for controllable generation in the portfolio. It should be noted that there is no liquid energy trading market for exposures that lie further away in the future and they are difficult or impossible to hedge.

1 VaR represents the potential loss on a portfolio in the event of an adverse scenario over a given period, with a 95% confidence interval. VaR calculations are based on price history and include data such as correlations between products, markets and time periods. Retrospective testing is conducted to check the calculated VaR values and the model used is checked.

The positions from the above activities that can be hedged in the markets are combined so that the Group's current net exposure is clear. Management and strategic decisions on these positions take account of prevailing market conditions, along with the expected short and medium-term demand for and supply of energy by the Group. These are created exclusively by the trading department for the entire Group and the other business units must at all times immediately hedge their exposure with the trading department. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedging instruments, limited market liquidity and movements between commodity prices (for example, between different commodities, delivery periods and/or countries).

The VaR (annual) in the price risk on total commodity positions (purchases, customer deliveries and generation portfolio positions) for the delivery year 2021 was -€28.7 million at 31 December 2020 (31 December 2019 - for the delivery year 2020: -€26.5 million). This VaR was on average -€20.6 million in 2020 (2019: -€19.4 million). The VaR (10 day) for portfolio positions that can be hedged in the short term via the market was -€3.8 million at 31 December 2020 (31 December 2019: -€2.4 million). This VaR was on average -€2.7 million in 2020 (2019: -€2.3 million).

The Group applies cash flow hedge accounting to its energy generation, purchasing and delivery portfolios and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and forward contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2020 and 2019 were:

Cash flow hedges (GWh)	12 months or less	More than 12 months	Total	Average rate per MWh (€)
Nominal size of contracts				
2020	-	-12,959	-12,959	41.09
2019	-450	-701	-1,151	53.68

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet.

The hedging instruments for hedged commodity risks in cash flow hedges at 31 December 2020 and 2019 were:

Cash flow hedges for price risks in energy generation, purchasing and delivery portfolios	2020	2019
At 31 December		
Gross contract value of the derivative financial instruments (often settled net compared with market price)	-532	-62
Carrying amount of derivative financial instruments[1]	-38	23
Movements in elements for assessing hedging relationships		
Movement in fair value of hedged risks to determine possible ineffectiveness	-32	6
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	32	-11
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-28	10
Hedge ineffectiveness included in income statement	-4	-2
Amount recycled from the cash flow hedge reserve to the income statement	-1	9

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in electricity and gas consumption and generation of electricity may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Purchases of energy and energy-related activities' in the income statement.

Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group's other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies (excluding commodity-related financial instruments) in excess of €250,000 without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Eneco also uses derivatives and foreign currency loans to mitigate foreign exchange risk. The derivatives and loans used have counteracting risk profiles and the same underlying currency, principal and timing as the risk arising from commercial operations, leading to an effective hedge on which hedge accounting is applied. This approach hardly ever leads to ineffectiveness in currency hedges. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2020 was €0.7 million (after application of net investment hedge accounting).

Eneco has entered into hedging instruments for future cash inflows from its foreign operations (cash flow hedging) and the value of the business operations in the UK (hedge of net investment in a foreign operation). The Group applies cash flow hedge accounting and a hedge of net investment in a foreign operation to its foreign currency risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and forward contracts or foreign currency loans.

The sizes and rates of the hedged risks in the cash flow hedges at 31 December 2020 and 2019 were:

x £1 million	12 months or less	More than 12 months	Total	Average currency rate (£/€)
Cash flow hedges				
Nominal value of derivative financial instruments				
2020	8	35	43	0.95
2019	26	35	61	0.88

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet.

The cash flow hedging instruments for currency risk at 31 December 2020 and 2019 were:

Cash flow hedges for currency risk x €1 million	2020	2019
At 31 December		
Nominal value of derivative financial instruments (£ 1 million)	**43**	**61**
Carrying amount of derivative financial instruments[1]	-	1
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-1	-6
Movement in fair value of hedged risks to determine possible ineffectiveness	1	6
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-1	-6
Hedge ineffectiveness included in income statement	-	-
Amount recycled from the cash flow hedge reserve to the income statement	-1	-

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

The sizes and rates of the hedged risks for a net investment in a foreign operation were as follows at 31 December 2020 and 2019:

x €1 million	12 months or less	More than 12 months	Total	Average currency rate (£/€)
Hedge of net investment in a foreign operation				
Nominal size of (derivative) financial instruments				
2020	122	100	222	0.90
2019	116	100	216	0.85

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet. If interest-bearing debt is used as a hedging instrument, it is recognised in this item in the balance sheet.

The hedging instruments for a net investment in a foreign operation with foreign currency risk were as follows at 31 December 2020 and 2019:

Hedge of net investment in a foreign operation x €1 million	2020	2019
At 31 December		
Nominal value of derivative financial instruments (£1 million)	**222**	**216**
Carrying amount of derivative financial instruments[1]	-111	-121
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-6	-13
Movement in fair value of hedged risks to determine possible ineffectiveness	6	13
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-6	-13
Hedge ineffectiveness included in income statement	-	-
Amount recycled from the cash flow hedge reserve to the income statement	-	-

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in receipts of cash flows in foreign currency may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as ‘Financial income’ or ‘Financial expenses’ in the income statement. See the ‘Unrealised gains and losses on cash flow hedges’ line in the statement of comprehensive income for the unrealised gains and losses on currency risks.

Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. The Group may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. The Group holds interest rate swaps for risk-management purposes which are designated as cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to a benchmark rate (Euribor or Libor). The method for calculating Euribor was changed during 2019, allowing market participants (including the Group and its counterparties in these transactions) to continue to use Euribor for both existing and new contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of €0.3 million (after application of cash flow hedge accounting using interest rate swaps).

The Group applies cash flow hedging to its interest rate risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and contracted derivative financial instruments (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2020 and 2019 were:

Cash flow hedges in €1 million	12 months or less	More than 12 months	Total	Average interest rate
Nominal value of derivative financial instruments				
2020	17	489	506	0.96%
2019	21	220	241	1.11%

Derivative financial instruments are recognised as ‘Derivative financial instruments’ in non-current and current assets and non-current and current liabilities in the balance sheet.

The cash flow hedging instruments for interest rate risk at 31 December 2020 and 2019 were:

Cash flow hedges for interest rate risk	2020	2019
At 31 December		
Nominal value of derivative financial instruments	506	241
Carrying amount of derivative financial instruments[1]	-38	-30
Movements in elements for assessing hedging relationships		
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	14	-29
Movement in fair value of hedged risks to determine possible ineffectiveness	12	29
Changes in fair value of the derivative financial instruments in unrealised gains and losses	-12	-26
Hedge ineffectiveness recognised in income statement	-2	-
Amount recycled from the cash flow hedge reserve to the income statement	-4	3

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in the scheduling of construction of wind farms may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for interest rate risks are recognised as 'Financial income' or 'Financial expenses' in the income statement.

