N.V. Eneco Financial Statements 2021

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Consolidated financial statements 2021

Consolidated income statement

For the year ended 31 December 2021

x €1 million	Note	2021	2020
Revenues from energy sales and energy-related activities	3	5,144	4,090
Purchases of energy and energy-related activities		3,987	3,054
Gross margin		**1,157**	**1,036**
Other revenues	4	67	58
Gross margin and other operating revenues		**1,224**	**1,094**
Employee benefit expenses	5	258	239
Cost of contracted work and other external costs		377	346
Depreciation and impairment of property, plant and equipment	12, 13	259	227
Amortisation and impairment of intangible assets	14	91	94
Other operating expenses		17	25
Operating expenses		**1,002**	**931**
Operating profit		**222**	**163**
Share of profit of associates and joint ventures	7	63	14
Financial income	8	2	9
Financial expenses	9	-26	-21
Profit before income tax		**261**	**165**
Income tax	10	-52	-47
Profit after income tax		**209**	**118**
Profit distribution			
Profit after income tax attributable to non-controlling interests		-	1
Profit after income tax attributable to shareholder of N.V. Eneco		209	117
Profit after income tax		**209**	**118**

Consolidated statement of comprehensive income

For the year ended 31 December 2021

x €1 million	Note	2021	2020
Profit after income tax		**209**	**118**
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			
Currency translation differences:			
- Current period, net change before tax	31	18	-18
- Income tax effect	17	-	-
Net investment hedge:			
- Current period, net change before tax	31	-18	12
- Income tax effect	17	5	-3
Cash flow hedges:			
- Current period, net change before tax	31	-258	-37
- Income tax effect	17	67	10
Share of unrealised profit of associates and joint ventures after tax	16, 31	6	-4
Total other comprehensive income		**-179**	**-40**
Total comprehensive income		30	78
Profit distribution			
Non-controlling interests		-	1
Shareholder of N.V. Eneco		30	77
Total comprehensive income		**30**	**78**

Consolidated balance sheet

x €1 million	Note	At 31 December 2021	At 31 December 2020
Non-current assets			
Property, plant and equipment			
- Owned assets	12	2,965	2,769
- Right-of-use assets	13	238	235
Intangible assets	14	1,121	1,155
Associates and joint ventures	16	221	109
Deferred income tax assets	17	21	20
Financial assets			
- Derivative financial instruments	18	600	85
- Other financial assets	19	98	97
Total non-current assets		**5,264**	**4,470**
Current assets			
Assets held for sale	20	1	13
Intangible assets and inventories	14	231	153
Trade receivables	21	1,260	658
Current income tax assets		19	19
Other receivables	22	543	155
Derivative financial instruments	18	1,906	256
Cash and cash equivalents	23	654	557
Total current assets		**4,614**	**1,811**
TOTAL ASSETS		**9,878**	**6,281**
Equity			
Equity attributable to shareholder of N.V. Eneco	24	2,914	2,942
Non-controlling interests	24	7	6
Total equity		**2,921**	**2,948**
Non-current liabilities			
Provisions for employee benefits	25	6	7
Other provisions	26	185	140
Deferred income tax liabilities	17	169	248
Derivative financial instruments	18	842	146
Lease liabilities	13	205	203
Interest-bearing debt	27	409	567
Other liabilities	28	182	167
Total non-current liabilities		**1,998**	**1,478**
Current liabilities			
Liabilities held for sale	20	2	2
Provisions for employee benefits	25	4	5
Other provisions	26	1	2
Derivative financial instruments	18	1,980	284
Lease liabilities	13	28	26
Interest-bearing debt	27	783	32
Current income tax liabilities		28	16
Trade creditors and other payables	28	2,133	1,488
Total current liabilities		**4,959**	**1,855**
TOTAL EQUITY AND LIABILITIES		**9,878**	**6,281**

Consolidated cash flow statement

For the year ended 31 December 2021

x €1 million	Note	2021	2020
Profit after income tax		**209**	**118**
Adjusted for:			
- Financial income and expense recognised in profit or loss	8, 9	24	12
- Income tax recognised in profit or loss	10	52	47
- Share of profit of associates and joint ventures	7	-63	-14
- Depreciation, amortisation and impairment	12, 13, 14	350	320
- Result from sale of tangible and intangible assets		-6	1
- Movement in working capital	34	-436	79
- Movements in provisions, derivative financial instruments and other		-35	13
Cash flow from business operations		**95**	**576**
Dividend received from associates and joint ventures		19	12
Interest paid		-22	-21
Interest received		3	21
Income tax paid / received		-53	-37
Cash flow from operating activities		**42**	**551**
Issued loans granted		-5	-3
Repayment of loans granted	19	-	41
Acquisition of subsidiaries (net, exclusively purchased cash)	15	-18	-155
Disposal of subsidiaries (net, exclusively sold cash)		-	1
Acquisition of joint operations, joint ventures and associates	15	-134	-9
Disposal of joint operations, joint ventures and associates		69	-
Investments in property, plant and equipment	12	-345	-352
Disposal of property, plant and equipment		10	5
Investments in intangible assets	14	-35	-33
Disposal of intangible assets		6	-
Disposal of assets held for sale		13	-
Cash flow from investing activities		**-439**	**-505**
Dividend payments		-58	-68
Payment of lease liabilities		-28	-27
Repayment of interest-bearing debt	27	-144	-64
Proceeds from interest-bearing debt	27	722	134
Purchase/sale of non-controlling interests		1	-
Cash flow from financing activities		**493**	**-25**
Movement in cash and cash equivalents		**96**	**21**
Balance of cash and cash equivalents at 1 January		557	537
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		**654**	**557**

Consolidated statement of changes in equity

	Equity attributable to shareholder of N.V. Eneco[1]							
x €1 million	Paid-up and called-up share capital	Translation reserve	Cash flow hedge reserve	Retained earnings	Un-distributed profit	Total	Non-controlling interests	Total equity
At 1 January 2020	**122**	**-4**	**-21**	**2,756**	**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 of N.V. Eneco	-	-	-	-	-68	-68	-	-68
Changes in non-controlling interests in subsidiaries	-	-	-	1	-	1	-	1
Total transactions with owners of the company	**-**	**-**	**-**	**12**	**-79**	**-67**	**-**	**-67**
At 31 December 2020	**122**	**-13**	**-52**	**2,768**	**117**	**2,942**	**6**	**2,948**
Profit after income tax	-	-	-	-	209	209	-	209
Total other comprehensive income	-	5	-185	1	-	-179	-	-179
Total comprehensive income	**-**	**5**	**-185**	**1**	**209**	**30**	**-**	**30**
Profit appropriation 2020	-	-	-	59	-59	-	-	-
Dividend to shareholder of N.V. Eneco	-	-	-	-	-58	-58	-	-58
Acquisitions of group companies	-	-	-10	10	-	-	-	-
Changes in non-controlling interests in subsidiaries	-	-	-	-	-	-	1	1
Total transactions with owners of the company	**-**	**-**	**-10**	**69**	**-117**	**-58**	**1**	**-57**
At 31 December 2021	**122**	**-8**	**-247**	**2,838**	**209**	**2,914**	**7**	**2,921**

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

Merger

N.V. Eneco Beheer (the 'Acquiring Company') and Eneco Groep N.V. (the 'Disappearing Company') merged on 29 June 2021 with retroactive effect to 1 January 2021, pursuant to Section 2:309 of the Dutch Civil Code, in such way that the Disappearing Company ceased to exist and all assets and liabilities of the Disappearing Company passed to the Acquiring Company under universal succession of title. The pooling of interests method was applied for the merger. The shareholder (Diamond Chubu Europe B.V.) of the Disappearing Company became shareholder of the Acquiring Company. In addition, the company's name 'N.V. Eneco Beheer' was changed to 'N.V. Eneco' at the time of the merger. As a result of the merger, both the total equity amount of N.V. Eneco Beheer (€2,942 million) and its composition at 31 December 2020 were equal to the equity and its composition in the opening balance sheet of N.V. Eneco at 1 January 2021.

As a consequence of the merger, the Supervisory Board of Eneco Groep N.V. was appointed at N.V. Eneco with effect from 1 January 2021.

General information

N.V. Eneco ('the company') is a company incorporated under Dutch law, with its registered office in Rotterdam. N.V. Eneco is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to jointly as 'Eneco' or 'the Group'). Following the purchase by Mitsubishi Corporation and Chubu Electric Power of the entire share capital of Eneco Groep N.V. (the former parent company of N.V. Eneco Beheer) on 24 March 2020, Mitsubishi Corporation (Tokyo, Japan) is the ultimate parent of N.V. Eneco (formerly N.V. Eneco Beheer). The company is registered at the Chamber of Commerce under number 24246970.

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 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 investment with Mitsubishi Corporation in the Luchterduinen offshore wind farm[1], investment with Nethys N.V. in the Norther wind farm in the North Sea and investment with a number of others (Partners Group, Shell, Mitsubishi Corporation and Van Oord) in the Blauwwind[1] (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

1 Mitsubishi Corporation's shares in Luchterduinen and Blauwwind offshore wind farms will be sold to a third party in 2022.

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 an interest in Greenchoice B.V.

The consolidated financial statements have been prepared by the company's Management Board. The financial statements 2021 were signed by the Management Board during its meeting on 11 March 2022 and will be submitted for adoption by the General Meeting of Shareholders on 29 March 2022.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2021, 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 N.V. Eneco. 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 2021 and, where relevant, have been applied by Eneco since that date.