Cash flow hedge reserve

The movements in the cash flow hedge reserve for 2020 and 2019 were:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	total
At 1 January 2019	**5**	**-6**	**-2**	**-3**
Effective portion of cash flow hedges	3	-29	-	-26
Reclassification of cash flow hedge reserve to the consolidated income statement	9	3	-	12
Deferred tax liabilities	-2	7	-	5
Ineffective portion of cash flow hedges recognised in income statement	-2	-	-	-2
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**8**	**-19**	**-**	**-11**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-7	-	-7
At 31 December 2019	**13**	**-32**	**-2**	**-21**
Effective portion of cash flow hedges	-24	-14	-	-38
Reclassification of cash flow hedge reserve to the consolidated income statement	-1	3	1	3
Deferred tax liabilities	7	2	-	9
Ineffective portion of cash flow hedges recognised in income statement	-3	2	-	-1
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**-21**	**-7**	**1**	**-27**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-4	-	-4
At 31 December 2020	**-8**	**-43**	**-1**	**-52**

Translation reserve
The foreign exchange risk in hedging a net investment in a foreign operation affects the translation reserve. The table below shows the effect of the foreign exchange hedges on this reserve:

	2020	2019
At 1 January	**-4**	**-7**
Translation gains and losses during the reporting period	-18	13
Movement in hedge of net investment in a foreign operation	12	-13
Movement in translation reserve before tax effects	**-10**	**-7**
Tax effects in the movement in translation reserve	-3	3
At 31 December	**-13**	**-4**

31.3 Liquidity risk

The Group is a capital-intensive business. Its financing policy is aimed at growing into an optimum financing structure taking into account its current asset base and investment programme while maintaining and further developing them. The criteria are access to the capital market and flexibility with acceptable financing costs and conditions.

Most financing for sustainable assets is drawn locally, to the extent this contributes to achieving the project and local financing can be obtained at acceptable financing costs and conditions.
In addition to its own generation, the Group also buys energy on standardised physical supply contracts and long-term structured purchasing contracts with third parties to source its energy supplies. Arrangements are made with counterparties on mutual guarantees and collateral. Their level depends in part on the creditworthiness of parties and the Marked-to-Market exposures resulting from price movements in the energy markets. A downgrading in the Group's credit rating may, without further mitigation, lead to a significant increase in the capital requirement for providing collateral.

A specific liquidity risk arises from margining energy contracts through clearing houses and contracts with bilateral margin obligations. There are limits in the mandate for the Group's purchasing and trading department ('Commodity Trading Mandate') to cover both the outstanding balance and price change sensitivity. This risk is the subject of regular reports to business unit management and the Commodity Risk Team. The sensitivity of the margin call to a 1% change in prices at 31 December 2020 was €2.3 million. In 2020, the Group generated a net amount of €13 million (2019: €6 million received) from margining.

Great importance is attached to managing all the above risks to avoid the Group finding itself in a position in which it could not meet its financial obligations and the necessary management reports, applications and back-up facilities have been set up for this. In addition, liquidity needs are planned on the basis of cash flow forecasts with a medium-term horizon. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Group specifically takes the periodicity of its cash flow into account, also allowing for sensitivity to weather influences. The Treasury department sets this capital requirement against available funds. A report is submitted to the Management Board every month.

Uncommitted credit and guarantee facilities
Uncommitted credit and guarantee facilities totalling €539 million (2019: €564 million) have been agreed with a number of banks and €90 million of this had been drawn at 31 December 2020 (31 December 2019: €111 million). Eneco also has a €750 million Euro Commercial Paper programme which had not been drawn at the year end.

Committed credit facilities
In July 2017, Eneco entered into a committed Revolving Credit Facility ('RCF') of €600 million with a term of 5 years. In June 2020, N.V. Eneco Beheer entered into a revolving and committed short term credit facility of €200 million with a term of 1 year.

Cash outflows on financial instruments

The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the prices and volumes in the contracts.

At 31 December 2020	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	122	229	31	382
Lease obligations	30	101	132	263
Interest-bearing debt	38	348	249	635
Trade and other payables	1,167	-	-	1,167
Total	**1,357**	**678**	**412**	**2,447**

At 31 December 2019	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	-176	14	-18	-180
Lease obligations	29	109	163	301
Interest-bearing debt	71	333	131	535
Trade and other payables[1]	1,055	-	-	1,055
Total	**979**	**456**	**276**	**1,711**

1 2019 amounts restated for comparative purposes.

31.4 Netting financial assets and financial liabilities

Where the Group meets the IFRS criteria for netting, financial assets and financial liabilities are netted and recognised net in the balance sheet. Transactions in derivative financial instruments use standardised terms and conditions and contract types such as the master netting agreements based on ISDA and EFET terms. Most of the Group's contracts for derivative financial instruments meet the netting criteria since there is a legally enforceable right to set off the recognised amounts and also because all amounts relating to netted financial assets and financial liabilities are settled as a single sum.

The table below sets out only the financial assets and financial liabilities in the balance sheet netted in accordance with the criteria in IAS 32. As the table does not include all the financial assets and liabilities in the balance sheet, it is not possible to reconcile these figures with the net amounts presented in the balance sheet.

At 31 December 2020	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,411	1,070	341
Other financial instruments	652	496	156
Total	**2,063**	**1,566**	**497**

At 31 December 2020	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,500	1,070	430
Other financial instruments	926	496	430
Total	**2,426**	**1,566**	**860**

At 31 December 2019	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
Assets			
Derivative financial instruments	1,311	960	351
Other financial instruments	659	526	133
Total	**1,970**	**1,486**	**484**

At 31 December 2019	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
Liabilities			
Derivative financial instruments	1,321	960	361
Other financial instruments	943	526	417
Total	**2,264**	**1,486**	**778**

32. Capital management

The primary aim of the Group's capital management is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. The Group regards both capital and net debt as relevant elements of its financing and so of its capital management. The Group can influence its capital structure by altering the proportions of equity and debt. Net interest-bearing debt (excluding discontinued operations) is defined as long-term and current interest-bearing debt less cash and cash equivalents.

The Group monitors its capital using the Financial Management Framework. This includes the equity/total assets ratio which is regularly monitored by the Management Board. At 31 December 2020 it was 46.9% (31 December 2019: 48.6%[1]).

33. Events after the reporting date

No material events or transactions including the estimate of the effect of the Covid-19 pandemic have been identified after the balance sheet date, which should be disclosed in this paragraph.

1 2019 ratio restated for comparative purposes.

Notes to the consolidated cash flow statement

All amounts in millions of euros unless stated otherwise.

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during 2020.

The cash flow statement distinguishes between cash flows from operating, investing and financing activities. The cash flow from operating activities includes interest and income tax payments and interest and dividend receipts.

Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

34. Movements in working capital

Working capital consists of inventories and current receivables less short-term non-interest-bearing debt.

The table below shows movements in working capital recognised in the cash flow from operating activities:

x €1 million	2020	2019
Movements in intangible current assets	2	14
Movements in inventories	3	6
Movements in trade debtors	69	68
Movements in other receivables	9	71
Movements in non-interest bearing debt	-4	-104
Total	**79**	**55**

List of principal subsidiaries, joint operations, joint ventures and associates

This is a list of the principal subsidiaries, joint operations, joint ventures and associates. See 1.1 'General information' for further details of the Group’s activities and composition.

Subsidiaries

Name	Seat	Share
AgroPower B.V.*	Delft	100%
BioEnergieCentrale Delfzijl B.V.	Rotterdam	100%
CEN B.V.*	Hilversum	100%
Eneco B.V.*	Rotterdam	100%
Eneco België B.V.*	Rotterdam	100%
Eneco Belgium N.V.	Mechelen (B)	100%
Eneco Bio Golden Raand C.V.	Rotterdam	100%
Eneco Consumenten B.V.*	Rotterdam	100%
Eneco Consumenten Nederland B.V.*	Rotterdam	100%
Eneco eMobility B.V.	Rotterdam	100%
Eneco Energy Trade B.V.*	Rotterdam	100%
Eneco Gasspeicher B.V.*	Rotterdam	100%
Eneco Heat Production & Industrials B.V.* (previously: Eneco Solar, Bio & Hydro B.V.)	Rotterdam	100%
Eneco HKN B.V.	Rotterdam	100%
Eneco Installatiebedrijven B.V.*	Rotterdam	100%
Eneco Installatiebedrijven Groep B.V.*	Rotterdam	100%
Eneco Installatiebedrijven TI B.V.*	Rotterdam	100%
Eneco Leiding over Noord B.V.	Rotterdam	100%
Eneco Mistral B.V.*	Rotterdam	100%
Eneco Services B.V.*	Rotterdam	100%
Eneco Smart Energy B.V.	Rotterdam	100%
Eneco Solar B.V.	Rotterdam	100%
Eneco UK Limited	Leeds (UK)	100%
Eneco Verda B.V.*	Rotterdam	100%
Eneco Warmte & Koude B.V.*	Rotterdam	100%
Eneco Warmte & Koude Leveringsbedrijf B.V.*	Rotterdam	100%
Eneco Warmtenetten B.V.*	Rotterdam	100%
Eneco Warmteproductie Utrecht B.V.	Rotterdam	100%
Eneco Wind B.V.*	Rotterdam	100%
Eneco Wind Belgium Holding N.V.	Brussels (B)	100%
Eneco Windenergie Delfzijl B.V.	Rotterdam	100%
Eneco Windmolens Offshore B.V.*	Rotterdam	100%
Eneco Zakelijk B.V.*	Rotterdam	100%
Eneco Zakelijk Nederland B.V.	Rotterdam	100%
LichtBlick Holding GmbH	Hamburg (G)	100%
LichtBlick SE	Hamburg (G)	100%
N.V. Eneco Beheer	Rotterdam	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Quby B.V.*	Amsterdam	100%
Quby Products B.V.*	Amsterdam	100%
Spontanae B.V.	Rotterdam	100%
Windpark Nieuwe Waterweg B.V.	Hilversum	100%

*A 403 statement was issued by N.V. Eneco Beheer for this subsidiary.

Joint operations

Name	Seat	Share
Blauwwind Management II B.V.	Rotterdam	10%
CrossWind Beheer B.V.	The Hague	20.1%
Enecogen v.o.f.	Rotterdam	50%
Q10 Offshore Wind B.V.	Rotterdam	50%
Seamade N.V.	Oostende (B)	12.5%
Zonnepark Ameland B.V.	Ballum	33.3%

Joint ventures

Name	Seat	Share
Norther SA	Gembloers (B)	25%
Rotterdam Shore Power B.V.	Rotterdam	80%

Associates

Name	Seat	Share
Greenchoice B.V.	Rotterdam	30%
Greenflux Assets B.V.	Amsterdam	25.2%
Next Kraftwerke GmbH	Cologne (G)	35.1%
Thermondo GmbH	Berlin (G)	8.2%

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 of the Dutch Civil Code.

Company financial statements

Company income statement

x €1 million	2020	2019
Share of profit of subsidiaries	117	79
Other results after income tax	-	-
Profit after income tax	**117**	**79**

Company balance sheet

Before profit appropriation

x €1 million	Note	At 31 December 2020	At 31 December 2019
Non-current assets			
Financial assets	3	2,942	2,932
Total non-current assets		**2,942**	**2,932**
Current assets			
Total current assets		**-**	**-**
TOTAL ASSETS		**2,942**	**2,932**
Equity			
Share capital		-	-
Share premium		2,781	2,781
Translation reserve		-13	-4
Cash flow hedge reserve		-52	-21
Reserve undistributed profit of participating interests[1]		59	58
Development expenses reserve		7	9
Retained earnings		43	30
Undistributed profit		117	79
Total equity	4	**2,942**	**2,932**
Non-current liabilities		-	-
Total non-current liabilities		**-**	**-**
Current liabilities		-	-
Total current liabilities		**-**	**-**
TOTAL EQUITY AND LIABILITIES		**2,942**	**2,932**

1 Based on Part 9, Book 2 of the Dutch Civil Code and relates to subsidiaries, joint ventures and associates.

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code, except that subsidiaries are carried at net asset value determined on the basis of the IFRS accounting policies used in the consolidated financial statements. The descriptions of the activities and structure of the enterprise as stated in the 'Notes to the consolidated financial statements' also apply to the company financial statements.

2. Remuneration of the Management Board and Supervisory Board

See note 6 'Remuneration of the Management Board and Supervisory Board' to the consolidated financial statements for the remuneration of Management Board and Supervisory Board pursuant to Section 383, Part 9, Book 2 of the Dutch Civil Code.

3. Financial assets

	Subsidiaries
At 1 January 2019	**2,936**
Share of profit of subsidiaries	79
Dividend received	-68
Movement in cash flow hedges	-18
Other equity movements	1
Translation differences	2
At 31 December 2019	**2,932**
Share of profit of subsidiaries	117
Dividend received	-68
Movement in cash flow hedges	-31
Other equity movements	1
Translation differences	-9
At 31 December 2020	**2,942**

4. Equity

Movements in the equity of Eneco Groep N.V. were as follows:

	Paid-up and called-up share capital	Share premium	Translation reserve	Cash flow hedge reserve	Reserve undistributed profit of participating interests	Development expenses reserve	Retained earnings	Undistributed profit	Total
At 1 January 2019	**-**	**2,771**	**-7**	**-3**	**34**	**5**	**-**	**136**	**2,936**
Total (other) comprehensive income	**-**	**-**	**3**	**-18**	**-**	**-**	**1**	**79**	**65**
Profit appropriation 2018	-	-	-	-	-	-	68	-68	-
Cash dividend to shareholder(s) Eneco Groep N.V.	-	-	-	-	-	-	-	-68	-68
Movements in the financial year	-	10	-	-	24	4	-39	-	-1
At 31 December 2019	**-**	**2,781**	**-4**	**-21**	**58**	**9**	**30**	**79**	**2,932**
Total (other) comprehensive income	**-**	**-**	**-9**	**-31**	**-**	**-**		**117**	**77**
Profit appropriation 2019	-	-	-	-	-	-	11	-11	-
Cash dividend to shareholder(s) Eneco Groep N.V.	-	-	-	-	-	-	-	-68	-68
Movements in the financial year	-	-	-	-	1	-2	2	-	1
At 31 December 2020	**-**	**2,781**	**-13**	**-52**	**59**	**7**	**43**	**117**	**2,942**

See note 24 'Equity' to the consolidated financial statements for details of individual components of equity.

Statutory reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. Eneco Groep N.V.'s statutory reserves are a translation reserve, cash flow hedge reserve, reserve for undistributed profit of participating interests and a reserve for development costs. On the contribution of N.V. Eneco Beheer, Eneco Groep N.V. took over all the statutory reserves of N.V Eneco Beheer and its subsidiaries.

The total amount of the undistributed profit of participating interests and development costs reserves of €66 million (31 December 2019: €67 million) was deducted in full from Retained earnings.

Distributable results

Eneco Groep N.V. distributed a dividend of €68 million in 2020 (2019: €68 million).

The non-distributable capital attributable to Eneco Groep N.V.'s shareholder(s) at 31 December 2020 was €105 million (31 December 2019: €112 million). The individual method was used for the cash flow hedge reserve.

5. Contingent assets and liabilities

Liability

N.V. Eneco Beheer, as subsidiary of Eneco Groep N.V., has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for the principal subsidiaries marked with an * in the list of subsidiaries, joint operations, joint ventures and associates.

Fiscal unity
Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes.

6. Auditor's fees

The fees below relate to the fee for services provided by Eneco's external auditor, Deloitte Accountants B.V., as defined in Section 1.1 of the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties* - Wta), and includes those charged by entities associated with the auditor in the Deloitte network.

x €1.000	Deloitte Accountants B.V.	Affiliated Deloitte entities	Total 2020
Audit of the financial statements	1,939	-	1,939
Other audit engagements	191	1,003	1,194
Tax consultancy	-	-	-
Other non-audit services	115	-	115
Total	**2,245**	**1,003**	**3,248**

The fee for the audit of Eneco Groep N.V.'s financial statements included audit work on its consolidated and company financial statements. The above fees relating to the audit of the 2020 financial statements include work not performed during the reporting period.