Amendments to IFRS 9 'Financial Instruments', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' in respect of the 'Interest Rate Benchmark Reform' project (phase 2)
These amendments are effective for reporting periods beginning on or after 1 January 2021 and provide practical expedients:

- Modifications of loans due to the benchmark reform are accounted for by updating the effective interest rate and a comparable expedient is applicable for lessee accounting;
- For hedge accounting, hedged items are updated and hedge relationships continue;
- Disclosures to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform.

The Group's interest-bearing borrowings are based on interest rate benchmarks. The Group uses Euribor which has already been updated and no changes in this benchmark are foreseen that might affect the accounting by the Group.

Changes to the following standards, which Eneco has not early adopted, become effective from 1 January 2022:

- Amendment to IAS 16 'Property, plant and equipment';
- Amendments to IAS 37 'Provisions, contingent assets and contingent liabilities';
- Annual improvements, 2018/2020 Cycle.

These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

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 N.V. Eneco, 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 Covid-19 pandemic continued to affect all employees in 2021 since many of them had to work from home. However, the financial impact of the pandemic on the 2021 results, balance sheet amounts and cash flows was limited compared to the previous year and not material.

2. Accounting policies

2.1 General

The principal accounting policies used when preparing the financial statements 2021 are summarised below.

The accounting policies used in these financial statements are consistent with those set out in the 2020 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. The judgements, estimates and assumptions regarding the consequences of the Covid-19 pandemic had a limited impact in 2021.

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' and note 31.1 'Credit risk': 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, rental of smart thermostats and electric vehicle charging solutions are recognised as revenues from energy-related activities. Revenue from installing equipment and sales of solar panels, smart thermostats and electric vehicle charging solutions 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 any adjustments in respect of previous years. The current tax amount is calculated based on 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
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 - 35
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.

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 software licences, concessions, permits, other rights, trade names and development expenditure. 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 software licences
Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of software 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. Expenditure on configuring or customising application software in a Software as a Service (SaaS) arrangement is generally recognised as an expense in the period in which it is incurred. When the expenditure meets both the definition of an intangible asset and the recognition criteria, it is capitalised at cost.

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 expenditure
Development expenditure represents the payments for 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 expenditure is 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 software licences	3 - 5
Concessions, permits and other rights	3 - 30
Trade names	20
Development expenditure	5 - 15

2.11 Emission rights

Emission rights are classified on initial recognition either as rights intended for the company's own use, measured at cost, or rights held for trading, measured at fair value through profit or loss.

Emission rights held for the company's own use are redeemed with the government for actual CO_2 emissions. These rights are measured at cost and recognised as current intangible assets. A liability is recognised for the redemption obligation of these CO_2 emission rights, measured at the cost of the rights obtained. If a shortfall is expected in the quantity of rights required for redemption and rights purchased, a liability for the obligation to deliver emission rights is recognised on the balance sheet and through the income statement as 'Purchases of energy and energy-related activities'. The liability to deliver this shortfall of emission rights is measured at the lower/higher of market value and the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as 'Inventory' on the balance sheet. Changes in fair value of these rights are recognised in the income statement and presented as part of 'Purchases of energy and energy-related activities'.

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, 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) 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.

Impairments related to assets and liabilities held for sale are presented as 'Depreciation and impairment of property, plant and equipment' or 'Amortisation and impairment of intangible assets' in the income statement.

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.

See note 2.11 'Emission rights' for the accounting policy for emission rights held for trading purposes.

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 assessment 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. The present value is calculated using a pre-tax rate which reflects the current market assessment of the time value of money and the risks specific to the liability, with a minimum of 0%. No decommissioning provision is formed if there is only a 'possible' or '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. Any increase in the provision due to the passage of time is recognised as interest expense.

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.

	2021	2020
Electricity	3,163	2,548
Gas	1,600	1,165
District heat	276	279
Energy-related activities	105	98
Total	**5,144**	**4,090**

Electricity revenue in 2021 included €63 million (2020: €125 million) of government grants.

Each year, the Group settles prior year revenues with its customers. In 2021, revenue of €19 million that related to earlier years of supply was recognised (2020: €10 million).

	2021	2020
Netherlands	3,103	2,555
Belgium	794	551
Germany	1,145	932
United Kingdom	102	51
Other	-	1
Total	**5,144**	**4,090**

Revenue for 2021 included transmission charges of some €290 million (2020: €266 million) invoiced on behalf of grid operators and some €482 million (2020: €373 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 are mainly the recharge of costs, settlement of claims, revenues from sales of tangible and intangible assets and the release of contributions to connection charges.

5. Employee benefits

	2021	2020
Wages and salaries	186	176
Social security contributions	25	25
Pension contributions	21	19
Other employee benefits	26	19
Total	**258**	**239**

Total employee benefits were €287 million (2020: €263 million). €20 million (2020: €16 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €9 million (2020: €8 million) have been recognised as part of Purchases of energy and energy-related activities.

Number of employees in Full Time Equivalents (FTE)

	2021	2020
Average		
FTEs employed	2,865	2,819
of whom, working outside the Netherlands	737	769
At 31 December		
FTEs employed	2,970	2,835

6. Remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board
The remuneration policy for the members of the Management Board[1] as proposed by the Supervisory Board was approved by the General Meeting of Shareholders and took effect on 24 March 2020.
The General Meeting of Shareholders adopted an amendment to the remuneration policy regarding the financial targets of the Management Board with effect from 1 April 2021 regarding the financial targets (as explained below). The remuneration of the Management Board is determined by the Supervisory Board on the recommendation of its 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). The STI is granted on the basis of targets set each year by the Supervisory Board for the financial result (with a weight of 60%) and for customer satisfaction and employee engagement (each with a weight of 20%). The assumed on-target level of the STI is set at 30% of base salary including holiday allowance. Pay-out starts at the threshold level at 20% of base salary including holiday allowance and is maximised at an assumed above-target of 40% of base salary including holiday allowance. The 2020 STI applies from 1 April 2020 until 31 March 2021. The 2021 STI applies from 1 April 2021 to 31 March 2022.

The grant of LTI is fully dependent on the improvement of the financial performance over a period of three years. The assumed on-target annual grant level of the LTI is set at 30% of base salary including holiday allowance. The pay-out starts at the threshold level of 20% of base salary

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

including holiday allowance and is maximised at an assumed above-target of 40% of base salary including holiday allowance. This grant is conditional upon the continued employment of the members of the Management Board during a period of 3 years. The level of achievement is assessed at the end of the relevant three-year period. The 2020-2022 LTI applies from 1 April 2020 to 31 March 2023 and the 2021-2023 LTI applies from 1 April 2021 to 31 March 2024.

In 2021 the financial targets of the Management Board were aligned with the financial targets of the Bonus Score Card, resulting in a change from EBITDA to the normalised[1] net result for both the STI and the LTI. The STI/LTI arrangements were based on EBITDA until 1 April 2021 and since then on net result.

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 €112,189 (2021). As a result, the contribution to pensions for the part of the gross salary in excess of €112,189 (2021) is presented in the Other pension compensation column in the Remuneration of the Management Board table below.

The 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 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 contract is terminated by or at the initiative of the company.

As noted in the Financial Statements 2020, Mr Dubbeld (CFO) stepped down with effect from 1 February 2021.

Ms Tijhaar was appointed as CFO on 1 February 2021. Mr Peters (CCO) stepped down with effect from 15 July 2021.

The following arrangements were in place between 1 January 2020 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 other than Mr Sondag (CEO) consisted of a fixed salary and short-term variable remuneration. Mr Sondag received only a fixed salary. If certain targets were achieved, the variable salary amounted to 20% of the salary including the holiday allowance. 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.

As noted in the Financial Statements 2020, Mr Sondag stepped down as chairperson of the Management Board with effect from 25 March 2020.

1 The Supervisory Board in its discretionary authority can apply normalisations to the reported net result.

Total remuneration was as follows:

Remuneration of the Management Board[1] x €1,000	Gross salary	Variable remuneration (STI)[2]	Variable remuneration (LTI)[3]	Pension contributions	Other pension compensation	Other[4,5,6]	Total 2021
A.C. Tempelman	604	216	105	43	71	-	1,039
C.J. Rameau	449	165	76	36	47	-	773
G.A.J. Dubbeld[7]	37	67	11	3	4	88	210
J.M.J. Tijhaar[8]	404	98	33	33	43	10	621
F.C.W. van de Noort	446	165	76	36	47	-	770
J.A.F.M. Peters[9]	242	133	54	22	26	524	1,001
H. Sakuma	450	165	76	36	47	-	774
Total	**2,632**	**1,009**	**431**	**209**	**285**	**622**	**5,188**

1 'Gross salary' 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 and short-term employee benefits in IAS 19 and IAS 24.
2 Includes the 2020 STI (Jan-Mar 2021 based on actual result) and the 2021 STI (Apr-Dec 2021 - this amount has been calculated assuming on-target achievement of the financial and non-financial targets after the one-year period, the amount is based on nine months). This amount includes an adjustment for the actual realisation of 2020 STI: Apr-Dec 2020: €155. Mr Peters has received a pro rata incentive at the termination date of his contract of employment.
3 This amount has been calculated assuming on-target achievement of the financial targets after the three-year period. Two cycles LTI overlap in 2021: LTI 2020-2022 (start: 1 April 2020 - 1 April 2023) and LTI 2021-2023 (start: 1 April 2021- 1 April 2024). The amount of long-term variable remuneration for 2021 is an estimate based on twelve months (1 Jan - 31 December, regarding the LTI 2020-2022) as well an estimate based on nine months (1 April - 31 December, regarding the LTI 2021-2023). Mr Dubbeld and Mr Peters have received a pro rata incentive at the termination date of their contract of employment.
4 Mr Dubbeld: continued payment of salary for the period 1 February – 1 April 2021 during which Mr Dubbeld was not required to work.
5 Ms Tijhaar: as part of an individual agreement, she received a one time settlement for the STI/LTI February/March 2021. The regular STI/LTI arrangements took effect as of 1 April 2021 for Ms Tijhaar.
6 Mr Peters: continued payment of salary for the period 15 July – 15 September 2021 during which Mr Peters was not required to work and the compensation at the end of employment (15 September 2021) as contractually agreed.
7 Salary to 1 February 2021.
8 Ms Tijhaar was appointed with effect from 1 February 2021.
9 Salary to 15 July 2021.