Other audit engagements are the audit of the statutory financial statements of subsidiaries and related engagements. Other non-audit services are those permitted by law and regulations.

7. Proposed appropriation of the 2020 profit

The Management Board, with the approval of the Supervisory Board, will propose that the General Meeting of Shareholders on 1 April 2021 declares a dividend to the shareholder of €58.5 million from the profit after tax attributable to the shareholder. This represents a distribution of €11.80 per share for 2020. The dividend will be paid no later than in April 2021. A proposal will also be made to add the remaining €58.5 million of the profit to Retained earnings.

Rotterdam, 12 March 2021

Eneco Groep N.V.

Management Board

A.C. (As) Tempelman, chairman
C.J. (Kees-Jan) Rameau
J.M.J. (Jeanine) Tijhaar
F.C.W. (Frans) van de Noort
J.A.F.M. (Hans) Peters
H. (Hiroshi) Sakuma

Supervisory Board

J.M. (Mel) Kroon, chairman
K. (Katsuya) Nakanishi
M. (Michael) Enthoven
Y. (Yutaka) Kashiwagi
H. (Haruhiko) Sato
T. (Takanori) Shiozawa
J.M. (Annemieke) Roobeek

Other information

Profit appropriation pursuant to the articles of association

Pursuant to the company's articles of association, the profit is at the disposal of the General Meeting of Shareholders. Distributions from the profit may only be made if the financial statements show that this is permitted. The articles of association also state that the General Meeting of Shareholders may resolve to make interim distributions. The provisions of the articles of association and the law apply to the amount and formalities for this.

Independent auditor's report

To the shareholder and the Supervisory Board of Eneco Groep N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2020 of Eneco Groep N.V. ("**Eneco**" or the "**Company**"), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Eneco Groep N.V. as at December 31, 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Eneco Groep N.V. as at December 31, 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at December 31, 2020.

2. The following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2020.

2. The company income statement for 2020.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

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

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of the:

- Report of the Management Board;
- Governance paragraphs;
- Supervisory Board Report;
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code; and the
- Other information included in the annexes.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

The Management Board is responsible for the preparation of the other information, including the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Management Board and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rotterdam, March 12, 2021

Deloitte Accountants B.V.

Was signed,

N.H.M. van Groenendael

Annexes

Shareholders

Until 24 March 2020, the shares of Eneco Groep N.V. were held by 44 different municipalities.

Municipalities that until 24 March 2020 held more than 2% of the shares:
Rotterdam 31.69%, The Hague 16.55%, Dordrecht 9.05%, Leidschendam-Voorburg 3.44%, Lansingerland 3.38%, Delft 2.44%, Zoetermeer 2.34%, Nissewaard 2.14% and Pijnacker-Nootdorp 2.10%.

Municipalities that until 24 March 2020 held less than 2% of the shares:
Aalsmeer, Achtkarspelen, Alblasserdam, Albrandswaard, Ameland, Amstelveen, Barendrecht, Bloemendaal, Brielle, Capelle aan den IJssel, Castricum, GoereeOverflakkee, Gorinchem, Haarlemmermeer, Hardinxveld-Giessendam, Heemstede, Hellevoetsluis, Hendrik-Ido-Ambacht, Hoeksche Waard, Krimpen aan den IJssel, Krimpenerwaard, Molenlanden, NoardeastFryslân, Papendrecht, Ridderkerk, Rijswijk, Schiedam, Schiermonnikoog, Sliedrecht, Uithoorn, Vijfheerenlanden, West Betuwe, Westvoorne, Zandvoort and Zwijndrecht.

Effective 24 March 2020, the shareholder of Eneco Groep N.V. is Diamond Chubu Europe B.V. This entity is a joint venture between Diamond Artemis Holdco B.V. (which has 80% of the shares) and Chubu Electric Power Company Netherlands B.V. (which has 20% of the shares). Diamond Artemis Holdco B.V. is ultimately owned by Mitsubishi Corporation and Chubu Electric Power Company Netherlands B.V. is ultimately owned by Chubu Electric Power Co., Inc.

Workforce

	Annual Report 2020	
	2020	**2019**
Number of own employees		
Total average workforce in FTE	2,819	2,775
Total workforce in FTE at year end	2,835	2,802
Men - women ratio		
percentage of men and women of the total number of employees in FTE at year end		
Men	63%	67%
Women	37%	33%
Age distribution		
percentage per age group of the total number of employees in FTE at year end		
age 15 - 24	2%	2%
age 25 - 34	28%	28%
age 35 - 44	32%	33%
age 45 - 54	21%	21%
age 55 and over	17%	16%
Diversity		
in percentages at year end		
Women in managerial positions	25%	24%
Employment contract		
in percentages at year end		
Employees with a Collective Labour Agreement (CLA) contract	73%	70%
Employment contract for an indefinite period	2,406	2,403
Men	68%	67%
Women	32%	33%
NL	72%	71%
BE	13%	9%
GE	15%	16%
Other	0%	4%
Employment contract with a fixed term	429	399
Men	66%	69%
Women	34%	31%
NL	90%	57%
BE	0%	0%
GE	10%	27%
Other	0%	16%
Employees with a full-time contract	2,302	2,217
Men	92%	92%
Women	59%	48%
Employees with a part-time contract	532	585

Annual Report 2020		
Men	8%	8%
Women	41%	52%
Absenteeism		
in percentages	4.8%	4.8%

Eneco records most of the workforce data in SAP. Other management systems are used for a number of business units both in the Netherlands and abroad.

Safety performance

Occupational health and safety

a. For all employees:	
i. The number and rate of fatalities as a result of **work-related injury**;	0
ii. The number and rate of **high-consequence work-related injuries** excluding fatalities);	0
iii. The number and rate of **recordable work-related injuries**;	6 (RIF = 0,23)
iv. The main types of work-related injury;	Tripping and falling
v. The number of hours worked. `	5,124,506.33 hours
b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation:	
i. The number and rate of fatalities as a result of work-related injury;	0
ii. The number and rate of high-consequence work-related injuries (excluding fatalities);	0
iii. The number and rate of recordable work-related injuries;	11
iv. The main types of work-related injury;	Tripping, falling and entrapment
v. The number of hours worked.	Not available
c. The work-related hazards that pose a risk of high-consequence injury, including:	
i. how these hazards have been determined;	Analysis of the reports in the Alerta incident registration system
ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period;	See above
iii. actions taken or underway to eliminate these hazards and minimize risks using the **hierarchy of controls**.	See management approach
d. Any actions taken or underway to eliminate other work-related hazards	Lessons learned are shared in safety alerts and incorporated by means of updates to the RIEs.
e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked.	RIF calculation is based on 200,000
f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	Does not apply
g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	As per calculation of the strategic KPI RIF.

Reporting policy

In this integrated annual report over the financial year 2020, Eneco Group reports on the realisation of its strategy, the policy that it has pursued and the financial and non- financial performance related thereto. This report has been prepared in accordance with the GRI Standards: Core option. Eneco's financial year runs from 1 January up to and including 31 December 2020. The previous annual report was published on 21 February 2020.

Integrated reporting

Eneco Group's annual report has been prepared as an integrated report on its financial and non-financial performance. With the <IR> Framework of the International Integrated Reporting Council (IIRC), we are able to better clarify the interrelationship between the core elements of our policy in our report. This is also reflected in the value creation model. The content elements required by the <IR> Framework are present in this report. (Profile of the organisation, Governance, Business Model, Risks and Opportunities, Strategy, Performance and Outlook.) The <IR> Framework is based on principles that have a considerable overlap with the sustainable reporting guidelines of the Global Reporting Initiative, the GRI Standards. We link the narrative quality of IIRC to the quantitative method of the GRI Standards.

Below, we will further elaborate two of the most important GRI principles: stakeholder engagement and materiality. We refer to the paragraph Strategy, and specifically to the section on Market Trends in that paragraph, to assess our performance within the broader perspective of sustainable development.

With this, we satisfy the GRI principle Sustainability Context. With these three principles together, we also satisfy the principle Comprehensiveness

Stakeholder engagement

Persons and/or groups of persons, organisations and/or companies who have a direct or indirect interest in Eneco and vice versa are regarded as belonging to our circle of direct stakeholders. These stakeholders are necessary in one way or another for the realisation of our objectives: from the perspective of the sector, as a whole, as division or as project. In order to arrive at a clearly defined selection of stakeholders, we have made an analysis based on a model (Mendelow). With this model, we have made a classification based on the influence and importance of stakeholders with regard to the functioning of Eneco Group. In this manner, the concept of materiality can be applied better in the context of stakeholders. The group of stakeholders whose opinions about Eneco and the material themes must be taken into account includes:

Customers (Including consumers, SME, and large-volume business customers): necessary for the continuity of Eneco Group.

Employees: in all countries, necessary for the implementation of the business plan and other activities.

Shareholders: effective 24 March 2020, 80% of the shares are held by Mitsubishi Corporation, and 20% by ChubuElectric Power (see Annex: Shareholders).

Non-governmental organisations: Our One Planet strategy is an important part of our business strategy, in which sustainability is an important driver. This also has a large impact on high-volume business customers (client to asset deals, green electricity). NGOs with an environmental focus such as WWF, Greenpeace, Natuur & Milieu and Urgenda are the most important external assessors of Eneco Group in the One Planet field, with political and media influence.

Regulators: The regulatory framework is of crucial importance for Eneco with regard to both the playing field and revenues (subsidy, heating tariffs) as permit granters for the construction of assets onshore and offshore. Therefore, the opinions of government policymakers are also of material importance.

In connection with the recently completed privatisation process, we also added banks, capital providers and credit rating agencies to the category of stakeholders who have to be very well informed.

For further details about what stakeholders regard as important and how we communicate with them, see the annex 'Stakeholders and materiality'.

This financial year's materiality survey

The transaction in which Eneco was sold to Mitsubishi Corporation and Chubu Electric Power was finalised on 24 March 2020. Thanks to our shareholders' full support for Eneco's sustainability strategy, we can continue to grow, both in the Netherlands and abroad. For the remainder of the year, we prioritised the process of further streamlining our strategy. The strategic objectives determine the material themes that we use for organising and managing the value creation process.

We involved our internal stakeholders in that process during the financial year. Using a mix of perspectives from the business and the Management Board, we first focused on strategic dilemmas and allocating capex, after which we brought in the One Planet team and the Central Works Council for their input as we examined the financial aspects and the business plan as a whole. This resulted in a strategic document that was discussed with the Supervisory Board. Following this, we discussed the strategy with the Top 40.

Our conclusion is that the material themes that we presented last financial year remain virtually unchanged. One change since 2019 is that the theme 'Support for our activities' is no longer presented separately in 2020: we can only realise sustainable energy projects in good harmony with the local community. We work hard to create and retain support for new projects, for instance, by respecting the biodiversity on land and at sea. Together with partners, we take measures to protect nature on land and at sea.

Once this annual report has been published, we intend to invite representatives from our most principal stakeholders for an external consultation on our strategy and material themes.

Sustainability standards

The report is compliant with the standards of the Global Reporting Initiative (GRI). We use the framework of the International Integrated Reporting Council (IIRC) to clarify the interrelationship between the core elements of our policy. We also report on the Sustainable Development Goals (SDGs) that are relevant to our situation: 7, 11, 12, 13, 14 and 15. We have joined the UN Global Compact and, in our report, we report on our progress with regard to the 10 principles and each of the 4 focus areas: human rights, labour conditions, the environment and anti-corruption. See annex Communication on Progress.

Connectivity

We have also improved the logical connection between the customer themes and overarching material themes, so that they better reflect our strategic ambitions. Each material theme is linked to a strategic KPI.

Material themes	SKPI	GRI Standard
Customers		
Relevant for the customer Eneco wishes to remain relevant for its customers by offering a sustainable product range with which customers can live more sustainably, and by providing high quality services. Our service levels are in order where proactive advice, switching and information are concerned. We offer customers convenience and insight into their data via further digitalisation. With data insights and a smooth digital customer journey, we realise a good personal experience for the customer. Our complaints management is at a high level.	Number of contracts	Economic performance 201-1
	Customer satisfaction after customer contact[1]	Own disclosure
Competitive pricing - retaining customers Studies show that customers still consider the price of energy to be very important, in addition to the origin of energy. In order to retain customers, we offer them sustainable energy at a competitive price.	Number of contracts	Economic performance 201-1
	Customer satisfaction after customer contact	Own disclosure
Expanding innovative services Innovation is essential in the energy transition. We develop innovative services in and around the home, for electric transport and energy management of businesses. We aim for a leading position in these three segments and participate in start-ups.	Number of service contracts (subset of the total number of contracts)	Economic performance 201-1
Heating		
Growth in heating solutions (gas transition) Facilitating the heat transition and retaining the value of heating customers. Eneco aims to develop and offer attractive propositions for the relevant market segments in order to maintain its market position and retain the value of its customers. On the one hand, through densification and expansion of the existing network and, on the other hand, through a strong position in individual heat pumps (hardware, operation and field services) in the Netherlands and Belgium.	Increase in the number of new heat units (EDUs)	Energy 302-1
	Sustainable heat generation	Energy 302-1
Integration		
Contributing to the energy transition - balance between green supply and green assets Eneco contributes to the energy transition by focusing on reducing the share of electricity that is generated with fossil fuels and increasing the share of sustainably produced energy. Calculated as the ratio of electricity generated from Wind, Solar, Hydro and Biomass (both by our own assets as well as from assets where we have long term off-take agreements) and our gross total electricity volume delivered to our customers.	% electricity generated from sustainable sources relative to the total electricity delivered	Energy 302-1
Assets		
Investments in renewable sources To double our available sustainable capacity from 1100 MW to 2200 MW in five years' time. This concerns all our own sustainable electricity production capacity (MW) and sustainable production capacity for heating (MWth) (Sum of operational production capacity (in MW) of our Wind, Solar, Hydro and Biomass generating assets, attributed to Eneco based on ownership share).	Own sustainable electricity production (MWe)	Economic performance 201-1 Energy 302-1

	Own sustainable heat production (MWth)	Economic performance 201-1 Energy 302-1
Overarching		
Economic: Returns from a financially healthy company, International growth Eneco Group is a financially healthy company with a clear growth ambition in the Netherlands, Belgium and Germany. We aim to generate a healthy return for our (future) shareholders. We express this in ROCE that shows the return that we can achieve with our current investments (invested capital).	ROCE & EBITDA	Economic performance 201-1
Economic: Partnership with new shareholders	ROCE and EBITDA	Economic performance 201-1
Social: Promoting the health and well-being of employees We consider the safety, health and well-being of our employees to be very important. Safety, including at subcontractors, is given top priority. We aim for zero accidents and attention for vitality resulting in low absenteeism. The moving average number of incidents resulting in absenteeism, alternative work or medical treatment per 200,000 hours worked.	RIF	Occupational health&safety 403-8
Social: Contributing to the Paris climate agreements, in part through energy savings	One Planet	Emissions 305-5
Our chain emissions related to the emissions of our suppliers, our own business operations and our customers must decrease annually compared to 2015 to keep global warming below 2ºC. Eneco's main contribution lies in increasing the sustainability of the energy supply, stimulating e-mobility and increasing the sustainability of its own mobility, with which Eneco also contributes to clean air. Determining the CO_2 emissions of our chain (suppliers, customers, and our own operations) in accordance with the Greenhouse Gas (GHG) Corporate Value Chain Standard and ISO 14064-1 standard. We report on CO_2 equivalents, i.e. CO_2, CH4, NOx.		