x €1,000	Gross salary	Variable remuneration to 24 March 2020	Variable remuneration (STI) from 24 March 2020[1]	Variable remuneration (LTI) from 24 March 2020[2]	Pension contributions	Other pension compensation	Other[3,4]	Total 2020
L.M. Sondag[5]	129	-	-	-	10	14	343	496
A.C. Tempelman[6]	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[7]	343	-	98	33	21	36	-	531
H. Sakuma[8]	346	-	98	33	24	36	-	537
Total	**2,399**	**68**	**580**	**195**	**174**	**257**	**803**	**4,476**

1 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).
2 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).
3 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.
4 Mr Dubbeld: this is the compensation at the end of employment (1 April 2021) as contractually agreed.
5 Salary to 24 March 2020.
6 Mr Tempelman was appointed with effect from 1 July 2020.
7 Mr Peters was appointed with effect from 24 March 2020.
8 Mr Sakuma was appointed with effect from 24 March 2020.

Remuneration of the Supervisory Board

The General Meeting of Shareholders adopted the remuneration policy for the Supervisory Board with effect from 24 March 2020. A Supervisory Board was established for N.V. Eneco at the time of the merger between N.V. Eneco Beheer and Eneco Groep N.V. Eneco Groep N.V.'s remuneration policy for the Supervisory Board was adopted for N.V. Eneco by the General Meeting of Shareholders as of the date of the merger. The remuneration of the chairperson 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 chairperson and members of the Audit Committee receive additional annual fees of €10,000 and €7,500 respectively. The chairperson 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.

The remuneration policy and comparative figures of Eneco Groep N.V., as applied in 2020, are disclosed for comparison purposes.

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

Until 24 March 2020, the remuneration of the chairperson 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. Insinger as temporary chairperson 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 chairperson 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 fee 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.

Total remuneration was as follows:

2021		Committees			
x €1	Remuneration	Audit committee	Remuneration / selection and appointments committee	Expenses	Total 2021
J.M. Kroon, chairperson	80,000	7,500	6,500	1,150	95,150
M. Enthoven	60,000	10,000	8,500	1,150	79,650
J.M. Roobeek	60,000	-	6,500	1,150	67,650
K. Nakanishi[1]	-	-	-	-	-
Y. Kashiwagi[1]	-	-	-	-	-
G. Yaguchi[1,2]	-	-	-	-	-
H. (Hiroki) Sato[1,3]	-	-	-	-	-
H. (Haruhiko) Sato[1,2]	-	-	-	-	-
T. Shiozawa[1,3]	-	-	-	-	-
Total	**200,000**	**17,500**	**21,500**	**3,450**	**242,450**

1 Mr Nakanishi, Mr Kashiwagi, Mr Yaguchi, Mr Sato, Mr Sato and Mr Shiozawa have voluntary waived their renumeration entitlements.
2 Mr Yaguchi was appointed as member of the Supervisory Board per 13 March 2021 and succeeded Mr Sato who has stepped down on the same moment.
3 Mr Sato was appointed as member of the Supervisory Board per 28 May 2021 and succeeded Mr Shiozawa who has stepped down on the same moment.

To 24 March 2020		Committees			
x €1	Remuneration	Audit committee	Remuneration / selection and appointments committee	Expenses	Total to 24 March 2021
C.M. Insinger, chairperson	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 2021
J.M. Kroon, chairperson	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.

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.

	2021	2020
Share in net profit and result on sales of associates and joint ventures	65	13
(Reversal) Impairment	-2	1
Total	**63**	**14**

8. Financial income

Financial income was mainly negative interest on Euro Commercial Paper borrowings.

9. Financial expenses

	2021	2020
Interest expenses	15	11
Interest added to provisions and lease liabilities	5	5
Other	6	5
Total	**26**	**21**

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:

	2021	2020
Current tax expense	65	37
Movements in deferred taxes	-13	10
Income tax	**52**	**47**

N.V. Eneco heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries.

In 2021, the Dutch Senate approved the 2022 Tax Plan which increases the tax rate from 25% to 25.8%. The impact of this increase (€5 million) has been recognised in the 2021 result as deferred tax expenses and it also resulted in a net increase in the deferred tax assets and liabilities.

In 2020, the Dutch Senate approved the 2021 Tax Plan which reversed the previously approved reduction in the tax rate from 25% to 21.7%. The impact of this reversal (€22 million) was recognised in the 2020 result as deferred tax expenses and it also resulted in a net increase in the deferred tax assets and liabilities.

In 2021, the UK government decided to increase the tax rate to 25% and this led to a €4 million impact on result (deferred tax expense) and increase of net deferred tax assets and liabilities.

The corporate income tax rates for Belgium and Germany were not adjusted in 2021 and are 25% respectively 32.28%.

Including prior year adjustments of €4 million (2020: €0 million), current income tax charges were €65 million (2020: €37 million). The deferred tax gain of €13 million in the table above (2020: deferred tax expense of €10 million) included a release of €4 million from the Energy Investment Allowance to be amortised (2020: €3 million) and net deferred tax of €0 million (2020: loss of €3 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:

		2021		2020
Profit before income tax		**261**		**165**
Nominal tax rate (in the Netherlands)	25.0%	65	25.0%	41
Effect of:				
- Participation exemption	-6.3%	-16	-2.9%	-5
- Non tax-deductible expenses	3.2%	8	2.2%	4
- Tax incentives	-2.1%	-5	-2.0%	-3
- Movement in deferred taxes (effect rate change)	4.1%	11	14.1%	23
- Movement in deferred taxes (other)	0.0%	0	-2.5%	-4
- Adjustment of prior years results (current and deferred taxes)	0.0%	0	1.8%	3
- Investment allowances and foreign loss relief	-1.8%	-5	-3.2%	-5
- Tax effect of different foreign tax rates	-0.8%	-2	-1.2%	-2
- Tax-exempt income and other	-1.4%	-4	-2.7%	-5
Effective tax rate	**19.9%**	**52**	**28.6%**	**47**

11. Government grants

Government grants recognised in the result were as follows:

	2021	2020
Stimulation Sustainable Energy Production (SDE scheme)	63	125
Total	**63**	**125**

Government grants are included in electricity revenue, see note 3 'Revenues from energy sales and energy-related activities'.

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 2020	**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**
Investments	6	50	1	305	362
Acquisitions	1	8	-	2	11
Disposals	-	-35	-2	-7	-44
Reclassification from / to assets held for sale	-	-	-	-	-
Change in interest rate percentage for decommissioning provision	-	36	-	-	36
Reclassification other	-	167	1	-159	9
Translation differences	-	25	-	-	25
At 31 December 2021	**89**	**4,745**	**45**	**359**	**5,238**
Accumulated depreciation and impairment					
At 1 January 2020	**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**
Annual depreciation and impairment	3	220	3	-	226
Acquisitions	-	2	-	-	2
Disposals	-	-27	-1	-6	-34
Reclassification from / to assets held for sale	-	-	-	-	-
Reclassification other	-	-	-	-	-
Translation differences	-	9	-	-	9
At 31 December 2021	**30**	**2,203**	**40**	**-**	**2,273**
Carrying amount					
At 1 January 2020	55	2,262	10	299	2,626
At 31 December 2020	55	2,495	7	212	2,769
At 31 December 2021	**59**	**2,542**	**5**	**359**	**2,965**

Capitalised interest
During the reporting period, attributable interest capitalised for property, plant and equipment was €2 million (2020: €6 million). The capitalisation rate of interest was 0.75% in 2021 (2020: 1.00%).

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 €20 million (2020: €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 2020	**221**	**57**	**13**	**291**
Additions	8	-	-	8
Revaluation	6	-	3	9
Translation differences	-2	-	-	-2
At 31 December 2020	**233**	**57**	**16**	**306**
Additions	27	-	-	27
Revaluation	2	-	5	7
Disposals	-8	-	-	-8
Translation differences	3	-	-	3
At 31 December 2021	**257**	**57**	**21**	**335**
Accumulated depreciation and impairment				
At 1 January 2020	**19**	**22**	**3**	**44**
Annual depreciation and impairment	20	3	4	27
Translation differences	-	-	-	-
At 31 December 2020	**39**	**25**	**7**	**71**
Annual depreciation and impairment	21	3	4	28
Disposals	-2	-	-	-2
Translation differences	-	-	-	-
At 31 December 2021	**58**	**28**	**11**	**97**
Carrying amount				
At 1 January 2020	202	35	10	247
At 31 December 2020	194	32	9	235
At 31 December 2021	**199**	**29**	**10**	**238**

Movements in lease liabilities were as follows:

	2021	2020
At 1 January	**229**	**241**
New leases	27	8
Lease payments	-31	-31
Interest added to lease liabilities (financial expenses)	4	4
Changes of contract period, indexation	7	9
Disposal of contracts	-5	-
Translation differences	2	-3
Reclassifications	-	1
At 31 December	**233**	**229**
Classification at 31 December		
Current	28	26
Non-current	205	203
At 31 December	**233**	**229**

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 35 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

	2021	2020
Depreciation charge for right-of-use assets	28	27
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 2021 were €34 million (lease repayments of €28 million, interest of €4 million and other lease costs of €2 million), 2020 €33 million (lease repayments of €27 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

Eneco has entered into a rental contract for a new office building for a German subsidiary from mid-2022 to the end of 2032. The total lease liability for this contract is some €27 million.