1 Measured as the weighted average % of customers of Eneco B2C, Oxxio, SME, Heat, WoonEnergie, Home Services and Belgium who assess the brand of which they are customer as either 'excellent', 'very good' or 'good'. This metric is calculated based on the average of four (quarterly) measurements per year.

In the chapters Result: Customers, Result: Sustainable production, Result: Integration and Result: One Planet we discuss in detail the concrete objectives that we have formulated for the relevant topics via targets for the specified KPIs. We also discuss what we have already done and what we plan to do to realise our objectives. In addition, in the GRI content index we have included a more comprehensive overview of the GRI indicators that are linked to the most material themes.

Reporting process

Point of departure in the preparation of the annual report was the strategy including strategic themes and key performance indicators (KPIs) as determined by the Management Board. The contents of the annual report is also determined based on the materiality analysis described above. We have made agreements with regard to the reporting process. The responsibility, definition, scope, calculations, necessary resources and systems, quality assurance and the process are determined for each strategic KPI that is linked to a strategic theme. The development of each strategic KPI is reported periodically and discussed with the boards of the Eneco entities involved. The Internal Audit Department ensures the correctness and completeness. Where necessary remedial action is taken.

Information gathering and accountability
We have a process description for the preparation of the annual report. The general rule is that the Management Board is responsible for the integrated annual report.

The Management Board has delegated the preparation of the annual report to a process manager who leads a multidisciplinary team. The responsibility for the contents of the report is divided between the departments Strategy, Communication and Finance. The financial and non-financial strategic KPIs are an integral part of the planning and control cycle. The results are discussed in the regular business reviews. A responsible officer is appointed for each topic based on an accountability index. The Management Board reviews the final version before it is submitted to the Supervisory Board.

Sustainable Development Goals (SDGs)

We report on the Sustainable Development Goals (SDGs) of the United Nations that are relevant for us. These goals were drawn up in order to make the world 'a better place' by 2030. Eneco Group contributes to the realisation of these goals to the best of its abilities. In the chapter Result: One Planet we provide insight into the chosen SDGs, the targets and the alignment with our control framework.

UN Global Compact

As a member of the UN Global Compact, our report includes our progress with the 10 principles in each of the 4 focus areas: human rights, labour conditions, the environment and anti-corruption. This 'Communication on Progress' (CoP) is an integral part of our integrated annual report. See the annex on the UN Global Compact principles for references to the various CoP themes in the annual report.

Assurance non-financial information

In order to assess the reliability of our reporting, we asked Deloitte Accountants to assess the strategic KPIs and the application of the Core option of the GRI Standards (limited assurance) in addition to the financial statements. See the assurance report.

We have consciously opted for the Core option. This option is in line with our wish and that of our stakeholders to report concisely on our financial and non-financial performance. The Core option means that for each relevant aspect (topic), identified in the materiality analysis, we report on at least one GRI Standard and indicator that corresponds best with our control framework. The control framework with the set of strategic KPIs is leading in the choice of topics (see Topic-specific disclosures and management approach in the annex on the GRI content index. In addition, topics are included that our stakeholders have designated as important (see What is Material). In areas where we conclude that GRI Standards do not correspond sufficiently, we have used the definitions of the relevant strategic KPI.

Eneco Supplier Code of Conduct

Everyone's sustainable energy
Since 2007, Eneco's strategy is aimed at increasing sustainability. This is embedded in our mission, 'everyone's sustainable energy'. Our ambition is to bring our own and our customers' energy consumption within the limits of a habitable planet for the sake of our own generation and generations to come. To this end, we seek to collaborate with our customers, government bodies, suppliers and other partners that share this ambition.

Supplier Code of Conduct
The Supplier Code of Conduct is based on the ISO 26000 guideline for corporate social responsibility. Social responsibility and responsibility with respect to sustainability within the supply chain is something we also expect from our suppliers. Furthermore, we expect our suppliers to select their own suppliers in accordance with the guidelines of our Supplier Code of Conduct.

Corporate governance
We never conduct business with untrustworthy business partners. We never conduct business with (suspected) criminals or become involved in transactions in which the proceeds of criminal offenses play a role. Our suppliers adhere to national and international legislation and regulations, ensure that they have all the necessary permits and observe the principles of good corporate governance with a focus on continuity and integrity. Suppliers are expected to implement our Supplier Code of Conduct in their organisation and to monitor employee and supplier compliance.

Human rights and working conditions
Our suppliers:

- recognise the Universal Declaration of Human Rights and act accordingly;
- ensure that there is no child labour, forced labour or discrimination and that no conflict resources are being used in their supply chains;
- recognise and respect the right of employees to organise and to join a trade union;
- do not pay their employees less than the statutory minimum wage;
- adhere to acceptable working hours and social security provisions in accordance with local standards and national and international legislation and regulations;
- provide adequate working conditions to safeguard health and safety
- ensure that regular assessment interviews are conducted with their employees and offer training opportunities for employees.

Fair trading
Our suppliers:

- engage in fair trade practices and make just decisions to avoid corruption, abuse of power and conflicts of interest;
- in no way tolerate that the proceeds of criminal activities are disguised by their legitimate business transactions;

- in no way tolerate the use of legitimate financial resources for criminal activities, including terrorism;

- respect intellectual and other property rights and take appropriate measures to protect the personal details of customers, employees and other business contacts.

Consumer issues
Our suppliers:

- take measures to protect the health and safety of consumers that include providing reliable, environment-friendly and safe products that enable sustainable consumption;

- apply fair business standards with respect to marketing, sales and transparent and fair competition;

Environment
Manners in which suppliers of Eneco demonstrate commitment, a proactive approach and continuous improvement with respect to protection of the environment include:

- energy saving and reduction of emissions of carbon dioxide and other harmful greenhouse gases;

- promoting waste sorting, processing and recycling;

- limiting water consumption and improving water quality;

- preventing local pollution in the form of airborne particles, noise and light;

- stimulating biodiversity;

- preventing the use of resources the extraction of which harms the environment;

- limiting the harmful impact of a product on the environment during the product's useful life;

- having an environmental management system in place that is in accordance with or similar to ISO14001 or being committed to having such a system in place within an agreed period of time.

Involvement with and development of the community
Our suppliers:

- are involved with the community in which they operate;

- create local jobs and develop the skills of their (local) employees;

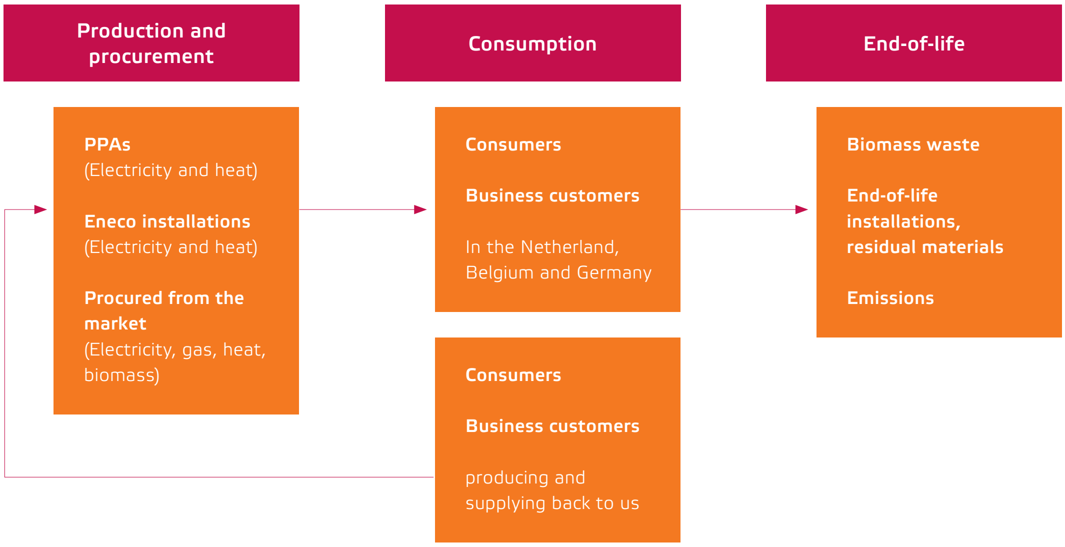
- take into account and take responsibility for the effects of their activities on the community as a whole and on the health of the people and animals in that community.

Audit
Eneco has the right to ensure, by means of an audit, that suppliers comply with this Code of Conduct. Evidence of not consistently operating in accordance with this Supplier Code of Conduct may have consequences for the continuation of the relationship between the supplier and Eneco.

Signing
All suppliers of Eneco are required to sign the Supplier Code of Conduct. By signing, suppliers commit to comply with the content of the Eneco Suppliers Code of Conduct.

Our electricity, gas and heat supply chain

Eneco supplies electricity, gas, steam and heat (including from sustainable sources) to consumers and businesses in the Netherlands, Belgium, Germany and the United Kingdom. Although more and more customers are generating their own energy, for example using solar panels, the overwhelming majority of the electricity and heat that is consumed is still generated centrally. Gas is purchased via GasTerra. Eneco procures energy on the market, under power purchase agreements (PPAs) with wind farms, or generates it at its own wind and solar farms and two biomass power plants. We will see a shift in production during the years ahead, as electricity and heat take the place of natural gas. With sustainable energy production and consumption making up a greater portion of our portfolio, emissions will drop.



GRI content index

General Disclosures

GRI Standards 2016	Description	Reference
Profile		
102-1	Name of the organisation	Profile (see page 6)
102-2	Main activities, brands and products and services	Profile (see page 6)
102-3	Location of the head office	Financial Statements Note 1.1 (see page 110)
102-4	Location of operations	Profile (see page 6)
102-5	Ownership and legal form	Corporate Governance (see page 80)
102-6	Important markets (geographical division, sectors and type of customers)	Profile (see page 6)
102-7	Scale of the organisation	Overview of the main results (see page 7), Sustainable production (see page 42) Financial result (see page 78) Workforce (see page 193)
102-8	Information about the total workforce	Workforce (see page 193)
102-9	The organisation's value chain and supply chain	Our supply chain (see page 203)
102-10	Significant changes during the reporting period	Governance, shareholders (see page 81)
102-11	Note about the application of the precautionary principle	Risk management (see page 82)
102-12	External economic, environment-related and social charters or principles to which the organisation subscribes	One Planet (see page 64): Sustainability scores, Reporting policy (see page 196)
102-13	Membership of associations	Document View our memberships
Strategy		
102-14	Statement of the senior decision-maker of the organisation on the relevance of sustainable development for Eneco Group and its strategy to aim for sustainable development	Foreword Management Board (see page 2)
Ethics & Integrity		
102-16	Values, principles, standards, and norms of behaviour of the organisation	Integrity and compliance (see page 92)
Governance		
102-18	Governance structure	Corporate Governance (see page 80)
Stakeholder engagement		
102-40	List of stakeholder groups	Reporting policy (see page 196)
102-41	Percentage of employees falling under a collective labour agreement	Workforce (see page 196)
102-42	Basis for identifying and selecting stakeholders	Reporting policy (see page 196)

GRI Standards 2016	Description	Reference
102-43	Approach to stakeholder engagement	Stakeholders and materiality (see page 207)
102-44	Result stakeholder management	Reporting policy (see page 196)
Reporting		
102-45	Operational structure of participating interests	Participating interests in Financial Statements (see page 146)
102-46	Process for the determination of the content of the report and application of GRI principles	Reporting policy (see page 196)
102-47	List of material themes	Reporting policy (see page 196)
102-48	The effect of any restatements of information given in previous reports	Safety: see note with regard to RIF
102-49	Changes in reporting compared to previous reporting periods	n/a
102-50	Reporting period	Reporting policy (see page 196)
102-51	Date of most recent report	Reporting policy (see page 196)
102-52	Reporting cycle	Reporting policy (see page 196)
102-53	Point of contact for questions about the report or the contents of the report	Box: Publication, inside of cover
102-54	In accordance option that the organisation has chosen	Reporting policy (see page 196)
102-55	GRI content index	GRI content index (see page 204)
102-56	External assurance policy	Reporting policy (see page 196)

Topic-specific disclosures and management approach

	Material themes linked to strategic KPIs and GRI disclosures and management approach	Strategic KPI	GRI Standard	GRI 2016 103.1 Scope[1,2]	GRI 2016 103.2 Strategy and policy	GRI 2016 103.3 Objectives/control framework
	Customers					
1	Relevant for the customer	Customer satisfaction #contracts	own	NL, D, B	Strategy: Section Customers	Result: Customers>Growing our customer numbers (see page 32) Overview of main results (see page 7)
2	Competitive pricing - (retaining customers)	Customer satisfaction #contracts	GRI 2016 201-1	NL D, B	Strategy: Section Customers	Result: Customers>Growing our customer numbers (see page 32) Overview of main results (see page 7)
3	Expanding innovative services	# service contracts	own	NL, D, B	Strategy: Section Customers	Result: Customers (see page 32)
	Heating					
4	Growth in heating solutions (gas transition)	# new EDUs	GRI 2016 302-1	NL	Strategy:Section Customers	Growing in sustainable heating (see page 46)
	Integration					
5	Contributing to the energy transition	% sustainable energy relative to delivery portfolio	GRI 2016 302-1	NL, D, B	Strategy: Section Integration	Growing in sustainable solar and wind energy (see page 42)
	Assets					
6	Investing in renewable sources	own sustainable generation of electricity and heat	GRI 2016 201-1	NL, B	Strategy: Section Sustainable production	Result: sustainable production (see page 42)
	Overarching					
7	Returns from a financially healthy company, growth in NL, D and B	ROCE, EBITDA	201-1	NL, D, B	Strategy	Financial result,(see page 78) Financial Statements (see page 109)
8	Safety, health and well-being	RIF	GRI 2018 403-9	NL, D, B	Safety paragraph	Safety (see page 74); Safety performance (see page 195)
9	Partnership with shareholders	ROCE, EBITDA	own	NL, D, B	Governance: paragraph shareholders	Foreword (see page 2)
10	Contributing to Paris climate agreements - reducing CO_2 and other emissions in the supply chain, Contributing to customers saving energy	One Planet KPI	GRI 2016 305-5[3]	NL D, B	One Planet: Mission and positioning	Result: One Planet (see page 56)

1 Omission at 201-1: competitive sensitivity ('payments to government by country') - Eneco is not required to report financial details by country and will not do so in view of the competitive sensitivity of this information.
2 See connectivity table in Reporting policy (page 188-191) for explanations why these topics are material.
3 Omission – The internal consumption figures as requested under 301-a and c are not material in relation to Eneco's sustainability ambitions. However, these data have been included in the calculation of the emissions relating to the One Planet KPI (GRI Standard 305-5)