Other 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	Software and software licences	Concessions, permits, trade names and other rights	Development expenditure	Total
Cost						
At 1 January 2020	**537**	**594**	**138**	**179**	**17**	**1,465**
Investments	-	2	29	-	2	33
Acquisitions	-	175	-	-	-	175
Disposals	-	-2	-6	-4	-	-12
Disposal of group companies	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Reclassification other	-	4	-1	-	-2	1
At 31 December 2020	**537**	**773**	**160**	**175**	**17**	**1,662**
Investments	-	1	32	-	2	35
Acquisitions	5	17	-	2	-	24
Disposals	-	1	-7	-2	-	-8
Disposal of group companies	-	-	-2	-	-	-2
Translation differences	1	-	-	-	-	1
Reclassification other	-1	-	-1	-1	-	-3
At 31 December 2021	**542**	**792**	**182**	**174**	**19**	**1,709**
Accumulated amortisation and impairment						
At 1 January 2020	**-**	**280**	**90**	**45**	**5**	**420**
Annual amortisation and impairment	-	60	24	8	2	94
Disposals	-	-1	-6	-	-	-7
Disposal of group companies	-	-	-	-	-	-
Reclassification other	-	-	-	-	-	-
At 31 December 2020	**-**	**339**	**108**	**53**	**7**	**507**
Annual amortisation and impairment	-	61	18	9	3	91
Disposals	-	-	-7	-	-	-7
Disposal of group companies	-	-	-2	-	-	-2
Reclassification other	-	-	1	-2	-	-1
At 31 December 2021	**-**	**400**	**118**	**60**	**10**	**588**
Carrying amount						
At 1 January 2020	537	314	48	134	12	1,045
At 31 December 2020	537	434	52	122	10	1,155
At 31 December 2021	**542**	**392**	**64**	**114**	**9**	**1,121**

Goodwill

Goodwill was €542 million at 31 December 2021 (31 December 2020: €537 million) and consisted mainly of €145 million of goodwill relating to the group of cash-generating units in the Netherlands, €212 million relating to the group of cash-generating units in Belgium, €159 million relating to the group of cash-generating units in Germany and €18 million relating to the group of cash-generating units in the United Kingdom.

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 2022–2026, for which, where applicable, changes were made based on planned investments 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 3.1% - 9.8% (in 2020: 4.5% - 6.5% 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 point 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. In 2021 Eneco acquired the business customer contracts of Essent Energie Verkoop Nederland B.V. (renamed Eneco Midzakelijk B.V.) (see note 15 'Business combinations and other changes in the consolidation structure') and the retail customer contracts of Welkom Energie B.V.

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 €231 million at 31 December 2021 (2020: €153 million), €152 million of which (2020: €129 million) related to green certificates and emission rights and the remainder to other inventories.

15. Business combinations and other changes in the consolidation structure

Acquisition of additional 25% interest in the Norther N.V. wind farm
On 31 May 2021, Eneco acquired the remaining 50% of the issued share capital of Boreas Wind Offshore N.V. from Mitsubishi Corporation and so obtained control of this entity. This is a related party transaction which was concluded on arm's length term and conditions. As a result of this transaction, Eneco increased its interest in the Norther N.V. wind farm from 25% to 50%. Eneco's interest in Norther N.V. continues to be classified as joint venture under IFRS 11 'Joint Arrangements' and recognised using the equity method. This acquisition has been accounted for as an 'asset acquisition' and is not considered a 'business combination' as referred to in IFRS 3, because the acquired assets and liabilities assumed do not meet the IFRS definition of a 'business'. A premium resulting from this acquisition has been included in the net equity value of the joint venture. See note 16 'Associates and joint ventures'.

Acquisition of Essent Energie Verkoop Nederland B.V.
On 1 October 2021, Eneco completed the purchase of a 100% holding in Essent Energie Verkoop Nederland B.V. (name changed to Eneco Midzakelijk B.V. - 'EMZ') after reaching agreement on the proposed acquisition with the works councils of both companies and after receiving the approval of the Dutch competition authorities. The operations of EMZ, based in Eindhoven, comprise sales and supply activities in the Netherlands to medium-sized business-to-business ('B2B') companies.

The purchase price for EMZ was some €20 million in cash. This acquisition does not involve a variable portion of the purchase price (earn out) or deferred payment. Due to the short period between the transaction and the reporting date, the assessment of the fair value of the identified assets and liabilities had not been finalised on the reporting date. This assessment may have a limited effect on the allocation of the purchase price to these assets and liabilities. Consequently, the acquisition has been recognised provisionally in the financial statements 2021. The goodwill arising from this business combination was justified mainly by the strategic alliance that will arise with Eneco's existing B2B activities in the Netherlands. The goodwill is not tax deductible.

The assets and liabilities were recognised at fair value on the acquisition date. The assets comprise some €17 million of intangible assets (consisting of customer contracts), some €12 million of trade and other receivables and some €4 million of cash and cash equivalents. The liabilities comprise some €12 million of current liabilities (including some €10 million of taxes payable, mainly energy tax and VAT, and social security charges), including trade creditors. The fair value of the trade and other receivables acquired was some €12 million of which €1 million was assessed as uncollectible at the acquisition date.

The costs related to this transaction were some €0,4 million (recognised in the income statement as 'Cost of contracted work and other external costs'). Between the acquisition date and the reporting date, EMZ contributed some €21 million to the Group's revenues and a profit after tax of about €1 million.

Had this acquisition taken place on 1 January 2021, the Group's revenues for the full year would have been some €5.2 billion. The impact on the net result is not material.

Acquisition of Nordgröön Energie GmbH
On 17 December 2021, Eneco completed the purchase of a 100% holding in Nordgröön Energie GmbH after receiving the approval of the German competition authorities. Nordgröön offers services in energy optimisation, synchronisation and integration of renewable energy sources in Germany. This acquisition has no material impact on the financial statements 2021 and so is not disclosed further. The main acquired asset will be customer relationships. Due to the short period between the transaction and the reporting date, the assessment of the fair value of the identified assets and liabilities had not been finalised on the reporting date. Consequently, this acquisition has been recognised provisionally in the financial statements 2021.

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 2021	At 31 December 2020
Interest in Greenchoice (30%)	Associate	66	58
Interest in Norther wind farm (2021: 50%, 2020: 25%)	Joint venture	139	15
Other associates		9	25
Other joint ventures		7	11
Total		**221**	**109**

During 2021 the Group has sold its 25% interest in GreenFlux Assets B.V. and its 35% interest in Next Kraftwerke GmbH (both 'Other associates').

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 2020	At 31 December 2019
Non-current assets	195	162
Current assets	224	241
Non-current liabilities	76	80
Current liabilities	226	204
Net assets (100%)	**117**	**119**
Eneco's share of net assets	35	36
Carrying amount of interest in Greenchoice (incl. acquired goodwill)	**58**	**58**

Profit or loss information (based on most recent available information)	2020	2019
Revenues (100%)	520	569
Profit after income tax (100%)	-5	7
Total other comprehensive income (100%)	-	-
Total comprehensive income (100%)	-5	7
Group's share of total comprehensive income (30%)	**-2**	**2**

Norther

Balance sheet information	At 31 December 2021[1]	At 31 December 2020[1]
Non-current assets	954	1,000
Current assets	165	168
- of which cash and cash equivalents	131	127
Non-current liabilities	922	990
- of which non-current financial liabilities (excluding trade creditors, other obligations and provisions	829	945
Current liabilities	122	120
- of which current financial liabilities (excl. trade creditors, other liabilities and provisions)	63	60
Net assets (100%)	**75**	**58**
Eneco's share of net assets	37	15
Carrying amount of interest in Norther (incl. acquired premium)	**139**	**15**

1 By applying IAS 28.34, the November figures are included (one month delay).

Profit or loss information	2021	2020
Revenues (100%)	163	178
Depreciation, amortisation and impairment (100%)	52	47
Financial income (100%)	1	-
Financial expenses (100%)	28	30
Tax charge or gain (100%)	12	20
Profit after income tax (100%)	46	55
Total other comprehensive income (100%)	23	-17
Total comprehensive income (100%)	69	38
Group's share of total comprehensive income (to May 2021: 25%; from June 2021: 50%; 2020: 25%)	**17**	**9**

Total comprehensive income (the Group's share) for the other associates was €3 million negative (2020: €2 million negative) and for the other joint ventures €0 million (2020: €2 million positive).

17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

	Assets		Liabilities	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Property, plant and equipment	-	-	158	156
Intangible assets	16	17	96	108
Cash flow hedges	88	16	4	5
Loss carry forwards	16	16	-	-
Losses at non-resident participating interests	-	-	11	12
Provisions	9	7	-	-
Effect of previously adopted IFRS standards[1]	2	3	10	6
Tax liabilities (assets) before set-off	**131**	**59**	**279**	**287**
Set-off of tax	-110	-39	-110	-39
Total	**21**	**20**	**169**	**248**

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 2021 were as follows:

	Net balance at 1 January 2021	Recognised in profit or loss[1]	Recognised in other comprehensive income	Other (including business combinations)	Net balance at 31 December 2021	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-156	1	-	-3	-158	-	-158
Intangible assets	-91	10	-	1	-80	16	-96
Cash flow hedges	11	-	72	1	84	88	-4
Loss carry forwards	16	-	-	-	16	16	-
Losses at non-resident participating interests	-12	1	-	-	-11	-	-11
Provisions	7	2	-	-	9	9	-
Effect of previously adopted IFRS standards	-3	-5	-	-	-8	2	-10
Tax liabilities (assets) before set-off	**-228**	**9**	**72**	**-1**	**-148**	**131**	**-279**
Set-off of tax						-110	110
Total	**-228**					**21**	**-169**

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 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 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'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2021:

Expiry periods for differences available for relief	In years
Property, plant and equipment	1 - 45
Intangible 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 €7 million (31 December 2020: €12 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 these losses can be carried forward indefinitely (2020: €4 million indefinitely and €8 million 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 2021	At 31 December 2020
Currency swap contracts	-	2
Energy commodity contracts	2,487	330
CO_2 emission rights	19	9
Total	**2,506**	**341**
Classification		
Current	1,906	256
Non-current	600	85
Total	**2,506**	**341**

Financial liabilities	At 31 December 2021	At 31 December 2020
Interest rate swap contracts	24	38
Currency swap contracts	9	4
Energy commodity contracts	2,775	385
CO_2 emission rights	14	3
Total	**2,822**	**430**
Classification		
Current	1,980	284
Non-current	842	146
Total	**2,822**	**430**

The fair value of the energy commodity contracts increased by some €2.2 billion regarding the derivative assets and some €2.4 billion regarding the derivative liabilities. This increase is mainly the result of the increase of the average market price for electricity and gas.

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 2021	At 31 December 2020
Currency swap contracts	–	2
Energy commodity contracts	2,487	310
CO_2 emission rights	19	9
Total	**2,506**	**321**
Classification		
Current	1,906	254
Non-current	600	67
Total	**2,506**	**321**

Financial liabilities	At 31 December 2021	At 31 December 2020
Currency swap contracts	4	4
Energy commodity contracts	2,460	327
CO_2 emission rights	14	3
Total	**2,478**	**334**
Classification		
Current	1,934	280
Non-current	544	54
Total	**2,478**	**334**

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 2021	At 31 December 2020
Energy commodity contracts	–	20
Total	**–**	**20**
Classification		
Current	–	2
Non-current	–	18
Total	**–**	**20**

Financial liabilities	At 31 December 2021	At 31 December 2020
Interest rate swap contracts	24	38
Currency swap contracts	5	–
Energy commodity contracts	315	58
Total	**344**	**96**
Classification		
Current	46	4
Non-current	298	92
Total	**344**	**96**

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 2021	Level 1	Level 2	Level 3	Total
Assets				
Energy commodity contracts and CO_2 emission rights	186	2,312	8	2,506
Interest rate and currency swap contracts	-	-	-	-
	186	**2,312**	**8**	**2,506**
Liabilities				
Energy commodity contracts and CO_2 emission rights	375	2,123	291	2,789
Interest rate and currency swap contracts	-	33	-	33
	375	**2,156**	**291**	**2,822**

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**

The level 3 derivative financial instruments are mainly contracts for hedging purposes of future market prices relating to wind farms that have a limited subsidy or are unsubsidised. As Eneco has hedged the variable market price against the fixed contract price of these contracts, future cash flows or income will be compensated by higher future electricity sale proceeds. The measurement of these contracts reflect the market value in the current market environment.

The fair value of the level 3 derivative contracts 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 unobservable information 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. 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.

The models present long-term scenarios for electricity 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 contracts is measured using the expected trends in the energy price included in these scenarios and volatility in case the contracts have option characteristics. To a limited extent, covariance (the price in periods when wind farms generate more power, e.g. autumn, may be lower because wind conditions are favourable) is included in the measurement.

The valuation techniques, main assumptions and sensitivity analysis are shown below.

Instrument	Valuation technique	Significant unobservable input	Sensitivity of the input on fair value
Forward electricity contract	Discounted cash flow method	Average price €73 per MWh for the measurement period	A 5% increase or decrease would result in a change in fair value of €25 million
Option contract	Option pricing model	Average price €81 per MWh for the measurement period	A 5% increase or decrease would result in a change in fair value of €15 million
		Volatility	A 10% increase or decrease would result in a change in fair value of €7 million

The movements in the level 3 derivative financial instruments are set out below.

Changes in fair value of level 3 energy commodity contracts and CO_2 emission rights	2021	2020
At 1 January	**-35**	**19**
Included in income statement	-7	14
Included in statement of comprehensive income	-251	-20
Purchases	10	6
Sales and settlements	-	-54
At 31 December	**-283**	**-35**
Classification at 31 December		
Financial assets	8	9
Financial liabilities	-291	-44
Total	**-283**	**-35**

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 2021	At 31 December 2020
Expected cash flow		
Within 1 year	-48	-5
From 1 to 5 years	-100	-8
After 5 years	-161	-29
Total	**-309**	**-42**

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 2021	At 31 December 2020
Expected recognition in result after tax		
Within 1 year	-34	-2
From 1 to 5 years	-74	-19
After 5 years	-120	-18
Total	**-228**	**-39**

19. Other financial assets

	At 31 December 2021	At 31 December 2020
Loans	4	4
Other capital interests	3	3
Other assets and prepayments	60	62
Contract acquisition costs	31	28
Total	**98**	**97**

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

20. Assets/liabilities held for sale

During 2021, Eneco sold assets and liabilities held for sale and recognised an impairment of €4 million on the remaining assets held for sale.

21. Trade receivables

The table below shows the trade receivables:

	At 31 December 2021	At 31 December 2020
Energy receivables	880	571
Amounts to be invoiced	348	97
Other trade receivables	96	59
Less: Loss allowance	-64	-69
Total	**1,260**	**658**

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

	At 31 December 2021			At 31 December 2020		
	Percentage for loss allowance	Nominal receivables	Loss allowance	Percentage for loss allowance	Nominal receivables	Loss allowance
Not past due	1%	1,094	10	0%	483	2
After due date						
- under 3 months	5%	135	7	9%	134	12
- 3 to 6 months	27%	15	4	28%	18	5
- 6 to 12 months	30%	23	7	32%	31	10
- over 12 months	63%	57	36	66%	61	40
Nominal value		**1,324**	**64**		**727**	**69**
Less: Loss allowance		-64			-69	
Total		**1,260**			**658**	

The table below shows the movements in loss allowance:

	2021	2020
At 1 January	**69**	**73**
Additions through profit or loss	18	23
Withdrawals	-23	-20
Other movements	-	-7
At 31 December	**64**	**69**

22. Other receivables

	At 31 December 2021	At 31 December 2020
Contract acquisition costs	31	28
Prepayments and accrued income	97	112
Margin calls	381	-
Other receivables	34	15
Total	**543**	**155**

The movements in contract acquisition costs were as follows:

	2021	2020
At 1 January	**56**	**48**
Acquisitions	-	4
Capitalisation	48	41
Amortisation	-42	-37
At 31 December	**62**	**56**
Classification at 31 December		
Current	31	28
Non-current (see note 19)	31	28
Total	**62**	**56**

Amortisation of contract acquisition costs has been recognised in the result for €42 million in 'Purchases of energy and energy related activities' (2020: €37 million).

23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €654 million at 31 December 2021 (31 December 2020: €557 million). Term deposits and blocked accounts, which are not at the free disposal of the Group, were €103 million at 31 December 2021 (31 December 2020: €61 million).

24. Equity

	At 31 December 2021	At 31 December 2020
Share capital	122	122
Translation reserve	-8	-13
Cash flow hedge reserve	-247	-52
Retained earnings	2,838	2,768
Undistributed result for the financial year	209	117
Equity attributable to shareholder of N.V. Eneco	**2,914**	**2,942**
Non-controlling interests	7	6
Total equity	**2,921**	**2,948**

Share capital
N.V. Eneco’s authorised share capital is €341.25 million divided into 750,000 shares with a nominal value of €455 each. At 31 December 2021, 267,458 shares had been issued and fully paid. There were no changes in 2021. N.V. Eneco has only issued ordinary shares.