Stakeholders and materiality

Stakeholder	contact moments	topics
Customers	customer surveys	service level
	website	complaints handling
	customer magazine	proactive advice
	social media	easy to switch
	customer service	digital and self-service
	account management	data privacy
		sufficient sustainable energy
		supporting contribution to the energy transition
		learning from innovative company such as Eneco
		linking energy requirement to Eneco wind and solar farms
		competitive pricing
		heat solutions
Shareholders	AGMs, regular contacts	regular performance
	annual report	return on investments in renewable sources
		risks and opportunities in national and international activities
		sustainable energy projects
Employees	Central Works Council	safety
	town hall meetings	fair remuneration
	annual report	health and well-being
	alignment survey	employment
	internal media	composition of the top of the company
	work consultations	privatisation
Nature and the environment	regular consultations	how sustainable is Eneco
	annual report	contributing to climate change
	benchmarks	contributing to the energy transition
		care for biodiversity
		origin E+G+H
Financial stakeholders	regular consultations	sustainability of business model
	annual report	strategy and risk management
	annual audits	investing in renewable sources abroad
		compliance
		anti-corruption
Local residents - housing corporations	various contact moments	safety
		air quality
		biodiversity
		heat solutions

UN Global Compact principles

Progress report

Eneco subscribes to the ten Global Compact principles and reports here on the progress

Categories and principles	Location
Human rights	
1. Eneco supports and respects the internationally proclaimed human rights.	Integrity & Compliance (see page 92) Socially Responsible Procurement (see page 201) Circularity (see page 63), (see page 92) Code of Conduct (see page 81) (text code of conduct) Suppliers Code of Conduct
2 . Eneco continually makes sure that it is not complicit in human right abuses.	Socially Responsible Procurement (see page 63) Suppliers Code of Conduct (see page 201)
Working conditions	
3 . Eneco upholds the freedom of association and the effective recognition of the right to collective bargaining	Employee participation in decision making (see page 68) Workforce (see page 193)
4 . Eneco strives to eliminate all forms of forced and compulsory labour	Suppliers Code of Conduct (see page 201)
5 . Eneco strives for the effective abolition of child labour.	Suppliers Code of Conduct (see page 201)
6 . Eneco strives for the elimination of discrimination in respect of employment and occupation.	Integrity (see page 92) Code of Conduct
Environment	
7 . Eneco supports a precautionary approach to environmental challenges.	One Planet (see page 56) Code of Conduct (see page 81)
8 . Eneco undertakes initiatives to promote greater environmental responsibility.	Strategy (see page 24) One Planet (see page 56)
9 . Eneco encourages the development and diffusion of environmentally friendly technologies.	Mission and Strategy (see page 24)
Anti-corruption	
10 . Eneco works against corruption in all its forms, including extortion and bribery.	Integrity (see page 92) Code of Conduct (see page 81)

P.O. Box 8208, 3009 AE Rotterdam

Mr. H.E. António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Rotterdam, 6 April 2021

Eneco statement expressing continued support of the UN Global Compact Principles

Dear Mr. Secretary-General,

I am pleased to confirm that Eneco continues to support the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement these principles. We are committed to making the UN Global Compact and its principles part of our company's strategy, culture and day-to-day operations, and to engaging in collaborative projects that advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. Eneco will make a clear statement of this commitment to its stakeholders and the general public.

We recognise that a key requirement for participation in the UN Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the Ten Principles. We are pleased to present our integrated annual report: https://yearreport2020.eneco.com/, in which we report on our progress on the most relevant SDGs and the Ten Principles. For the sake of readability, a UNGC index has also been added to our integrated annual report.

Yours sincerely,

Mr. A.C. (As) Tempelman
CEO

Eneco B.V. - P.O. Box 8208, 3009 AE Rotterdam - T 0031 88 895 11 11 – I www.eneco.nl
Chamber of Commerce Rotterdam 24433142 – NL65ABNA0640001025 – NL.8192.41.222.B01

Declaration of compliance with Suppliers Code of Conduct,

regarding data from low-volume meters that can be read remotely.

Name of legal entities: Eneco Consumenten B.V. and Eneco Zakelijk B.V., hereafter jointly referred to as Eneco, and Oxxio Nederland B.V. and CEN B.V., hereafter jointly referred to as Oxxio.

Registered offices: Rotterdam

Period: 1 January 2020 up to and including 31 December 2020

Eneco and Oxxio make use of meter data obtained from low-volume meters that can be read remotely in order to carry out their services properly. As a supplement to the Personal Data Protection Act (now the General Data Protection Regulation), suppliers and meter reading companies acting under their responsibility in the Dutch energy sector have drafted a code of conduct regarding the use, recording, exchange and storing of data obtained from low-volume meters that can be read remotely.

Eneco B.V. hereby states, duly represented in this matter by its director F.C.W. (Frans) van de Noort, in its capacity as director of Eneco Consumenten Nederland B.V., who in turn is the director of Eneco Consumenten B.V., Oxxio Nederland B.V. and CEN B.V., as well as in its capacity as director of Eneco Zakelijk Nederland B.V., who in turn is the director of Eneco Zakelijk B.V., that Eneco and Oxxio have complied with the rules and obligations laid down in the Suppliers of Smart Meters Code of Conduct 2012 during the above-mentioned period.

Article 3.1.2 of the code of conduct states that personal meter data must be processed in accordance with the law. With regard to this specific issue, it should be noted that the General Data Protection Regulation (GDPR) came into effect on 25 May 2018. Eneco is compliant with the GDPR. In addition, Eneco drew up a proposal for a new code of conduct, together with Energie Nederland, containing the obligations that follow from the GDPR. This proposal was discussed with the Dutch Data Protection Authority and will come into force after formal approval by the Dutch Data Protection Authority.

Rotterdam, **12 March 2021**

F.C.W. (Frans) van de Noort,

Member of the Management Board of Eneco Groep N.V.

Published by
Eneco Group Communications
P.O. Box 1003
3000 BA Rotterdam
Telephone: Int. + 31 (0)88 8953992
corporatecommunicatie@eneco.com
www.enecogroup.com

Design
CF Report

Disclaimer

This report contains forward-looking statements. These statements can be recognised by the use of wording such as 'anticipated', 'expected', 'forecast', 'intends', and similar expressions. These statements are subject to risks and uncertainties and the actual results and events can differ considerably from the current expectations. Factors that can lead to this include, but are not limited to, the general economic situation, the situation in the markets in which Eneco operates, the behaviour of customers, suppliers and competitors, technological developments and legal judgements and stipulations of regulatory bodies that affect the activities of Eneco.

Future results could also be influenced by factors including, but not limited to, financial risks, such as foreign currency and interest risks and liquidity and credit risks. Eneco does not accept any liability or obligation related to the adjustment or revision of the current forecasts on the basis of new information or future events or for any other reason.

Eneco HollandseWind, Eneco HollandseZon, Eneco HollandseWind & Zon, Eneco EuropeseWind, Eneco Omschakelaar, Eneco HappyPower, Eneco KetelComfort, Eneco SlimLaden, Eneco StukjeZon, Toon van Eneco, Eneco WarmteWinner, Bincknet van Eneco, Eneco Energy Trade, AgroEnergy, WoonEnergie and Oxxio are registered brand names of Eneco B.V.

This annual report will be published on the internet in its entirety in the English language only. The Report of the Management Board will also be published in the Dutch language.

No rights may be derived from the information as presented on this website. In the event of any discrepancies between Eneco information presented on the internet and the printed version thereof, the latter prevails.

In order to promote interactivity, links to locations within and outside the annual report are included. If a link leads to a location outside the annual report (resulting in the opening of a new window), the external information concerned is not part of the annual report as assessed by the auditor.

Eneco Groep N.V.
Postbus 1003
3000 BA Rotterdam
www.eneco.nl