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 sterling forward or swap contracts and borrowings 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 forward contracts and borrowings are recognised in the translation reserve. Note 31.2 'Market risk' provides further information on net investment hedge in a foreign operation, including a statement of the movements in 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 in 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 contracts agreed with other market parties in order to mitigate market price risks of Eneco energy positions. This reserve also recognises the effective portion of hedging with interest rate swap and currency contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders. Note 31.2 'Market risk' 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 2020			
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 1 January 2021	**6**	**6**	**12**
Addition	1	2	3
Withdrawals	-1	-2	-3
Reclassification	-	-	-
Release	-	-2	-2
Other	-	-	-
At 31 December 2021	**6**	**4**	**10**
Classification at 31 December 2021			
Current	-	4	4
Non-current	6	-	6
At 31 December 2021	**6**	**4**	**10**

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 €3 million (31 December 2020: €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 2021	At 31 December 2020
Long-service benefits (NL)		
Discount rate at reporting date	0.79%	0.30%
Future salary increases	1.00%-1.50%	0.90%-1.50%
Mortality table	GBM & GBV 2015-2020	GBM & GBV 2014-2019
Pension liabilities (BE)		
Discount rate at reporting date	0.80%	0.35%
Future salary increases	1.5%/scale +0.5% 1.5%/scale +2.0%	1.5%/scale +1% 1.5%/scale +2%
Mortality table	MR-5/FR-5 IABE 2015	MR-5/FR-5 IABE 2015

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 2020					
Current	-	-	1	1	2
Non-current	125	-	2	13	140
At 1 January 2020	**125**	**-**	**3**	**14**	**142**
Addition	19	-	3	1	23
Withdrawals	-	-	-2	-2	-4
Release	-5	-	-2	-4	-11
Adjustment for change in inflation and discount rate	-9	-	-	-	-9
Other	2	-	-	-1	1
At 31 December 2020	**132**	**-**	**2**	**8**	**142**
Classification at 31 December 2020					
Current	-	-	1	1	2
Non-current	132	-	1	7	140
At 31 December 2020	**132**	**-**	**2**	**8**	**142**
Addition	24	-	-	1	25
Withdrawals	-2	-	-1	-4	-7
Release	-3	-	-	-3	-6
Adjustment for change in inflation and discount rate	30	-	-	-	30
Other	1	-	1	-	2
At 31 December 2021	**182**	**-**	**2**	**2**	**186**
Classification at 31 December 2021					
Current	-	-	1	-	1
Non-current	182	-	1	2	185
At 31 December 2021	**182**	**-**	**2**	**2**	**186**

Decommissioning

The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten but within thirty 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 in a range of 1.7% to 1.8% (2020: 0.2%). The amounts estimated for decommissioning are inherently uncertain since it is expected that some assets will not be dismantled for several years and only limited historical data is available. During 2021 no interest was added to the provisions (2020: in a range of 0.1% to 0.8%).

27. Interest-bearing debt

At 31 December 2021, the Group's interest-bearing debt related largely to financing wind farms and general financing.

	At 31 December 2021	At 31 December 2020
Non-recourse (mainly financing wind farms and solar projects)	456	438
Other loans and liabilities	736	161
Total	**1,192**	**599**

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

	At 31 December 2021	At 31 December 2020
Classification		
Current	783	32
Non-current	409	567
Total	**1,192**	**599**

The increase of €751 million in current interest-bearing debt related mainly to drawing financing from short-term facilities to improve liquidity and a reclassification from non-current interest-bearing debt of repayments due in 2022. See note 30 'Related party transactions' and note 31.3 'Liquidity risk' ('Uncommitted credit and guarantee facilities'). The decrease in non-current interest-bearing debt of €158 million related mainly to reclassification as current interest-bearing debt of a regular repayment in 2022 and an early repayment made in 2021 rather than 2022.

Project-specific collateral has been provided for the interest-bearing debt for financing wind and solar farms, in the form of mortgages, and pledges of shares in the legal entities, of bank balances, of accounts receivable and of energy purchase contracts and/or grant contracts. The outstanding principal on these loans at 31 December 2021 was €456 million (31 December 2020: €438 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 2021 was €567 million (31 December 2020: €81 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 2021 was 2.0% (2020: 1.8%). 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 2021 was €1,226 million (31 December 2020: €584 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 2021	At 31 December 2020
Trade and energy creditors	1,271	783
Contributions received for connections and other long-term contract liabilities[1]	163	145
Accruals	383	310
Margin calls[1]	195	3
Pension contributions	3	2
Other payables[1]	300	412
Total	**2,315**	**1,655**
Classification		
Current	2,133	1,488
Non-current	182	167
Total	**2,315**	**1,655**

1 2020 amount restated for comparative purposes.

Contributions received for connections are considered contract liabilities for amounts paid by customers towards connections to district heating networks. 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 and other long-term contract liabilities:

	2021	2020
At 1 January	145	125
Addition to contributions for connections	19	19
Release of contributions for connections as other revenues	-3	-3
Addition to other long-term contract liabilities	1	5
Other	1	-1
At 31 December	**163**	**145**
Classification at 31 December		
Current	5	4
Non-current	158	141
Total	**163**	**145**

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

29. Commitments, contingent assets and liabilities

Commitments, contingent assets and liabilities (except for 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:

	2021	2020
Within 1 year	18	18
From 1 to 2 years	16	16
From 2 to 3 years	13	14
From 3 to 4 years	11	12
From 4 to 5 years	10	11
After 5 years	44	50
Total	**112**	**121**

Energy purchase and sale commitments
As a result of managing the purchase position of the trading department, the energy purchase and sale commitments are disclosed on a net basis which is aligned from 2021 with the related accounting policies for recognition in the income statement. Furthermore, Eneco is only disclosing the energy sale commitments (and related energy purchase commitments) for long-term contracts (with an original expected duration of more than 12 months). The comparative figures at 31 December 2020 have been restated accordingly.

The Group has energy purchase commitments of €13.7 billion (31 December 2020: €9.0 billion) under contracts relating to 2022 and later years. €2.5 billion falls due within 1 year (31 December 2020: €1.1 billion), €5.6 billion between 1 and 5 years (31 December 2020: €3.2 billion) and €5.6 billion after 5 years (31 December 2020: €4.7 billion). The energy purchase commitments comprise energy contracts for the company's own use (pursuant to IFRS 9) with various energy generators. There are energy sale commitments relating largely to the business market of €6.0 billion (31 December 2020: €4.6 billion) for 2022 and later years. €3.1 billion falls due within 1 year (31 December 2020: €2.1 billion), €2.7 billion between 1 and 5 years (31 December 2020: €2.4 billion) and €0.2 billion after 5 years (31 December 2020: €0.1 billion).

The Group has commitments of €0.9 billion (31 December 2020: €0.6 billion) for the purchase of heat until 2045. The expected perpetual annual commitments for the sale of heat are €0.3 billion per year (31 December 2020: €0.3 billion).

Investment obligations
At 31 December 2021, the Group had entered into investment obligations with a total amount of €0.5 billion (31 December 2020: €0.5 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 €12 million (31 December 2020: €14 million), of which €2 million falls due within 1 year (31 December 2020: €2 million), €3 million between 1 and 5 years (31 December 2020: €5 million) and €7 million after 5 years (31 December 2020: €7 million).

Other (contingent) obligations
At 31 December 2021, there were other contractual obligations of €0.6 billion (31 December 2020: €0.6 billion), mainly under maintenance contracts.

Guarantees
The Group has issued several guarantees to third parties on which the possibility of any outflow of resources for settlement has been assessed as is remote (31 December 2020: €0.4 billion,

representing the total amount of these contingent liabilities, including €0.2 billion issued by N.V. Eneco Beheer).

Fiscal unity
N.V. Eneco heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries and N.V. Eneco is a member of a fiscal unity for VAT purposes which includes almost all of its Dutch subsidiaries.

LichtBlick Holding GmbH heads a fiscal unity for corporate income tax purposes which includes almost all of its German subsidiaries. LichtBlick Holding GmbH also heads a fiscal unity for VAT purposes which includes almost all of its German subsidiaries. Nordgröön Energie GmbH heads a fiscal unity for VAT purposes which includes GPNG Utility Services GmbH.

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 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 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 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 and related companies.

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

- all liability, claims and costs suffered or to be suffered by N.V. Eneco and its associated companies, if and to the extent that such liability, claims and costs relate to the activities

1 The Energy Company comprises: N.V. Eneco and all its subsidiaries and other investments.

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 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.

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 its associates and joint ventures of some €10 million (2020: €10 million).

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

	Sales		Purchases	
	2021	2020	2021	2020
Associates	1	1	3	2
Joint ventures	1	5	20	36

	Receivables		Liabilities	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Associates	6	5	1	-
Joint ventures	2	1	3	3

See note 6 'Remuneration of the Management Board and Supervisory Board' for the remuneration of Management Board and Supervisory Board. In 2020 and 2021, four members of the Supervisory Board voluntarily waived their remuneration entitlements representing a departure from 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.

As explained in note 15 'Business combinations and other changes in the consolidation structure', in 2021 Eneco acquired an additional interest of 25% in the Norther N.V. wind farm by purchasing the remaining 50% of the issued share capital of Boreas Wind Offshore N.V. from Mitsubishi Corporation (the ultimate parent of N.V. Eneco). The purchase price was €0.1 billion (rounded).

In 2021, the Group has agreed a loan facility of €1 billion with Mitsubishi Corporation Finance Plc. An amount of €200 million had been drawn at 31 December 2021.

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.

As a result of various external factors, including lower than normal gas buffers in combination with increased geopolitical tensions, there was considerable volatility in price levels for electricity, gas and emission rights during the year. High volatility increases the risks referred to in this section. In response, the Group has intensified the risk control measures described below and is monitoring developments very closely and actively managing the business and commodity portfolio (including on the basis of scenarios).

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 are in place 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 endorsed 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 Commodity Risk Team and Investment Risk Team are in charge of the formulation and application of the Group's financial 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. 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. 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.

In the second half of 2021, credit risk increased as a consequence of higher electricity and gas prices. This resulted in an increase in (gross) trade receivables amount at 31 December 2021. The impact of the increased credit risk has been reviewed and relates mainly to the not past due trade receivables.

The expected credit losses on trade receivables at 31 December 2021 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.

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 managed through:

- 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 an offset or exchange of physical positions;
- requiring additional guarantees from counterparties, such as bank guarantees; and
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for exchange-traded 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.) and the EEX (European Energy Exchange A.G.). 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 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 (see note 31.3 '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. 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 sensitivity assessment measures. Appropriate limits are determined for each business activity. The risk managers and energy traders are notified of the relevant measures each day. 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 Group'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 Group'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.

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 sensitivity analysis of electricity and gas derivative financial instruments is based on volumes and market prices at year end. Changes in fair value that are recognised in the income statement arise mainly from movements in the electricity and gas prices. An increase or decrease in the market prices of electricity and gas by 5% would change the profit before income tax by €1.9 million (2020: €0.5 million). The electricity price is the main factor driving changes in fair value recognised in other comprehensive income. An increase or decrease in the market price of electricity by 5% would change other comprehensive income by €42.5 million (2020: €20.8 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 2021 and 2020 were:

Cash flow hedges (GWh)	12 months or less	More than 12 months	Total	Average rate per MWh (€)
Nominal size of contracts				
2021	-366	-12,594	-12,960	40.93
2020	-	-12,959	-12,959	41.09

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 2021 and 2020 were:

Cash flow hedges for price risks in energy generation, purchasing and delivery portfolios	2021	2020
At 31 December		
Gross contract value of the derivative financial instruments (often settled net compared with market price)	-530	-532
Carrying amount of derivative financial instruments[1]	-315	-38
Movements in elements for assessing hedging relationships[2]		
Movement in fair value of derivative financial instruments presented in the balance sheet	-277	-61
Movement in fair value of derivative financial instruments that do not affect the hedge reserve (sales, purchases or other transactions)	0	29
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-277	-32
Hedge ineffectiveness in the cash flow hedges	7	4
Movement in fair value of hedged risks to determine possible ineffectiveness	270	28

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.
2 2020 amounts restated for comparative purposes.

Unforeseen 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.

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 sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2021 was €0.8 million (after application of net investment hedge accounting) (2020: €0.7 million).

The sizes and rates of the hedged risks in the cash flow hedges at 31 December 2021 and 2020 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				
2021	2	34	36	0.96
2020	8	35	43	0.95

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 2021 and 2020 were:

Cash flow hedges for currency risk x €1 million	2021	2020
At 31 December		
Nominal value of derivative financial instruments (x £1 million)	36	43
Carrying amount of derivative financial instruments[1]	-2	-
Movements in elements for assessing hedging relationships[2]		
Movement in fair value of derivative financial instruments presented in the balance sheet	-2	-1
Movement in fair value of derivative financial instruments that do not affect the hedge reserve (sales, purchases or other transactions)	-	1
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-2	-
Hedge ineffectiveness in the cash flow hedges	-	-
Movement in fair value of hedged risks to determine possible ineffectiveness	2	-

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.
2 2020 amounts restated for comparative purposes.

The sizes and rates of the hedged risks for a net investment in a foreign operation were as follows at 31 December 2021 and 2020:

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				
2021	210	-	210	0.85
2020	122	100	222	0.90

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 2021 and 2020:

Hedge of net investment in a foreign operation x €1 million	2021	2020
At 31 December		
Nominal value of derivative financial instruments (x £1 million)	210	222
Carrying amount of derivative financial instruments[1]	-3	-111
Movements in elements for assessing hedging relationships[2]		
Movement in fair value of derivative financial instruments presented in the balance sheet	108	10
Movement in fair value of derivative financial instruments that do not affect the hedge reserve (sales, purchases or other transactions)	-126	2
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	-18	12
Hedge ineffectiveness in the cash flow hedges	-	-
Movement in fair value of hedged risks to determine possible ineffectiveness	18	-12

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.
2 2020 amounts restated for comparative purposes.

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 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 a primary steering mechanism.

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). 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 income tax of €2.5 million (after application of cash flow hedge accounting using interest rate swaps) (2020: €0.3 million).

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 2021 and 2020 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				
2021	28	311	339	1.07%
2020	17	489	506	0.96%

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 2021 and 2020 were:

Cash flow hedges for interest rate risk	2021	2020
At 31 December		
Nominal value of derivative financial instruments	339	506
Carrying amount of derivative financial instruments[1]	-24	-38
Movements in elements for assessing hedging relationships[2]		
Movement in fair value of derivative financial instruments presented in the balance sheet	14	-8
Movement in fair value of derivative financial instruments that do not affect the hedge reserve (sales, purchases or other transactions)	-3	-6
Movement in fair value of derivative financial instruments to determine possible ineffectiveness	11	-14
Reversal of hedge ineffectiveness of cash flow hedges (2020 hedge ineffectiveness)	3	2
Movement in fair value of hedged risks to determine possible ineffectiveness	-14	12

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.
2 2020 amounts restated for comparative purposes.

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 2021 and 2020 were:

	Energy commodities	Interest rate swap contracts	Currency swap contracts	Total
At 1 January 2020	**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**
Movements in derivatives	-277	11	-2	-268
Reclassification of cash flow hedge reserve to the consolidated income statement	-	6	-	6
Deferred tax liabilities	70	-4	1	67
Ineffective portion of cash flow hedges recognised in income statement	7	-3	-	4
Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income	**-200**	**10**	**-1**	**-191**
Share of movements in cash flow hedges of associates and joint ventures, after tax	-	-4	-	-4
At 31 December 2021	**-208**	**-37**	**-2**	**-247**

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:

	2021	2020
At 1 January	**-13**	**-4**
Translation gains and losses during the reporting period	18	-18
Movement in hedge of net investment in a foreign operation	-18	12
Movement in translation reserve before tax effects	**-13**	**-10**
Tax effects in the movement in translation reserve	5	-3
At 31 December	**-8**	**-13**

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.

The Group uses both corporate financing and non- or limited-recourse project financing to fund its sustainable assets, according to the project characteristics and financing costs and conditions. In addition to its own power 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.

Great importance is attached to managing all the above risks to avoid a position in which the financial obligations cannot be met. 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, as well as the periodicity of the cash flows, also allowing for sensitivity to weather influences. The Treasury department sets this capital requirements against available funds. A report is submitted to the Management Board every month.

Uncommitted credit and guarantee facilities

Uncommitted credit and guarantee facilities totalling €1,549 million (2020: €539 million) have been agreed with a number of banks and Mitsubishi Corporation Finance Plc.; €293 million of this had been drawn at 31 December 2021 (31 December 2020: €90 million). Eneco also has a €750 million Euro Commercial Paper programme of which €450 million had been drawn at year end (31 December 2020: €0 million).

Committed credit facilities

On 22 June 2021, N.V. Eneco entered into two new Revolving Credit Facilities totalling €800 million. Both facilities have a term of 5 years. These facilities replace the Revolving Credit Facility of €600 million with a term of 5 years that Eneco agreed in July 2017. In June 2020, N.V. Eneco 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 2021	Within 1 year	From 1 to 5 years	After 5 years	Total
Derivative financial instruments	591	322	163	1,076
Lease obligations	32	103	140	275
Interest-bearing debt	792	207	255	1,254
Trade and other payables	1,733	15	-	1,748
Total	**3,148**	**647**	**558**	**4,353**

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**

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 2021	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets/liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet
Assets			
Derivative financial instruments	13,348	10,842	2,506
Other financial instruments	1,051	582	469
Total	**14,399**	**11,424**	**2,975**

At 31 December 2021	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets/liabilities offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet
Liabilities			
Derivative financial instruments	13,664	10,842	2,822
Other financial instruments	1,517	582	935
Total	**15,181**	**11,424**	**3,757**

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

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 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 2021 it was 29.6% (31 December 2020: 46.9%).

The decrease was mainly due to the 57% increase in total assets including some 35% caused by the increase in the carrying amount of commodity derivative contracts due to changes in electricity and gas prices. This decrease in the equity/total assets ratio does not affect the bank covenants.

33. Events after the reporting date

The European Union, United States, United Kingdom and others have imposed sanctions on Russia since 23 February 2022 as a result of the conflict between Russia and Ukraine. Those sanctions aim to restrict Russia's access to the international financial system and markets, block trading transactions with Russia and sanction certain persons and Russian banks.

The sanctions in place at the time these financial statements were finalised do not, however, affect Eneco's gas trading or payments in relation to Russia and up to now the gas supply from Russia to Europe has not been interrupted to date.

The vast majority (85-90%) of the gas that Eneco purchases through direct contracts is bought from non-Russian gas suppliers. In 2010, Eneco entered into a long-term contract with Wingas that expires in 2030. At the time, Wingas was a joint venture between a German company Wintershall and the Russian company Gazprom and it is now wholly-owned by Gazprom. Eneco also has a number of short-term contracts with Gazprom Marketing & Trading, a subsidiary of Gazprom established in London. These contracts expire soon. To secure supply to customers, Eneco will stick with existing contracts under current circumstances. If circumstances were to change, Eneco will reconsider options. Eneco will not extend existing or enter into new contracts with Russian gas suppliers.

The sanctions already in place and possible further measures by the European Union, United States, United Kingdom and others and the Russian response may lead to further disruption of the energy markets as a result of a possible suspension of the gas supply from Russia. Market disruption increases Eneco's risk with respect to replacement gas purchases, increased volatility in energy prices and the related margining effects (and higher liquidity requirements) and also increases counterparty risk on market parties. Volatility in energy prices may be reflected when consumers and business customers renew their energy contracts.

In view of the uncertainties and risks arising from the conflict between Russia and Ukraine and the sanctions and possible further measures referred to above, and the Russian response, it was not possible to establish what any possible commercial and financial implications will be for Eneco at the time these financial statements date were prepared.

Further to the situation, Eneco has intensified its risk management. Note 31 'Financial risk management' to the financial statements sets out the risk control measures. Eneco is monitoring developments relating to the conflict very closely and actively managing the business and commodity portfolio (including on the basis of scenarios). Any disruption to gas supplies from Russia can be absorbed in part from Eneco's own stocks of gas and in part from additional deliveries from European gas fields and imported LNG (Liquefied Natural Gas).

Eneco's financial position currently remains solid and additional measures have been taken to mitigate possible future liquidity effects from margin calls. As a result of rising energy prices, positions with counterparties which Eneco's trading department regularly trades with have increased. As part of the risk control measures, on 10 January 2022 Eneco took out credit insurance of €400 million for one year to cover the related credit risks.

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 2021.

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 expenditure, 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	2021	2020
Movements in intangible current assets	-23	2
Movements in inventories	-54	3
Movements in trade debtors	-570	69
Movements in other receivables	-388	9
Movements in non-interest bearing debt	599	-4
Total	**-436**	**79**

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 note 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.*	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 Midzakelijk 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%
Nordgröön Energie GmbH	Medelby (G)	100%
Oxxio Nederland B.V.*	Rotterdam	100%
Spontanae B.V.	Rotterdam	100%
Windpark Nieuwe Waterweg B.V.	Hilversum	100%
WP HZP B.V.	Heerenveen	100%

*A 403 statement was issued by N.V. Eneco 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 N.V.	Gembloers (B)	50%
Rotterdam Shore Power B.V.	Rotterdam	80%

Associates

Name	Seat	Share
Greenchoice B.V.	Rotterdam	30%

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	2021	2020
Share of profit of subsidiaries	184	71
Other results after income tax	25	46
Profit after income tax	**209**	**117**

Company balance sheet

Before profit appropriation

x €1 million	Note	At 31 December 2021	At 31 December 2020
Non-current assets			
Property, plant and equipment		1	1
Intangible assets		2	1
Financial assets	3	3,646	3,633
Total non-current assets		**3,649**	**3,635**
Current assets			
Receivables from group companies		296	286
Other receivables		5	2
Cash and cash equivalents[1]		486	386
Total current assets		**787**	**674**
TOTAL ASSETS		**4,436**	**4,309**
Equity			
Share capital		122	122
Translation reserve		-8	-13
Cash flow hedge reserve		-247	-52
Reserve undistributed profit of participating interests		68	59
Development expenditure reserve		5	7
Retained earnings		2,765	2,702
Undistributed profit		209	117
Total equity	**4**	**2,914**	**2,942**
Non-current liabilities			
Interest-bearing debt		-	161
Other liabilities		3	4
Total non-current liabilities		**3**	**165**
Current liabilities			
Other provisions		-	-
Interest-bearing debt[1]		769	70
Liabilities to group companies		550	958
Liabilities for tax and social security premiums		186	165
Pension premiums		3	2
Other liabilities		11	7
Total current liabilities		**1,519**	**1,202**
TOTAL EQUITY AND LIABILITIES		**4,436**	**4,309**

1 These amounts are part of the consolidated financial statements, where they are disclosed.

Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

1. Accounting policies

In 2021, the name 'N.V. Eneco Beheer' was changed to 'N.V. Eneco'. See note 1.1 ‘General information – Merger’ for details of this name change.

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.

Employee benefit expenses
The average number of FTEs employed by N.V. Eneco are 24 (2020: 30).
The average number of FTEs working abroad are 0 (2020: 0).

3. Financial assets

	Subsidiaries	Receivables from subsidiaries	Other receivables	Derivative financial instruments	Deferred income tax assets	Total
At 1 January 2020	**1,971**	**1,498**	**1**	**-**	**4**	**3,474**
Share of profit of subsidiaries	71	-	-	-	-	71
Dividend received	-	-	-	-	-	-
Movements in loans to subsidiaries	-	144	-1	-	-	143
Movement in cash flow hedges	-33	-	-	-	-	-33
Movements in deferred income tax assets	-	-	-	-	-4	-4
Translation differences	-9	-9	-	-	-	-18
Movement in other receivables	-	-	-	-	-	-
Conversion non-current receivables into capital contribution	24	-24	-	-	-	-
At 31 December 2020	**2,024**	**1,609**	**-**	**-**	**-**	**3,633**
Share of profit of subsidiaries	184	-	-	-	-	184
Dividend received	-12	-	-	-	-	-12
Movements in loans to subsidiaries	-	1	-	-	-	1
Movement in cash flow hedges	-183	-	-	-	-	-183
Movements in deferred income tax assets	-	-	-	-	4	4
Translation differences	8	10	-	-	-	18
Movement in other receivables	-	-	1	-	-	1
Conversion non-current receivables into capital contribution	-	-	-	-	-	-
At 31 December 2021	**2,021**	**1,620**	**1**	**-**	**4**	**3,646**

4. Equity

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

	Paid-up and called-up share capital	Translation reserve	Cash flow hedge reserve	Reserve undistributed profit of participating interests	Development expenses reserve	Retained earnings	Undistri-buted profit	Total
At 1 January 2020	**122**	**-4**	**-21**	**58**	**9**	**2,689**	**79**	**2,932**
Total (other) comprehensive income	**-**	**-9**	**-31**	**-**	**-**	**-**	**117**	**77**
Profit appropriation 2019	-	-	-	-	-	11	-11	-
Cash dividend to shareholder of N.V. Eneco	-	-	-	-	-	-	-68	-68
Movements in the financial year	-	-	-	1	-2	2	-	1
At 31 December 2020	**122**	**-13**	**-52**	**59**	**7**	**2,702**	**117**	**2,942**
Total (other) comprehensive income	**-**	**5**	**-185**	**-**	**-**	**1**	**209**	**30**
Profit appropriation 2020	-	-	-	-	-	59	-59	-
Cash dividend to shareholder of N.V. Eneco	-	-	-	-	-	-	-58	-58
Acquisitions of group companies	-	-	-10	-	-	10	-	-
Movements in the financial year	-		-	9	-2	-7	-	-
At 31 December 2021	**122**	**-8**	**-247**	**68**	**5**	**2,765**	**209**	**2,914**

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. N.V. Eneco's statutory reserves are a translation reserve, cash flow hedge reserve, reserve for undistributed profit of participating interests and a reserve for development expenditure.

The total amount of the undistributed profit of participating interests and development expenditure reserves of €73 million (31 December 2020: €66 million) was deducted in full from Retained earnings.

Distributable results
N.V. Eneco distributed a dividend of €58 million in 2021 (2020: €68 million).

The non-distributable capital at 31 December 2021 was €328 million (31 December 2020: €131 million). For the non-distributable capital, all legal reserves have been added up in absolute numbers.

5. Commitments, contingent assets and liabilities

Liability
N.V. Eneco 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 principal subsidiaries, joint operations, joint ventures and associates'.

Fiscal unity

N.V. Eneco heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries and N.V. Eneco is a member of a fiscal unity for VAT purposes which includes almost all of its Dutch subsidiaries. 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 is jointly and severally liable, with the other participants, for deficits in the pools as a whole.

Guarantees

See note 29 'Commitments, contingent assets and liabilities' to the consolidated financial statements for the guarantees issued by N.V. Eneco.

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 2021
Audit of the financial statements	1,865	-	1,865
Other audit engagements	217	1,014	1,231
Tax consultancy	-	-	-
Other non-audit services	16	134	150
Total	**2,098**	**1,148**	**3,246**

The fee for the audit of N.V. Eneco’s financial statements included audit work on its consolidated and company financial statements. The above fees relating to the audit of the financial statements 2021 and other audit engagements, 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 2021 profit

The Management Board, with the approval of the Supervisory Board, will propose that the General Meeting of Shareholders on 29 March 2022 declares a dividend to the shareholder of €104.5 million from the profit after tax attributable to the shareholder. This represents a distribution of €390.84 per share for 2021. The dividend will be paid no later than in April 2022. A proposal will also be made to add the remaining €104.5 million of the profit to Retained earnings.

Rotterdam, 11 March 2022

N.V. Eneco

Management Board

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

Supervisory Board

J.M. (Mel) Kroon, chairperson
M. (Michael) Enthoven
J.M. (Annemieke) Roobeek
S. (Satoshi) Hamada
A. (Aiichiro) Matsunaga
G. (Gaku) Yaguchi
H. (Hiroki) Sato

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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 N.V. Eneco

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2021 of N.V. Eneco, based in Rotterdam. The financial statements comprise 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 N.V. Eneco as at 31 December 2021, and of its result and its cash flows for 2021 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 N.V. Eneco as at 31 December 2021, and of its result for 2021 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 31 December 2021.

2. The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, 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 31 December 2021.

2. The company income statement for 2021.

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 N.V. Eneco 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.

Emphasis of Matter – Subsequent Events due to the conflict between Russia and Ukraine

We draw your attention to note 33 'Events after the reporting date' of the financial statements, which describes the uncertainties and risks as a result of the conflict between Russia and Ukraine, the related sanctions against Russia and possible consequences thereof. This situation may lead to further disruption of the energy market as a result of possible suspension of the gas supply from Russia. Market disruption increases Eneco’s risks with respect to replacement of gas purchases, increased price volatility, the related liquidity requirements and counterparty risks. Our opinion is not modified in respect of this matter.

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, including the paragraphs Foreword, Key figures and About Eneco;
- Report of the Supervisory Board;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code; and
- Sustainability Supplements.

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.

Management 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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 a 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, 11 March 2022

Deloitte Accountants B.V.

Was signed,

N.H.M. van Groenendael